

# **WELD RANGE METALS LIMITED**

ACN 009 200 079

**CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2014**

Your Directors submit their report of Weld Range Metals Limited ("the Company" or "WRM") for the year ended 31 December 2014.

## **Directors**

The names and details of the Company's Directors in office during the year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

### **William A. Bailey**

FCA

Non-Executive Director - Chairman

Mr Bailey was appointed as Non-Executive Chairman on 28 January 2016. He is a Chartered Accountant and has spent the majority of his career in practice as a Senior Partner of Bentley Jennison (now part of Baker Tilly). He has just completed a year as President of the Institute of Chartered Accountants in England and Wales and still holds a number of advisory roles with the Institute. He is well respected in the industry receiving a Life Time Achievement award from the Chamber of Commerce for outstanding service to business and the community in North Staffordshire.

### **Clayton J. Dodd**

B (Bus) CA

Executive Director

Mr Dodd was appointed as a Director of the Company on 26 October 2009. He is a Chartered Accountant with more than 30 years experience in finance and resources in Australia, South Africa and South America. He has held directorships with public listed companies on the JSE, TSX, AIM, and ASX markets. He is a director of KM Securities Pty Limited (formerly Atomaer Holdings Pty Ltd).

### **Russell W. Thomson**

CPA

Finance Director

Mr Thomson was appointed as a Director of the Company on 26 October 2009. He has over 25 years of experience in the construction, railway, electrical, process engineering and mining industries in Australia, South Africa and Asia. He also has extensive experience in the financial management and cost control of large infrastructure projects. Mr Thomson is a director and shareholder of Ausinox plc.

### **Peter Gilmour**

BSc (Hons) Mineral Processing Technology ACSM

Non-Executive Director

Mr Gilmour was appointed as a Director of the Company on 11 September 2015. He is a professional process engineer with over 35 years' experience in the mining and processing of mineral resources in Australia, Asia and Africa. Peter specialises in commissioning and process start-up of large scale resource projects which have included iron ore, nickel, copper, uranium, alumina and mineral sands projects of major international resource companies. Mr Gilmour is a shareholder and director of Ausinox plc.

### **Roberto Castro**

Non-Executive Director

Mr Castro was appointed as a Director of the Company on the 17<sup>th</sup> December 2015. Roberto graduated from Geneva high commerce school and has been working in the financing of trading commodities since 1988. He started his career working for trading companies for several years

before joining the trade finance bank BNP Paribas in Geneva (previously United European Bank) where he was responsible for over 10 years as senior relation manager for the financing of a wide portfolio of trading companies in energy and mining industry.

#### **Directors Report (continued)**

Over the last 12 years Roberto has been working in Geneva through the company he founded, Petrosca, as an independent financial consultant assisting commodity traders in a wide range of services such as the sourcing of finance to meet their contractual obligations.

#### **Mark Mathysen-Gerst**

BBA

Alternate Director for Mr Roberto Castro

Mr Matheysen-Gerst was appointed as Alternate Director of the Company on the 17th December 2015. After graduating from ACL University in London, Mark worked for more than 20 years in the private banking industry. Throughout his career, Mark has been in charge of managing client relationships, devising investment strategies, allocating assets, selecting fund managers and mutual funds and supervising clients' investments. Mark gained at an early age a thorough understanding and expertise in Asia, in particular, the Chinese market. Mark is a Swiss and Dutch national fluent in French, English, German and Spanish with good knowledge of Italian. He is a founding Partner of Clear Eight Group in charge of wealth management and private equity investments.

#### **Bryan Frost**

Non-Executive Director - Chairman

Mr Frost was appointed as a Non-Executive Director and Chairman of the Company on 26 February 2013. Mr Frost resigned as a Director of the Company on 17 December 2015.

#### **Peter G. Cordin**

BE, MIEAust, CPEng, FAusIMM (CP)

Non-Executive

Mr. Cordin resigned as a director of the Company on the 24 February 2014.

#### **Peter L. Gunzburg**

BComm

Non-Executive Director

Mr Gunzburg resigned as a director of the Company on the 18 March 2014.

#### **Company Secretary**

Mr Clayton Dodd was appointed Company Secretary on 15 May 2012 and resigned on 28 January 2016.

Mr Dominic Traynor and Mr Russell Thomson were appointed joint company secretaries of the Company on 28 January 2016.

## **Directors Report (continued)**

### **Corporate Information**

Weld Range Metals Limited is an unlisted public company incorporated and registered in Western Australia pursuant to the *Corporations Act 2001*.

The Company was previously listed on the Australian Securities Exchange (ASX) on the 8 October 1987. It became a wholly owned subsidiary of Dragon Mining NL (now Dragon Mining Limited) which was listed in its place on ASX under a Scheme of Arrangement that became effective on 29 June 1990.

As at 31 December 2014, the shareholders of the company are Atomaer Nominees Pty Limited (60.05%) and Dragon Mining Limited (39.95%).

The Company owns 13 granted contiguous mining leases with the right to mine all minerals and metals within an area of 7,800 hectares (78 square kilometres) covering the entire Weld Range layered ultramafic-mafic intrusive complex ("**Weld Range Complex**") near Weld Range ("**Mining Leases**"), approximately 480 kilometres from the port of Geraldton in the Mid West Region of Western Australia.

The Company has held interests in mining tenements covering the Weld Range Complex continuously since 1987. Total expenditure on the acquisition and consolidation of mineral rights and mining tenements, drilling, sampling, metallurgical testwork and scoping and feasibility studies by the Company over the last 28 years amounts to approximately \$19 million.

Work completed by the Company includes over 60,000 metres of drilling. Independent resource estimates prepared by Snowden Mining Industry Consultants in terms of the 2012 JORC Code ("**Range Well Resources**") are as follows:

- An Inferred Mineral Resource of 385.3 Mt at 0.64% Ni, 0.78% Cr, 19.7% Fe and 0.04% Co at a cut-off grade of 0.5% Ni ("**Range Well Nickel Resources**"); and
- An Inferred Mineral Resource of 63.5 Mt at 5.2% Cr, 0.38% Ni, 38.1% Fe and 0.04% Co at a cut-off grade of 4% Cr ("**Range Well Chromium Resources**").

Drilling has also identified a zone of mineralisation containing Platinum Group Metals ("**PGMs**") with a strike of 15 kilometres known as Parks Reef. The geology and mineralisation of Park's Reef is similar to the Great Dyke in Zimbabwe which hosts one of the largest deposits containing PGM's, chromium and nickel in the world.

Park's Reef PGM mineralisation is reported to have an average true thickness of 13 meters. It comprises an oxide zone from surface to about 40 meters which overlies a sulphide zone extending to below 200 meters.

The mining leases of the Company are also prospective for sulphide nickel and copper deposits. Over 12 target areas have been identified for drilling from previous exploration.

On 11 December 2013, the Company finalised and signed a mining agreement with the Wajarri Yamatji Native Title Claim Group which authorised the grant of the last of the mining leases of the Company and regulates the development of mining and processing operations within the Mining Leases ("**Mining Agreement**").

The last of the Mining Leases were granted to the Company on 7 March 2014. This together with the Mining Agreement significantly de-risked the Company's rights to mine and operate within the Mining Leases allowing the Company to resume work on the evaluation of projects within the Weld Range Complex.

## **Directors Report (continued)**

The Company has completed scoping studies for the production of refined alloys containing nickel, chromium and iron from the mining and processing of raw materials in the form of the Range Well Resources for sale and export to stainless steel plants for the production of stainless steel products in Asia, Europe, North America and India ("**Stainless Steel Alloy Project**").

An independent review of the scoping study by GHD Engineers in 2014 reported that the production of refined alloys for both 300 series and 200 series stainless steel is considered technically feasible and can deliver positive financial returns under a number of different development scenarios.

The next stage of work comprises a definitive feasibility study for the development of the Stainless Steel Alloy Project.

The Company also evaluated options to restructure its holdings to attract dedicated funding for the Stainless Steel Alloy Project to allow the Company to focus on evaluating the Park's Reef PGM Project and targets for sulphide deposits containing nickel, copper and associated metals.

The Company is now considering options for an initial public offering and listing of securities on a recognised securities exchange to finance the next stages of work.

## **Nature of Operations and Principal Activities**

The principal activities of the Company comprise the evaluation of the the Park's Reef PGM Project and targets for sulphide deposits containing nickel, copper and associated metals within the Mining Leases covering the Weld Range Complex. The Company is free carried to completion of the definitive feasibility study for the development of Stainless Steel Alloy Project.

## **Results**

The net loss of the Company for the year ended 31 December 2014 was \$443,116 (2013: loss of \$930,235). The 2014 and 2013 loss relates principally to accrued interest.

## **Dividends**

No dividend has been paid or declared since the commencement of the year and no dividends have been recommended by the Directors.

## **Significant Changes in the State of Affairs after Balance Date**

### *Acquisition of Shares and Shareholder Loans in Weld Range Metals Limited*

The Company, Dragon Mining Limited ("**Dragon**") and Ausinox plc ("**Ausinox**") entered into a share sale agreement dated 31 December 2014 ("Dragon Share Sale Agreement") under which Dragon agreed to sell, transfer and assign to Ausinox 10,311,834 fully paid ordinary shares in the issued capital of the Company ("**Dragon Shares**") and shareholder loans by Dragon to WRM in the sum of \$3,791,046 ("**Dragon Loan**").

Ausinox completed the acquisition of the Dragon Shares and Dragon Loan on 11 September 2015.

### *Sale of Ausinox Proprietary Limited*

The Company, Ausinox and Ausinox Proprietary Limited ("APL") entered into a share sale agreement dated 26 January 2015 ("APL Share Sale Agreement") under which the Company agreed to sell and transfer 20,450,000 shares representing the entire issued capital of APL ("APL Shares") to Ausinox for a consideration of £2,045,000 to be satisfied by the issue of 20,450,000 ordinary shares in Ausinox at an issue price of £0.10 per share to the Company.

**Directors Report (continued)**

The sale of the APL shares to Ausinox was subject to the satisfaction of the following conditions precedent ("**Conditions Precedent**"):

- (1) Ausinox completing the acquisition of the Dragon Shares and the Dragon Loan;
- (2) APL issuing 20,449,998 shares to the Company to satisfy the purchase price of \$7,500,000 for the acquisition of an initial equitable interest of 51% in the Oxide Mining Rights and Stainless Steel Alloy Project under the Stainless Steel Alloy Joint Venture Agreement;
- (3) Ausinox executing a deed in favour of the Company under which Ausinox forgives and releases the Company from the Dragon Loan at completion of the APL Share Sale Agreement ("**Deed of Forgiveness and Release of Debt**");
- (4) the Company, Ausinox and the other shareholders of the Company executing a shareholders' agreement at completion of the APL Share Sale Agreement to regulate the rights and obligations of shareholders and provide for the management and funding of the business of the Company until the Company completes an initial public offering of securities and listing on a recognised securities exchange.

Under the APL Share Sale Agreement, Ausinox also agreed to subscribe \$1,000,000 to the Company for the issue of 10,000,000 fully paid ordinary shares by the Company at an issue price of \$0.10 per share to Ausinox.

Ausinox completed the acquisition of the APL Shares on 19 October 2015 following the fulfilment of the last of the Conditions Precedent. Ausinox forgave and released WRM from the Dragon Loan as a Condition Precedent at completion. Ausinox also completed subscriptions of A\$1,000,000 for the issue of a further 10,000,000 shares in WRM.

*Stainless Steel Alloy Joint Venture Agreement*

The Company and APL entered into the Stainless Steel Alloy Joint Venture Agreement dated 26 January 2015 ("**Stainless Steel Alloy Joint Venture Agreement**") under which the Company agreed to sell, transfer and assign to APL, then a wholly owned subsidiary of the Company, and APL agreed to acquire:

- (1) an initial equitable interest of 51% in:
  - (a) the rights to mine all nickel, chromium, iron and other metals contained in oxide minerals, including the Range Well Nickel Resources and the Range Well Chromium Resources ("**Oxide Minerals**") within the mining leases of the Company ("**Oxide Mining Rights**") near Weld Range in the Mid West Region of Western Australia; and
  - (b) Stainless Steel Alloy Joint Venture;
- (2) an exclusive right to acquire a further equitable interest of 24% in the Oxide Mining Rights and the Stainless Steel Alloy Joint Venture by sole funding and completing a definitive feasibility study for the development and operation of the Stainless Steel Alloy Project within 3 years after the commencement of the Stainless Steel Alloy Joint Venture Agreement;
- (3) the sole right to manage the Stainless Steel Alloy Project and Stainless Steel Alloy Joint Venture,

for a purchase price of \$7,500,000 to be satisfied by APL issuing 20,449,998 shares to WRM.



## **Directors Report (continued)**

APL completed the acquisition of the initial equitable interest of 51% in the Oxide Mining Rights and Stainless Steel Alloy Joint Venture on 11 September 2015.

### *Grant of Waiver under Rule 9 of Takeover Code by Takeover Panel*

The issue of 20,450,000 ordinary shares by Ausinox to the Company under the APL Share Sale Agreement would result in the Company holding more than 30% of the issued capital of Ausinox ("**Transaction**").

Ausinox was advised that the Transaction would require a waiver of the application of the Takeover Code by the Takeover Panel in the United Kingdom before the shares could be issued to the Company.

Documentation approved by the Takeover Panel was circulated to all shareholders of Ausinox in September 2015 to obtain their consent to the waiver of the Takeover Code in respect of the Transaction. Following written consents from all shareholders of Ausinox the Takeover Panel confirmed that the waiver of the Takeover Code was granted on 13 October 2015. Ausinox issued the shares to WRM to complete the acquisition of APL on 19 October 2015.

### *Completion of transactions under the Shareholders Agreement*

The Company, KM Securities Pty Limited ("KMS") and Ausinox entered into a Shareholders' Agreement dated 26 January 2015 to regulate the rights and obligations of shareholders and provide for the management and funding of the business of the Company until the Company completes an initial public offering of securities and listing on a recognised securities exchange ("Shareholders Agreement").

The operative provisions of the Shareholders Agreement commenced on 19 October 2015, the date on which the conditions precedent under the Shareholders Agreement were satisfied; specifically, completion of the acquisition of the Dragon Shares and Dragon Loan and the acquisition of APL by Ausinox.

On 17 December 2015, all shareholder loans, other than the Dragon Loan acquired and forgiven by Ausinox as a condition of the APL Share Sale Agreement and \$52,689 is to be repaid in cash, the balance repaid in full by the issue of ordinary shares by WRM at an issue price of A\$0.10 per share or in money in accordance with the Shareholders Agreement. In addition, all shares in the Company held through nominees were transferred to the beneficial owners of those shares.

Following completion of those transactions, Ausinox holds 20,311,834 shares representing approximately 22% of the issued capital of WRM. Ausinox nominated 2 persons, namely Mr Peter Gilmour and Mr Russell Thomson, who have been appointed as directors of WRM.

On 14 October 2015, the Company engaged and appointed Brandon Hill Capital Limited as financial adviser and broker to advise on and procure funding for an initial public offering of shares ("IPO") and admission of the shares of WRM to listing on a recognised securities exchange in 2016.

The Shareholders Agreement terminates immediately on completion of, or as required for, completion of the IPO and listing.

By letter dated 26 March 2016 Ausinox confirmed that it will provide financial support and advance funds as required for the Company to pay its debts as and when they become due and payable for the period from the date of the letter to the earlier of the date which is 12 months from date of the letter and the date on which the Company completes a capital raising by IPO and admission to a recognised securities exchange.

## **Directors Report (continued)**

### **Likely Developments and Expected Results**

The Company will focus on the evaluation of the Park's Reef PGM Project and targets for sulphide deposits containing nickel, copper and associated metals within the Mining Leases covering the Weld Range Complex. The Company is free carried to completion of the definitive feasibility study for the development of Stainless Steel Alloy Project.

### **Environmental Regulation**

The Company's operations are subject to significant environmental regulations under statutory legislation in relation to its exploration activities. Management monitors compliance with environmental regulations. The Directors are not aware of any significant breaches during the period covered by this report.

### **Auditor's Independence Declaration**

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors with a written Independence Declaration in relation to their audit of the financial report for the year ended 31 December 2014. This written Auditor's Independence Declaration is attached to the Auditor's Independent Audit Report to the members and forms part of this Directors' Report.

Signed in Perth this 28 day of April 2016 in accordance with a resolution of the Directors.



W.A. Bailey  
Chairman

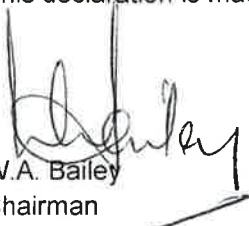


## **DIRECTORS' DECLARATION**

In accordance with a resolution of the Directors of Weld Range Metals Limited, I state that:

- (1) The financial statements and notes, as set out within this report, are in accordance with the *Corporations Act 2001* and:
  - (a) Comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - (b) Give a true and fair view of the financial position as at 31 December 2014 and of the performance for the year ended on that date of the Company.
- (2) In the director's opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

  
W.A. Bailey  
Chairman

Signed in Perth this 28 day of April 2016



## Independent Auditor's Report

To the members of Weld Range Metals Limited

### Report on the Financial Report

We have audited the accompanying financial report of Weld Range Metals Limited, which comprises the consolidated statement of financial position as at 31 December 2014, 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 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the entity and the entity it controlled at the year's end or from time to time during the financial year.

#### *Directors' Responsibility 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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

## Auditor's Independence Declaration

To those charged with the governance of Weld Range Metals Limited

As lead engagement partner for the audit of Weld Range Metals Limited for the year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the Independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Somes Cooke

**Somes Cooke**

Nicholas Hollens

**Nicholas Hollens**

Partner

Perth

28 April 2016

*Opinion*

In our opinion the financial report of Weld Range Metals Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Somes Cooke

**Somes Cooke**

Nicholas Hollens

**Nicholas Hollens**

Partner

Perth

28 April 2016

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME FOR THE YEAR ENDED 31 DECEMBER 2014**

		Consolidated	
	Note	2014 \$	2013 \$
Expenses	2	(443,116)	(930,235)
<b>Loss before tax</b>		(443,116)	(930,235)
Income tax expense		-	-
<b>Loss after income tax</b>		(443,116)	(930,235)
Other comprehensive income		-	-
<b>Total comprehensive loss attributable to members of Weld Range Metals Limited</b>		(443,116)	(930,235)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2014**

		Consolidated	
	Note	2014 \$	2013 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	9,267	64,382
Trade and other receivables	4	6,228	18,156
<b>TOTAL CURRENT ASSETS</b>		<u>15,495</u>	<u>82,538</u>
<b>NON-CURRENT ASSETS</b>			
Exploration and Evaluation	5	10,004,061	7,631,891
Investment in Subsidiaries		-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<u>10,004,061</u>	<u>7,631,891</u>
<b>TOTAL ASSETS</b>		<u>10,019,556</u>	<u>7,714,429</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	6	2,576,695	453,433
Interest-Bearing Loans and Borrowings	7	9,410,718	8,992,308
Non Interest Bearing Loans and Borrowings	8	249,621	-
Accrual	6	-	43,050
<b>TOTAL CURRENT LIABILITIES</b>		<u>12,237,034</u>	<u>9,488,791</u>
<b>TOTAL LIABILITIES</b>		<u>12,237,034</u>	<u>9,488,791</u>
<b>NET LIABILITIES</b>		<u>(2,217,478)</u>	<u>(1,774,362)</u>
<b>EQUITY</b>			
Contributed equity	9	10,520,750	10,520,750
Accumulated losses		(12,738,228)	(12,295,112)
<b>TOTAL EQUITY</b>		<u>(2,217,478)</u>	<u>(1,774,362)</u>

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<b>Contributed Equity</b>	<b>Accumulated Losses</b>	<b>Total</b>
<b>At 1 January 2013</b>	10,520,750	(11,364,877)	(844,127)
<i>Movements in comprehensive income</i>		-	-
Loss for the year	-	(930,235)	(930,235)
<i>Total comprehensive income for the year</i>	-	(930,235)	(930,235)
<b>At 31 December 2013</b>	10,520,750	(12,295,112)	(1,774,362)
<b>At 1 January 2014</b>	10,520,750	(12,295,112)	(1,774,362)
<i>Movements in comprehensive income</i>		-	-
Loss for the year	-	(443,116)	(443,116)
<i>Total comprehensive income for the year</i>	-	(443,116)	(443,116)
<b>At 31 December 2014</b>	10,520,750	(12,738,228)	(2,217,478)

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

		Consolidated	
	Note	2014 \$	2013 \$
<b>Cash flows used in operating activities</b>			
Payments to suppliers	3	1,984,373	(359,235)
Net Operating Cash Flows		1,984,373	(359,235)
<b>Cash flows used in investing activities</b>			
Payments for exploration activities		(2,372,170)	(622,314)
Net Investing Cash flows		(2,372,170)	(622,314)
<b>Cash flows from financing activities</b>			
Proceeds from loans		332,682	1,000,060
Net Financing Cash Flows		332,682	1,000,060
Net decrease in cash and cash equivalents		(55,115)	18,511
Cash and cash equivalents at the beginning of the year		64,382	45,871
<b>Cash and cash equivalents at the end of the year</b>	3	9,267	64,382

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Corporate Information**

The principal accounting policies adopted in the preparation of the financial statements are set out below. The financial statements are for the consolidated entity consisting of Weld Range Metals Limited and its subsidiaries. The financial statements are presented in Australian Currency.

Weld Range Metals Limited is a company limited by shares that is incorporated and domiciled in Australia. The address of the registered office is Level 9, 256 Adelaide Terrace, Perth, Western Australia 6000.

The financial statements were authorised for issue by the directors on 28 April 2016. The directors have the power to amend and reissue the financial statements.

#### **(b) Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Weld Range Metals Limited ("Company" or "parent entity") as at 31 December 2014 and the results of all subsidiaries for the year then ended. Weld Range Metals Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies of the group.

Non-controlling interests in the results and equity of subsidiaries are shown in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

#### **(c) Reporting Framework and Basis of Preparation**

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

The company is a profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **(c) Reporting Framework and Basis of Preparation (Continued)**

The financial statements, except for the cash flow information, have been prepared on the accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### *Going concern*

During the year ended 31 December 2014, the Company incurred a net loss of \$443,116 represented mainly by accrued interest on shareholder loans and has a net current liability of \$2,217,478.

It was the intention of the shareholders to capitalise the loans including accrued interest to new shares in the company. On 19 October 2015 Ausinox forgave and discharged the Company from the shareholder loans in the sum of \$3.8 million it acquired from Dragon Mining Limited. On 17 December 2015 shareholder loans and accrued interest in the sum of \$5.6 million were repaid in full by the issue of new shares in the Company.

The financial report has been prepared on the basis that the Company will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

In arriving at this position, the directors are reviewing various funding alternatives including:

- equity raisings; and
- debt raisings.

By letter dated 26 March 2016 Ausinox confirmed that it will provide financial support and advance funds as required for the Company to pay its debts as and when they become due and payable for the period from the date of the letter to the earlier of the date which is 12 months from date of the letter and the date on which the Company completes a capital raising by IPO and admission to a recognised securities exchange.

The directors believe that at the date of signing the financial report there are reasonable grounds to believe that having regard to the matters set out above, the Company will continue to have the support of their shareholders and will be able to raise sufficient funds to meet its obligations as and when they fall due.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

### **(d) Segment Reporting**

An operating segment is defined as a component of an entity that engages in business from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief decision maker. The chief operating decision maker, who is responsible for allocating

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **(d) Segment Reporting (Continued)**

resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

### **(e) Statement of Compliance**

The financial report has been prepared in accordance with the Corporations Act 2001, the basis of accounting specified by all Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 *Presentation of Financial Statements*, AASB 107 *Cash Flow Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

### **(f) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured.

### **(g) Income Taxes**

The income tax expense or revenue for the year is the tax payable on the current year's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and for unused tax losses.

Deferred income tax is provided in full. Using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances related to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **(h) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST unless the GST incurred 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.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

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

### **(i) Cash & cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

### **(j) Investment and other financial assets**

#### **Classification**

The Group classifies all of its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with a fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value and subsequently at amortised cost less impairment. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Collectability of loans and receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables or in an otherwise timely manner. The amount of impairment allowance is the difference between the asset's carrying amount and the estimated future cash flows.

The amount of impairment loss is recognised in the statement of profit and loss and other comprehensive income within impairment expenses. When a loan or receivable for which an impairment allowance has 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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **(j) Investment and other financial assets (CONTINUED)**

#### **Recognition and derecognition**

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at "fair value" (as used in this report, "fair value" bears the meaning ascribed by the AASB which can produce a result that does not reflect market or realisable value) plus transaction costs for all financial assets not carried at "fair value" through profit or loss. Financial assets carried at "fair value" through profit or loss are initially recognised at "fair value" and transaction costs are expensed to the statement of profit or loss and other comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

#### **Measurement**

Loans and receivables are carried at amortised cost using the effective interest method.

#### **Impairment**

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of profit or loss and other comprehensive income.

### **(k) Exploration Expenditure**

It is the Group's policy to capitalise the costs of acquiring rights to explore areas of interest. Exploration and evaluation costs related to an area of interest are carried forward only when rights of tenure to the area of interest are current and provided that one of the following conditions is met:

- Such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- Exploration and/or evaluation activities in the area of interest have not yet reached a state which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capital expenditure and evaluation expenditure is reclassified as capitalised mine development. Prior reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

When an area of interest is abandoned or the directors decide that it is not commercial, any capitalised acquisition costs in respect of that area are written off in the year the decision is made.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **(k) Exploration Expenditure (Continued)**

#### **Impairment**

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the assets may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Any impairment losses are recognised in the statement of profit or loss and other comprehensive income.

### **(l) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured non-interest bearing and are paid on normal commercial terms.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accruals basis.

### **(m) 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 business are not included in the cost of the acquisition as part of the purchase consideration.

### **(n) Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### **(o) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for the December 2014 reporting periods. The Groups assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations are considered unlikely to impact on the financial reporting of the Group.

*AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2012-6 Amendments to Australian Accounting Standard – Mandatory Effective Date of AASB 9 and Transition Disclosures and AASB 2013-9 Amendments to Australian Accounting Standards: - Conceptual Framework, Materiality and Financial Instruments, AASB 2014-1 Amendments to Australian Accounting Standards: Part E Financial Instruments, 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014), AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) (effective from 1 January 2018)*

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **(o) New accounting standards and interpretations (CONTINUED)**

AASB 9 replaces the multiple classification and measurement models in AASB 139 Financial instruments: Recognition and measurement with a single model that has only two classification categories: amortised cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. A 'simple' debt instruments is measured at amortised cost if:

- a) The objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and
- b) The contractual cash flows under the instrument solely represent payments of principal and interest.

All other financial assets, including investments in complex debt instruments and equity instruments, must be recognised at fair value.

All fair value movements on financial assets are taken through the income statement, except for equity investments that are not traded, which may be recorded in the income statement or in reserves.

For financial liabilities that are measured under the fair value option, entities will need to recognise the part of the fair value changes that is due to changes in their own credit risk in other comprehensive income rather than profit or loss.

The new hedge accounting rules that were released in December 2013 align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, AASB 9 is now complete. The changes introduce:

- A third measurement category (FVOCI) for certain financial assets that are debt instruments; and
- A new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for lease and trade receivables. On initial recognition, entities will record a day-1 loss equal to the twelve month ECL (or lifetime ECL for trade receivables), unless the asset is considered impaired.

The financial years commencing before 1 February 2015, entities can elect to apply AASB 9 early for any of the following:

- The own credit risk requirements for financial liabilities
- Classification and measurement (C&M) requirements for financial assets
- C&M requirements for financial assets and financial liabilities; or
- The full current version of AASB 9 (C&M requirements for financial assets and liabilities and hedge accounting)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(o) New accounting standards and interpretations (CONTINUED)

After 1 February 2015, the new rules must be adopted in their entirety.

Based on the financial assets and liabilities currently held, the Group does not anticipate any impact on the financial statements upon adoption of this standard. The Group does not presently engage in hedge accounting.

None of the other amendments or interpretations are expected to affect the accounting policies of the Group.

## 2 EXPENSES

Consolidated

	2014	2013
	\$	\$
Administration expenses	2,527	7,395
Interest Paid / Accrued	418,411	803,554
IPO fees	22,178	119,286
	<u>443,116</u>	<u>930,235</u>

### 3 CASH AND CASH EQUIVALENTS

	2014	2013
	\$	\$
Cash at Bank	9,267	64,382
	<u>9,267</u>	<u>64,382</u>

#### Reconciliation of net loss after tax to net cash flows from operating activities

<b>Reconciliation of net loss after tax to net cash flows from operating activities</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Net loss after income tax	(443,116)	(930,235)
<i>Changes in assets and liabilities</i>		
- (Increase)/decrease in receivables	-	(8,106)
- Increase/(decrease) in accruals	2,009,078	(213,950)
- Increase/(decrease) in interest payable	418,411	803,554
- Increase/(decrease) in creditors	-	(10,498)
<b>Net operating cash flows</b>	<b>1,984,373</b>	<b>(359,235)</b>

#### 4 TRADE AND OTHER RECEIVABLES

	2014 \$	2013 \$
<b>Current</b>		
GST Collectable	1,228	18,156
Prepayments	5,000	-
	<u>6,228</u>	<u>18,156</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**5 EXPLORATION AND EVALUATION**

	Consolidated	
	2014	2013
	\$	\$
Balance at beginning of the year	7,631,891	7,009,577
<i>Movements during the year</i>		
Current year expenditure	2,372,170	622,314
Total exploration expenditure	10,004,061	7,631,891

The costs deferred in respect of exploration expenditure are dependent upon successful development and commercial exploitation of the area of interest.

**6 TRADE AND OTHER PAYABLES**

	2014	2013
	\$	\$
<b>Current</b>		
Trade Creditors	2,576,695	453,433
Accruals	-	43,050
	2,576,695	496,483

**7 INTEREST-BEARING LOANS AND BORROWINGS**

	2014	2013
	\$	\$
<b>Current</b>		
<b>Loan from Dragon Mining Limited</b>		
Principal	2,755,134	2,755,134
Interest	1,035,912	870,380
<b>Loan from KM Securities Pty Ltd &amp; Nominees</b>		
Principal	4,095,126	4,095,126
Interest	1,524,546	1,271,668
	9,410,718	8,992,308

Interest is charged on the loans from Dragon Mining Limited and KM Securities (formerly known as Atomaer Holdings Pty Limited) at ANZ Bank's Business Mortgage Index Rate plus 1% and the repayment date is 31 December 2015. On 19 October 2015 Ausinox forgave and discharged the Company from the shareholder loans in the sum of \$3.8 million it acquired from Dragon Mining Limited. On 17 December 2015 shareholder loans and accrued interest in the sum of \$5.6 million were repaid in full by the issue of new shares in the Company.

**8 NON-INTEREST-BEARING LOANS AND BORROWINGS**

	2014	2013
	\$	\$
<b>Current</b>		
Shareholder Loans	130,716	-
Ausinox plc	118,905	-
	249,621	-



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9 ISSUED CAPITAL

	2014	2014	2013	2013
	No of Shares	\$	No of Shares	\$
Share Capital				
Ordinary shares, fully paid	25,811,834	10,520,750	25,811,834	10,520,750
<b>Total contributed equity</b>	<b>25,811,834</b>	<b>10,520,750</b>	<b>25,811,834</b>	<b>10,520,750</b>

Ordinary shares have the right to receive dividends as declared and entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

At the date of this report Atomaer Nominees Pty Limited is the registered holder of 15,500,000 ordinary shares and Dragon Mining Limited is the registered holder of 10,311,834 ordinary shares representing 60.05% and 39.95% respectively of the issued capital of the Company.

### 10 DIVIDENDS PAID OR PROVIDED FOR

No dividends were paid or provided for during the year.

### 11 FINANCIAL RISK MANAGEMENT

The Groups activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk) credit risk and liquidity risk.

Risk management is carried out by the full Board of Directors as the Group believes it is crucial for all board members to be involved in this process.

#### (a) Market risk

##### (i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the AUD, the USD and the GBP.

Foreign exchange risks arise from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency exposure in light of exchange rate movements.

##### (ii) Commodity price risk

Given the current level of operations, the Group's financial statements for the year ended 31 December 2014 are not exposed to commodity price risk.

##### (iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **11 FINANCIAL RISK MANAGEMENT (Continued)**

maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group \$9,267 (2013 \$64,382) was not subject to interest rate risk. The weighted average interest rate received on cash and cash equivalents by the Group was nil (2013 nil)

#### **Sensitivity analysis**

At 31 December 2014, if interest rates had changes by  $\pm 100$  basis points the interest the Group loss would have remained the same.

#### **(b) Credit risk**

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying value amount (net of provisions for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements.

All surplus cash holdings within the Group are currently invested with the ANZ Banking Group, a AA rated institution.

#### **(c) Liquidity risk**

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

#### **(d) Fair value estimation**

The fair value (not market value) of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the balance date are recorded at amounts approximating their carrying amount due to their short term nature.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**12 REMUNERATION OF AUDITORS**

During the year the following fees were paid or payable for services provided by the auditors of the company, its related practices and non-related audit firms.

	Consolidated 2014 \$	2013 \$
<b>(a) Audit services</b>		
Ernst and Young – audit and review of financial reports	-	8,240
Somes Cooke – audit and review of financial reports	9,000	-
Total Remuneration for audit services	9,000	8,240
<b>(b) Non- Audit services</b>		
Total remuneration for other services	-	-
<b>TOTAL</b>	<b>9,000</b>	<b>8,240</b>

**13 INCOME TAX**

**(a) Income tax expense**

Current tax	-	-
Deferred tax	-	-

**(b) Numerical reconciliation of Income tax expense to prima facie tax**

Loss from continuing operations before income tax expense	(444,116)	(930,235)
Prima facie tax benefit at the Australian tax rate of 30%	(133,235)	(279,071)
Tax effect of current year tax losses for which no deferred tax asset has been recognised.	133,235	279,071
Income Tax expense	-	-

**(c) Unrecognised deferred assets**

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The Groups ability to use losses in the future is subject to the Group satisfying the relevant tax authorities criteria for using tax losses.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **14 EXPENDITURE COMMITMENTS**

The Company is the registered holder, or entitled to be registered as the holder, of 100% of a package of contiguous mining tenements comprising mining leases and prospecting licenses with an area of 7,800 hectares covering the the Weld Range Layered Ultramafic near Weld Range in Western Australia.

Due to the nature of the consolidated entity's operations in exploring and evaluating areas of interest, it is very difficult to accurately forecast the nature or amount of future expenditure, although it will be necessary to incur expenditure in order to retain present interests in mineral tenements.

Expenditure commitments on mineral tenure for the parent entity and consolidated entity can be reduced by selective relinquishment of exploration tenure or by the renegotiation of expenditure commitments. The approximate minimum level of exploration requirements are detailed below.

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Within one year	1,221,152	785,572
One year or later and no later than five years	5,298,894	3,236,834
Greater than five years	14,757,689	8,277,482
	<u>21,277,735</u>	<u>12,299,888</u>

### **15 RELATED PARTY TRANSACTIONS**

#### **(a) Parent Entity**

The ultimate parent entity with in the Group is Weld Range Metals Limited.

#### **(b) Subsidiaries**

Interest in subsidiaries are set out in note 16.

### **16 SUBSIDIARIES**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1 (b).

Name	Country of Incorporation	Class of Shares	Equity Holding	
			2014	2013
			%	%
Ausinox Pty Ltd	Australia	Ordinary	100	100

### **17 CONTINGENCIES**

There are no material contingent liabilities or contingent assets of the Group at the reporting date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**18 SEGMENT INFORMATION**

For management purposes, the Group has identified only one reportable segment as exploration activities undertaken in Western Australia. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in this one geographical location.

Segment performance is evaluated based on the operating profit or loss and cash flows and is measured in accordance with the Group's accounting policies.

	Consolidated	
	2014	2013
	\$	\$
<b>EXPLORATION SEGMENT</b>		
<b>Segment Revenue</b>	-	-
Reconciliation of segment revenue to total revenue before tax		
<b>TOTAL REVENUE</b>	-	-
<b>Segment results</b>	(443,116)	(930,235)
Reconciliation of segment result to net profit/(loss) before tax:		
- Other corporate and administration		
<b>NET LOSS BEFORE TAX</b>	<b>(443,116)</b>	<b>(930,235)</b>
<b>Segment operating assets</b>	10,019,556	7,714,429
Reconciliation of segment operating assets to total assets		
- Other corporate and administration assets		
<b>TOTAL ASSETS</b>	<b>10,019,556</b>	<b>7,714,429</b>
<b>Segment operating liabilities</b>	12,237,034	9,488,791
Reconciliation of segment operating liabilities to total liabilities:		
- Other corporate and administration liabilities		
<b>TOTAL LIABILITIES</b>	<b>12,237,034</b>	<b>9,488,791</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**19 PARENT ENTITY INFORMATION**

The following information relates to the parent entity, Weld Range Metals Limited, as at 31 December 2014. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	Parent	
	2014 \$	2013 \$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,257	64,382
Trade and other receivables	228	18,156
<b>TOTAL CURRENT ASSETS</b>	<b>1,485</b>	<b>82,538</b>
<b>NON-CURRENT ASSETS</b>		
Exploration and Evaluation	8,378,732	7,631,891
Investment in Subsidiaries	2	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>8,378,734</b>	<b>7,631,891</b>
<b>TOTAL ASSETS</b>	<b>8,380,219</b>	<b>7,714,429</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	948,200	453,433
Interest-Bearing Loans and Borrowings	9,541,434	8,992,308
Non Interest Bearing Loans and Borrowings	108,063	-
Accrual	-	43,050
<b>TOTAL CURRENT LIABILITIES</b>	<b>10,597,697</b>	<b>9,488,791</b>
<b>TOTAL LIABILITIES</b>	<b>10,597,697</b>	<b>9,488,791</b>
<b>NET LIABILITIES</b>	<b>(2,217,478)</b>	<b>(1,774,362)</b>
<b>EQUITY</b>		
Contributed equity	10,520,750	10,520,750
Accumulated losses	(12,738,228)	(12,295,112)
<b>TOTAL EQUITY</b>	<b>(2,217,478)</b>	<b>(1,774,362)</b>



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **20 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

#### *Sale of Shares and Shareholder Loans in Weld Range Metals Limited*

The Company, Dragon Mining Limited ("**Dragon**") and Ausinox plc ("**Ausinox**") entered into a share sale agreement dated 31 December 2014 ("Dragon Share Sale Agreement") under which Dragon agreed to sell, transfer and assign to Ausinox 10,311,834 fully paid ordinary shares in the issued capital of the Company ("**Dragon Shares**") and shareholder loans by Dragon to WRM in the sum of \$3,791,046 ("**Dragon Loan**").

Ausinox completed the acquisition of the Dragon Shares and Dragon Loan on 11 September 2015.

#### *Sale of Ausinox Proprietary Limited*

The Company, Ausinox and Ausinox Proprietary Limited ("APL") entered into a share sale agreement dated 26 January 2015 ("APL Share Sale Agreement") under which the Company agreed to sell and transfer to Ausinox 20,450,000 shares representing the entire issued capital of APL ("APL Shares") to Ausinox for a consideration of £2,045,000 to be satisfied by the issue of 20,450,000 ordinary shares in Ausinox at an issue price of £0.10 per share to the Company.

The sale of the APL shares to Ausinox was subject to the satisfaction of the following conditions precedent ("**Conditions Precedent**"):

- (a) Ausinox completing the acquisition of the Dragon Shares and the Dragon Loan;
- (b) APL issuing 20,449,998 shares to the Company to satisfy the purchase price of \$7,500,000 for the acquisition of an initial equitable interest of 51% in the Oxide Mining Rights and Stainless Steel Alloy Project under the Stainless Steel Alloy Joint Venture Agreement;
- (c) Ausinox executing a deed in favour of the Company under which Ausinox forgives and releases the Company from the Dragon Loan at completion of the APL Share Sale Agreement ("Deed of Forgiveness and Release of Debt");
- (d) the Company, Ausinox and the other shareholders of the Company executing a shareholders' agreement at completion of the APL Share Sale Agreement to regulate the rights and obligations of shareholders and provide for the management and funding of the business of the Company until the Company completes an initial public offering of securities and listing on a recognised securities exchange ("Shareholders Agreement").

Under the APL Share Sale Agreement, Ausinox also agreed to subscribe \$1,000,000 to the Company for the issue of 10,000,000 fully paid ordinary shares by the Company at an issue price of \$0.10 per share to Ausinox.

Ausinox completed the acquisition of the APL Shares on 19 October 2015 following the fulfilment of the last of the Conditions Precedent. Ausinox forgave and released WRM from the Dragon Loan as a Condition Precedent at completion. Ausinox also completed subscriptions of A\$1,000,000 for the issue of a further 10,000,000 shares in WRM at an issue price of \$0.10 to Ausinox on 17 December 2015.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **20. SIGNIFICANT EVENTS AFTER PERIOD END (Continued)**

#### *Stainless Steel Alloy Joint Venture Agreement*

The Company and APL entered into the Stainless Steel Alloy Joint Venture Agreement dated 26 January 2015 ("Stainless Steel Alloy Joint Venture Agreement") under which the Company agreed to sell, transfer and assign to APL, then a wholly owned subsidiary of the Company, and APL agreed to acquire:

1. an initial equitable interest of 51% in:

(a) the rights to mine all nickel, chromium, iron and other metals contained in oxide minerals, including the Range Well Nickel Resources and the Range Well Chromium Resources ("Oxide Minerals") within the mining leases of the Company ("Oxide Mining Rights") near Weld Range in the Mid West Region of Western Australia; and

(b) Stainless Steel Alloy Joint Venture;

2. an exclusive right to acquire a further equitable interest of 24% in the Oxide Mining Rights and the Stainless Steel Alloy Joint Venture by sole funding and completing a definitive feasibility study for the development and operation of the Stainless Steel Alloy Project within 3 years after the commencement of the Stainless Steel Alloy Joint Venture Agreement;

3. the sole right to manage the Stainless Steel Alloy Project and Stainless Steel Alloy Joint Venture,

for a purchase price of \$7,500,000 to be satisfied by APL issuing 20,449,998 shares to WRM.

APL completed the acquisition of the initial equitable interest of 51% in the Oxide Mining Rights and Stainless Steel Alloy Joint Venture on 11 September 2015.

#### *Grant of Waiver under Rule 9 of Takeover Code by Takeover Panel*

The issue of 20,450,000 ordinary shares by Ausinox to the Company under the APL Share Sale Agreement would result in the Company holding more than 30% of the issued capital of Ausinox ("**Transaction**").

Ausinox was advised that the Transaction would require a waiver of the application of the Takeover Code by the Takeover Panel in the United Kingdom before the shares could be issued to the Company.

Documentation approved by the Takeover Panel was circulated to all shareholders of Ausinox in September 2015 to obtain their consent to the waiver of the Takeover Code in respect of the Transaction. Following written consents from all shareholders of Ausinox the Takeover Panel confirmed that the waiver of the Takeover Code was granted on 13 October 2015. Ausinox issued the shares to WRM to complete the acquisition of APL on 19 October 2015.

#### *Completion of transactions under the Shareholders Agreement*

The Company, KM Securities Pty Limited ("KMS") and Ausinox entered into a Shareholders' Agreement dated 26 January 2015 to regulate the rights and obligations of shareholders and provide for the management and funding of the business of the Company until the Company completes an initial public offering of securities and listing on a recognised securities exchange ("Shareholders Agreement").

The operative provisions of the Shareholders Agreement commenced on 19 October 2015, the date on which the conditions precedent under the Shareholders Agreement were satisfied; specifically, completion of the acquisition of the Dragon Shares and Dragon Loan and the acquisition of APL by Ausinox.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**20. SIGNIFICANT EVENTS AFTER PERIOD END (Continued)**

On 17 December 2015, all shareholder loans, other than the Dragon Loan acquired and forgiven by Ausinox as a condition of the APL Share Sale Agreement, \$52,689 is to be repaid in cash, the balance repaid in full by the issue of ordinary shares by WRM at an issue price of A\$0.10 per share or in money in accordance with the Shareholders Agreement. In addition, all shares in the Company held through nominees were transferred to the beneficial owners of those shares.

Following completion of those transactions, Ausinox holds 20,311,834 shares representing approximately 22% of the issued capital of WRM. Ausinox nominated 2 persons, namely Mr Peter Gilmour and Mr Russell Thomson, who have been appointment as directors of WRM.

On 14 October 2015, the Company engaged and appointed Brandon Hill Capital Limited as financial adviser and broker to advise on and procure funding for an initial public offering of shares ("IPO") and admission of the shares of WRM to listing on a recognised securities exchange in 2016.

The Shareholders Agreement terminates immediately on completion of, or as required for, completion of the IPO and listing.

By letter dated 26 March 2016 Ausinox confirmed that it will provide financial support and advance funds as required for the Company to pay its debts as and when they become due and payable for the period from the date of the letter to the earlier of the date which is 12 months from date of the letter and the date on which the Company completes a capital raising by IPO and admission to a recognised securities exchange.

