GWR Group Limited

(formerly Golden West Resources Limited)

2014 Annual Financial Report

ABN 54 102 622 051

Corporate Directory

Board of Directors:

Gary Lyons (Non-executive Chairman)
Tan Sri Dato' Tien Seng Law (Non-executive Deputy Chairman)
Michael Wilson (Executive Director)
Datuk Chin An Lau (Non-executive Director)
Kong Leng (Jimmy) Lee (Non-executive Director)
Teck Siong Wong (Alternate for Mr Law)

Chief Executive Officer:

Craig Ferrier

Company Secretary:

Mark Pitts

Principal and registered office:

97 Outram Street
West Perth, WA 6005

PO Box 517
West Perth, WA 6872
Telephone: +61 8 9322 6666
Facsimile: +61 8 9322 2370
Email: admin@gwrgroup.com.au
Website: www.gwrgroup.com.au

Issued capital as at 30 June 2014:

Fully paid ordinary shares: 240,178,059
Options: 24,600,000

Stock exchange:

Australian Securities Exchange Limited

Company code:

GWR

Auditors:

Stantons International

Level 2, 1 Walker Avenue
West Perth, WA 6005
Telephone: +61 8 9481 3188
Facsimile: +61 8 9321 1204

Bankers:

National Australia Bank Limited

6/259 Bannister Road
Canning Vale, WA 6155

Share registry:

Security Transfer Registrars Pty Ltd

770 Canning Highway
Applecross, WA 6153
Telephone: +61 8 9315 2333
Facsimile: +61 8 9315 2233

Solicitors:

Bennett + Co

Ground Floor, BGC Centre
28 The Esplanade
Perth, WA 6000
Telephone: +61 8 6316 2200
Facsimile: +61 8 6316 2211

Competent Person's Statement

The information in this report which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences ("AIG"), a Corporate Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") and independent consultant to the Company. Mr Maynard is the Director and principal geologist of Al Maynard & Associates Pty Ltd and has over 35 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves".(JORC Code). Mr Maynard consents to inclusion in the report of the matters based on this information in the form and context in which it appears.

GWR

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Directors' Report

Your directors submit their report for GWR Group Limited ('the Company' or 'the Parent') and for the Group, being the Company and its controlled entities, for the financial year ended 30 June 2014.

Directors

The following persons were Directors of the Company during the financial year and up to the date of this report. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities:

Gary Lyons - Non-executive Chairman

Mr Lyons is a successful and well respected Perth based businessman; being a shareholder and the Managing Director of the Heiniger Group's Australasian operations for the last 25 years.

Mr Lyons was appointed a director on 2 June 2010 and elected Chairman on 8 February 2012.

Mr Lyons is also Chairman of the GWR Executive Committee, and is a member of both the GWR Audit & Risk Management Committee and the GWR Remuneration Committee.

Present ASX company directorships: West Peak Iron Limited and Tungsten Mining NL
Previous ASX company directorships (last 3 years): Fairstar Resources Limited

Tan Sri Dato' Tien Seng Law - Non-executive Deputy Chairman

Mr Law is a highly experienced investor in iron ore companies and was previously the Deputy Chairman and major shareholder of Midwest Corporation Limited. Mr Law also has extensive business interests and investments in China. Mr Law is currently the executive Chairman of T.S. Law Holding Sdn Bhd, an investment holding company in Malaysia, covering a diverse range of industries. These companies include those with activities in steel making and distribution, property investment and development and food and beverage.

Mr Law is the appointed Malaysian Business Advisor of Jinan Group of Companies of the Shandong Province, the People's Republic of China. He has a substantial interest in Ji Kang Dimensi Sdn Bhd, a company within the Jinan Group of Companies operating a steel plates manufacturing plant in Malaysia.

Mr Law is a substantial stakeholder and Deputy Chairman of Hiap Teck Venture Berhad, a Malaysian listed company engaged in distribution and trading of steel related products and as well as manufacturing of steel pipes.

Mr Law through Hiap Teck Venture Bhd, entered into a joint venture with Shougang Group of China (JV company name Eastern Steel Sdn Bhd), to build an AUD600 million 1.5 million MT of production capacity Integrated Steel Mill located on the east coast of Peninsula Malaysia. The project is expected to be completed by the fourth quarter of 2014.

Mr Law was appointed a director on 22 July 2010 and elected Deputy Chairman on 8 February 2012.

Present ASX company directorships: Nil
Previous ASX company directorships (last 3 years): Nil

Michael Wilson - Executive Director

Mr Wilson is an exploration geologist with more than 25 years' experience in Australia and South East Asia.

Mr Wilson is a foundation Director of GWR and has a long association with the Wiluna West Project. He was instrumental in consolidating the ownership of the tenement package and bringing that tenement package to market.

Mr Wilson is also very well respected by the Aboriginal communities in and around Wiluna and takes a leading role in negotiating and resolving Heritage and Native Title matters.

Present ASX company directorships: Nil
Previous ASX company directorships (last 3 years): Nil

Datuk Chin An Lau - Non-executive Director

Datuk Lau is a qualified lawyer and owner of the legal practice Lau Moghan & Ee. Datuk Lau is also a director of LTS Properties (M) Sdn Bhd and LTS Capital Sdn Bhd which are both property development companies.

Datuk Lau is also currently the Deputy Chairman of Perduren Ltd, a property development company listed on the Malaysia stock exchange (Bursa).

Datuk Lau is Chairman of both the GWR Remuneration Committee and the GWR Audit & Risk Management Committee.

Present ASX company directorships: Nil
Previous ASX company directorships (last 3 years): Nil

Kong Leng (Jimmy) Lee - Non-executive Director

Mr Lee is a mining engineer with more than 30 years of industry experience and is a member of AusIMM. He has successfully worked with a number of major Australian mining companies and has held senior positions with Hamersley Iron Ltd, Dominion Mining Ltd, Christmas Island Phosphates, North Ltd and Carey Mining Ltd.

Mr Lee provides mining and corporate advisory services to the mining industry and was formerly a founding director of Terrain Minerals Limited. In addition, he has a successful track record with contract negotiations and company investment strategies.

Mr Lee is a member of the GWR Remuneration Committee and the GWR Audit & Risk Management Committee.

Present ASX company directorships: West Peak Iron Limited and Tungsten Mining NL
Previous ASX company directorships (last 3 years): Nil

Teck Siong Wong - Alternate Director for Mr Law

Mr Wong has considerable international business experience having worked in Hong Kong, the United Kingdom and now in Malaysia and Indonesia after graduating with a Bachelor of Business degree from Swinburne University (Melbourne).

Mr Wong is involved with iron ore mining industry in Indonesia. He was previously involved in the sales and export of steel related products and was a director of a retail chain business in the United Kingdom, previously known as JW Carpenter Ltd. Mr Wong was working in the OEM plastic manufacturing industry in Hong Kong prior to taking up a position in the steel industry in Malaysia.

Present ASX company directorships: West Peak Iron Limited
Previous ASX company directorships (last 3 years): Nil

Former directors

No former directors held office during financial year.

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of the Company were:

Directors	Ordinary shares	Options (unlisted)
G Lyons[3]	19,900	4,000,000
T S Law[2]	26,861,392	4,000,000
M Wilson	2,605,548	4,000,000
C A Lau[1]	195,000	4,000,000
K L Lee	-	4,000,000
T S Wong	-	-

[1] Ordinary shares held via indirect interest through Mr C A Lau's spouse.

[2] Ordinary shares held via indirect interest through HSBC Custody Nominees Australia (as registered holder) on behalf of Wynnes Investment Holding Ltd (as beneficial holder), of which Mr Tien Seng Law and his wife have control.

[3] Ordinary shares held via indirect interest through Lyons Super Fund.

Company Secretary

Mark Pitts - Company Secretary

Mr Pitts is a Fellow of the Institute of Chartered Accountants with more than 25 years' experience in statutory reporting and business administration. He has been directly involved with, and consulted to a number of public companies holding senior financial management positions.

He is a Partner in the corporate advisory firm Endeavour Corporate providing company secretarial support; corporate and compliance advice to a number of ASX listed public companies.

Mr Pitts was appointed Company Secretary on 31 August 2012.

Dividends

No amounts have been paid or declared by way of dividend by the Company since the end of the previous financial period and up until the date of this report. The directors do not recommend the payment of any dividend for the financial year ended 30 June 2014.

Principal activities

The principal activities of the Company and its subsidiaries during the course of the year continued to be the exploration and evaluation of its mining projects in Australia and West Africa.

During the year, the Company changed its name from Golden West Resources Limited to GWR Group Limited.

Operating and financial overview

Group overview

The Company's activities during the year remained focused on the development of the Wiluna West Iron Ore Project and the opportunity to commence operations by exporting ore from the Port of Geraldton. This included assessment of options for the export of iron ore in the Company's own right or by way of arrangement with an existing producer.

Since early 2013, work has been progressing on various aspects of the supply chain from the Wiluna West site to Geraldton. GWR has completed technical and commercial assessments of the alternative haulage routes, identifying a combination of the unsealed Wiluna to Sandstone road and sealed highway from Sandstone to Geraldton as the preferred haulage option. This route represents the shortest distance which will drive lower transport costs, but requires an upgrade of the shire road. During the June quarter, work was substantially completed in relation to the preparation of a clearing permit to be submitted under Part V of the Environmental Protection Act 1986 for the proposed road upgrade. This built on flora and fauna studies completed in the period since late November 2013 by GWR, independent environmental consultants and local indigenous people. To support the Company's strategy of commencing operations via the export of approximately 1Mtpa of high grade iron ore through the Port of Geraldton, GWR also undertook during the year a detailed mining study and mine planning activities on its high grade JWD deposit. Work completed included defining the mining method, equipment sizing and selection, pit optimisation studies, ore scheduling for optimised pit shells, financial modelling and risk analysis. Contractor budget estimates were also obtained to conclude this body of work.

Regional exploration undertaken during the year included geological mapping and processing of the public domain air magnetics and detailed data flown earlier in 2013 at the Earaheedy Iron and Manganese Project. A second program of RC drilling (14 holes for an aggregate of 1,138m) was completed at the Woodley Project. Encouraging results indicate potential for the Woodley Project to be a satellite deposit to the Wiluna West Iron Ore Project in close proximity to the proposed haulage route to Geraldton.

Deferred (or capitalised) exploration and evaluation expenditure increased by $3,587,951 (2013: $4,953,734) to $71,546,615 after accounting for an impairment charge of $19,263,346 (2013: $114957). A share of loss of an associate of $459,048 (2013: $418,355) was recognised in relation to the operations of West Peak Iron Ltd ("WPI"), in which GWR holds a 19.9% equity interest. During the year WPI completed a 23-hole, 1308 m diamond drilling program at its Bomi South project area at the Bong West prospect in Liberia, culminating in the release of their maiden resource statement. WPI has reported that it intends to seek a strategic partner for the development of the Bong West project and has initiated discussions with a number of potentially interested parties.

During the year, the Company received $1,057,562 in cash from security deposits released on the retirement of Department of Mines and Petroleum unconditional performance bonds. These security deposits and bonds were released following payment of the 2013 levy of $553 pursuant to the Mining Rehabilitation Fund (MRF) Act 2012. Under the MRF scheme, rather than provide bonds as security, holders of tenements are required to pay an annual levy calculated by reference to the amount of rehabilitation required by their mining and exploration activities.

In June 2014 the Company acquired a 16.5% interest in ASX listed company Tungsten Mining NL (ASX Code: TGN) by participating in the placement of shortfall shares in Tungsten Mining's entitlement issue. GWR subscribed for 35,000,000 shares at a price of 4 cents each equating to an investment of $1,400,000. Tungsten Mining is focused on the development and exploitation of tungsten deposits, in particular the advanced Kilba Project in the

Gascoyne region of Western Australia. Subsequent to the end of the financial period, the Company was engaged to provide management and technical services to Tungsten Mining on normal commercial terms.

Business strategies and prospects for future financial years

In view of the substantial decline in iron ore prices in the June quarter of 2014, GWR has responded by limiting project related activities to those that can be advanced largely utilising in-house resources and directed at securing permits and approvals for the Project, thereby minimising development lead times should market conditions support commencement of operations in the future.

In addition, the board intend to continue to progress a strategy of developing GWR into a resource house with a number of projects across a selection of commodities at different stages of their "life cycle". GWR continues to assess a number of opportunities at both a project and corporate level.

Management and Board changes

There were no changes to the management and board during the year and to date of reporting.

Operating results for the year

The consolidated operating result of a loss after income tax of $21,458,498 (2013: $2,427,818) includes an impairment charge of $19,263,346 (2013: $114,957) in relation to capitalised exploration & evaluation expenditures.

This charge represents an impairment loss recognised in relation to undeveloped exploration assets at the Company's Wiluna West Project (note 7 (c) & note 13).

After excluding the above mentioned impairment costs, the result for the year of $2,195,152 (2013: $2,312,861) reflected significantly lower employee expenses of $1,357,579 (2013: $1,716,673). A lower number of employees accounted for the balance of the difference. Also impacting upon the net operating result was a fall in interest income to $841,197 compared to $1,060,786 in the prior year. The fall in interest revenue was a result of lower average cash balances maintained during the respective periods and a consequence of the lowering of the cash rate by the Reserve Bank. The loss also includes an equity accounted share of loss of an associate of $459,048 (2013: $418,355) detailed in note 15.

Shareholders returns	**2014**	**2013**	**2012**	**2011**	**2010**
Net profit/(loss) ($000)	(21,458)	(2,428)	(4,576)	(3,857)	(4,103)
Basic EPS (cents)	(8.93)	(1.24)	(2.4)	(2.2)	(2.9)
Return on assets (%)	(23.28)	(2.12)	(4.2)	(3.4)	(5.2)
Return on equity (%)	(23.46)	(2.15)	(4.2)	(3.5)	(5.3)
Net debt/equity ratio (%)	(19.70)	(20.80)	(22.31)	(27.75)	(10.6)

Review of financial condition

Liquidity and capital resources

The group's principal source of liquidity as at 30 June 2014 is cash and cash equivalents of $18,297,792 (2013: $24,361,191) of which $17,588,027 has been placed on short term deposit.

Asset and capital structure	**2014** **$000**	**2013** **$000**
Debts:		
Trade and other payables	280	846
Interest bearing liabilities	-	1
Cash and short term deposits	(18,298)	(24,361)
Net debt/(cash)	(18,018)	(23,514)
Total equity	91,476	113,077
Total capital employed	73,458	89,563
Gearing	(24.5)%	(26.3)%

The Group has minimal debt as its activities are financed via share placements whenever possible. As a result the Group has no formal gearing limit.

Shares issued during the year

No shares issued.

Risk management

The Board as a whole is ultimately responsible for establishing and reviewing the Company's policies on risk profile, oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The Board has established an Audit and Risk Management Committee pursuant to an Audit and Risk Management Committee Charter whose mandate includes overseeing the implementation of the Company's risk management program and reporting to the Board as to the effectiveness of the Company's management of its material risks.

The Company's risk management program is implemented by Chief Executive Officer or equivalent under the direction of the Audit and Risk Management Committee as follows:

- ensuring that matters affecting the goals, objectives and performance of the Company and the safety of its stakeholders are identified and assessed by an operational risk management framework in accordance with industry accepted standards;
- obtaining and regularly reviewing insurance for the Company relevant to managing material risks;
- implementing and maintaining internal control systems which will be identified in conjunction with the external auditors;
- monitoring and verifying the Company's compliance with record keeping and operating requirements, including all requirements of law including indigenous and community rights and environmental obligations;
- minimising the potential for loss or damage resulting from risks affecting the Company; and
- the Audit & Risk Management Committee shall report to the Board at least twice a year as to the effectiveness of the Company's management of its material risks.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group that occurred during the financial year under review that is not mentioned elsewhere in this report or listed below.

Significant events after the balance date

Other than as set out below there has been no significant events since balance date.

On 1 August 2014, GWR Group Limited ("GWR") and Tungsten Mining NL ("TGN") have agreed the terms for provision of management and technical services by GWR to TGN.

Likely developments and expected results

As described more fully in the Operating and Financial Review, the Company intends to continue the development of its Wiluna West Iron Ore Project, undertake further regional exploration at its Earaheedy and Woodley tenements in Western Australian. In addition, GWR will provide management and technical services to Tungsten Mining NL and seek investment in other mineral commodity projects and companies.

Environmental regulation and performance

The Group's current development, evaluation and exploration activities have been undertaken under approved Programmes of Work on granted mining tenements in accordance with environmental regulations under both Commonwealth and State legislation.

As stated in the Group's Environmental policy it is committed to environmental sustainability, recognising our obligations to practice good environmental 'stewardship' of the tenements on which we operate. Our activities are conducted in a manner that minimises our environmental 'footprint' as much as possible, and are conducted strictly in accordance with all necessary permits and approvals from regulators.

The Company has employed environmental consultants to ensure it achieves its objectives by monitoring the Group's environmental exposures and compliance with environmental regulations. Results are reported to management and to the Board on a regular basis. There have been no significant known breaches of the Group's environmental regulations to which it is subject to.

Share options

At the date of this report, there were 24,600,000 unissued shares under option (note 26).

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or of any related body corporate.

Indemnification and insurance of directors and officers

The Company has made an agreement indemnifying all the directors and officers against all losses or liabilities incurred by each director and officer in their capacity as directors and officers of the Company to the extent permitted under the Corporations Act 2001.

During the year the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Company. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.

Therefore, the amounts relating to the premium paid in the current and prior years have not been disclosed in tables 1 and 2 set out on pages 15 and 16 in the remuneration report.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 4 board meetings, 2 audit and risk management committee meetings, 1 remuneration committee meetings were held.

	Board meetings		Committee meetings			
			Audit		Remuneration	
	Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended
G Lyons	4	4	2	2	1	1
T S Law	4	1[1]	0	0	0	0
M Wilson	4	4	0	0	0	0
C A Lau	4	4	2	2	1	1
K L Lee	4	4	2	2	1	1

[1] Mr Law's alternate director, Mr Teck Wong, attended all 3 Board meetings at which Mr Law was unable to attend.

Committee membership

As at the date of this report, the company had an Audit & Risk Management Committee and a Remuneration Committee. Members acting on the Committees during the year were:

Audit & Risk Management Committee	Remuneration Committee
C A Lau (Chairman)	C A Lau (Chairman)
G Lyons	G Lyons
K L Lee	K L Lee

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 Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Non Audit Services

The Company did not receive any non-audit services from the auditor, Stantons International, during the year ended 30 June 2014.

Auditor's independence and non-audit services

The directors received the following declaration from the auditor of the Group which is set out below.

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
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ABN: 84 144 581 519
www.stantons.com.au

17 September 2014

Board of Directors
GWR Group Limited
97 Outram Street
West Perth WA 6005

Dear Sirs

RE: GWR GROUP LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of GWR Group Limited.

As Audit Director for the audit of the financial statements of GWR Group Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)

Martin Michalik

Martin Michalik
Director

Non-audit services

Any non-audit services provided by the Group's auditor, Stantons International during the year, is shown at note 27. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Remuneration report (audited)

This remuneration report for the year ended 30 June 2014 outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

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, and includes the five executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report the term 'executive' encompasses executive directors and senior executives of the Parent and the Group.

Details of key management personnel

Non-executive directors

G Lyons	Chairman
TS Law	Deputy chairman
CA Lau	Director
KL Lee	Director

Executive directors

M Wilson	Director and Exploration Manager

Other executives

C Ferrier	Chief Executive Officer
M Pitts	Company Secretary, appointed 31 August 2012

Remuneration committee

The Remuneration Committee is entrusted by the Board to provide appropriate guidance to the Board in relation to the following responsibilities:

- remuneration packages of senior executives (including executive directors);
- the remuneration framework for non-executive directors;
- employment incentive and equity based plans for senior executives, directors and employees generally including the appropriateness of performance hurdles and equity based incentives in the context of overall remuneration packages;
- remuneration policy generally including but not limited to fixed and performance based remuneration, non-cash remuneration including superannuation, and inclusive remuneration principles consistent with the Company's Diversity Policy; and
- retention and termination policies.

The remuneration committee assesses the appropriateness of the nature and amount of remuneration of senior executives (including executive directors) and non-executive directors on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit by balancing the Company's competing interests of attracting and retaining senior executives and directors and avoiding excessive remuneration.

The remuneration committee comprises three non-executive directors. Further information on the committee's role and responsibilities can be seen at www.gwrgroup.com.au.

Remuneration philosophy

The performance of the group depends upon the quality of its key personnel. To prosper, the group must attract, motivate and retain high skilled directors and executives. Due to the nature of the Group's business activities the overall level of compensation does not focus on the earnings of the Company.

To this end, the Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre personnel; and
- link rewards to shareholder value.

Remuneration structure

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

Non-executive director remuneration

Objective:

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

Structure:

The Constitution and the ASX listing rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting of shareholders. The latest determination was at the annual general meeting held on 25 November 2010 when shareholders voted to increase the aggregate remuneration to $500,000 per year.

Non-executive directors are remunerated by way of fees and statutory superannuation. The fees for non-executive directors were paid $65,000 per annum and $100,000 per annum for the Chairman during the financial year 2013/2014. Current fees has been reduced to $55,000 per annum for non-executive directors and $90,000 for the Chairman from 1 July 2014 as a cost saving measure.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Non-executive directors are remunerated by way of fees and statutory superannuation but no other retirement benefits. Non-executive directors are also reimbursed for all reasonable travelling, accommodation and other expenses incurred as a consequence of their attendance at meetings of Directors and otherwise in the execution of their duties as Directors.

Non-executive directors are also paid consulting fees related to their participation in Executive Committee meetings and the provision of other services.

The remuneration of non-executive directors for the reporting period ending 30 June 2014 and 30 June 2013 is detailed in tables 1 and 2 respectively of this report.

Executive remuneration

Objective:

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Structure:

In determining the level and make up of executive remuneration, the remuneration committee engages external consultants as needed to provide independent advice.

Remuneration consists of the following key elements:

- Fixed remuneration; and
- Variable remuneration comprising Short ('STI') and Long ('LTI') term incentives.

The proportion of fixed remuneration and variable remuneration for executives is set out in table 1.

Fixed remuneration

Objective:

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the remuneration committee and the process consists of individual performance, relative comparative remuneration in the market and, where appropriate, external advice.

Structure:

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. 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 executives is detailed in Table 1.

Variable remuneration — short term incentive (STI)

Objective:

The objective of the STI 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 STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Structure:

Actual STI payments granted to each executive depend on the remuneration committee's assessment of the individual's performance and the performance of their business unit. The aggregate of annual STI payments available for executives across the Group is subject to the approval of the remuneration committee.

There were no cash bonus payments made in the current and prior financial years.

Variable remuneration — long term incentive (LTI)

Objective:

The objective of the LTI program is to reward executives in a manner that aligns remuneration with the creation of shareholder wealth. As such, LTI grants are made to executives who are able to influence the generation of shareholder wealth and thus have an impact on the Group's performance.

Structure:

LTI grants to executives may be delivered in the form of share options or performance rights.

Table 3 provides details of LTI options granted and the value of options granted, exercised and lapsed during the year.

Employment contracts

The Board has entered into contracts and agreements with executives, the details of which are provided below.

Craig Ferrier

Mr Ferrier was appointed as Chief Executive Officer on 12 March 2013. Prior to this position he was employed by the company as Executive General Manager from 5 December 2011, in accordance with the terms of an employment agreement. There was no change to Mr Ferrier's remuneration following his appointment as Chief Executive Officer or otherwise during the year.

Under the agreement, subsequently amended in March 2012, the Company paid Mr Ferrier a base salary of $350,000 plus statutory superannuation during the year. From 1 July 2014 his base salary is $358,750 plus statutory superannuation. Pursuant to the terms of that agreement Mr Ferrier was issued 1,000,000 options in March 2012 to subscribe for the shares of the Company pursuant to Company's Employment Option Incentive Scheme as per the agreement.

Mr Ferrier may terminate his employment by the giving of one months' notice in writing to the Company. The Company may terminate the agreement by giving three months' notice in writing. The Company may pay Mr Ferrier for any or all of the three months' notice period in lieu of notice.

Mr Ferrier is not entitled to retirement benefits pursuant to his agreement.

Mark Pitts

Mr Pitts was appointed Company Secretary on 31 August 2012. Pursuant to an agreement with Endeavour Corporate, an entity related to Mr Pitts, Endeavour Corporate was paid a monthly fee of $4,000. This has been reduced to $3,500 per month from 1 July 2014.

Michael Wilson

Mr Wilson was engaged by the Company as Exploration Manager with effect from 24 December 2004.

The Company entered a new employment agreement with Mr Wilson on 7 September 2012. Under the agreement, the Company paid Mr Wilson a base annual salary of $294,000 plus statutory superannuation during the year. From 1 July 2014 his base salary is $301,350 plus statutory superannuation.

In accordance with the agreement, either the Company or Mr Wilson may terminate the agreement with three months' notice in writing to the other party and payment by the Company to Mr Wilson of one month's salary for every 12 month period of service, up to a maximum of 6 month's salary. The Company may pay Mr Wilson for any or all of the three months' notice period in lieu of notice. Mr Wilson is not entitled to any retirement benefits pursuant to his agreement other than as noted above.

Remuneration of key management personnel of the Company and Group

Table 1: Remuneration for the year ended 30 June 2014

	Short-term				Post-employment		Share-based payments Options	Termination benefits	Total	Performance related[3]
	Salary & fees[1]	Cash bonus	Non-Monetary Benefit	Other[2]	Super	Long Service Leave				
30 June 2014	$	$	$	$	$	$	$	$	$	%
Non-executive directors										
G Lyons	91,533	-	-	33,066	11,525	-	-	-	136,124	-
TS Law	63,659	-	-	-	1,341	-	-	-	65,000	-
CA Lau	59,497	-	-	5,898	5,503	-	-	-	70,898	-
KL Lee[5]	59,497	-	-	72,000	5,503	-	-	-	137,000	-
Sub total	**274,186**	-	-	**110,964**	**23,872**	-	-	-	**409,022**	
Executive directors										
M Wilson[4]	294,000	-	-	-	27,195	5,781	-	-	326,976	-
Other executives										
C Ferrier[6]	359,733	-	-	-	22,642	-	-	-	382,375	-
M Pitts	48,000	-	-	-	-	-	-	-	48,000	-
Sub total	**701,733**	**-**	**-**	**-**	**49,837**	**5,781**	**-**	**-**	**757,351**	
Total	**975,919**	**-**	**-**	**110,964**	**73,709**	**5,781**	**-**	**-**	**1,166,373**	

[1] Salary and fees paid and accrued during the year.

[2] Other refers to fees paid and accrued for consultancy work performed for the Company.

[3] Performance related refers to the percentage of total remuneration that is performance related.

[4] Mr Wilson's remuneration includes movements in his long service leave and termination benefits provision in accordance with his employment contract.

[5] Mr Lee earned $72,000 for consulting fees related to his participating in Executive Committee meetings and other corporate matters.

[6] Mr Ferrier elected to take a proportion of his remuneration as salary as opposed to superannuation during the year.

Remuneration of key management personnel of the Company and Group

Table 2: Remuneration for the year ended 30 June 2013

	Short-term				Post-employment		Share-based payments Options	Termination benefits	Total	Performance related[3]
	Salary & fees[1]	Cash bonus	Non-Monetary Benefit	Other[2]	Super	Long Service Leave				
30 June 2013	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Non-executive directors										
G Lyons	96,330	-	-	46,041	13,128	-	-	-	155,499	-
TS Law	64,759	-	-	-	241	-	-	-	65,000	-
CA Lau	68,807	-	-	6,446	5,706	-	-	-	80,959	-
KL Lee[5]	64,220	-	-	272,000	5,780	-	-	-	342,000	-
Sub total	**294,116**	-	-	**324,487**	**24,855**	-	-	-	**643,458**	
Executive directors										
M Wilson[4]	330,364	-	-	-	26,460	7,856	-	(31,806)	332,874	-
Other executives										
C Ferrier[6]	365,030	-	-	-	16,470	-	-	-	381,500	-
M Pitts	40,000	-	-	-	-	-	-	-	40,000	-
S Raven	10,938	-	-	-	-	-	-	-	10,938	-
Sub total	**746,332**	**-**	**-**	**-**	**42,930**	**7,856**	**-**	**(31,806)**	**765,312**	
Total	**1,040,448**	**-**	**-**	**324,487**	**67,785**	**7,856**	**-**	**(31,806)**	**1,408,770**	

[1] Salary and fees paid and accrued during the year.

[2] Other refers to fees paid and accrued for consultancy work performed for the Company.

[3] Performance related refers to the percentage of total remuneration that is performance related.

[4] Mr Wilson's remuneration includes movements in his long service leave and termination benefits provision in accordance with his employment contract and his salary & fees includes $36.3k being cash out of annual leave.

[5] Mr Lee was paid for $272,000 consulting fees related to his participating in Executive Committee meetings and other corporate matters.

[6] Mr Ferrier elected to take a proportion of his remuneration as salary as opposed to superannuation during the year.

Equity instruments (consolidated)

Options granted to key management personnel

Share options do not carry any voting or dividend rights and can be exercised once the terms and conditions for the exercise of options have been met.

There were no share options granted to directors and key management personnel (KMP) during the years ended 30 June 2014 and 30 June 2013. No share options were exercised or lapsed during the years ended 30 June 2014 and 30 June 2013.

Table 3: Option holdings for key management personnel

Options for shares in GWR Group Limited (number)

Unlisted options	Balance 01/07/13	Granted as remuneration	Options exercised	Net change Other	Balance 30/06/14	Vested & exercisable	Unvested
Non-executive directors							
G Lyons	4,000,000	-	-	-	4,000,000	4,000,000	-
TS Law	4,000,000	-	-	-	4,000,000	4,000,000	-
CA Lau	4,000,000	-	-	-	4,000,000	4,000,000	-
KL Lee	4,000,000	-	-	-	4,000,000	4,000,000	-
Executive directors							
M Wilson	4,000,000	-	-	-	4,000,000	4,000,000	-
Other executives							
C Ferrier	1,000,000	-	-	-	1,000,000	1,000,000	-
M Pitts	-	-	-	-	-	-	-
Total	21,000,000	-	-	-	21,000,000	21,000,000	-

Table 4: Shareholdings of key management personnel

Shares held in GWR Group *Limited (number)*

Listed shares	Balance 01/07/13	Granted as remuneration	On exercise of options	Net change Other	Balance 30/06/14
Non-executive directors					
G Lyons	19,900	-	-	-	19,900
TS Law	26,861,392	-	-	-	26,861,392
CA Lau	195,000	-	-	-	195,000
KL Lee	-	-	-	-	-
Executive directors					
M Wilson	2,605,548	-	-	-	2,605,548
Other executives					
C Ferrier	-	-	-	-	-
M Pitts	100,000	-	-	-	100,000
Total	29,781,840	-	-	-	29,781,840

Shares issued on exercise of options

There were no shares issued on the exercise of options to key management personnel for the years ended 30 June 2014 and 30 June 2013.

END OF RENUMERATION REPORT

Signed on behalf of directors and in accordance with a resolution of directors.

Gary Lyons
Chairman

Dated at Perth this 17th day of September 2014

Corporate Governance Statement

Overview

The Board has created a framework for managing the Company, including internal controls and a business risk management process. This framework is reflected, in part, in the policies and charters described in this Statement of Corporate Governance.

The Board endorses the ASX Corporate Governance Council Principles and Recommendations and this Statement outlines the Company's compliance, for the period ending 30 June 2014, with the *2nd Edition* of those Principles and Guidelines as amended from time to time.

The Board is responsible for the overall corporate governance of the Company, including the establishing and monitoring of key performance goals. It is committed to attaining standards of corporate governance that are commensurate with the Company's needs. The Company's Board of Directors has reviewed the recommendations outlined by ASX and notes that in the majority of instances the Company is meeting the standard required. In a limited number of instances, the Company has determined not to comply with the standard set out in the recommendations, largely due to the recommendation being considered by the Board to be unduly onerous for a Company of this size. Recommendations which the Company does not comply with are highlighted in this report.

Further information on the Company's corporate governance policies is located on the website: www.gwrgroup.com.au.

Principle 1: Lay Solid Foundations for Management and Oversight

1.1 Companies should establish and disclose the respective roles and responsibilities of board and management.

- Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.
- Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.
- Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.

1.2 The Company's practice:

The Board considers that the essential responsibility of Directors is to oversee the Company's activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value. Responsibility for management of the Company's business is delegated to a committee of the board, the Executive Committee, comprising all non-executive directors, the Executive Director and the Executive Chief Officer. The Executive Chief Officer and Executive Director are responsible for managing the Company's activities reporting through the Executive Committee. The Executive Committee meets every fortnight other than when scheduled board meetings occur. The Board has established a delegated authorities policy with tiered levels of approval set for the Board, the Executive Committee and senior management in respect to expenditure commitment, employment and contracting.

Further, the Board takes specific responsibility for:

- Contributing to the development of and approving corporate strategy;
- Appointing, assessing the performance of and, if necessary removing senior management;
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- Overseeing and monitoring:
  - Organisational performance and the achievement of strategic goals and objectives;
  - Compliance with the Company's code of conduct;
  - Progress of major capital expenditures and other corporate projects including acquisitions, mergers and divestments;

- Monitoring financial performance including approval of the annual, half yearly and quarterly reports and liaison with the auditor;
- Ensuring there are effective management processes in place, including reviewing and ratifying systems of risk identification and management, ensuring appropriate and adequate internal control processes, and that monitoring and reporting procedures for these systems are effective;
- Enhancing and protecting the Company's reputation;
- Approving major capital expenditure, capital management, acquisitions and divestments;
- Reporting to shareholders;
- Appointment of Directors; and
- Any other matter considered desirable and in the interest of the Company.

The Board is responsible for the overall corporate governance of the Company, including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Company has a formal Board Charter which is on the Company's website and summarised above. In broad terms, the Board is accountable to the shareholders and must ensure that the Company is properly managed to protect and enhance shareholders' wealth and other interests. The Board Charter sets out the role and responsibilities of the Board within the governance structure of the Company and its related bodies corporate (as defined in the Corporations Act).

Senior executives are responsible for the ongoing management of the Company's operations and report to the Board through the Executive Committee. They are accountable for all functions that are necessary to the operations of the Company and not specifically reserved to the Board or Executive Committee as the case may be. Senior executives' performance is reviewed on a regular basis by the Board.

Based on the above information the Company believes it is fully compliant with Recommendations 1.1, 1.2 and 1.3.

Principle 2: Structure the Board to Add Value

2.1 Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

- Recommendation 2.1: A majority of the board should be independent Directors.
- Recommendation 2.2: The chair should be an independent Director.
- Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.
- Recommendation 2.4: The board should establish a nomination committee.
- Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual Directors.
- Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.

2.2 The Company's practice:

Independence

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent Directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. In accordance with this definition, the Company has one (1) independent Director, with the Board comprising of a Non-executive Chairman, a Non-executive Deputy Chairman, an Executive Director, and two Non-executive Directors.

The sole independent Director is Mr Gary Lyons, the Company's Non-executive Chairman, and the non-independent Directors of the Company are Mr Tien Seng Law, Mr Michael Wilson, Mr Chin An Lau, Mr Kong Leng Lee, and Mr Teck Siong Wong (as alternate for Mr Lau).

The Board is of the view that, given the Company's size and composition, the Board's current composition was the best structure for the Company's objectives during the period.

The Chief Executive Officer, Mr Craig Ferrier, was appointed by the Board on 12 March 2013.

Composition

The Directors have been chosen for their particular expertise to provide the company with a competent and well-rounded decision-making body and which will assist the company and shareholders in meeting their objectives.

As at September 2014, the term in office held by each Director in office at the date of this report is as follows and details of the professional skills and expertise of each of the Directors are set out in the Directors' Report.

Name	Position	Term in Office
Mr Gary Lyons	Non-executive Chairman	4 years and 3 months[1]
Mr Tien Seng Law	Non-executive Director and Deputy Chairman	4 years and 2 months (appointed 21/07/10)
Mr Michael Wilson	Executive Director	13 years and 10 months (appointed 18/11/02)
Mr Kong Leng (Jimmy) Lee	Non-executive Director	3 years and 9 months (appointed 08/12/10)
Mr Chin An Lau	Non-executive Director	3 years and 4 months (appointed 25/05/11)
Mr Teck Siong Wong	Alternate Director for Mr Tien Seng Law	3 years and 2 months (appointed 27/07/11)

[1] Appointed Non-Executive Chairman on 8 February 2012

The Directors meet frequently, both formally and informally, so that they maintain a mutual, thorough understanding of the Company's business and to ensure that the Company's policies of corporate governance are adhered to.

Education

The Company encourages Directors to maintain their knowledge of the specific matters relating to the Company including: the nature of the business, current issues, the corporate strategy. The Company makes its expectations clear concerning the performance of Directors and Directors are given access to and encouraged to participate in continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to company information

Each Director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the consolidated entity's expense. The Director must consult with an advisor suitably qualified in the relevant field and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other board members.

Nomination committee

The Company does not currently have a separate nomination committee and as such has not complied with Recommendation 2.4. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full Board, given the size and nature of the Company's activities and as such, the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

Monitoring of Board Performance

The performance of all Directors is reviewed by the Chairman on an ongoing basis and any Director whose performance is considered unsatisfactory is asked to retire. The Chairman's performance is reviewed by the other Board members.

Based on the above information the Company believes it is fully compliant with Recommendations 2.2, 2.3, 2.5 and 2.6. The Company is not compliant with Recommendations 2.1 and 2.4, as outlined above.

Principle 3: Promote Ethical and Responsible Decision Making

3.1 Companies should actively promote ethical and responsible decision-making.

- Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:
  - the practices necessary to maintain confidence in the company's integrity;
  - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
  - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
- Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.
- Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.
- Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.
- Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.

3.2 The Company's practice:

Ethical Standards

The Company has a formal Code of Conduct as per Recommendation 3.1. This code outlines how Directors and employees of the Company and its related bodies corporate are to behave when conducting business. A full copy of this Code of Conduct is available on the Company's website.

The Company is committed to the highest level of integrity and ethical standards in all business practices. Directors and employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation.

All Directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Diversity Policy

The Board has adopted a Diversity Policy as per Recommendation 3.2. The Diversity Policy addresses equal opportunities in the hiring, training and career advancement of Directors, officers and employees. The Diversity Policy outlines the processes by which the Board will set measurable objectives to achieve the aims of its Diversity Policy, with particular focus on gender diversity within the Company.

The Company is committed to ensuring a diverse mix of skills and talent exists amongst its Directors, officers and employees and is utilised to enhance the Company's performance.

The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives.

Gender Diversity

As a priority, the Company is focusing on the participation of women on its Board and within senior management. The Board is in the process of determining appropriate measurable objectives for achieving gender diversity.

Women Employees, Executives and Board Members

The Company and its consolidated entities have eight (2013: nine) female employees and/or executives, including:

- its Financial Controller;

- four (4) female employees, located at the Company’s head office; and
- three (3) female employees, located on site

who represent approximately 28% of the total employees, executives and/or board members of the Company and its consolidated entities. There are currently no female members of the Board of the Company.

Based on the above information the Company believes it is fully compliant with Recommendations 3.1, 3.2, 3.3, 3.4 and 3.5.

Principle 4: Safeguard Integrity in Financial Reporting

4.1 Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

- Recommendation 4.1: The board should establish an audit committee.
- Recommendation 4.2: The audit committee should be structured so that it:
  - Consists only of Non-executive Directors;
  - Consists of a majority of independent Directors;
  - is chaired by an independent chair, who is not chair of the board; and
  - has at least three members.
- Recommendation 4.3: The audit committee should have a formal charter.
- Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.

4.2 The Company's practice:

Audit and Risk Management Committee

The Board has created a separate audit and risk management committee, which consists of three members, and therefore has complied with Recommendation 4.1. However, due to the size and current operations of the Company, the audit committee currently only has one (1) independent Director and the chair of the Audit and Risk Management Committee is not an independent Director, for which reason the Company is not compliant with all of Recommendation 4.2. The duties and responsibilities delegated to the audit committee include:

- reviewing internal control and recommending enhancements;
- monitoring compliance with Corporations Act 2001, Securities Exchange Listing Rules, matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission and financial institutions;
- improving the quality of the accounting function, personnel and processes;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner; and
- reviewing the performance of the external auditors on an annual basis.

Audit and Compliance Policy

The Board imposes stringent policies and standards to ensure compliance with all corporate financial and accounting standards. Where considered appropriate, the Company's external auditors, professional advisors and management are invited to advise the Board on these issues and the Board meets quarterly to consider audit matters prior to statutory reporting.

The Company requires that its auditors must not carry out any other major area of service to the Company and should have expert knowledge of both Australian and international jurisdictions.

The Board assumes responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board maintains responsibility for a framework of internal control and ethical standards for the management of the consolidated entity.

The board, consisting of members with financial expertise and detailed knowledge and experience of the mineral exploration and evaluation business, advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Chief Executive Officer and Financial Controller have declared in writing to the Board that the Company's financial reports for the year ended 30 June 2014 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

Based on the above information the Company believes it is fully compliant with Recommendations 4.1, 4.3 and 4.4. The Company is not compliant with all of Recommendation 4.2 as outlined above.

Principle 5: Make timely and balanced disclosure

5.1 Companies should promote timely and balanced disclosure of all material matters concerning the company.

- Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
- Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.

5.2 The Company's practice:

Continuous Disclosure Policy

The Company has a formal Disclosure Policy as required by Recommendation 5.1. This policy was introduced to ensure the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules and ensuring The Company and individual officers do not contravene the Corporations Act or ASX Listing Rules. A full copy of this policy can be found on the Company's website.

The Company is required to immediately tell the ASX once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

Therefore to meet this obligation the Company undertakes to:

a) Notify the ASX immediately it becomes aware of any information that a reasonable person would expect to have a material effect on the price and value of the companies securities, unless that information is not required to be disclosed under the listing rules;
b) Disclose notifications to the ASX on the Company website following confirmation of the publishing of the information by the ASX; and

c) Not respond to market speculation or rumour unless the ASX considers it necessary due to there being, or likely to be, a false market in the Company's securities.

The Chief Executive Officer and the Company Secretary are responsible for co-ordinating the disclosure requirements. To ensure appropriate procedure all Directors, officers and employees of the Company coordinate disclosures through the Executive Chief Officer and the Company Secretary, including:

a) Media releases;
b) Analyst briefings and presentations; and
c) The release of reports and operational results.

Based on the above information the Company believes it is fully compliant with Recommendations 5.1 and 5.2.

Principle 6: Respect the Rights of Shareholders

6.1 Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

- Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.
- Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.

6.2 The Company's practice:

Shareholder Communication

It is the policy of the Company to communicate effectively with its shareholders by giving them ready access to balanced and understandable information about the Company and making it easier for them to participate in general meetings.

The Board encourages full shareholder participation at the Annual General Meeting as it provides shareholders an opportunity to review the Company's annual performance. Shareholder attendance also ensures a high level of accountability and identification with the Company's strategy and goals.

The shareholders are responsible for voting on the appointment of Directors, approval of the maximum amount of Directors' fees and the granting of options and shares to Directors. Important issues are presented to the shareholders as single resolutions.

The Company's auditor is required to be present, and be available to shareholders, at the Annual General Meeting.

Information is communicated to shareholders through:

- the Annual Report which is distributed to all shareholders;
- Half-Yearly Reports, Quarterly Reports, and all Australian Securities Exchange announcements which are posted on the Company's website;
- the Annual General Meeting and other meetings so called to obtain approval for Board action as appropriate; and
- compliance with the continuous disclosure requirements of the Australian Securities Exchange Listing Rules.

The Company's full policy on shareholder communication can be found on our website.

Based on the above information the Company believes it is fully compliant with Recommendations 6.1 and 6.2.

Principle 7: Recognise and Manage Risk

7.1 Companies should establish a sound system of risk oversight and management and internal control.

- Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
- Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.
- Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

- Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.

7.2 The Company's practice:

Risk Management

Recognise and Manage Risk

Risk oversight, management and internal control are dealt with on a continuous basis by management and the Board, with differing degrees of involvement from various Directors and management, depending upon the nature and materiality of the matter.

The Board has established a formal policy to effectively recognise and manage risk as required by Recommendation 7.1. The Company’s policy is to achieve levels of operation that balance risk and reward with the ultimate aim of optimising shareholder value. The Corporate Governance Statement is detailed in full on our website.

Oversight of the risk management system

The Board takes a proactive approach to risk management. The Board is responsible for oversight of the processes whereby the risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. This oversight encompasses operational, financial reporting and compliance risks.

The Company believes that it is crucial for all Board members to be a part of the process, and as such the Board has not established a separate risk management committee.

The Board oversees the establishment, implementation and annual review of the Company's risk management policies as part of the Board approval process for the strategic plan, which encompasses the Company's vision and strategy, designed to meet stakeholder's needs and manage business risks.

The Chief Executive Officer and Financial Controller have declared, in writing to the Board and in accordance with section 295A of the Corporations Act, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Company.

Internal control framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that deals with:

- Financial reporting - there is a comprehensive budgeting system with an annual budget, updated on a regular basis approved by the Board. Monthly actual results are reported against these budgets.
- Investment appraisal - the Company has clearly defined guidelines for capital expenditure including annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses or assets are being acquired or divested.
- Quality and integrity of personnel - the Company's policies are detailed in an approved induction manual. Formal appraisals are conducted annually for all employees.

Based on the above information the Company believes it is fully compliant with Recommendations 7.1, 7.2, 7.3 and 7.4.

Principle 8: Remunerate Fair and Responsibly

8.1 Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

- Recommendation 8.1: The board should establish a remuneration committee.
- Recommendation 8.2: The remuneration committee should be structured so that it:
  - consists of a majority of independent Directors;
  - is chaired by an independent chair; and
  - has at least three members.
- Recommendation 8.3: Companies should clearly distinguish the structure of Non-executive Directors' remuneration from that of executive Directors and senior executives.
- Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.

8.2 The Company's practice:

Remuneration committee:

The Company has created a separate remuneration committee, which consists of three members, and therefore has complied with Recommendation 8.1, however due to the size and current operations of the Company, the remuneration committee currently only has one (1) independent Director and the chair of the remuneration committee is not an independent Director, for which reason the Company is not compliant with all of Recommendation 8.2.

Remuneration policies:

Remuneration of Directors are formalised in service agreements. The remuneration committee is responsible for determining and reviewing compensation arrangements for the Non-executive and Executive Directors, the Chief Executive Officer and the executive team.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating Directors and senior executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of executive Directors' and senior executives' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

1. Retention and motivation of senior executives;
2. Attraction of quality management to the Company; and
3. Performance incentives which allow executives to share the rewards of the success of the Company.

Remuneration of the Non-executive Directors is determined by the Board with reference to comparable industry levels and, specifically for Directors' fees, within the maximum amount approved by shareholders. There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-executive Directors.

For details on the amount of remuneration and all monetary and non-monetary components for all Directors refer to the Remuneration Report on pages 10 to 17 of the Directors' Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

Based on the above information the Company believes it is fully compliant with Recommendations 8.1, 8.3 and 8.4. The Company is not compliant with all of Recommendation 8.2 as outlined above.

<table>
<tr><th>Principle</th><th>Reference in the Company's Corporate Governance Statement</th></tr>
<tr><td>Principle 1 – Lay solid foundations for Management and oversight
Companies should establish and disclose the respective roles and responsibilities of Board and Management.
• Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.
• Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.
• Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.</td><td>See pages 19 to 20</td></tr>
<tr><td>Principle 2 - Structure the Board to add value
Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.
• Recommendation 2.1: A majority of the Board should be independent directors.
• Recommendation 2.2: The chair should be an independent director.
• Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.
Recommendation 2.4: The Board should establish a nomination committee.
• Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.
• Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.</td><td>See pages 20 to 21</td></tr>
<tr><td>Principle 3 - Promote ethical and responsible decision-making
Companies should actively promote ethical and responsible decision-making
• Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:
- the practices necessary to maintain confidence in the Company's integrity
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices
• Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.
• Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.
• Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.
• Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.</td><td>See pages 22 to 23</td></tr>
<tr><td>Principle 4 - Safeguard integrity in financial reporting
Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.
• Recommendation 4.1: The Board should establish an audit committee.
• Recommendation 4.2: The audit committee should be structured so that it:
- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent chair, who is not chair of the board
- has at least three members.
• Recommendation 4.3: The audit committee should have a formal charter.
• Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.</td><td>See pages 23 to 24</td></tr>
<tr><td>Principle 5 - Make timely and balanced disclosure
Companies should promote timely and balanced disclosure of all material matters concerning the Company.
• Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.</td><td>See pages 24 to 24</td></tr>
</table>

Principle	Reference in the Company's Corporate Governance Statement
• **Recommendation 5.2:** Companies should provide the information indicated in the Guide to reporting on Principle 5.	
Principle 6 - Respect the rights of shareholders Companies should respect the rights of shareholders and facilitate the effective exercise of those rights. • **Recommendation 6.1:** Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. • **Recommendation 6.2:** Companies should provide the information indicated in the Guide to reporting on Principle 6.	See pages 25 to 25
Principle 7- Recognise and manage risk Companies should establish a sound system of risk oversight and management and internal control. • **Recommendation 7.1:** Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. • **Recommendation 7.2:** The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks. • **Recommendation 7.3:** The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. • **Recommendation 7.4:** Companies should provide the information indicated in the Guide to reporting on Principle 7.	See pages 25 to 26
Principle 8- Remunerate fairly and responsibly Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear. • **Recommendation 8.1**: The Board should establish a remuneration committee. • **Recommendation 8.2:** The remuneration committee should be structured so that it: - consists of a majority of independent directors - is chaired by an independent chair - has at least three members. • **Recommendation 8.3**: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. • **Recommendation 8.4:** Companies should provide the information indicated in the Guide to reporting on Principle 8.	See pages 27 to 27

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Revenue	6	884,809	1,148,394
Employee expenses	7(a)	(1,357,579)	(1,716,673)
Depreciation expense		(160,278)	(210,874)
Other expenses	7(b)	(1,103,056)	(1,115,353)
Impairment	7(c)	(19,263,346)	(114,957)
Share of loss of an associate	15	(459,048)	(418,355)
Profit/(loss) before tax		**(21,458,498)**	**(2,427,818)**
Income tax expense	8	-	-
Profit/(loss) for the year		**(21,458,498)**	**(2,427,818)**
Profit/(loss) attributable to members of the Parent	22	**(21,458,498)**	**(2,427,818)**
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss			
Net fair value gain/(loss) on available-for-sale financial assets		(110,453)	(14,855)
Share of other comprehensive income of an associate		(31,705)	29,108
Other comprehensive income/(loss) after tax		(142,158)	14,253
Total comprehensive income/(loss) after tax		**(21,600,656)**	**(2,413,565)**
Profit/(loss) attributable to members of the Parent		**(21,600,656)**	**(2,413,565)**
Total comprehensive income/(loss) attributable to members of the Parent		**(21,600,656)**	**(2,413,565)**
Basic profit/(loss) per share in cents	9	(8.93)	(1.24)

Diluted loss per share is not disclosed as it would not reflect an inferior position.

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

as at 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Current assets			
Cash and cash equivalents	10	18,297,792	24,361,191
Trade and other receivables	11	293,412	285,039
Prepayments		27,910	33,733
Available-for-sale financial assets	14	112,484	136,637
Other financial assets		67,882	-
Total current assets		**18,799,480**	**24,816,600**
Non-current assets			
Plant and equipment	12	450,431	645,052
Exploration & evaluation expenditure	13	71,546,615	87,222,010
Available-for-sale financial assets	14	1,365,000	-
Investment in an associate	15	-	490,753
Other financial assets	16	17,200	1,126,735
Total non-current assets		**73,379,246**	**89,484,550**
Total assets		**92,178,726**	**114,301,150**
Current liabilities			
Trade and other payables	17	280,067	845,945
Interest bearing liabilities	18	127	516
Provisions	19(a)	116,813	91,374
Total current liabilities		**397,007**	**937,835**
Non-current liabilities			
Provisions	19(b)	305,777	286,717
Total non-current liabilities		**305,777**	**286,717**
Total liabilities		**702,784**	**1,224,552**
Net assets		**91,475,942**	**113,076,598**
Equity			
Contributed equity	20	153,801,791	153,801,791
Reserves	21	26,181,707	26,323,865
Accumulated losses	22	(88,507,556)	(67,049,058)
Total equity		**91,475,942**	**113,076,598**

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 30 June 2014

	Ordinary share capital	Accumulated losses	Option reserve	Investments revaluation reserve	Translation reserve	Total Equity
	$	$	$	$	$	$
Balance at 1/7/2013	**153,801,791**	**(67,049,058)**	**26,309,612**	**(14,855)**	**29,108**	**113,076,598**
Profit/(loss) for the year	-	(21,458,498)	-	-	-	(21,458,498)
Other comprehensive profit/(loss)	-	-	-	(110,453)	(31,705)	(142,158)
Total comprehensive profit/(loss) for the year	**-**	**(21,458,498)**	**-**	**(110,453)**	**(31,705)**	**(21,600,656)**
Shares issued during the year	-	-	-	-	-	-
Capital raising costs	-	-	-	-	-	-
Balance at 30/06/2014	**153,801,791**	**(88,507,556)**	**26,309,612**	**(125,308)**	**(2,597)**	**91,475,942**
Balance at 01/07/2012	**147,021,501**	**(64,621,240)**	**26,309,612**	**-**	**-**	**108,709,873**
Profit/(loss) for the year	-	(2,427,818)	-	-	-	(2,427,818)
Other comprehensive profit/(loss)	-	-	-	(14,855)	29,108	14,253
Total comprehensive profit/(loss) for the year	**-**	**(2,427,818)**	**-**	**(14,855)**	**29,108**	**(2,413,565)**
Shares issued during the year	7,205,342	-	-	-	-	7,205,342
Capital raising costs	(425,052)	-	-	-	-	(425,052)
Balance at 30/06/2013	**153,801,791**	**(67,049,058)**	**26,309,612**	**(14,855)**	**29,108**	**113,076,598**

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Cash flows from operating activities			
Payments to suppliers & employees		(2,443,560)	(3,016,491)
Interest received		817,175	1,274,042
Other income		43,612	87,608
Net cash (used in) operating activities	23	**(1,582,773)**	**(1,654,841)**
Cash flows from investing activities			
Payments for exploration & evaluation		(3,763,614)	(5,142,543)
Payments for plant & equipment		(13,613)	(29,629)
Proceeds from sale of plant & equipment		-	370
Proceeds from sale of Doherty's project		80,000	-
Payments for security deposits/bonds		(15,909)	(19,572)
Proceeds from security deposits/bonds		1,057,562	-
Loans to other entities		-	(175,101)
Repayments from other entities		-	175,101
Acquisition of shares		(1,400,000)	(880,000)
Net cash (used in) investing activities		**(4,055,574)**	**(6,071,374)**
Cash flows from financing activities			
Proceeds from issue of shares		-	7,205,342
Costs on issue of shares		(425,052)	-
Net cash (used in)/provided by financing activities		**(425,052)**	**7,205,342**
Net decrease in cash and cash equivalents		(6,063,399)	(520,873)
Cash and cash equivalents at the beginning of the financial year		24,361,191	24,882,064
Cash and cash equivalents at the end of the financial year	10	**18,297,792**	**24,361,191**

The above statement should be read in conjunction with the accompanying notes.

GWR

Note 1: Corporate information

The financial report of GWR Group Limited ('the Company' or the 'Parent') and of the Group, being the Company and its controlled entities for the financial year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 17 September 2014.

GWR Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the directors' report.

Separate financial statements for GWR Group Limited as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, required financial information for GWR Group Limited as an individual entity is included in Note 31.

Note 2: Summary of significant accounting policies

a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards board. The financial report has also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

b) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards board.

c) New accounting standards and interpretations

The following new and revised Australian Accounting Standards together with consequential amendments to other Standards became mandatorily applicable from 1 January 2013:

- AASB 10: Consolidated Financial Statements;
- AASB 127: Separate Financial Statements (August 2011);
- AASB 11: Joint Arrangements;
- AASB 128: Investments in Associates and Joint Ventures (August 2011);
- AASB 12: Disclosure of Interests in Other Entities;
- AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards;
- AASB 2012-10: Amendments to Australian Accounting Standards — Transition Guidance and Other Amendments;
- AASB 13: Fair Value Measurement and AASB2011-8 Amendments to Australian Accounting Standards arising from AASB 13; and
- AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).

AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'

GWR

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and provides a revised definition of "control" such that an investor controls an investee when:

(i) it has power over an investee;
(ii) it is exposed, or has rights, to variable returns from its involvement with the investee; and
(iii) has the ability to use its power to affect its returns.

All three of these criteria must be met for an investor to have control over an investee. This may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

There have been no changes to the treatment of investees compared to prior year.

AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements.

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

Other

The other Standards and Amendments referred to above did not affect the Group's accounting policies or the amounts reported in the financial statements, mainly because the Group does not have joint arrangements or defined benefit plan assets or obligations.

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting period commencing 1 January 2017)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The 2010 revisions introduce additional changes relating to financial liabilities.

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impractical at this stage to provide a reasonable estimate of such impact.

Other standards not yet applicable

These standards are not expected to have a material impact on the entity in the current or future reporting periods.

Standard/Interpretation	**Effective for annual reporting periods beginning on or after**	**Expected to be initially applied in the financial year ending**
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015

d) Basis of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (GWR Group Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 24 (b).

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

e) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), 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 have been identified based on the information provided to the chief operating decision makers – being the executive management team. Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

The Group determines and presents operating segments based on the information internally provided to the executive management team.

f) Revenue

Revenue is recognised as income to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest Income

Revenue is recognised as the interest accrues using the effective interest method. This is the method of calculating the amortised costs of the financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

g) Income tax

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 based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet 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 differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits 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 sheet 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 sheet 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 sheet 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 related to the same taxable entity and the same taxation authority.

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 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 balance sheet.

Cash flows are included in the cash flow statement 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) Cash and 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. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

j) Plant and equipment

All 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. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated using diminishing balance method over the estimated useful life of the assets as follows:

Leasehold improvements	5 to 10 years
Motor vehicles	10 years
Plant and equipment	5 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no 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 item is derecognised.

k) Exploration and evaluation expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method. Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest is current and either:

- the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

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

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 asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the income statement.

l) Investments in an associate

The Group's investment in its associate, an entity in which the Group has significant influence, is accounted for using the equity method.

Under the equity method, the investment in the associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss and other comprehensive income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the associate and its carrying value, then recognises the loss as 'Share of Losses of an associate' in the statement of profit or loss and other comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognises the retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

m) Financial assets

Financial assets within the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and derecognition

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 market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category financial assets at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the balance sheet.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables including loan notes and loans to key management personnel 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. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

(iv) Available-for-sale securities

Available-for-sale investments are those non-derivative financial assets, principally equity securities, which are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include:

- using recent arm's length market transactions;
- reference to the current market value of another instrument that is substantially the same; and
- discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

n) 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. The amounts are unsecured and are usually paid within 30 days of recognition.

o) 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.

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

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

p) Employee benefits

(i) Wages salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees’ services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave and other employment entitlements

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

q) Contributed equity

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.

r) Earnings per share

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

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

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

s) Leases

Leases are classified at the inception as either operating or finance leases, based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

(i) Group as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(ii) Group as a lessor

Leases in which the group retains substantially all the risks and benefits and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

t) Share-based payment transactions

(i) Equity settled transactions

The Group provides benefits to directors, employees and other parties in the form of share-based payment transactions, whereby directors, employees and other parties render services in exchange for shares or rights over shares (‘equity-settled transactions’).

There are currently two plans in place to provide these benefits:

- The Employee Option Incentive Scheme, which provides benefits to directors, executives and other parties
- The Employee Share Ownership Plan, which provides benefits to all employees, excluding KMP

The cost of these equity-settled transactions with directors, employees and consultants is measured by reference to the fair value of the equity instrument at the date at which they are granted. The fair value is determined by using the Black-Scholes model, further details of which are given in Note 26.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of GWR 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 conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is 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. An additional 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 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.

(ii) Cash settled transactions

The Group also provides benefits to various parties in the form of cash-settled share based payments, whereby the various parties provides goods and services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of GWR Group Limited.

The ultimate cost of these cash-settled transactions will be equal to the actual cash paid to the various parties, which will be the fair value at settlement date.

The cumulative cost recognised until settlement is a liability and the periodic determination of this liability is as follows:

- At each reporting date between grant and settlement, the fair value of the award is determined
- During the vesting period, the liability recognised at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period
- From the end of the vesting period until settlement, the liability recognised is the full fair value of the liability at the reporting date.
- All changes in the liability are recognised in profit or loss for the period

The fair value of the liability is determined, initially and at each reporting date until it is settled, by applying a Black-Scholes option pricing model, taking into account the terms and conditions on which the award was granted, and the extent to which employees have rendered service to date (see Note 26).

u) Comparative figures

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

v) Impairment of assets

The Group assesses at each reporting 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 of 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 the 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.

Impaired 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 a revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting 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 increase 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 a 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.

w) Fair value of measurements

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability, The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

Note 3: Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash, short term deposits, trade and other receivables, available for sale investments, trade and other payables and interest bearing liabilities.

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Group's activities, which mainly comprise of exploration and evaluation work that occurs solely within Australia, do not expose it, at this time, to any foreign currency risk or price risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the financial performance of the Group.

The main risks arising from the Group's financial instruments are market risk (e.g. interest rate risk), credit risk and liquidity risk.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and assessment of market forecasts for interest rates. The Group manages credit risk by only dealing with recognised, creditworthy, third parties and liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees procedures for managing each of these risks as summarised below. Primary responsibility for identification and control of financial risks rests with management under the procedures approved by the Board. The Board reviews management's processes for managing each of the risks identified below including future cash flow forecast projections.

Risk exposures and responses

Market risk

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash and cash equivalents, other financial assets and interest bearing liabilities. The Group has provided loans to third parties, which are disclosed under other financial assets (current), at fixed rates of interest and as such does not expose the Group to interest rate risk. Trade and other receivables disclosed in note 11 and Trade and other payables disclosed in note 17 are non-interest bearing.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

	Consolidated	
	2014	2013
	$	$
Financial assets		
Cash and cash equivalents	18,297,792	24,361,191
Other financial assets (current)	67,882	-
Other financial assets (non-current)	12,000	1,121,535
	18,377,674	25,482,726
Financial liabilities		
Interest bearing liabilities	127	516
Net exposure	18,377,547	25,482,210

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt. The Group regularly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate exposures in existence at the balance sheet date after taking into account judgements by management of reasonably possible movements in interest rates after consideration of the views of market commentators over the next twelve months.

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post tax profit		Equity	
	Higher/(lower)		Higher/(lower)	
	2014	2013	2014	2013
	$	$	$	$
Consolidated				
+0.50% (50 basis points)	91,888	127,411	91,888	127,411
-0.25% (25 basis points)	(45,944)	(63,706)	(45,944)	(63,706)

The sensitivity is lower in 2014 than in 2013 for the consolidated entity because of a decrease in cash and term deposits.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and other financial assets. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure. The Group only trades with recognised, creditworthy third parties, and as such collateral is not requested, nor it is the Group's policy to securitise its trade and other receivables.

Financial instruments held by the Group are spread amongst a number of financial institutions all of which have credit ratings of AA or better, to minimise the risk of counterparty default. At balance date the cash and cash equivalents are held by four big financial institutions.

Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Group does not have any significant financial liabilities as its objective has been to ensure continuity of funding through the use of ordinary shares. The Group regularly monitors forecasts and actual cash flows and the maturity profiles of its financial assets and liabilities to manage its liquidity risk.

There may be a need to raise additional funds in the next twelve months to meet forecast operating activities. The decision on how the Group will raise these funds which may include debt and equity will depend on market conditions at the time.

The remaining contractual maturities of the Group's and Parent's financial liabilities are:	Consolidated	
	2014	2013
	$	$
1 month or less	280,194	846,461
1 – 3 months	-	-
Over 3 months	-	-
	280,194	846,461

At balance date the Group had cash and cash equivalents of $18,297,792 for its immediate use.

Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

Price risk

Price risk relates to the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

The Group is exposed to gold and iron ore commodity price risk. The gold price can be volatile and influenced by factors beyond the Company's control. As the Group is engaged in exploration and development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

Note 4: Significant accounting judgements, estimates and assumptions

(a) Significant accounting judgements

In the process of applying the Group's accounting policies management has the following significant accounting judgements apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Determination of mineral resources and ore reserves

The Group reports its mineral resources and ore reserves in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 Edition ('the JORC code') as a minimum standard. The information on mineral resources and ore reserves were prepared by or under the supervision of Competent Persons as defined in the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in reserves or resources being restated.

(b) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions

The Group measures the cost of equity-settled and cash-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model and the assumptions and carrying amount at the reporting date is disclosed in note 26.

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

Deferred taxation

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, base level of future taxable profits together with future tax planning strategies.

Note 5: Segment information

Determination and identification of reportable segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, 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.

The Group identifies its operating segments based on the internal reports that are reviewed and used by the executive management team (chief operating decision makers) in assessing performance and determining the allocation of resources.

The operations and assets of GWR Group Limited and its controlled entities are primarily employed in exploration and evaluation activities relating to minerals in Western Australia. The decision to allocate the resources to individual projects is predominantly based on available cash reserves, technical data and the expectation of future metal price. Accordingly, the Group has identified only one reportable segment, being mineral exploration activities undertaken in Western Australia. The financial information presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position is the same as that presented to the chief operating decision maker.

Note 6: Revenue

	Consolidated	
	2014	2013
Revenue	$	$
Interest received	841,197	1,060,786
Sundry income	43,612	87,608
	884,809	1,148,394

Note 7: Expenses

(a) Employee expenses		
Salary and wages	1,103,597	1,255,669
Superannuation	82,035	86,403
Other employee expenses	171,947	374,601
	1,357,579	1,716,673

(b) Other expenses		
Administration costs	417,822	492,951
Corporate costs	183,159	203,446
Consulting fees	50,400	73,870
Legal costs	82,668	66,059
Occupancy costs	249,878	257,755
Exploration & evaluation expenditure written off (note 13)	71,173	19,105
Loss on disposal of plant and equipment (note 12)	47,956	2,167
	1,103,056	1,115,353

(c) Impairment loss		
Impairment loss – exploration & evaluation expenditure (note 13)[1]	19,263,346	114,957
	19,263,346	114,957

[1.] The Company has performed an assessment of indicators of impairment as at 30 June 2014. The market price for iron ore and gold at balance date is considered likely to impact on the Company's ability to recover the full amount of the carrying value of capitalised exploration and evaluation expenditure in respect of the Wiluna West Project. Accordingly, a review of recent comparable transactions was undertaken as a means of assessing the recoverable amount of the asset. As a result, an impairment loss of $19,263,346 was brought to account when valuing the asset on the basis of comparable transactions.

Note 8: Income tax

	Consolidated	
	2014	2013
	$	$
A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate is as follows:		
Accounting loss before income tax	(21,458,498)	(2,427,818)
At the statutory income tax rate of 30% (2013: 30%)	(6,437,549)	(728,345)
Non-deductible expenditure	2,849	3,105
Tax loss and temporary differences not brought to account as a deferred tax asset	6,550,994	934,339
Capital raising costs	(116,294)	(209,099)
At the effective income tax rate of 0% (2013: 0%)	-	-
Unrecognised deferred tax assets (liabilities)		
Deferred tax assets have not been recognised in respect of the following items:		
Employee entitlements	126,777	113,427
Trade and other payables	15,825	17,514
Business related expenses	210,515	376,275
Allowance for impairment loss	4,003,966	3,820,251
Tax losses	38,001,829	36,253,421
Deferred tax assets:	42,358,912	40,580,888
Deferred tax liabilities have not been recognised in respect of the following items:		
Accrued interest receivable	(73,730)	(66,515)
Plant and equipment	(11,926)	(15,846)
Capitalised exploration & evaluation expenditure	(21,463,984)	(26,166,603)
	(21,549,640)	(26,248,964)
Net unrecognised deferred tax asset	20,809,272	14,331,924

Net deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Company can utilise the benefits.

GWR

Tax consolidation

The Company and its 100% owned controlled entities have formed a tax consolidated group. Members of the consolidated entity have entered into a tax sharing agreement and a tax funding agreement. The head entity of the tax consolidated group is GWR Group Limited. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. Deferred taxes are allocated to members of the tax consolidated group in accordance with a group allocation approach with is consistent with the principle of AASB 112 Income Taxes.

The consolidated entity's carried forward tax losses at balance date are $126,672,763 (2013: $120,844,737).

Note 9: Loss per share

The following reflects the income and data used in the calculations of basic and diluted loss per share:

	Consolidated	
	2014	**2013**
	$	**$**
Loss used in calculating basic and diluted loss per share	(21,458,498)	(2,427,818)
	No. of shares	**No. of shares**
Weighted average number of ordinary shares used in calculating basic earnings per share:	240,178,059	195,418,401
Basic loss per share in cents	(8.93)	(1.24)

Diluted loss per share is not disclosed as it would not reflect an inferior position.

Note 10: Cash and Cash equivalents

Cash on hand	1,000	1,000
Cash at bank	708,765	2,078,967
Term deposits	17,588,027	22,281,224
	18,297,792	24,361,191

Note 11: Trade and other receivables

Trade receivables	1,056	11,121
Accrued interest	244,632	220,610
Goods and services tax	12,911	23,517
Other receivables	34,813	29,791
	293,412	285,039

As of 30 June 2014 there were no trade and other receivables that are impaired or past due.

For the year ended 30 June 2014

Note 12: Plant and equipment

	Consolidated	
	2014	2013
	$	$
Plant and equipment at cost	1,769,851	1,756,238
Less: accumulated depreciation	(1,512,429)	(1,407,901)
	257,422	348,337
Motor vehicles at cost	451,190	451,190
Less: accumulated depreciation	(315,331)	(283,979)
	135,859	167,211
Leasehold improvements at cost	180,343	282,163
Less: accumulated depreciation	(123,193)	(152,659)
	57,150	129,504
Total plant and equipment	450,431	645,052

Reconciliation of the carrying amount for plant and equipment, motor vehicles and leasehold improvements is set out below:

	2014	2013
Plant and Equipment		
Carrying amount at beginning of year	348,337	463,243
Additions	13,613	29,629
Disposals	-	(2,537)
Depreciation expense	(104,528)	(141,998)
Carrying amount at end of year	257,422	348,337
Motor vehicles		
Carrying amount at beginning of year	167,211	205,798
Additions	-	-
Disposals	-	-
Depreciation expense	(31,352)	(38,587)
Carrying amount at end of year	135,859	167,211
Leasehold improvements		
Carrying amount at beginning of year	129,504	159,793
Additions	-	-
Disposals (note 7(b))	(47,956)	-
Depreciation expense	(24,398)	(30,289)
Carrying amount at end of year	57,150	129,504
Total carrying amount at end of year	450,431	645,052

Note 13: Exploration and evaluation expenditure

	Consolidated	
	2014	2013
	$	$
Balance at beginning of year	87,222,010	82,268,276
Expenditure incurred during the year	3,790,424	5,087,796
Expenditure expensed during the year (Note 7(b))	(71,173)	(19,105)
Disposal	(131,300)	-
Impairment (Note 7(c))	(19,263,346)	(114,957)
Balance at end of year	71,546,615	87,222,010

Note 14: Available-for-sale financial assets current & non-current

At fair value		
Current: Shares – UK listed[1]	92,534	136,637
Current: Shares – Australian listed[2]	19,950	-
Non-current: Shares – Australian listed[3]	1,365,000	-
Non-current: Shares – Australian unlisted[3]	-	-
	1,477,484	136,637

[1] Western Gold Resources Limited wholly owned by GWR Group Limited, holds 1,795,803 ordinary shares in Stratex International Limited ('Stratex') as at 30 June 2014. Stratex is listed on the London Stock Exchange.

[2] The Company sold a 100% interest in its Doherty's Project (M57/619) to Classic Minerals Ltd (ASX code: CLZ) on 31 July 2013 for a consideration of $80,000 cash and the issue of 570,000 fully paid ordinary shares at $0.09 per share in Classic Minerals Ltd. The Company still holds 570,000 ordinary shares in CLZ as at 30 June 2014.

[3] During the year, GWR Group Limited acquired a 16.5% interest in ASX listed Company Tungsten Mining NL (ASX Code: TGN), the Company holds 35 million ordinary shares in TGN.

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

(a) Listed shares

The fair value of listed available-for-sale investments, which are classified as Level 1 financial assets, has been determined directly by reference to published price quotations in an active market.

The Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of share investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. The Group evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less that its cost.

A reconciliation of the movement during the year is as follows:

Cost: Opening balance	136,637	151,492
Movements	1,451,300	-
Closing balance	1,587,937	151,492
Less: Allowance for impairment loss	-	-
Net loss on revaluation of available-for-sale financial assets (note 21)	(110,453)	(14,855)
Fair value at balance date	1,477,484	136,637

GWR

For the year ended 30 June 2014

(b) Unlisted shares

The fair value of the unlisted available-for-sale investments, which are classified as Level 3 financial assets, has been estimated using valuation techniques based on assumptions, which are outlined in note 2, that are not supported by observable market prices or rates. Management believes the estimated fair value resulting from the valuation techniques and recorded in the balance sheet and the related impairment charge recorded in the profit and loss account are reasonable and the most appropriate at the balance sheet date.

A reconciliation of the movement during the year is as follows:

	Consolidated	
	2014	**2013**
	$	**$**
Cost: Opening balance	11,760,000	11,760,000
Movements	-	-
Closing balance	11,760,000	11,760,000
Less: Allowance for impairment loss	(11,760,000)	(11,760,000)
Fair value at balance date	-	-

Note 15: Investment in an associate

The Company has a 19.9% interest in West Peak Iron Limited ("WPI"), which is an exploration company with a focus on exploration for iron ore in West Africa and Western Australian. WPI is a listed company on the Australian Securities Exchange. The following table illustrates the summarised financial information of the Company's investment in WPI:

Share of the associate's statement of financial position:		
Current assets	9,885	235,373
Non-current assets	69,137	343,506
Current liabilities	(95,344)	(49,860)
Non-current liabilities	-	-
Equity/(deficiency)	**(16,322)**	**529,019**
Proportion of the Company's ownership	19.9%	19.9%
Carrying amount of the investment: Opening balance	**490,753**	**880,000**
Share of the associate's loss		
Revenue	2,126	4,630
Expenses	(461,174)	(422,985)
Profit/(loss)	(459,048)	(418,355)
Share of the associate's other comprehensive income/(loss)		
Exchange difference on translation of foreign operations[1]	(31,705)	29,108
Other comprehensive income/(loss)	(31,705)	29,108
Carrying amount of the investment: Closing balance	**-**	**490,753**

1. The share of other comprehensive losses amounting to $54,588 were unrecognised as at 30 June 2014 due to the carrying amount of the investment in WPI being reduced to Nil.

Note 16: Other financial assets

	Consolidated 2014 $	Consolidated 2013 $
Non-Current		
Security deposits/bonds	17,200	1,126,735

Note 17: Trade and other payables

	2014 $	2013 $
Trade payables	93,423	129,936
Other payables	72,573	76,979
Accruals	114,071	639,030
	280,067	845,945

Note 18: Current liabilities

	2014 $	2013 $
Interest bearing liabilities		
Corporate credit cards[1]	127	516

[1] Details regarding interest rate risk is disclosed in Note 3

Note 19: Provisions

	2014 $	2013 $
(a) Current		
Employee entitlements	116,813	91,374
(b) Non Current		
Employee entitlements	305,777	286,717

Note 20: Contributed equity

(a) Issued capital	Consolidated 2014 $	Consolidated 2013 $
240,178,059 Ordinary fully paid shares (2013: 240,178,059)	153,801,791	153,801,791

	Number	$
Movement in ordinary shares on issue		
At 1 July 2012	192,142,447	147,021,501
Rights Issue – acceptance of entitlements[1]	24,625,891	3,693,884
Rights Issue - shortfall shares[2]	23,409,721	3,511,458
Transaction costs[3]	-	(425,052)
At 30 June 2013	240,178,059	153,801,791
Security Issues	-	-
Transaction costs	-	-
At 30 June 2014	240,178,059	153,801,791

1. On 21 May 2013, 24,625,891 shares were issued for cash via rights issue to the existing shareholders.
2. On 21 June 2013, 23,409,721 shares were issued following the placement of shortfall shares by the Underwriter to the Rights Issue.
3. The transaction costs represents the costs of issuing shares on 21 May 2013.

(b) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

As the equity market is constantly changing, management may issue new shares to provide for future exploration, evaluation and development activity. Management is currently considering a number of options to fund the development of its mining projects which may include the issue of shares and the borrowing of funds. The Group is not subject to any externally imposed capital requirements.

Note 21: Reserves

	Consolidated 2014 $	Consolidated 2013 $
Options reserve	26,309,612	26,309,612
Investments revaluation reserve	(125,308)	(14,855)
Foreign currency translation reserve	(2,597)	29,108
	26,181,707	26,323,865

Movements:	2014	2013
Options reserve	$	$
Balance at beginning of financial year	26,309,612	26,309,612
Share-based payment expense	-	-
Balance at end of financial year	26,309,612	26,309,612

Movement in options on issue	Number listed	Number unlisted
At 30 June 2012	-	24,600,000
Issue of options	-	-
Options lapsed/expired	-	-
At 30 June 2013	-	24,600,000
Issue of options	-	-
Options lapsed/expired	-	-
At 30 June 2014[1]	-	24,600,000

Under the company's Employee Option Incentive Scheme:

[1] 21,500,000 unlisted options were granted to directors on 21 November 2011; 450,000 unlisted options granted to employees and 250,000 unlisted options granted to a consultant on 21 November 2011; 1,400,000 unlisted options were granted to another consultant on 11 January 2012; 1,000,000 unlisted options granted to an employee on 12 March 2012.

Investments revaluation reserve		
Balance at beginning of financial year	(14,855)	-
Net loss on revaluation of available-for-sale financial assets	(110,453)	(14,855)
Balance at end of financial year	(125,308)	(14,855)

Foreign currency translation reserve		
Balance at beginning of financial year	29,108	-
Share of the associate's other comprehensive loss	(31,705)	29,108
Balance at end of financial year	(2,597)	29,108

Note 22: Accumulated losses

Balance at beginning of year	(67,049,058)	(64,621,240)
Loss attributable to members of the Parent	(21,458,498)	(2,427,818)
Balance at end of year	(88,507,556)	(67,049,058)

Note 23: Cash flow statement reconciliation

	Consolidated	
	2014	2013
Reconciliation of net cash and cash equivalents used in operating activities to loss after income tax:	$	$
Loss after income tax	(21,458,498)	(2,427,818)
Depreciation	160,278	210,874
Exploration & evaluation expenditure written off/impairment	19,334,519	134,062
Loss on disposal of plant and equipment	47,956	2,167
Share of loss in an associate	459,048	418,355
Movements in assets and liabilities		
(Increase)/decrease in trade and other receivables	(82,550)	174,271
Increase/(decrease) in trade and other payables	(88,025)	(151,554)
Increase/(decrease) in provisions	44,499	(15,198)
Net cash used in operating activities	(1,582,773)	(1,654,841)

Note 24: Related party disclosure

(a) Subsidiaries

	Country of	Equity interest	
	Incorporation	2014	2013
Iron West Resources Pty Ltd	Australia	100%	100%
Western Gold Resources Limited	Australia	100%	100%
Wiluna West Gold Pty Ltd	Australia	100%	100%

(b) Ultimate parent

GWR Group Limited is the ultimate parent of the Group.

(c) Associates

During the year, the Company paid exploration expenditures of $45,000 (ex. GST) on behalf of WPI, of which $18,000 was partially recouped before the end of the year and leaving $27,000 (ex. GST) outstanding as at 30 June 2014.

(d) Joint venture/farm-in agreements

Woodley Iron Project

GWR, through its 100% owned subsidiary Iron West Resources Pty Ltd ("Iron West"), is earning an 85% interest from ASX listed Nemex Resources Limited ("Nemex"). Under the terms of Woodley Farm-in agreement, GWR is earning an 85% interest by spending $1m on exploration. The Company has spent $543,000 life to date at the end of 30 June 2014.

Earaheedy Lee Steere Project

GWR also via its subsidiary Iron West Resources Pty Ltd entered into an agreement with ASX listed Company Dragon Energy Ltd ('Dragon') to farm in to the Lee Steere Project in Earaheedy Basin. Dragon is the tenement holder and holds the iron rights for the tenements being subject to a joint venture with Polaris Metals Pty Ltd a wholly owned subsidiary of Mineral Resources Limited. Under the Farm-in Agreement, GWR can earn a 55% interest in the tenements and iron ore rights by spending approximately $845,000 on exploration, development and mining costs. The Company has spent $194,000 life to date at the end of 30 June 2014 with further commitments of exploration costs of $156,000 by 24 December 2014.

(e) Key management personnel

No transactions with key management personnel occurred during the year.

More details relating to key management personnel are included in Note 25.

(f) Transactions with related parties

During the year, the Company also paid various corporate expenses and/or exploration costs on behalf of Iron West Resources Pty Ltd, Wiluna West Gold Pty Ltd and Western Gold Resources Limited to the total value of $593,054 (2013: $1,104,899).

(g) Terms and conditions of transactions with related parties

Outstanding balances at year-end are interest free and have no fixed repayment terms.

Note 25: Key management personnel disclosures

	Consolidated	
	2014	**2013**
Compensation for key management personnel	**$**	**$**
Compensation by category:		
Short-term	1,086,883	1,364,935
Post employment	73,709	67,785
Long-term	5,781	7,856
Termination	-	(31,806)
	1,166,373	1,408,770

For the year ended 30 June 2014

Note 26: Share based payments

Equity–settled share based payment transactions

(a) Options

Types of share-based payment plans

The Company has a formal Employee Option Incentive Scheme ('the Scheme') for employees and directors. The purpose of the scheme is designed to align participant's interests with those of shareholders by increasing the value in the Company's shares and well as reward, incentivise and retain employees and directors.

Under the Scheme, options will only be issued to an Eligible Person who is also a Related Party of the Company after the members of the Company have approved by resolution the proposed issue, if such approval is required by the Listing Rules of the *Corporations Act* or both. The exercise price for options is determined with reference to the market value of the Company's shares at the time of resolving to make the offer. The options will be issued with no vesting conditions. On exercise, each option is convertible to one ordinary share within 10 business days of the receipt of the exercise notice and payment of the exercise price in Australian dollars. Options are to be for a term not exceeding five years from the date of issue, or such longer term as the members in general meeting approve. If an eligible person ceases to be an eligible person, any options held by them will automatically lapse except if the person ceases to be an eligible person by reason of retirement at age 55 or over after not less than five years' service as an employee, permanent disability, or death, in which case options may be exercised within three months of that event happening and if not exercised in that period options shall lapse. The options issued under the scheme carry no dividend or voting rights.

The Board decides which employee or director is eligible to receive the options and the number of options. The Board may, subject to applicable laws, impose any conditions on the exercise of options such as vesting conditions and performance conditions.

Under the Scheme, the exercise price must be at least the weighted average market price of a Share on the ASX over the last five trading days preceding the date of the of the relevant offer. The contractual life of each option is five years or such other time as shareholders approve in a general meeting.

Summaries of options granted

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2014 No.	2014 WAEP	2013 No.	2013 WAEP
Outstanding at beginning of year	24,600,000	$0.575	24,600,000	$0.58
Granted during the year[1]	-	-	-	-
Lapsed during the year	-	-	-	-
Exercised during the year[2]	-	-	-	-
Outstanding at end of year	24,600,000	$0.575	24,600,000	$0.575[3]
Exercisable at end of year	24,600,000	$0.575	24,600,000	$0.575[3]

1. No options were issued for both financial years.
2. No options were exercised in both financial years.
3. Change to option's exercise price is pursuant to Section 6.22 of the ASX Listing Rules.

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The outstanding balances as at 30 June 2014 are represented by:

Grant date	Exercise date	Expiry date	Exercise price	Number
21 November 2011	21 November 2011	22 November 2015	$0.575	21,500,000
21 November 2011	21 November 2011	04 January 2016	$0.575	700,000
11 January 2012	11 January 2012	22 February 2016	$0.575	1,400,000
12 March 2012	12 March 2012	22 March 2016	$0.575	1,000,000
Total				24,600,000

Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2014 is 1.43 years (2013: 2.43 years).

Range of exercise price

The exercise prices for options outstanding at the end of the year was $0.575 (2013: $0.575).

Weighted average fair value

The weighted average fair value of options granted during the year was $Nil (2013: $Nil).

Option pricing model

The fair value of the equity-settled share options granted is estimated at the date of the grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the models used for the year ended 30 June 2014 and 30 June 2013.

	2014	2013
Expected volatility (%)	-	-
Risk-free interest rate (%)	-	-
Expected life of option (years)	-	-
Option exercise price ($)	-	-
Share price at grant date ($)	-	-

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

(b) Shares

Types of share-based payment plans

Tax Discount Employee Share Ownership Plan (ESOP)

Shares are granted to employees with more than 12 months' service, and or pro-rata to employees with more than 3 months' services. The ESOP was designed to recognise the efforts all employees' contribution to the Company's success and enhance the loyalty and relationships already formed between the Company and its employees.

The value of Shares offered to each employee under the ESOP is limited to $1,000 per annum and the share price is based on the market price at the time when the shares are issued.

No shares were granted to employees under ESOP during the year ended 30 June 2014.

Note 27: Remuneration of auditors

	Consolidated	
	2014	**2013**
	$	**$**
Amount paid or due and payable to Stantons International for:		
Audit services	34,684	39,164
Other services	-	-
	34,684	39,164

The Auditors did not receive any other benefit during the year.

For the year ended 30 June 2014

Note 28: Commitments for expenditure

Tenement expenditure commitments

In order to maintain current rights of tenure to mining tenements, the Group and Parent have minimum tenement expenditure requirements and lease rentals. Assuming the Group and Parent wish to maintain the rights to tenure for these tenements in accordance with the terms of the agreements as at balance date the obligations, which are not provided for in the accounts, are as follows:

	Consolidated	
	2014	**2013**
	$	**$**
Less than one year	816,067	1,097,900
Between one and five years	5,083,825	6,021,000
More than five years	15,385,800	16,767,300
	21,285,692	23,886,200

Office rental commitments		
Less than one year	155,756	237,868
Between one and five years	498,397	-
More than five years	-	-
	654,153	237,868

Key management personnel contract commitments		
Less than one year	-	-
Between one and five years	-	-
More than five years	-	-
	-	-

Commitments relating to joint venture project

The Company via its subsidiary Iron West Resources Pty Ltd has commitments of solely spending minimum exploration costs of $350,000 by 24 December 2014, of which $194,000 was spent as at 30 June 2014.

Note 29: Contingencies

The Group is not aware of any significant contingencies as at the end of the financial year.

Note 30: Events after balance date

On 1 August 2014, GWR Group Limited (“GWR”) and Tungsten Mining NL (“TGN”) have agreed the terms for provision of management and technical services by GWR to TGN.

Note 31: Parent entity disclosures

(a) Financial position

	2014	2013
	$	$
Assets		
Current assets	20,349,110	27,608,521
Non-current assets	71,848,039	96,814,807
Total assets	92,197,149	124,423,328
Liabilities		
Current liabilities	389,751	913,400
Non-current liabilities	305,777	286,717
Total liabilities	695,528	1,200,117
Equity		
Contributed equity	153,801,791	153,801,791
Accumulated losses	(88,540,835)	(56,917,300)
Reserves		
Reserves	26,240,665	26,338,720
Total equity	91,501,621	123,223,211

(b) Financial performance

Profit/(loss) for the year	(31,623,534)	(2,397,323)
Other comprehensive income	(98,055)	29,108
Total comprehensive income	(31,721,589)	(2,368,215)

(c) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

Guarantee provided under the deed of cross guarantee	-	-

GWR

Directors' Declaration

In accordance with a resolution of the directors of GWR Group Limited, I state that:

1. In the opinion of the directors:

   (a) The financial statements and notes of GWR Group Limited for the financial year ended 30 June 2014 are in accordance with the Corporations Act 2001, including:

      (i) Giving a true and fair view of its financial position as at 30 June 2014 and of its performance for the year then ended

      (ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001

   (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b).

   (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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 2014.

On behalf of the Directors,

Gary Lyons
Director

Dated at Perth, this 17th day of September, 2014

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
GWR GROUP LIMITED

Report on the Financial Report

We have audited the accompanying financial report of GWR Group Limited, which comprises the consolidated statement of financial position as at 30 June 2014, 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 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities 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. In note 2(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

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 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

Opinion

In our opinion:

(a) the financial report of GWR Group Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 2(b).

Emphasis of Matter regarding the Recoverability of Capitalised Exploration Expenditure Assets

Without qualification to our audit opinion expressed above, attention is drawn to the following matter:

The consolidated entity has recorded a non-current capitalised exploration expenditure asset totalling $71,546,615. This asset has been recognised over a number of years in accordance with the consistent application of the consolidated entity's accounting policies as set out in note 2(k). The ability to realise and ultimately recover the capitalised exploration expenditure in full is dependent on the consolidated entity successfully exploiting and commercialising the asset by undertaking mining operations, or through the sale of the relevant mineral interests.

If the consolidated entity is not successful in the aforementioned activities, the realisable value of the consolidated entity's non–current exploration expenditure may be significantly less than its current carrying value.

Report on the Remuneration Report

We have audited the remuneration report included in pages 11 to 18 of the directors' report for the year ended 30 June 2014. 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.

Opinion

In our opinion the remuneration report of GWR Group Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001.*

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

Martin Michalik
Director

West Perth, Western Australia
17 September 2014