Resource
Development
Group

Resource Development Group Limited

ABN 33 149 028 142

Annual Financial Report
30 June 2019

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CORPORATE INFORMATION

ABN 33 149 028 142

Directors

Mr. Andrew Ellison, Managing Director
Mr. Gary Reid, Executive Director
Mr. Ivan Ruefli, Executive Director

Company secretary

Mr. Michael Kenyon

Registered office

Level 1, 46 Edward Street
OSBORNE PARK WA 6017
Telephone: +61 8 9443 2928
Facsimile: +61 8 9443 2926

Principal place of business

Level 1, 46 Edward Street
OSBORNE PARK WA 6017
Telephone: +61 8 9443 2928
Facsimile: +61 8 9443 2926
Website: www.resdevgroup.com.au

Share registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: +61 8 9315 2333
Facsimile: +61 8 9315 2233

Solicitors

Steinepreis Paganin Lawyers & Consultants
Level 4, The Read Building
16 Milligan Street
PERTH WA 6000

Bankers

ANZ Banking Group Limited
Level 10, 77 St Georges Terrace
PERTH WA 6000

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
PERTH WA 6000

Securities exchange listing

Resource Development Group Limited shares are listed
on the Australian Securities Exchange (ASX: RDG)

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity (or "Group") consisting of Resource Development Group Limited ("Company" or "RDG") and the entities it controlled during the period for the year ended 30 June 2019. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office throughout the period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Mr Andrew Ellison (Managing Director)

Mr Ellison is a highly experienced contractor with a successful track record in delivering business growth. Mr Ellison is responsible for strategic business development, development of new capabilities and services, identification of new territories and markets and key client relationship management. He has over 30 years' experience in maintenance and construction contracting across Australia and West Africa including civil and concrete, commercial building, structural mechanical and piping, tanks and electrical services.

In the three years immediately before the end of the financial year Mr Ellison has not served as a director of any other listed companies.

Mr Andrew Haslam (Chairman, Non-Executive Director) (appointed 12 March 2019; resigned 12 August 2019)

Mr Haslam is a mining professional with over 30 years of operational and senior executive experience in the Australian mining industry. He was previously Managing Director of ASX-listed Vital Metals and in 2009 was appointed Managing Director of ASX-listed Territory Resources Ltd until late 2011. Mr Haslam also previously held the role of Executive General Manager - Iron Ore, with ASX 100 company Mineral Resources Limited. He also held non-executive director roles with ASX-listed uranium exploration company, Vimy Resources Limited and BCI Minerals Limited. Mr Haslam is currently an executive with Downer Mining.

Mr Haslam was appointed to the Board on 12 March 2019, and subsequently resigned on 12 August 2019 due to his full-time work commitments.

In the three years immediately before the end of the financial year Mr Haslam had served as a director of other listed companies including Vimy Resources Limited and BCI Minerals Limited.

Mr Gary Reid (Executive Director)

Mr Reid has over 25 years' experience in civil and concrete projects for the infrastructure, commercial building, mining and oil & gas sectors in Queensland, Northern Territory & Western Australia. Having worked his way up from the tools, he is intimately experienced in every aspect of civil & concrete construction which underpins more than 20 years of experience as a Site/Project Manager on packages up to A$250M.

In the three years immediately before the end of the financial year, Mr Reid has not served as a director of any other listed companies.

Mr Richard Eden (Executive Director) (resigned 12 March 2019)

Mr Eden has an extensive track record in managing business growth with a strong focus on solid contract and financial management. Mr Eden was previously responsible for corporate and commercial functions at Central Systems. For over 25 years he has worked in the maintenance and construction contracting arenas across Australia and has held senior management and directorship roles in private companies.

In the three years immediately before the end of the financial year, Mr Eden has not served as a director of any other listed companies.

Mr Ivan Ruefli (Executive Director) (appointed 12 August 2019)

Mr Ruefli was one of the founders of Central Systems Pty Ltd and has been integral to the company's growth since 2003. He has more than 20 years' experience in the civil, marine, residential, and commercial construction industries, founded on US military training in Civil Earthworks. He holds a Bachelor's Degree in Science and a Master's Degree in Project Management, and has successfully managed major projects both in Australia and internationally.

In the three years immediately before the end of the financial year, Mr Ruefli has not served as a director of any other listed companies.

Company Secretary

Mr Michael Kenyon (Chief Financial Officer/Company Secretary)

Mr Kenyon has held senior roles with both private and ASX-listed corporations over the past 22 years. He holds a Bachelor of Business degree from Edith Cowan University, is a Chartered Accountant and a graduate member of the Australian Institute of Company Directors.

DIRECTORS' REPORT (continued)

Interests in the shares, options and incentives of the Company and related bodies corporate
The following relevant interests in shares, options and incentives of the Company or a related body corporate were held by the directors as at the date of this report.

Directors	Fully paid ordinary shares Number	Share options Number	Incentives Number
Andrew Ellison	105,649,724	-	-
Gary Reid	105,649,724	-	-
Ivan Ruefli	105,649,724	-	-

Shares under option or issued on exercise of options
There are no shares under option as at the date of this report.

Incentives granted and subject to vesting
At the date of this report unissued ordinary shares or interests of the Company in relation to unvested incentives are:

Date incentives granted	Number of incentives vested, subject to exercise	Exercise price of incentive	Expiry date of incentives
16 January 2015	500,000	$Nil	16 January 2019

At 1 July 2018, there were 2,250,000 incentives outstanding. Of those incentives, half of them (1,125,000) lapsed as a result of one of the vesting conditions, related to Company earnings, not being met. The remaining 1,125,000 incentives were fully vested as at 16 January 2019.

On 18 March 2019, 625,000 of the fully vested incentives were converted into ordinary shares and issued to two employees. There are 500,000 fully vested incentives remaining as at 30 June 2019 which are attributable to one person and will be converted to ordinary shares during October 2019.

Share options/incentives granted to directors and senior management
During and since the financial year, there were no share options/incentives granted to any key management personnel of the Company and the entities it controlled as part of their remuneration.

Principal Activities

The principal activities of the entities within the consolidated entity during the year were the provision of contracting, remedial and construction services to the mining and oil and gas sectors within Australia as well as residential building and development.

Review of operations
RDG reported a net loss after tax of $2.7m on revenues of $38.5m for the year ended 30 June 2019. After eliminating the non-controlling interests associated with Mineral Solutions Australia Pty Ltd (MSA) of $0.9m, the loss pertaining to shareholders of RDG amounts to $1.8m. An impairment charge of $1.7m relating to the write down of goodwill acquired on the acquisition of MSA was also included in the full-year result.

Earnings before interest, depreciation, amortisation and taxation (EBITDA) were up 719% from the prior year to $3.5 million and net cash inflows from operating activities were $4.8m.

The Board is pleased to advise the significant uplift associated with the EBITDA result for the Company over the prior year as noted above, however it was significantly tainted by the very poor operating result of the MSA business particularly in the second half of the financial year. MSA sustained a full year loss before income tax of $2.7m, whilst the original RDG business (incorporating Central Systems Pty Ltd (Centrals) less RDG corporate costs) had its best result in many years with a net profit before tax of $2.3m.

As mentioned in last year's financial report, the MSA business was acquired on 5 August 2018, with an effective date of 2 July 2018. Your directors spent a considerable amount of time working with the two founders of the MSA business before committing to purchase a major shareholding of the company and were initially very excited that we had invested in a business to diversify part of our revenue stream out of the Company's traditional civil construction Industry which Centrals have successfully operated in for a number of years. A significant amount of senior management time and effort has gone into integrating the MSA business into RDG, ensuring systems and processes were robust, seeking out new project opportunities and ensuring the existing clients were well-serviced. Unfortunately, those efforts went unrewarded and

DIRECTORS' REPORT (continued)

although the EBITDA result was positive for MSA for the financial year ($0.5m), the large depreciation cost and associated finance charges resulted in a significant after-tax loss.

As mentioned in previous reports, the directors remain cautiously optimistic about the financial results that the MSA business can deliver. Unfortunately, the directors did not envisage the dramatic fall of MSA's revenue which has tainted the very solid result posted by Centrals. The directors have recognised that it is difficult to make consistent profits from short term crushing and screening projects and as a result, the company commenced selling some of its mobile crushing and screening equipment, which should be well advanced by the end of October, in order to reduce its debt.

Centrals has continued its upward trajectory over the past few years and reached sales revenue of $31.4m for the financial year as compared to $16.1m for the financial year ended 30 June 2018. Various projects were undertaken including ones for Mineral Resources Ltd subsidiary, Crushing Services International Pty Ltd and for BHP Billiton Ltd (BHP) during the financial year.

Although overheads did increase slightly during the year at RDG, this was largely required as a result of the uptick in revenues at Centrals together with significant tenders and other opportunities that required support. Shareholders would understand that cost and overhead control have always been key focus areas for the directors.

The Centrals business continues to perform well, however the directors are always seeking out the next opportunities. Although there have been plenty of tenders during the financial year, the Company has been unsuccessful in winning some of the larger ones; the market is still very competitive however Centrals continues to obtain its fair share of medium size projects, some with BHP. There are good signs that new project opportunities will be forthcoming towards the end of this calendar year.

The directors therefore continue to actively seek out projects that would suit the Company's resources, whilst continuing to focus on reducing any continuing losses being sustained in the MSA business and looking for further opportunities to diversify. All areas of the business revolve around obtaining new projects, delivering a quality outcome for our clients whilst remaining focussed on the bottom line.

The directors have resolved to continue working on the corporate strategy it set some time ago, given the disappointment of the MSA business. Whilst everything is being done within the MSA business to keep losses to a minimum, the directors are well advanced on selling surplus equipment and reducing overheads to assist in MSA's future cash flow requirements.

Although there has been a reduction in the net assets of the Company as a result of the overall loss sustained during the financial year, the Company still has $11m of cash on hand and approximately $3.3m of collectible debtors at year-end.

Employee Long Term Incentive Plan

On 16 January 2015 the Employee Long Term Incentive Plan 2014 was introduced with 11,500,000 incentives being granted at nil cents per incentive and progressive vesting dates through to 16 January 2019. A total of 9,250,000 have been subsequently forfeited on termination of employment during the 2015, 2016 and 2017 financial years.

There were 2,250,000 incentives on hand as at 1 July 2018. A total of 1,125,000 incentives were fully vested as at 16 January 2019 with the remaining 1,125,000 incentives lapsing at that date as a result of not meeting a performance hurdle.

Key Information

- Revenues from continuing operations of $38.5 million, up 142% on the previous period;
- Loss after tax from continuing operations of $2.7 million; and
- Cash and cash equivalents of $11 million at balance date.

Operations

Headquartered in Perth, RDG provides diversified services to the resource, infrastructure, energy, government, utilities and defence sectors within Australia. RDG has offices in Perth, Newman and Kalgoorlie.

RDG had one wholly owned operating subsidiary as at 30 June 2019 and had an 80% equity interest in another subsidiary, Mineral Solutions Australia Pty Ltd:

- Central Systems Pty Ltd ("Centrals"), which provides multi-discipline construction and maintenance services to the resources, energy, infrastructure and defence sectors in Australia.

DIRECTORS' REPORT (continued)

Centrals provide a 'whole of project' life-cycle service including:

- Multi-disciplinary construction services (civil, SMPT, E&I and non-process building works)
- Ancillary maintenance services
- EPCM, PMC or integrated team project delivery solutions
- EPC project delivery solutions
- Design and construct (D&C) package delivery solutions
- Optimising services including debottlenecking existing operations

Mineral Solutions Australia Pty Ltd ("MSA") provides complete materials handling solutions through its wholly-owned subsidiary Crushing Service Solutions Pty Ltd (CSS). CSS has undertaken a number of large and small mobile crushing and screening projects across Western Australia and the Northern Territory.

As a contractor, CSS provide the following solutions:

- Mobile crushing and screening
- Modular crushing and screening
- Project management
- Maintenance and field service

Workforce Capacity and Capability

Staff numbers decreased over the past year as construction projects were delivered and diminished towards the end of the financial year as projects were demobilised. At 30 June 2019, the Company employed approximately 45 people (2018: 109 people).

Strategy and Outlook

The Company has continued with a strategy that has remained unchanged over the past three years, focussing on the following:

- Continue to actively pursue and deliver projects aligned with our traditional skills and market sector and only take on work that can produce an acceptable profit margin;
- Diversify our construction capability, exploring new opportunities in areas such as residential construction and property development;
- Ensuring overheads and operating costs are kept as low as possible whilst adapting to periods of reduced activity; and
- Identifying acquisition opportunities that will diversify RDG into new, yet synergistic market sectors with a pipeline of profitable work with blue chip customers.

Although a loss was reported for the financial year, the Board is satisfied that it has continued to address the above four key areas. Although opportunities are being sought out and presented to the Company, the market is still proving to be extremely competitive especially in the space where smaller contractors operate. Although the past ten months have been extremely busy with tendering activity without successfully converting significant contract awards, the Company still has a substantial cash balance and a reasonable balance sheet.

The ongoing operations of Mineral Solutions Australia Pty Ltd (MSA), acquired during the financial year, has proven to be a difficult business operating in an increasingly competitive market. As a result, the Company is actively selling surplus crushing & screening equipment.

The Board continues to explore other merger and acquisition opportunities and will update Shareholders as and when the right opportunity presents itself.

The Company's outlook for the next 24 months looks reasonable however, the Board is always cautiously optimistic. Whilst it is apparent that there are more project opportunities, competition and low pricing are still looming as threats to wining profitable, new work.

Operating results for the year

The Group reported a net loss before income tax from continuing operations for the reporting year ended 30 June 2019 of $2.7 million (2018: $0.5 million). Revenues from continuing operations were $38.5 million (2018: $15.9 million), which is up 142% on the previous year.

DIRECTORS' REPORT (continued)

Risk management

Senior management have made decisions on how to should manage the various categories of risk exposure and this includes the imposition of Standard Operating Procedures (SOP's) for routine business transactions and mitigation initiatives such as insurance policies to lessen or obviate risks.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the consolidated entity to the date of this report, other than as set out in this report.

Significant events after balance date

Mr Andrew Haslam resigned as Chairman/Non-Executive Director on 12 August 2019 whilst Mr Ivan Ruefli was appointed as an Executive Director on the same date.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Therefore, this information has not been presented in this report.

Environmental legislation

The consolidated entity is not subject to any significant environmental legislation.

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract insuring the directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Remuneration report

This report outlines the remuneration arrangements in place for the key management personnel of Resource Development Group Limited for the financial year ended 30 June 2019. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

Key management personnel

(i) Directors

Mr Andrew Ellison (Managing Director)

Mr Andrew Haslam (Chairman/Non-Executive Director) *Appointed 12 March 2019*

Mr Gary Reid (Executive Director)

Mr Richard Eden (Non-Executive Director) *Resigned 12 March 2019*

(ii) Executives

Mr Michael Kenyon (Chief Financial Officer)

Remuneration philosophy

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- Establish appropriate, demanding performance hurdles for variable executive remuneration.

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Remuneration committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors and the executive team.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at a General Meeting held on 3 February 2011 when shareholders approved an aggregate remuneration of $500,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the way it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company and includes any committee on which a director may sit.

The remuneration of directors for the year ended 30 June 2019 is detailed in Table 1 of this report.

Senior manager and executive director remuneration

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Compensation levels for executives of the Group are competitively set to attract and retain appropriately qualified and experienced executives. The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders.

The compensation structures consider:

- The capability and experience of the executive;
- The executive's ability to control the relevant segment's performance; and
- The Group's performance including:
  - (a) The Group's earnings; and
  - (b) The growth in share price and delivering constant returns on shareholder wealth.

Compensation packages include a mix of fixed and variable compensation, and long-term incentives. In considering the Group's performance and returns on shareholder wealth, the Board has regard to the following indicators of performance in respect of the current financial year and the previous four financial years:

	$	$	$	$	$
	2019	2018	2017	2016	2015
Revenue	38,535,695	15,939,479	9,256,201	69,258,688	233,285,713
Net profit/(loss) after tax (excluding non-controlling interests)	(1,796,671)	(508,446)	(1,167,055)	5,680,244	9,875,681
Share price at year-end	0.018	0.021	0.021	0.012	0.011
Earnings per share	(0.0028)	(0.008)	(0.0018)	0.009	0.0166

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Fixed remuneration

Fixed remuneration is reviewed annually by the Remuneration Committee and/or the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

The fixed remuneration component of the key management personnel is detailed in Table 1 of this report.

Variable remuneration

The objective of a short-term incentive program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short-term incentive available can be set at a level to provide enough incentive to the senior manager to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Although there were some informal arrangements in place in relation to the payment of variable remuneration, no performance-based payments were paid during the 2019 year (2018: $Nil).

Service/Employment contracts

Mr Andrew Ellison (Chairman)

Mr Ellison has a Contract Services Agreement dated 10 September 2014 with the Company, engaging him as Chairman for an indefinite term commencing 19 September 2014, for an agreed rate of up to $25,000 per calendar month depending on time committed plus ancillary work-related expenses.

The agreement may be terminated by either party giving four weeks written notice or terminated immediately with cause. Restraint and non-solicitation provisions will apply for six months following termination of the contract, and other usual and appropriate commercial conditions of employment are included to protect the interests of the Company during and following his term of engagement.

Mr Gary Reid (Executive Director)

Mr Reid has an Executive Service Agreement (ESA) dated 10 September 2014 with the Company, employing him as Executive Director for an indefinite term commencing on 19 September 2014, for Total Fixed Remuneration (TFR) of $463,085 per annum, and an annual incentive capped at 20% of TFR.

On 6 January 2015, Mr Reid agreed to a variation to the above-mentioned ESA, which included the following changes:

- A 20% reduction in the base salary cash component of $433,085 to a new base salary of $346,468 with effect from 1 January 2015. The reduction in remuneration is implemented for 12 months only and will be reviewed at that time;
- The introduction of a Short-Term Incentive (STI) scheme being 20% of the new base salary amount linked to mutually agreed KPI's from 1 January 2015; and
- A review and payment of the STI scheme on a six-monthly basis.

Further to the above, a new variation was put in place on 10 June 2016, which included the following changes:

- A 20% reduction in the base salary cash component of $346,468 to a new base salary of $277,174 with effect from 15 June 2016;
- Removal of the project uplift payment amount of $40,515; and
- A reduction in working days to a 4-day week.

With effect from 1 February 2018, as a result of a substantial new project won by the Company and Mr Reid returning to full-time hours, the 20% reduction in base salary was removed and the project uplift payment reinstated. Mr Reid's current remuneration status is therefore as follows:

- Base salary cash component of $346,468 per annum with effect from 1 February 2018;
- Payment of project uplift amount of $40,515 per annum.

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Service/Employment contracts (continued)

The agreement may be terminated by either party giving three months' written notice or terminated immediately with cause. The Company may choose to pay Mr Reid an amount in lieu of the applicable remaining notice period. Restraint and non-solicitation provisions will apply for six months following termination of the contract, and other usual and appropriate commercial conditions of employment are included to protect the interests of the Company during and following his term of employment. If Mr Reid's employment is terminated by reason of redundancy, the Company will comply with redundancy provisions in accordance with the National Employment Standards.

Mr Ivan Ruefli (Executive Director)

Mr Ruefli has a Contract Services Agreement (CSA) dated 18 October 2018 with the Company, engaging him as Business Development Executive for an indefinite term commencing 22 October 2018, for an agreed rate of $2,000 per week plus ancillary work-related expenses.

The agreement may be terminated by either party giving one week's written notice or terminated immediately with cause. There are no restraint or non-solicitation provisions in the contract, however other usual and appropriate commercial conditions of employment are included to protect the interests of the Company during and following his term of engagement.

On 12 December 2018, Mr Ruefli agreed to a variation of his CSA whereby his rate changed to $10,000 per calendar month.

Mr Michael Kenyon (Chief Financial Officer/Company Secretary)

The Company entered into a Contract Services Agreement (CSA) effective 19 May 2015 with Mr Kenyon, engaging him as Chief Financial Officer / Company Secretary for a 6-month term ending on 26 November 2015 for a TFR of $10,000 per calendar month for a two-day working week. Effective 1 December 2015, the Company agreed to an extension of the terms of the CSA with the working days to be determined on an "as needed" basis at a day rate of $1,250 per day.

The agreement may be terminated by either party giving four weeks written notice or terminated immediately with cause. Other usual and appropriate commercial conditions of employment are included to protect the interests of the Company during and following his term of engagement.

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Remuneration of directors and named executives

Table 1: Key Management Personnel remuneration for the years ended 30 June 2019 and 30 June 2018

		Short-term employee benefits				Post-employment benefits	Other long-term benefits	Equity		
		Salary & fees $	Bonuses $	Non-monetary benefits $	Other $	Superannuation $	Long-service leave $	Incentives $	Total $	Performance related %
Mr Andrew Ellison	2019	225,786	-	-	-	-	-	-	225,786	-
	2018	167,000	-	-	-	-	-	-	167,000	-
Mr Andrew Haslam[1]	2019	16,649	-	-	-	1,582	-	-	18,231	-
	2018	-	-	-	-	-	-	-	-	-
Mr Richard Eden[2]	2019	111,350	-	-	-	-	-	-	111,350	-
	2018	108,275	-	-	-	-	-	-	108,275	-
Mr Gary Reid	2019	376,329	-	-	-	28,654	-	-	404,983	-
	2018	314,074	-	-	-	30,523	-	-	344,597	-
Mr Michael Kenyon	2019	126,511	-	-	-	-	-	-	126,511	-
	2018	63,688	-	-	-	-	-	-	63,688	-
Totals	**2019**	**856,625**	**-**	**-**	**-**	**30,236**	**-**	**-**	**886,861**	**-**
	2018	**653,037**	**-**	**-**	**-**	**30,523**	**-**	**-**	**683,560**	**-**

[1] Mr Haslam was appointed as a non-executive director on 12 March 2019

[2] Mr Eden resigned as a non-executive director on 12 March 2019

No options or incentives were granted during the year

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Key Management Personnel equity holdings

Ordinary shares held in Resource Development Group Limited (number)

30 June 2019	Balance at beginning of period	Granted as remuner-ation	Purchased	On exercise of incentives	Net change other	Balance on resignation	Balance at end of period
Directors							
Mr Andrew Ellison	105,649,724	-	-	-	-	-	105,649,724
Mr Andrew Haslam	-	-	-	-	-	-	-
Mr Richard Eden	61,330,343	-	-	-	-	(61,330,343)	-
Mr Gary Reid	105,649,724	-	-	-	-	-	105,649,724
Executives							
Mr Michael Kenyon	1,000,000	-	-	-	-	-	1,000,000

Details of employee share option plans

Under the terms of the plan, the Board may offer free options to persons ("Eligible Persons") who are full-time or part-time employees (including a person engaged by the Company under a consultancy agreement); or Directors of the Company or any subsidiary based on a number of criteria including contribution to the Company, period of employment, potential contribution to the Company in the future and other factors the Board considers relevant. Upon receipt of such an offer, the Eligible Person may nominate an associate to be issued with the options. The maximum number of options issued under the Plan at any one time is 5% of the total number of Shares on issue in the Company provided that the Board may increase this percentage, subject to the Corporations Act and the Listing Rules.

Each option entitles the holder, on exercise, to one ordinary fully paid share in the Company. There is no issue price for the options. The exercise price for the options will be such price as determined by the Board (in its discretion) on or before the date of issue provided that in no event shall the exercise price be less than 80% of the weighted average sale price of Shares sold on ASX during the five Business Days prior to the date of issue.

Shares issued on exercise of options will rank equally with other ordinary shares of the Company.

Options may not be transferred other than to a nominee of the holder. Quotation of options on ASX will not be sought. However, the Company will apply to ASX for official quotation of Shares issued on the exercise of options.

An option may only be exercised after that option has vested and any other conditions imposed by the Board on exercise satisfied. The Board may determine the vesting period (if any). An option will lapse upon the first to occur of the expiry date, the holder acting fraudulently or dishonestly in relation to the Company, the employee ceasing to be employed by the Company or on certain conditions associated with a party acquiring a 90% interest in the Shares of the Company.

If, in the opinion of the Board any of the following has occurred or is likely to occur, the Company entering into a scheme of arrangement, the commencement of a takeover bid for the Company's Shares, or a party acquiring a sufficient interest in the Company to enable them to replace the Board, the Board may declare an option to be free of any conditions of exercise. Options which are so declared may, subject to the lapsing conditions set out above, be exercised at any time on or before their expiry date and in any number.

There are no participating rights or entitlements inherent in the options and option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the options. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least six Business Days after the issue is announced. Option holders shall be afforded the opportunity to exercise all options which they are entitled to exercise pursuant to the Plan prior to the date for determining entitlements to participate in any such issue.

If the Company makes an issue of shares to Shareholders by way of capitalisation of profits or reserves ("Bonus Issue"), each option holder holding any options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to participate in the Bonus Issue by exercising their options before the record date determining entitlements under the Bonus Issue. They will then be issued the shares under the Bonus Issue in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise.

The Bonus Shares will be paid by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the Bonus Issue and upon issue rank pari passu in all respects with the other Shares issued

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Details of employee share option plans (continued)

upon exercise of the options. In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any options, the number of options to which each option holder is entitled or the exercise price of his or her options or both or any other terms will be reconstructed in a manner determined by the Board which complies with the provisions of the Listing Rules.

Under current taxation laws any taxation liability in relation to the options, or the Shares issued on exercise of the options, will fall on the participants. The Company will not be liable to fringe benefits tax in relation to options or Shares issued under the Plan.

Although Directors are eligible to be offered options under the Plan, this first requires specific Shareholder approval due to the requirements of the ASX Listing Rules and the Corporations Act 2001.

There were no options issued to key management people during the period.

Details of Employee Incentive Plan

The Group continued the Employee Incentive Plan which was first adopted in February 2011, which allowed the Board to invite employees to apply for incentives. The incentives may be exercised for nil consideration when certain vesting conditions occur, at which point one share will be issued for each incentive exercised.

On 16 January 2015 the Employee Long Term Incentive Plan 2014 was introduced with 11,500,000 incentives being granted at nil cents per incentive and have progressive vesting dates through to 16 January 2019. A total of 9,250,000 incentives were forfeited on termination of employment. The incentive plan is based on the same structure as its predecessor which had been cancelled prior to the acquisition of Central Systems Pty Ltd. The fair value of the incentives issued was valued at $0.059 per incentive based on the share price at grant date.

At 1 July 2018, there were 2,250,000 incentives outstanding. Of those incentives, half of them (1,125,000) lapsed as a result of one of the vesting conditions, related to Company earnings, not being met. The remaining 1,125,000 incentives were fully vested as at 16 January 2019.

On 18 March 2019, 625,000 of the fully vested incentives were converted into ordinary shares and issued to two employees. There are 500,000 fully vested incentives remaining as at 30 June 2019 which are attributable to one person and will be converted to ordinary shares during October 2019.

There were no incentives issued to key management people during the year or prior year.

Related Party disclosures

(a) Operating lease agreements

The Company has entered into operating lease agreements for rental premises with the following shareholder related entities:

Slipstream Property Partnership
Amphora Pty Ltd as trustee for the Purple Trust (Ivan Ruefli);
Allmont Pty Ltd as trustee for the Allmont Trust (Andrew Ellison);
Matthew Reid Project Management Pty Ltd (Gary Reid); and
Richard James Eden as trustee for the Eden Family Trust.
The lease for the property located in Osborne Park, Western Australia lease commenced on 1 May 2015 with a termination date of 30 April 2019.
Rental payments made for the year 1 July 2018 to 30 June 2019 were $136,800 (2018: $136,800). At balance date, $Nil (2018: $Nil) was payable to the Slipstream Property Trust.

Grisam Investments Pty Ltd as trustee for the Grisam Property Trust
Amphora Pty Ltd as trustee for the Purple Trust (Ivan Ruefli);
Allmont Pty Ltd as trustee for the Allmont Trust (Andrew Ellison);
Gary Reid as trustee for the Gary Reid Family Trust; and
Richard James Eden as trustee for the Eden Family Trust
The lease for the property located in Newman, Western Australia commenced on 1 October 2014 with a termination date of 30 September 2019. Rental payments made for the year 1 July 2018 to 30 June 2019 were $210,000 (2018: $210,000). At balance date, $Nil (2018: $Nil) was payable to Grisam Investments Pty Ltd.

DIRECTORS' REPORT (continued)

Remuneration report (continued)

(b) Other transactions

i) The Company entered into a building construction agreement with GM Reid Investments Pty Ltd (Mr Gary Reid – Director) for a unit development in Innaloo, Western Australia in November 2016.

GM Reid Investments Pty Ltd was invoiced $140,156 inclusive of GST for the year ended 30 June 2018 (2018: $270,600). At balance date, $Nil (2018: $Nil) was owing by GM Reid Investments Pty Ltd.

ii) The Company entered into a lump sum building contract with Allmont Pty Ltd (Mr Andrew Ellison – Chairman) for the construction of a two-storey residential dwelling at the Company's residential project located at North Coogee, Western Australia on 8 December 2018.

Allmont Pty Ltd was invoiced $67,967 inclusive of GST for the year ended 30 June 2019 (2018: $Nil). At balance date, $Nil (2018: $Nil) was owing by Allmont Pty Ltd.

iii) The Company entered into a lump sum building contract with Gary Reid (Director) for the construction of a two-storey residential dwelling at the Company's residential project located at North Coogee, Western Australia on 14 December 2018.

Mr Reid was invoiced $152,469 inclusive of GST for the year ended 30 June 2019 (2018: $Nil). At balance date, $Nil (2018: $Nil) was owing by Mr Reid.

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Directors' Meetings	Eligible to attend	Audit Committee*	Remuneration Committee*
Number of meetings held:	6	6	-	-
Number of meetings attended:				
Mr Andrew Ellison	6	6	-	-
Mr Andrew Haslam	4	4		
Mr Richard Eden	2	2	-	-
Mr Gary Reid	6	6	-	-

****given the size of the Board and the Company, the directors also fulfilled the roles required in the committees***

Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 16 and forms part of this directors' report for the year ended 30 June 2019.

Non-Audit Services

The Directors review any non-audit services to be provided to ensure they are compatible with the general standard for independence for auditors imposed by the Corporations Act 2001.

During the year, the auditors did not provide any non-audit services to the Group.

Signed in accordance with a resolution of the directors.

Mr Andrew Ellison
Chairman
Perth, Western Australia
30 September 2019

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Resource Development Group Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
30 September 2019

L Di Giallonardo
Partner

hlb.com.au

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Consolidated 2019 $	Consolidated 2018 $
Continuing operations			
Revenue	2(a)	38,535,695	15,939,479
Other income	2(b)	316,894	184,671
Cost of sales		(11,915,339)	(7,238,678)
Employee benefits expense		(20,718,303)	(6,854,491)
Depreciation and amortisation	2(c)	(3,567,355)	(1,163,295)
Finance costs		(546,908)	(28,531)
Profit/(loss) on sale of assets		3,919	(65,468)
Share based payments	2(c)	(12,446)	(36,415)
Other expenses		(2,475,111)	(1,347,474)
Impairment charge	2(c)	(1,687,969)	-
Loss before income tax		(2,066,923)	(610,202)
Income tax (expense)/benefit	3	(597,645)	101,756
Loss after income tax from continuing operations		(2,664,568)	(508,446)
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive loss		**(2,664,568)**	**(508,446)**
Total loss for the year is attributable to:			
Non-controlling interests		(867,897)	-
Owners of Resource Development Group Ltd		(1,796,671)	(508,446)
		(2,664,568)	**(508,446)**
Total comprehensive loss for the year is attributable to:			
Non-controlling interests		(867,897)	-
Owners of Resource Development Group Ltd		(1,796,671)	(508,446)
		(2,664,568)	**(508,446)**
Loss per share for the period attributable to the members of Resource Development Group Ltd:			
Basic loss per share (cents per share)	5	**(0.28)**	**(0.08)**
Diluted loss per share (cents per share)	5	**(0.28)**	**(0.08)**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

		Consolidated	
		2019	2018
Assets	Notes	$	$
Current assets			
Cash and cash equivalents	6	10,997,263	13,322,300
Trade and other receivables	7	5,462,188	5,258,040
Current tax assets	3	-	14,907
Inventories	8	385,532	744,951
Total current assets		16,844,983	19,340,198
Non-current assets			
Property, plant and equipment	9	12,818,311	5,669,275
Deferred tax assets	3	321,158	710,779
Total non-current assets		13,139,469	6,380,054
Total assets		29,984,452	25,720,252
Liabilities			
Current liabilities			
Trade and other payables	10	6,718,368	6,910,220
Borrowings	11	2,894,049	-
Current tax liabilities	3	59,736	-
Provisions	12	623,110	482,745
Total current liabilities		10,295,263	7,392,965
Non-current liabilities			
Borrowings	11	3,536,411	-
Provisions	12	20,154	16,553
Deferred tax liabilities	3	789,786	815,774
Total non-current liabilities		4,346,351	832,327
Total liabilities		14,641,614	8,225,292
Net assets		**15,342,838**	**17,494,960**
Equity			
Issued capital	13	7,836,308	7,836,308
Share-based payments reserve	14	134,135	121,689
Retained earnings		7,740,292	9,536,963
Equity attributable to owners of the parent		15,710,735	17,494,960
Non-controlling interests	24	(367,897)	-
Total equity		**15,342,838**	**17,494,960**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

Consolidated	Issued capital	Retained earnings	Share-based payments reserve	Attributable to the owners of the parent	Non-controlling interest	Total equity
30 June 2018						
Balance as at 1 July 2017	7,836,308	9,944,388	186,295	17,966,991	-	17,966,991
Loss for the year	-	(508,446)	-	(508,446)	-	(508,446)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	-	(508,446)	-	(508,446)	-	(508,446)
Share-based payments	-	-	36,415	36,415	-	36,415
Transfer of lapsed options to retained earnings	-	101,021	(101,021)	-	-	-
Balance at 30 June 2018	7,836,308	9,536,963	121,689	17,494,960	-	17,494,960
Balance as at 1 July 2018	7,836,308	9,536,963	121,689	17,494,960	-	17,494,960
Loss for the year	-	(1,796,671)	-	(1,796,671)	(867,897)	(2,664,568)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	-	(1,796,671)	-	(1,796,671)	(867,897)	(2,664,568)
Share-based payments	-	-	12,446	12,446	-	12,446
Non-controlling interests arising on acquisition	-	-	-	-	500,000	500,000
Balance at 30 June 2019	7,836,308	7,740,292	134,135	15,710,735	(367,897)	15,342,838

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Consolidated 2019 $	Consolidated 2018 $
Cash flows from operating activities			
Receipts from customers		41,858,699	17,414,326
Payments to suppliers and employees		(33,854,580)	(13,862,394)
Interest received		204,526	125,467
Finance costs paid		(546,908)	-
Income tax paid		(238,012)	(5,432)
GST paid		(2,605,362)	(532,168)
Net cash inflow from operating activities	6(ii)	4,818,363	3,139,799
Cash flows from investing activities			
Purchase of property, plant and equipment		(349,890)	(6,383)
Proceeds from sale of property, plant and equipment		930	3,754
Loan advanced to external party (Bullseye Mining Ltd)	7	(1,500,000)	-
Acquisition of Mineral Solutions Australia Pty Ltd (net outflow)	23	(1,448,193)	-
Receipts from recovery from prior year impairment		-	53,329
Net cash (outflow)/inflow from investing activities		(3,297,153)	50,700
Cash flows from financing activities			
Repayment of hire purchase liabilities	6(iii)	(3,846,247)	-
Net cash (outflow) from financing activities		(3,846,247)	-
Net (decrease)/increase in cash held		(2,325,037)	3,190,499
Cash and cash equivalents at the beginning of the period		13,322,300	10,131,801
Cash and cash equivalents at the end of the period	6(i)	10,997,263	13,322,300

The accompanying notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2019

In the year ended 30 June 2019, the Directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

AASB 9 Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and makes changes to a number of areas including classification of financial instruments, measurements, impairment of financial assets and hedge accounting model.

The Group has adopted AASB 9 from 1 July 2018.

The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.

A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.

All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI').

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The Group has applied AASB 9 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information accordingly, the information presented for 30 June 2018 has not been restated.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 *Revenue* and AASB 111 *Construction Contract*s and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, including in respect of multiple element arrangements. The core principle of AASB 15 is that it requires identification of discrete performance obligations within a transaction and associated transaction price allocation to these obligations, Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks or rewards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 15 Revenue from Contracts with Customers (continued)

Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly

probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

The Group has adopted AASB 15 using the modified retrospective method of adoption (without practical expedients) with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018. Accordingly, the information presented for 30 June 2018 has not been restated.

The effect of the application of AASB 15 has been applied to only those contracts that are not completed at the date of initial application.

The Group is in the business of providing construction and contracting services. The services are provided on their own or in separately identified contracts with customers and together as a bundled package of goods and/or services.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods. Those which may have a significant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 16 Leases

AASB 16 replaces AASB 117 Leases. AASB 16 removes the classification of leases as either operating leases of finance leases-for the lessee – effectively treating all leases as finance leases.

AASB 16 is applicable to annual reporting periods beginning on or after 1 July 2019.

Impact on operating leases

AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet. On initial application of AASB 16, for all leases (except as noted below), the Group will:

Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments.

Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss.

Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16.

The Group has elected not to early adopt AASB 16 and have not quantified the material effect of application of future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 16 Leases (continued)

Impact on finance leases

The main differences between AASB 16 and AASB 117 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor.

AASB 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117.

On initial application the Group will present equipment previously included in property, plant and equipment within the line item for right-of use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the Group's finance leases as at 30 June 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed that the impact of this change will not have an impact on the amounts recognised in the Group's consolidated financial statements.

Lessor accounting remains similar to current practice, i.e. lessors continue to classify leases as finance and operating leases.

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019, with early adoption permitted for entities that also adopt AASB 15.

This standard will primarily affect the accounting for the Group's operating leases. As at 30 June 2019, the Group has $292,181 of non-cancellable operating lease commitments, relating to property leases. The Group is considering the available options to account for this transition, but the Group expects an increase in reported earnings before interest, tax, depreciation and amortisation (EBITDA) and increase in lease assets and liabilities recognition. This will however be dependent on the lease arrangements in place when the new standard is effective. The Group has commenced the process of evaluating the impact of the new lease standard.

No other new standards, amendments to standards and interpretations are expected to affect the Group's consolidated financial statements.

(b) Statement of compliance

The financial report was authorised for issue 30 September 2019.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(c) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Resource Development Group Limited ('Company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Resource Development Group Limited and its subsidiaries are referred to in this financial report as the Group or the consolidated entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Business combinations are accounted for using the acquisition method of accounting (refer note 1(i)).

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Going concern

The financial statements are prepared on a going concern basis.

At balance date, the Group had a working capital surplus of $6,549,720 and cash balances of $10,997,263.

The Board considers that based on its assessment of operating cash flows it is appropriate in the Group's current circumstances to prepare its financial statements on a going concern basis.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee of Resource Development Group Limited.

(f) Foreign currency translation

Both the functional and presentation currency of Resource Development Group Limited and its Australian subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

(g) Revenue from Contracts with customers

Applicable to 30 June 2019

Revenue arises mainly from the provision of contracting services. The Group generates revenue largely in Australia.

To determine whether to recognise revenue, the Group follows a 5-step process:

1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligation(s) are satisfied.

The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

In determining the amount of revenue and profits to record, and related balance sheet items (such as contract fulfilment assets, capitalisation of costs to obtain a contract, trade receivables, accrued income and deferred income) to recognise in the period, management is required to form a number of key judgements and assumptions. This includes an assessment of the costs the Group incurs to deliver the contractual commitments and whether such costs should be expensed as incurred or capitalised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Revenue is recognised either when the performance obligation in the contract has been performed, so 'point in time' recognition or 'over time' as control of the performance obligation is transferred to the customer.

Transaction price

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has rights to under the present contract.

The transaction price does not include estimates of consideration resulting from change orders for additional goods and services unless these are agreed.

Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when (or as) those performance obligations are satisfied.

For each performance obligation, the Group determines if revenue will be recognised over time or at a point in time. Where the Group recognises revenue over time for long term contracts, this is in general due to the Group performing and the customer simultaneously receiving and consuming the benefits provided over the life of the contract.

For each performance obligation to be recognised over time, the Group applies a revenue recognition method that faithfully depicts the Group’s performance in transferring control of the goods or services to the customer. This decision requires assessment of the real nature of the goods or services that the Group has promised to transfer to the customer. The Group applies the relevant output or input method consistently to similar performance obligations in other contracts.

When using the output method, the Group recognises revenue on the basis of direct measurements of the value to the customer of the goods and services transferred to date relative to the remaining goods and services under the contract. Where the output method is used, in particular for long term service contracts where the series guidance is applied, the Group often uses a method of time elapsed which requires minimal estimation. Certain long-term contracts use output methods based upon estimation of number of users, level of service activity or fees collected.

If performance obligations in a contract do not meet the over time criteria, the Group recognises revenue at a point in time. This may be at the point of physical delivery of goods and acceptance by a customer or when the customer obtains control of an asset or service in a contract with customer-specified acceptance criteria.

Disaggregation of revenue

The Group disaggregates revenue from contracts with customers by contract type, which includes (i) contracting/construction services, (ii) projects performed on a rates basis and (iii) residential development and construction as management believe this best depicts how the nature, amount, timing and uncertainty of the Group’s revenue and cash flows.

Performance obligations

The nature of contracts or performance obligations categorised within this revenue type includes (i) design/construct an asset on a mine site, (ii) provide agreed services on a rates basis and (iii) construct a residential dwelling.

The service contracts in this category include contracts with either a single or multiple performance obligations.

The Group considers that the services provided meet the definition of a series of distinct goods and services as they are (i) substantially the same and (ii) have the same pattern of transfer (as the series constitutes services provided in distinct time increments (e.g. monthly or annual services)) and therefore treats the series as one performance obligation.

Contract assets and contract liabilities

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from Contracts with customers (continued)

As a result of the contracts which the Group enters into with its customers, a number of different assets and liabilities are recognised on the Group's balance sheet. These include but are not limited to:

- Trade receivables*
- Accrued income*
- Deferred income*

* No change in the accounting policies for these assets as a result of the adoption of AASB 15.

Applicable to 30 June 2018

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Rendering of services

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

(ii) Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be consequently tested for impairment.

(h) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity or entities within a tax consolidated group and the same taxation authority.

Tax consolidation legislation

Resource Development Group Limited and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation. See Note 3 for further information on how the Group accounts for income tax consolidation.

(h) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(j) Impairment of assets

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(k) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(l) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within 30 days.

The Group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade and other receivables are estimated with reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current and the forecast direction of conditions at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other receivables (continued)
The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery; for example, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

(m) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis; and

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Inventories are measured at the lower of cost and net realisable value.

(n) Work in Progress

Work in progress is measured at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Profits are recognised using the input method on the basis of the Group's estimates on inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation.

Revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

(o) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a reducing balance basis over the estimated useful life of the assets as follows:

Plant and equipment – over 2 to 20 years

Motor Vehicle – over 4 to 6 years

Leasehold improvements – over 10 to 13 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

(r) Employee leave benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities accruing to employees in respect of wages and salaries, annual leave and long service leave not expected to be settled within 12 months of the balance date are recognised in non-current other payables in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflows to be made by the Group.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the balance date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(t) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

(u) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(v) Earnings per share

Basic earnings/loss per share is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings/loss per share is calculated as net profit/loss attributable to members of the parent, adjusted for:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per share (continued)

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(w) Parent entity financial information

The financial information for the legal parent entity, disclosed in Note 18 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Resource Development Group Ltd. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(x) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised.

Finance lease assets are depreciated on a straight-line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(y) Share-based payment transactions

Equity settled transactions:

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently one plan in place to provide these benefits:

- the Employee Share Option Plan (ESOP), which provides benefits to directors, senior executives and other parties.

The cost of these equity-settled transactions with the grantees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Resource Development Group Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 5).

(z) Financial instruments

Applicable to 30 June 2019

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced AASB 139's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').
- 'Level 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Applicable to 30 June 2018

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(aa) Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that sufficient future tax profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

Share-based payment transactions:

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

Consideration of impairment of property, plant and equipment

As a result of the Group incurring a loss for the year, the Group considered the requirements of AASB 136 *Impairment of Assets*, and specifically whether an indicator of impairment existed in relation to the carrying value of the Group's property, plant and equipment. The Group did not consider that there were any indicators of impairment in respect of these items at balance date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 2: REVENUE AND EXPENSES

	Consolidated	
	2019	2018
	$	$
(a) Revenue		
Rendering of services – over time	38,535,695	15,939,479
	38,535,695	15,939,479
(b) Other income		
Interest income	250,243	127,702
Insurance proceeds	17,066	-
Miscellaneous	5,909	3,640
Fuel tax credits	43,676	-
Recovery of previously impaired loan	-	53,329
	316,894	184,671
(c) Expenses		
Depreciation of non-current assets	(3,567,355)	(1,163,295)
Operating lease rental expense	(493,949)	(405,101)
Share based payments expense	(12,446)	(36,415)
Impairment charge – Goodwill on MSA acquisition (Note 23)	(1,687,969)	-

The Group derives its revenue from the provision of services over time in the following major segments. This is consistent with the revenue information that is disclosed for each reportable segment under AASB 8, refer note 4.

	2019
	$
Over time	
Construction	31,383,532
Contracting	7,152,163
Total revenue	38,535,695

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 3: INCOME TAX

	Consolidated	
	2019	2018
	$	$
Income tax recognised in profit or loss:		
The major components of tax expense are:		
Current tax (benefit)/expense	234,011	(1,191)
Deferred tax (income) relating to the origination and reversal of temporary differences	363,634	(167,030)
Change in tax rate	-	(17,130)
Under/(Over) provision of income tax in respect to prior years	-	83,595
Total tax expense/(benefit)	597,645	(101,756)

	Consolidated	
	2019	2018
	$	$
The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:		
Accounting loss from continuing operations before income tax	(2,066,923)	(610,202)
Income tax benefit calculated at 27.5% (2018: 27.5%)	(568,404)	(167,806)
Add:		
Tax effect of:		
Entertainment	2,556	2,518
Fines and penalties	110	5
Share based payments	3,422	10,014
Impairment of goodwill	464,191	-
Non-deductible legal fees	-	3,904
Property, plant & equipment revalued through equity in prior years	78,643	-
Under-provision of income tax in respect of prior years	-	83,595
Change in tax rate	-	(17,130)
Other	(28,276)	(1,189)
Tax losses not recognised	645,402	-
Less:		
Tax effect of:		
Capital losses utilised	-	(15,667)
Recognition of tax losses	-	-
Income tax expense/(benefit) reported in the statement of profit or loss and other comprehensive income	597,645	(101,756)

The tax rate used in the above reconciliation is the corporate tax rate of 27.5% payable by Australian corporate entities on taxable profits under Australian tax law.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 3: INCOME TAX (continued)

	Consolidated	
	2019	2018
	$	$
Current tax assets/ liabilities comprise:		
Income tax (payable)/refundable	(59,736)	14,907
	(59,736)	14,907
Deferred tax assets comprise:		
Superannuation payable	12,553	13,594
Provisions – employee benefits	164,346	129,900
Accrued expenses	52,549	22,570
Doubtful debts provision	59,099	-
Tax losses	-	451,280
Blackhole expenditure and borrowing costs	32,611	93,435
	321,158	710,779
Deferred tax liabilities comprise:		
Prepayments	31,870	10,241
Stock on hand	3,820	3,545
Other	-	3,484
Depreciable property, plant and equipment	754,096	798,504
	789,786	815,774
Net	(468,630)	(104,995)

The Group has capital losses of approximately $11,562,407 arising in Australia (2018: $11,562,407) that are available indefinitely for offset against future capital gains of the tax consolidated group, subject to satisfying the relevant company loss provisions. No deferred tax asset has been recognised for capital losses as it is not probable that capital gains will be available against which the carried forward capital losses can be utilised.

The entities of the MSA group have the following carried forward tax/capital losses:

Crushing Service Solutions Pty Ltd - $2,093,356 tax losses (2018: $270,723);

Crushing Service Solutions Pty Ltd- $30,784 capital losses (2018: 30,784);

Aggregate Crushing Australia Pty Ltd - $512,963 tax losses (2018: $Nil); and

Ore Sorting Australia Pty Ltd - $131,234 tax losses (2018: $116,220).

No deferred tax asset has been recognised for tax/capital losses any of the MSA group companies as it is not probable that taxable income/capital gains will be available against which the carried forward losses can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 3: INCOME TAX (continued)

Reconciliation of deferred tax assets/(liabilities):

2019	Consolidated Opening balance $	Change in tax rate $	Charged to income $	Charged to equity $	Closing balance $
Temporary differences	112,329	-	69,850	-	42,480
Property, plant and equipment	(798,504)	-	123,050	-	(675,454)
Provisions	129,900	-	34,446	-	164,346
Tax losses carried forward	451,280	-	(451,280)	-	-
	(104,995)	-	(363,634)	-	(468,630)

2018	Consolidated Opening balance $	Change in tax rate $	Charged to income $	Charged to equity $	Closing balance $
Temporary differences	181,967	(15,164)	(54,474)	-	112,329
Property, plant and equipment	(1,085,582)	90,465	196,613	-	(798,504)
Provisions	73,188	(6,099)	62,811	-	129,900
Tax losses carried forward	624,867	(52,072)	(121,515)	-	451,280
	(205,560)	17,130	83,435	-	(104,995)

Tax consolidation

Effective 1 July 2011, for the purposes of income taxation, Resource Development Group Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group. Central Systems Pty Ltd and CS Civil Pty Ltd joined the tax consolidated group as subsidiary members on 3 October 2014. Prior to joining, Central Systems Pty Ltd and CS Civil Pty Ltd had formed a tax consolidated group, effective from 1 July 2013.

The members of the Group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. The head entity of the tax consolidated group is Resources Development Group Limited. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

The MSA group has not formed a tax consolidated group and therefore each entity of that group accounts for income tax on a stand-alone basis.

Tax effect accounting by members of the tax consolidated group

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Franking credits

The Group has franking credits of $4,053,976 as at 30 June 2019 (2018: $4,068,883) to attach to future dividends declared by the Company. The franking credits of the subsidiaries are assumed by Resource Development Group Limited as the head company of the tax consolidated group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 4: SEGMENT REPORTING

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating decision maker in order to allocate resources to the segment and to assess its performance.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The following tables are an analysis of the Group's revenue and results by reportable segment provided to the Board for the year ended 30 June 2019 and 30 June 2018.

30 June 2019	Construction $	Contracting $	Other $	Corporate $	Consolidated $
Revenue and other income	31,383,532	7,201,748	-	267,309	38,852,589
Profit/(loss) before income tax	6,322,008	(2,669,129)	(1,234,760)	(4,485,042)	(2,066,923)
Income tax (expense)/benefit	-	17,614	-	(615,259)	(597,645)
Profit/(loss) after income tax	6,322,008	(2,651,515)	(1,234,758)	(5,100,302)	(2,664,568)
Interest revenue	-	-	-	250,343	250,343
Interest expense	-	487,106	-	15,812	502,918
Depreciation & amortisation	-	2,551,601	-	1,015,754	3,567,355
Impairment losses	-	-	-	-	1,687,969
Segment assets	2,283,624	9,074,758	-	18,626,070	29,984,452
Segment liabilities	3,126,639	7,654,241	-	3,860,734	14,641,614
Acquisition of non-current assets	-	-	-	-	10,780,427

30 June 2018	Construction $	Contracting $	Other $	Corporate $	Consolidated $
Revenue and other income	15,939,479	-	-	184,671	16,124,150
Profit/(loss) before income tax	2,398,224	-	-	(3,008,426)	(610,202)
Income tax (expense)/benefit	-	-	-	101,756	101,756
Profit/(loss) after income tax	2,398,224	-	-	(2,906,670)	(508,446)
Interest revenue	-	-	-	127,702	127,702
Interest expense	-	-	-	-	-
Depreciation & amortisation	-	-	-	1,163,295	1,163,295
Segment assets	5,751,004	-	-	19,969,248	25,720,252
Segment liabilities	4,075,614	-	-	4,149,678	8,225,292
Acquisition of non-current assets	-	-	-	-	6,383

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 4: SEGMENT REPORTING (continued)

Major Customers

The Group has two (2018: three) customers to whom it provided services where the revenue from that customer was in excess of 10% of the Group's revenue. These customers generated 76% (2018: 87%) of the Group's revenue for the period.

NOTE 5: EARNINGS PER SHARE

	Consolidated	
	2019	2018
	Cents per share	Cents per share
Basic and diluted loss per share	(0.28)	(0.08)
Loss after income tax attributable to owners of Resource Development Group Ltd used to calculate basic loss per share	(1,796,671)	(508,446)
	Number	Number
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	631,582,149	631,404,067

NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated	
	2019	2018
	$	$
Cash at bank and on hand	10,997,263	13,322,300

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Security deposits are restricted cash used as collateral to obtain bank guarantee facilities. These deposits are interest bearing and the interest is compounded and added to operating cash reserves.

(i) Reconciliation to the Statement of Cash Flows:

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts.

Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2019	2018
	$	$
Cash and cash equivalents	10,997,263	13,322,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 6: CASH AND CASH EQUIVALENTS (continued)

(ii) Reconciliation of net profit for the year to net cash flows from operating activities

	Consolidated	
	2019	2018
	$	$
Net loss for the year	(2,664,568)	(508,446)
(Profit)/loss on sale or disposal of assets	(3,919)	65,468
Depreciation	3,567,355	1,163,295
Impairment of goodwill	1,687,969	-
Equity settled share-based payment	12,446	36,415
(Increase)/decrease in operating assets:		
Trade and other receivables	(52,056)	(4,070,807)
Inventories	359,419	2,531
Deferred tax	438,276	(107,186)
Increase/(decrease) in operating liabilities:		
Trade and other payables	1,329,475	6,071,771
Provisions	143,966	486,758
Net cash provided by operating activities	4,818,363	3,139,799

(iii) Changes in liabilities arising from financing activities

	Lease liabilities	Total
30 June 2019	$	$
Opening balance	-	-
Acquisition of plant and equipment by means of finance leases	2,944,991	-
Acquisition through business combination	7,331,716	-
Repayment of hire purchase liabilities	(3,846,247)	-
	6,430,460	-

NOTE 7: CURRENT TRADE AND OTHER RECEIVABLES

	Consolidated	
	2019	2018
	$	$
Trade receivables	3,551,300	1,824,047
Allowance for impairment	(214,904)	-
	3,339,426	1,824,047
Loan receivable[1] (inclusive of accrued interest)	1,558,438	-
Other receivables	75,905	15,027
Accrued income	65,919	3,194,897
Prepayments	422,500	224,069
	5,462,188	5,258,040

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 7: CURRENT TRADE AND OTHER RECEIVABLES (continued)

(i) The average credit period on sales of goods and rendering of services is 35 days (2018: 38 days). Interest is not charged. No allowance is required to be made for estimated irrecoverable trade receivable amounts and related party loans arising from the past sale of goods and rendering of services, determined by reference to past default experience.

(ii) For details of the terms and conditions of related party receivables refer to Note 17.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality and have been collected subsequent to year-end.

	Consolidated	
	2019	2018
Aging of past due but not impaired	$	$
30 – 60 days	638,990	419,829
60 – 90 days	-	-
90+ days	-	-
Total	638,990	419,829

Movement in the allowance for impairment

	Consolidated	
	2019	2018
	$	$
Balance at the beginning of the year	-	-
Impairment gains/(losses) recognised on receivables (from MSA acquisition)	(214,904)	-
Balance at the end of the year	(214,904)	-

[1] A loan agreement exists between Resource Development Group Limited (RDG) and Bullseye Mining Limited (BML), its majority joint venture partner in a new company yet to be incorporated. The loan agreement is intended to assist funding various costs within BML, in anticipation of a future capital raising. The principal terms of the agreement are as follows:

- The funding is capped at $1.5m;
- Interest is calculated daily at a rate of 6% per annum;
- The original term of the agreement is for a maximum period terminating on 10 July 2019, however this was extended for a further six months; and
- The loan is secured by a first ranking registered mortgage granted by BML over its right, title and interest in Mining Lease M37/1167 (which holds the Bungarra gold deposit) under the Mining Act 1978 (WA).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 8: INVENTORIES

	Consolidated	
	2019 $	2018 $
At cost:		
Raw materials and stores	13,890	12,891
Work in progress (i)	371,642	732,060
	385,532	744,951

(i) Work in progress	Consolidated	
	2019 $	2018 $
Contract costs incurred	46,197,860	27,728,653
Recognised profits	9,042,506	3,257,715
	55,240,366	30,986,368
Progress billings	(57,995,363)	(34,329,922)
Work in progress	(2,754,997)	(3,343,554)
Income in advance	3,126,639	4,075,614
	371,642	732,060

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	Consolidated			
	Motor vehicles	Plant and equipment	Leasehold Improvements	Total
	$	$	$	$
Year ended 30 June 2019				
At 1 July 2018, net of accumulated depreciation and impairment	765,477	4,902,185	1,613	5,669,275
Assets acquired through business combination (see Note 23)	171,822	7,207,357	39,342	7,418,521
Additions	152,025	3,209,881	-	3,361,906
Disposals	-	(64,036)	-	(64,036)
Depreciation charge for the year	(187,725)	(3,376,717)	(2,913)	(3,567,355)
At 30 June 2019, net of accumulated depreciation and impairment	901,599	11,878,670	38,042	12,818,311
At 30 June 2019				
Cost or fair value				28,530,210
Accumulated depreciation and impairment				(15,711,899)
Net carrying amount				12,818,311

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (continued)

	Consolidated			
	Motor vehicles	Plant and equipment	Leasehold Improvements	Total
	$	$	$	$
Year ended 30 June 2018				
At 1 July 2017, net of accumulated depreciation and impairment	922,667	6,019,767	2,689	6,945,123
Additions	-	64,663	-	64,663
Disposals	-	(177,216)	-	(177,216)
Depreciation charge for the year	(157,190)	(1,005,029)	(1,076)	(1,163,295)
At 30 June 2018, net of accumulated depreciation and impairment	765,477	4,902,185	1,613	5,669,275
At 30 June 2018				
Cost or fair value				17,859,783
Accumulated depreciation and impairment				(12,190,508)
Net carrying amount				5,669,275

The useful life of the assets was estimated as follows for both 2019 and 2018:

- Plant and equipment 2 to 20 years
- Motor vehicles 4 to 6 years
- Leasehold improvements 10 to 13 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 10: TRADE AND OTHER PAYABLES

	Consolidated	
	2019	2018
Current	$	$
Trade payables	2,321,040	2,075,302
Other payables	1,270,689	759,305
Income received in advance	3,126,639	4,075,614
	6,718,368	6,910,221

Trade payables are non-interest bearing and are normally settled on 30-day terms.

NOTE 11: BORROWINGS

	Consolidated	
	30 June 2019	30 June 2018
Current	$	$
Hire purchase liabilities	2,894,049	-
	2,894,049	-
Non-current		
Hire purchase liabilities	3,536,411	-
	3,536,411	-
Total borrowings	6,430,460	-
Secured		
Hire purchase liabilities (1)	6,430,460	-
Total secured borrowings	6,430,460	-
Total borrowings	6,430,460	-

(1) Hire Purchase liabilities

Assets under hire purchase contracts are pledged as security for the related hire purchase liabilities (refer to Note 9).

Bank facility

On 15 November 2016, following a review of the Company's banking facilities, the ANZ Bank provided a restated Letter of Offer to the Company which included the following continuing facilities that the Company has agreed to:

- Performance guarantee facility of $2,500,000 (at 30 June 2019, amount used: $Nil; amount unused $2,500,000);
- Electronic Payaway Facility limit at 30 June 2019: $250,000; and
- Commercial card facility limit at 30 June 2019: $150,000.

The bank facilities are secured by way of a General Security Agreement over all of the assets of the Group. A Deed of Priority and Subordination between ANZ Bank and performance bond provider CGU Insurance Ltd is also in place.

Performance bond facility

The Company has these arrangements in place:

- Performance bond facility with CGU Insurance Ltd of $10,000,000 (at 30 June 2019 amount used $1,660,664 (30 June 2018: $1,116,868); amount unused $8,339,396 (30 June 2018: $8,883,132).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 11: BORROWINGS (continued)

The performance bond facility is secured by way of a General Security Agreement over all of the assets of the Group. A Deed of Priority and Subordination between ANZ Bank and CGU Insurance Ltd is in place.

NOTE 12: PROVISIONS

Employee Entitlements:	2019	2018
Consolidated	$	$
At 1 July	499,298	243,960
Net movements	143,966	255,338
At 30 June	643,264	499,298

2019	Employee benefits	Total
Consolidated	$	$
Current	623,110	623,110
Non-current	20,154	20,154
	643,264	643,264

2018	Employee benefits	Total
Consolidated	$	$
Current	482,745	482,745
Non-current	16,553	16,553
	499,298	499,298

NOTE 13: ISSUED CAPITAL

	30 June 2019		30 June 2018	
	Number of shares	$	Number of shares	$
(a) Paid up capital:	631,404,067	7,836,308	631,404,067	7,836,308

(b) Movements in ordinary share capital:

	Year to 30 June 2019		Year to 30 June 2018	
	Number of shares	$	Number of shares	$
Balance at beginning of financial period	631,404,067	7,836,308	631,404,067	7,836,308
Issue of shares to employees on vesting of incentives	625,000	-	-	-
Balance at end of financial period	632,029,067	7,836,308	631,404,067	7,836,308

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 13: ISSUED CAPITAL (continued)

Incentives

There were 2,250,000 incentives on hand as at 1 July 2018. A total of 1,125,000 incentives were fully vested as at 16 January 2019 with the remaining 1,125,000 incentives lapsing at that date as a result of not meeting a performance hurdle.

	Consolidated	
Movement in employee incentives	Year ended 30 June 2019 Number	Year ended 30 June 2018 Number
Balance at beginning of financial period	2,250,000	2,250,000
Incentives vested and exercised	(1,125,000)	-
Incentives lapsed	(1,125,000)	-
Balance at end of financial period	-	2,250,000

NOTE 14: SHARE BASED PAYMENTS AND RESERVE

	Consolidated	
	Share based payments reserve	Total
	$	$
At 1 July 2018	121,689	121,689
Recognition of share-based payments	12,446	12,446
At 30 June 2019	134,135	134,135

Nature and purpose of reserves

Share based payment reserve

This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration. Refer to note 13 for further details of these plans.

NOTE 15: FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2017.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings/(accumulated losses).

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 15: FINANCIAL INSTRUMENTS (continued)

	Consolidated	
	2019	2018
	$	$
(b) Categories of financial instruments		
Financial assets		
Cash and cash equivalents	10,997,263	13,322,300
Trade and other receivables	3,353,023	1,824,047
Financial liabilities		
Trade payables	6,718,368	6,910,221
Borrowings	6,430,460	-

(c) Financial risk management objectives

The Group is exposed to market risk including currency risk, fair value interest rate risk and price risk, credit risk, liquidity risk and cash flow interest rate risk.

(d) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, commodity prices and exchange rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

The Group does not have sufficient investments that would expose it to unmanageable market risks.

(e) Interest rate risk management

The Company and the Group are exposed to interest rate risk as entities in the Group borrow funds at variable interest rates. The Group's policy is to manage its exposure to movements in interest rates by fixing the interest rate on financial instruments, including bank loans, finance leases and hire purchase liabilities, wherever possible. In addition, the Group utilises a number of financial institutions to obtain the best interest rate possible and to manage its risk. The Group does not enter into interest rate hedges.

Interest rate risk sensitivity analysis

The Company only had fixed rate borrowings at 30 June 2019, therefore interest rate sensitivity analysis is not required to be undertaken for the purpose of this report.

(f) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 15: FINANCIAL INSTRUMENTS (continued)

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(g) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group currently has no financing facilities in place.

(h) Fair value of financial instruments

The directors consider that the carrying value of the financial assets and financial liabilities as recognised in the consolidated financial statements approximate their fair values.

The following tables detail the Group's expected contractual maturity for its non-derivative financial liabilities.

These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the earliest date the Group can be required to repay.

The tables include both interest and principal cash flows.

	Consolidated			
	Current		Non-Current	
30 June 2019	Within 6 months	6 – 12 months	1 – 5 years	5+ years
	$	$	$	$
Trade and other payables	6,718,368	-	-	-
Hire purchase obligations	1,709,808	1,523,280	3,747,860	-
	8,425,176	1,523,280	3,747,860	-

	Consolidated			
	Current		Non-Current	
30 June 2018	Within 6 months	6 – 12 months	1 – 5 years	5+ years
	$	$	$	$
Trade and other payables	6,910,221	-	-	-
Hire purchase obligations	-	-	-	-
	6,910,221	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 16: COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee
The Group has entered into commercial leases on premises. These leases are of varying periods up to 5 years with renewal options included in some of the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Consolidated	
	30 June 2019 $	30 June 2018 $
Within one year	233,831	364,664
After one year but not more than five years	58,350	177,182
Greater than 5 years	-	-
	292,181	541,846

Hire Purchase commitments – Group as lessee

	Consolidated	
	30 June 2019 $	30 June 2018 $
Within one year	3,233,088	-
After one year but not more than five years	3,747,860	-
Greater than 5 years	-	-
Minimum payments	6,980,948	-
Less future finance charges		
Within one year	339,038	-
After one year but not more than five years	211,449	-
Greater than 5 years	-	-
Total future finance charges	550,487	-
Present value of minimum payments	6,430,460	-

Capital commitments

No capital expenditure commitments have been made for items of plant and machinery as at 30 June 2019 (2018: $Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 17: RELATED PARTY DISCLOSURE

Resource Development Group Limited is the legal Australian parent entity. The legal subsidiaries are as follows:

Name	Country of Incorporation	% Equity Interest		Investment ($)	
		30 June 2019	30 June 2018	30 June 2019	30 June 2018
Central Systems Pty Ltd	Australia	100	100	1,800,100	1,800,100
Engenium Projects UK Ltd	UK	100	100	-	-
Mineral Solutions Australia Pty Ltd	Australia	80	-	420	-

Central Systems Pty Ltd is the accounting parent under the principles of reverse acquisition in AASB 3 *Business Combinations*; hence the consolidated financial statements are a continuation of the financial statements of Central Systems Pty Ltd.

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms. Outstanding balances at the year are unsecured, interest free and settlement occurs in cash. No guarantees were provided or received for any related party receivables or payables.

An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

(a) Operating lease agreements

The company has entered into operating lease agreements for rental premises with the following shareholder related entities:

Slipstream Property Partnership
Amphora Pty Ltd as trustee for the Purple Trust (Ivan Ruefli);
Allmont Pty Ltd as trustee for the Allmont Trust (Andrew Ellison);
Matthew Reid Project Management Pty Ltd (Gary Reid); and
Richard James Eden as trustee for the Eden Family Trust.
The lease for the property located in Osborne Park, Western Australia lease commenced on 1 May 2015 with a termination date of 30 April 2019.

Rental payments made for the year 1 July 2018 to 30 June 2019 were $136,800 (2018: $136,800). At balance date, $Nil (2018: $Nil) was payable to the Slipstream Property Trust.

Grisam Investments Pty Ltd as trustee for the Grisam Property Trust
Amphora Pty Ltd as trustee for the Purple Trust (Ivan Ruefli);
Allmont Pty Ltd as trustee for the Allmont Trust (Andrew Ellison);
Gary Reid as trustee for the Gary Reid Family Trust; and
Richard James Eden as trustee for the Eden Family Trust
The lease for the property located in Newman, Western Australia commenced on 1 October 2014 with a termination date of 30 September 2019. Rental payments made for the year 1 July 2018 to 30 June 2019 were $210,000 (2018: $210,000). At balance date, $Nil (2018: $Nil) was payable to Grisam Investments Pty Ltd.

(b) Other transactions

The Company entered into a building construction agreement with GM Reid Investments Pty Ltd (Mr Gary Reid – Director) for a unit development in Innaloo, Western Australia in November 2016.

i) GM Reid Investments Pty Ltd was invoiced $140,156 inclusive of GST for the year ended 30 June 2018 (2018: $270,600). At balance date, $Nil (2018: $Nil) was owing by GM Reid Investments Pty Ltd.

ii) The Company entered into a lump sum building contract with Allmont Pty Ltd (Mr Andrew Ellison – Chairman) for the construction of a two-storey residential dwelling at the Company's residential project located at North Coogee, Western Australia on 8 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 17: RELATED PARTY DISCLOSURE (continued)

Allmont Pty Ltd was invoiced $67,967 inclusive of GST for the year ended 30 June 2019 (2018: $Nil). At balance date, $Nil (2018: $Nil) was owing by Allmont Pty Ltd.

iii) The Company entered into a lump sum building contract with Gary Reid (Director) for the construction of a two-storey residential dwelling at the Company's residential project located at North Coogee, Western Australia on 14 December 2018.

Mr Reid was invoiced $152,469 inclusive of GST for the year ended 30 June 2019 (2018: $Nil). At balance date, $Nil (2018: $Nil) was owing by Mr Reid.

NOTE 18: PARENT ENTITY DISCLOSURES

The transaction involving Resource Development Group Limited acquiring all the issued shares of Central Systems Pty Ltd has been accounted for under the principles of Reverse Acquisitions included in Australian Accounting Standard AASB 3 *Business Combinations*.

The legal structure of the Resource Development Group Limited subsequent to the acquisition of Central Systems Pty Ltd is that Resource Development Group Limited remains as the parent entity.

	30 June 2019 $	30 June 2018 $
Assets		
Current assets	1,599,397	183,909
Non-current assets	5,319,758	59,758
Total assets	6,919,154	243,667
Liabilities		
Current liabilities	54,625	94,092
Non-current liabilities	6,805,072	-
Total liabilities	59,457	94,092
Equity		
Issued capital	7,886,705	7,886,705
Reserves	389,743	121,689
Accumulated losses	(8,216,991)	(7,858,819)
Total equity	59,457	149,575

Financial performance

	Year ended 30 June 2019 $	Year ended 30 June 2018 $
Loss for the year	(358,172)	(343,645)
Other comprehensive income	-	-
Total comprehensive loss	(358,172)	(343,645)

Commitments

The parent entity does not have any commitments of its own.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 19: EVENTS AFTER THE REPORTING PERIOD

Mr Andrew Haslam resigned as Chairman/Non-Executive Director on 12 August 2019 whilst Mr Ivan Ruefli was appointed as an Executive Director on the same date.

NOTE 20: AUDITOR'S REMUNERATION

The auditor of Resource Development Group Limited is HLB Mann Judd.

	Consolidated	
	2019	2018
Amounts received or due and receivable by HLB Mann Judd for:	$	$
An audit or review of the financial report of the entity and any other entity in the Group	93,159	67,500

NOTE 21: DIRECTORS AND EXECUTIVES DISCLOSURES

The aggregate compensation made to directors and other key management personnel of Resource Development Group Limited is set out below:

	Consolidated	
	2019	2018
	$	$
Short-term employee benefits	856,625	653,037
Post-employment benefits	30,236	30,523
Share-based payments	-	-
	886,861	683,560

NOTE 22: DIVIDENDS

There were no dividends declared or paid during the year ended 30 June 2019 (30 June 2018: $Nil).

	Consolidated	
	2019	2018
Franking account balance	$	$
The amount of franking credits available for subsequent financial years are:		
Franking account balance as at the end of the financial year at 27.5% (2018: 27.5%)	4,053,976	4,068,883
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	-
	4,053,976	4,068,883

The tax rate at which any dividends would have been franked is 27.5% (2018: 27.5%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 23: BUSINESS COMBINATION

Acquisition of Mineral Solutions Australia Pty Ltd

On 3 August 2018, the Company completed the acquisition of 80% of the shares of Mineral Solutions Australia Pty Ltd (MSA) for a total purchase consideration of $2 million with a further deferred component of $800,000, with an effective acquisition date of 2 July 2018. MSA is the holding company of a group that includes Crushing Service Solutions Pty Ltd, Aggregate Crushing Australia Pty Ltd and Ore Sorting Australia Pty Ltd which are based in Kalgoorlie, Western Australia and provide contracting services to the mining and other sectors. Pursuant to the Share Sale and Purchase Agreement, the Company had the contractual right to reduce the purchase price by the deferred consideration amount ($800,000) should MSA not repay the loan provided to it by the Company within a 12-month timeframe. As the loan has not been repaid, the purchase price has been reduced as reflected in the table below.

An amount of $1,687,969 was recognised as goodwill on acquisition as detailed below and was subsequently impaired at 30 June 2019.

Details of the final acquisition accounting in relation to the purchase consideration and the net assets are as follows:

	$
Cash paid – purchase price	2,000,000
Deferred acquisition cash consideration	800,000
Reduction in acquisition consideration per Share Sale Agreement	(800,000)
Total purchase consideration	2,000,000

The assets and liabilities recognised from the acquisition are as follows:

	Fair value $
Cash and cash equivalents	551,807
Trade and other debtors	1,289,200
Plant and equipment	7,418,521
Borrowings	(7,331,716)
Trade and other payables	(1,115,781)
Fair value of identifiable net assets acquired	812,031
Goodwill acquired on acquisition, subsequently impaired	1,687,969
Less: Non-controlling interest	(500,000)
	2,000,000

Purchase consideration – cash outflow

	$
Cash consideration paid	2,000,000
Less: Balances acquired	
Cash – MSA	(551,807)
Net outflow of cash – investing activities	1,448,193

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 23: BUSINESS COMBINATION (continued)

Accounting Policy

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of subsidiary comprises the following:

(i) fair values of the assets transferred

(ii) liabilities incurred to the former owners of the acquired business

(iii) equity interests issued by the group

(iv) fair value of any asset or liability resulting from contingent consideration arrangement, and

(v) fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

(i) consideration transferred,

(ii) amount of any non-controlling interest in the acquired entity, and

(iii) acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is initially recorded as goodwill. For the current year acquisition of MSA, the goodwill was subsequently fully impaired.

Contingent consideration is classified either as equity or financial liability. Amounts classified as financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the Company's previously held equity interest in the acquired business is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

NOTE 24: NON-CONTROLLING INTEREST

The non-controlling interest of 20% in Mineral Solutions Australia Pty Ltd (MSA) recognised at the acquisition date was measured by reference to the non-controlling interest's proportionate share of the acquiree's identifiable net assets and amounted to $500,000.

Summary financial information for MSA is found below:

	30 June 2019 $
Assets	
Current assets	1,893,546
Non-current assets	7,355,493
Total assets	9,249,039
Liabilities	
Current liabilities	4,615,078
Non-current liabilities	6,479,444
Total liabilities	11,088,522

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 24: NON-CONTROLLING INTEREST (continued)

	30 June 2019 $
Equity	
Issued capital	420
Reserves	285,975
Accumulated losses	(2,125,878)
Total equity	(1,839,483)

Non-controlling interest movement schedule

Non-controlling interest arising on acquisition of MSA	500,000
Non-controlling interest share of loss	(867,897)
Non-controlling interest share of comprehensive income	-
	(367,897)

DIRECTORS' DECLARATION

1. In the opinion of the directors of Resource Development Group Limited (the 'Company'):
   a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
      i. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year then ended; and
      ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

3. The Company and a wholly-owned subsidiary, Central Systems Pty Ltd, have entered into a deed of cross guarantee under which the Company and its subsidiary guarantee the debts of each other. At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed.

This declaration is signed in accordance with a resolution of the Board of Directors.

Andrew Ellison

Chairman

Dated this 30 September 2019

HLB MANN JUDD
ADVISORY AND ACCOUNTING

INDEPENDENT AUDITOR'S REPORT
To the members of Resource Development Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Resource Development Group Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
Revenue recognition on long term contracts and accounting for work in progress Notes 2 and 8 of the financial report	
A substantial amount of the Group's revenue relates to revenue from the rendering of services and construction contracts. Many of these contracts are of long-term duration and revenue and margins are recognised based on the stage of completion of the individual contracts. This is calculated on the proportion of total costs incurred at the reporting date compared to management's estimation of total costs of the contract. We focused on this area as a key audit matter due to the number and type of estimation events that may occur over the course of the contract life, leading to complex and judgemental revenue recognition from these contracts, as well as the application of AASB 15 *Revenue from Contracts with Customers* for the first time.	Our procedures included but were not limited to the following: • We examined and tested the Group's key controls over revenue and related work-in-progress; • We evaluated management's process to assess the impact of AASB 15 *Revenue from Contracts with Customers*; • We recalculated the net work in progress balance ensuring that the revenue is recognised in line with the requirements of AASB 15; • We inquired about contract margins that were higher than the expected margin; • We tested contract values on a sample basis by agreeing to contracts and approved variations; • We assessed the estimation of costs to complete on a sample basis by agreeing key forecast cost assumptions to underlying evidence; • We assessed the Group's ability to forecast margins on contracts by analysing the accuracy of previous margin forecasts to actual outcomes, on a sample basis; • We compared the contract performance at balance date to subsequent months for evidence of deteriorating contract performance and that the Group was accounting for loss making contracts appropriately; • We tested contract costs to the underlying documentation on a sample basis; • We tested completeness of work in progress by comparing management reports to accounting records; • We considered if there were any legal or contentious matters that may indicate the inappropriate recognition of variations and claims. We checked the consistency of this to the inclusion or otherwise of an amount in the estimates used for revenue recognition; and • We assessed the adequacy of the disclosures in the financial report.

Business Combination Note 23 of financial report	
During the year, the Group acquired 80% of the issued share capital of Mineral Solutions Australia Pty Ltd for gross purchase consideration of $2m. This was a significant transaction for the Group. Accounting for this transaction is a complex and judgemental exercise, requiring management to determine the fair value of acquired assets and liabilities, in particular determining the allocation of purchase consideration to goodwill.	Our procedures included but were not limited to the following: • We read the Share Sale and Purchase agreement to understand the key terms and conditions; • We agreed the fair value of the gross consideration paid to supporting information; • We obtained audit evidence that the acquisition-date assets and liabilities of Mineral Solutions Australia Pty Ltd were fairly stated; • We have confirmed that the business combination meets the requirements of AASB 3; • We considered the allocation of the excess of the consideration paid over the identifiable net assets acquired to goodwill and other intangible assets; and • We assessed the adequacy of the Group's disclosures in the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

HLB MANN JUDD
ADVISORY AND ACCOUNTING

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Resource Development Group Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
30 September 2019

Additional Information for Listed Public Companies

Additional information included in accordance with the Listing Rules of the Australian Securities Exchange Limited.
The information is current as at 30 August 2019.

1. Shareholdings

Substantial shareholders of Resource Development Group Limited:

Name of shareholder	Shares held
SEAFIRE HOLDINGS PTY LTD (SEAFIRE A/C)	105,649,724
MATHEW REID PROJECT MANAGEMENT PTY LTD (GM REID FAMILY A/C)	105,649,724
AMPHORA PTY LTD (PURPLE A/C)	105,649,724
	316,949,172

Distribution of equity – Listed securities:

Size of holding	Number of Shareholders
1 – 1,000	10
1,001 – 5,000	10
5,001 – 10,000	43
10,001 – 100,000	212
100,001 – and over	139
Total	414

At the date of this report there were 91 shareholders who held less than a marketable parcel of shares.

Listed securities in Resource Development Group Limited (RDG) are quoted on all member exchanges of the Australian Securities Exchange.

Additional Information for Listed Public Companies (continued)
Updated as at 30 August 2019

SHAREHOLDER	SHARES	% OF ISSUED CAPITAL
SEAFIRE HOLDINGS PTY LTD (SEAFIRE A/C)	105,649,724	16.72%
MATHEW REID PROJECT MANAGEMENT PTY LTD (GM REID FAMILY A/C)	105,649,724	16.72%
AMPHORA PTY LTD (PURPLE A/C)	105,649,724	16.72%
RICHARD JAMES EDEN (EDEN FAMILY TRUST)	61,330,343	9.70%
STEPHEN KROLL (KROLL FAMILY A/C)	26,412,431	4.18%
AWIN GLOBAL PTY LTD (BATCHELOR CONCRETE A/C)	25,000,000	3.96%
MICHAEL JOHN BEGLEY (QUARTZ A/C)	13,653,303	2.16%
CORRINE RACHEL PANZICH (C&D PANZICH FAMILY A/C)	13,653,303	2.16%
CORUMBA CAP PTY LTD	13,653,302	2.16%
JEFFREY BRILL (BRILL FAMILY A/C)	13,653,302	2.16%
OMEGA RED PTY LTD (SOURBUTTS F/F A/C)	12,500,000	1.98%
FORTE EQUIPMENT PTY LTD	10,234,868	1.62%
FULLERTON PRIVATE CAP PTY LTD	7,773,625	1.23%
TROY MICHAEL VENTRISS (VENTRISS FAMILY A/C)	7,623,094	1.21%
CHRISTOPHER BENSON (BENSON FAMILY A/C)	6,100,000	0.97%
HUGH JONATHAN GREEN	5,120,000	0.81%
TANIA LOUISE MCLEOD	4,405,928	0.70%
CAP ROCK INV PTY LTD (GR & KM COX S/F A/C)	3,808,068	0.60%
DAVID JOHN MAIRINGER	3,612,979	0.57%
GC & PC DREW (DREW FAM S/F A/C)	3,183,557	0.50%
TOP 20	**548,667,275**	**86.81%**
REMAINING	**83,361,792**	**13.19%**
TOTAL SHARES ON ISSUE	**632,029,067**	**100.00%**