

GWR GROUP LIMITED
2018 FINANCIAL REPORT

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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 2018.

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: Corizon Limited and Tungsten Mining NL

Previous ASX company directorships (last 3 years): Nil



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 a 1.5 million MT of production capacity Integrated Steel Mill located on the east coast of Peninsula Malaysia.

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

Present ASX company directorships: Tungsten Mining NL

Previous ASX company directorships (last 3 years): Nil

Directors' Report



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 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: Tungsten Mining NL and Excelsior Gold Limited

Previous ASX company directorships (last 3 years): Corizon Limited

Directors' Report



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: Corizon Limited and Tungsten Mining NL

Previous ASX company directorships (last 3 years): Nil

Former directors

No former directors held office during the financial year or up to the date of this report.

Company Secretaries



Mark Pitts

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.



Simon Borck

Mr Borck was appointed as joint Company Secretary on 8 November 2016. He is a Chartered Accountant with 15 years experience in statutory, financial and management reporting for companies operating within the resources sector and has held senior financial management positions.

He has a range of experience with mining service providers and has operated with resources companies in all stages of exploration, development and production. Past positions, include Financial Controller of iron ore producer Territory Resources Limited, which was listed on ASX prior to its acquisition by the Noble Group.

Directors' Report

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 2018.

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.

Operating and financial overview

Group overview

During the 2018 financial year, the Group's focus has been on the Wiluna West Gold Project in Western Australia, due to its potential for near term production pursuant to its MoU with Blackham Resources Limited. Activities have also continued on the Hatches Creek Tungsten Project in the Northern Territory following a successful RC drilling program, completed in the current and prior reporting periods, that confirmed multiple high grade polymetallic tungsten prospects and demonstrated potential for a large high grade polymetallic tungsten deposit.

The Group recorded a loss of \$3,877,944 (2017: \$3,181,203) for the financial year, with exploration expenditure, which includes activities undertaken to advance the Wiluna West Gold and Hatches Creek Tungsten Projects, of \$1,960,290 (2017: \$1,809,822). Revenue for the financial year decreased to \$550,319 (2017: \$920,263), the decrease substantially related to high yielding corporate loans that were repaid to the Group in the prior year.

The Company took up its rights in an entitlement offer by Tungsten Mining NL (ASX TGN). Under the offer the Group subscribed for 17,500,000 shares in Tungsten Mining NL for the cash consideration of \$1,750,000. At 30 June 2018, the Company held 70,000,000 shares in Tungsten Mining NL with a market value of \$35,700,000.

Net cash used in operating activities increased to \$2,839,476 (2017: \$2,341,934) mainly due to increased exploration related activities.

The Directors continued to agree to receive director's fees in a combination of cash and equity to preserve cash, this resulted in 2,677,699 (2017: 3,275,161) ordinary shares with a weighted average fair value of \$0.0476 (2017: \$0.0389) per share being issued to Directors to satisfy \$127,500 (2017: \$127,500) in accrued directors fees. In addition, the Company issued 4,258,813 ordinary shares under the Share Purchase Plan at \$0.085 per share, raising \$362,000 before costs of the issue.

The Group remains well funded with cash reserves of \$4,278,677 (2017: \$8,541,955) and no debt.

As reported in the subsequent events note to this report, the Company announced the sale of its Hatches Creek Tungsten Project to Tungsten Mining NL for cash consideration of \$8,680,000.

Business strategies and prospects for future financial years

The Board intends 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, with a preference for advanced exploration projects that have the potential to generate cash flow in the short to medium term.

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 was a loss after income tax of \$3,877,944 (2017: \$3,181,203).

Directors' Report

Operating results for the year (continued)

Exploration and evaluation expenditure expensed as incurred totalled \$1,960,290 (2017: \$1,809,822). Interest income of \$120,766 (2017: \$497,646) was recognised during the year and sundry income for the year amounted to \$412,943 (2017: \$411,417). Net cash used in operating activities increased to \$2,839,476 (2017: \$2,341,934) mainly due to increased exploration related activities.

Shareholders returns	2018	2017	2016	2015	Restated* 2014
Net profit/(loss) (\$000)	(3,878)	(3,181)	(11,810)	(4,528)	(5,783)
Basic EPS (cents)	(1.56)	(1.30)	(4.89)	(1.89)	(2.41)
Return on assets (%)	(25.88)	(17.59)	(55.13)	(13.97)	(15.70)
Return on equity (%)	(27.45)	(18.44)	(58.98)	(14.29)	(16.00)

* The Company adopted a revised exploration and evaluation expenditure accounting policy with effect from 1 July 2014. The comparative information for the year ended 30 June 2014 has been restated.

Review of financial condition

Liquidity and capital resources

The Group's principal source of liquidity as at 30 June 2018 is cash and cash equivalents of \$4,278,677 (2017: \$8,541,955) of which \$3,811,181 (2017: \$8,026,222) has been placed on short term deposit.

Shares issued during the year

As a measure to preserve cash, Directors continued to agree to receive director's fees in a combination of cash and equity. Pursuant to shareholder approval at the Company's 2017 Annual General Meeting, this resulted in 2,677,699 (2017: 3,275,161) ordinary shares with a weighted average fair value of \$0.0476 (2017: \$0.0389) per share being issued to Directors to satisfy \$127,500 (2017: \$127,500) in accrued directors fees.

On 22 December 2017 the Company issued 4,258,813 ordinary shares under the Share Purchase Plan at 8.5 cents per share (\$0.085), raising \$362,000 before costs of the issue.

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 its 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.

Directors' Report

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

On 3 September 2018 the Company announced the sale of its 100% owned Hatches Creek Tungsten Project to Tungsten Mining NL. The total consideration for the sale, payable in cash, is \$8.7 million.

Other than the above, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in the future financial year.

Likely developments and expected results

The Group intends to continue to undertake mineral exploration and investment activities within the exploration and mining sector.

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 27,750,000 (2017: 27,750,000) unissued shares under option (note 20). 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 these premiums paid have not been disclosed in table 1 set out on page 15 in the remuneration report.

Directors' 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 the Company held 3 board meetings and 2 audit and risk management committee meetings. There were no meetings of the remuneration committee held during the year.

	Board meetings		Committee meetings			
	Number Eligible to attend	Number Attended	Audit		Remuneration	
			Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended
G Lyons	3	3	2	1	-	-
T S Law ¹	3	3	-	-	-	-
M Wilson	3	3	-	-	-	-
C A Lau	3	3	2	2	-	-
K L Lee	3	3	2	2	-	-

¹ Mr Law's alternate director, Mr Teck Wong attended all 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 2018.

Directors' Report

Interests in the shares and options of the Company

As at the date of this report, the interests of the key management personnel in the shares and unlisted share options of the Company were:

Directors	Ordinary shares	Share Options
Directors		
G Lyons ³	3,462,131	4,000,000
T S Law ²	28,599,292	4,000,000
M Wilson	2,657,313	4,000,000
C A Lau ¹	1,932,900	4,000,000
K L Lee	1,737,900	4,000,000
T S Wong	-	-
Other executives		
C Ferrier	-	5,000,000
S Borck	100,000	1,000,000
M Pitts	100,000	750,000

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.

As at the date of this report unissued ordinary shares of the Company under unlisted options were:

	Exercise price	Expiry date	Unlisted options outstanding	Vested and exercisable
	\$		Number	Number
Director options – tranche 1	0.04	23 Dec 2020	4,000,000	4,000,000
Director options – tranche 2	0.05	23 Dec 2020	4,000,000	4,000,000
Director options – tranche 3	0.06	23 Dec 2020	12,000,000	-
Employee options – tranche 1	0.04	6 Feb 2021	1,550,000	1,550,000
Employee options – tranche 2	0.05	6 Feb 2021	1,550,000	1,550,000
Employee options – tranche 3	0.06	6 Feb 2021	4,650,000	4,650,000
Total options on issue			27,750,000	15,750,000

During the year ended 30 June 2017, 27,750,000 options were issued pursuant to terms approved by shareholders at the 2016 Annual General Meeting to Directors, Employees and Consultants or their nominees of the Company. No options were issued during the year ended 30 June 2018.

During the year ended 30 June 2018, no vested options were converted to ordinary shares. During the year ended 30 June 2018, no options expired (2017: Nil) and no options were cancelled (2017: Nil).

Since the balance date to the date of this report, no options have been issued, exercised, cancelled or have reached expiry.

These unlisted options do not entitle the holder to participate in any share issue of the Company or any other body corporate. The holders of unlisted options are not entitled to any voting rights until the options are exercised into ordinary shares.

Directors' Report

Auditor's independence

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

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West Perth WA 6005
Australia

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27 September 2018

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 2018, 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
Director

Directors' Report

Remuneration report (audited)

This remuneration report for the year ended 30 June 2018 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.

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
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Other executives

C Ferrier	Chief Executive Officer
M Pitts	Company Secretary
S Borck	Joint Company Secretary

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.

Directors' Report

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 previously set by the board at \$65,000 per annum and \$100,000 per annum for the Chairman. Fees for non-executive directors were reduced to \$55,000 per annum and \$90,000 for the Chairman with effect from 1 July 2014 as a cost saving measure. To further preserve cash, directors have agreed that half of the fees be settled in cash and the other half in equity. Such an arrangement can only be implemented with prior shareholder approval. A resolution was approved by members at the 2017 Annual General Meeting in relation to the portion of fees agreed to be taken as equity. Fees accrued in respect of the 2018 financial year will similarly require shareholder approval prior to issue of shares in settlement of amounts outstanding.

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.

Non-executive directors participate in share option plans, as detailed in note 20 of the financial statements contained in this report.

The remuneration of non-executive directors for the reporting years ended 30 June 2018 and 30 June 2017 is detailed in Tables 1 and 2 on pages 15 and 16.

Directors' 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. No remuneration consultants were engaged during the year.

Remuneration consists of the following key elements:

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

Directors and executives participate in share option plans, as detailed in note 20 of the financial statements contained in this report

The proportion of fixed remuneration and variable remuneration of Directors and executives for the reporting years ended 30 June 2018 and 30 June 2017 is set out on Tables 1 and 2 on pages 15 and 16.

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. Presently, executives fixed remuneration comprises only payment of salary and statutory superannuation.

The fixed remuneration component of Directors and executives for the reporting years ended 30 June 2018 and 30 June 2017 is set out on Tables 1 and 2 on pages 15 and 16.

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 or other STI payments made in the current and prior financial years.

Directors' Report

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.

Details of LTI options granted and exercised during the year are shown on page 17.

Employment contracts

The details of agreements are provided below.

Craig Ferrier

Mr Ferrier is the Chief Executive Officer and his remuneration was \$334,600 (2017: \$326,911) (plus superannuation contributions). Mr Ferrier may terminate his employment by the giving of one month's 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.

Mark Pitts

Mr Pitts is the Company Secretary. Pursuant to an agreement with Endeavour Corporate, an entity related to Mr Pitts, Endeavour Corporate is paid a monthly fee of \$3,500.

Simon Borck

Mr Borck is the Group Financial Controller and was appointed as the Joint Company Secretary on 8 November 2016. For services he provides to the Group, his remuneration was \$153,150 per annum (2017: \$146,667) (plus statutory superannuation contributions). The Company may terminate his employment agreement by giving three months' notice in writing.

Michael Wilson

Mr Wilson is a Director and the Exploration Manager and his remuneration was \$291,564 (2017: \$274,605) which included the partial payout of accrued employee entitlements during the year of \$10,500 (plus statutory superannuation contributions). 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.

Directors' Report

Remuneration of key management personnel of the Company and Group

Table 1: Remuneration for the year ended 30 June 2018

	Salary & fees ^{1,5}	Short-term Cash Bonus	Non-Monetary Benefit	Other ^{2, 6}	Post-employment Super	Long-term benefits Long Service Leave	Share-based payments	Termination benefits	Total	Performance related ³
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Non-executive directors										
G Lyons	82,194	-	-	7,500	8,521	-	37,150	-	135,365	-
TS Law	55,002	-	-	-	-	-	37,150	-	92,152	-
CA Lau	50,230	-	-	1,658	4,930	-	37,150	-	93,968	-
KL Lee	50,230	-	-	26,750	4,772	-	37,150	-	118,902	-
Sub total	237,656	-	-	35,908	18,223	-	148,600	-	440,387	-
Executive directors										
M Wilson ⁴	291,564	-	-	-	26,701	6,044	37,150	-	361,459	-
Other executives										
C Ferrier	334,600	-	-	6,787	25,000	-	68,673	-	435,060	16%
S Borck	153,150	-	-	-	14,549	-	13,735	-	181,434	8%
M Pitts	42,000	-	-	-	-	-	10,301	-	52,301	20%
Sub total	821,314	-	-	6,787	66,250	6,044	129,859	-	1,030,254	
Total	1,058,970	-	-	42,695	84,473	6,044	278,459	-	1,470,641	

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, except as shown in note 6 below.

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

⁴ Mr Wilson's remuneration includes movements in his accrued employee entitlements.

⁵ As detailed on page 12, the Directors agreed to defer 50% of their remuneration cash payments from 1 July 2014. Pursuant to shareholder approval at the Company's 2017 Annual General Meeting, this resulted in 2,677,699 ordinary shares with a weighted average fair value of \$0.0476 per share being issued to Directors to satisfy \$127,500 in accrued directors fees. As at 30 June 2018, there was \$95,625 in deferred director's fees outstanding.

⁶ Mr Ferrier's contract entitles him to superannuation contributions at 9.5%. This amount represents the superannuation contributions which exceed the maximum SGC of \$25,000.

Directors' Report

Remuneration of key management personnel of the Company and Group

Table 2: Remuneration for the year ended 30 June 2017

	Salary & fees ^{1,5}	Short-term Cash Bonus	Non-Monetary Benefit	Other ²	Post-employment Super	Long-term benefits Long Service Leave	Share-based payments	Termination benefits	Total	Performance related ³
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Non-executive directors										
G Lyons	82,193	-	-	8,750	8,640	-	46,108	-	145,691	-
TS Law	55,000	-	-	-	-	-	46,108	-	101,108	-
CA Lau	50,229	-	-	1,863	4,949	-	46,108	-	103,149	-
KL Lee	50,229	-	-	23,500	4,772	-	46,108	-	124,609	-
Sub total	237,651	-	-	34,113	18,361	-	184,432	-	474,557	
Executive directors										
M Wilson ⁴	274,605	-	-	-	26,087	5,253	46,108	-	352,053	-
Other executives										
C Ferrier	326,911	-	-	-	31,059	-	33,018	-	390,988	8%
S Borck	146,667	-	-	-	13,933	-	6,604	-	167,204	4%
M Pitts	42,000	-	-	-	-	-	4,953	-	46,953	11%
Sub total	790,183	-	-	-	71,079	5,253	90,683	-	957,198	
Total	1,027,834	-	-	34,113	89,440	5,253	275,115	-	1,431,755	

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 As detailed on page 12, the Directors agreed to defer 50% of their remuneration cash payments from 1 July 2014. Pursuant to the approval of shareholders at the 2016 Annual General Meeting, a total of 3,275,161 ordinary shares with a weighted average fair value of \$0.0389 per share were issued to Directors to satisfy \$127,500 in owed fees accrued to 30 September 2016. As at 30 June 2017, there were \$95,625 in deferred director's fees outstanding.

Directors' Report

Equity instruments

Shareholdings of key management personnel

Details of Shares held in the Company at reporting date (number).

	Balance at beginning of year	Paid as Remuneration ⁽¹⁾	On exercise of options	Other net changes ⁽²⁾	Balance at end of year
Directors					
G Lyons	2,517,061	945,070	-	-	3,462,131
TS Law	28,021,749	577,543	-	-	28,599,292
M Wilson	2,645,548	-	-	11,765	2,657,313
CA Lau	1,355,357	577,543	-	-	1,932,900
KL Lee	1,160,357	577,543	-	-	1,737,900
T S Wong	-	-	-	-	-
Other executives					
C Ferrier	-	-	-	-	-
S Borck	100,000	-	-	-	100,000
M Pitts	100,000	-	-	-	100,000
Total	35,900,072	2,677,699	-	11,765	38,589,536

1) Represents amounts paid by equity to settle accrued directors fees.

2) ASX on market shares purchases.

Option holdings for key management personnel

Details of vesting profiles of the options granted as remuneration to Key Management Personnel of the Company are detailed below (number).

	Balance at beginning of year	Granted as compensation during the year	Exercised during the year	Other changes during the year	Balance at end of year	Vested and exercisable at the end of year
Directors						
G Lyons	4,000,000	-	-	-	4,000,000	1,600,000
TS Law	4,000,000	-	-	-	4,000,000	1,600,000
CA Lau	4,000,000	-	-	-	4,000,000	1,600,000
KL Lee	4,000,000	-	-	-	4,000,000	1,600,000
M Wilson	4,000,000	-	-	-	4,000,000	1,600,000
Other executives						
C Ferrier	5,000,000	-	-	-	5,000,000	5,000,000
S Borck	1,000,000	-	-	-	1,000,000	1,000,000
M Pitts	750,000	-	-	-	750,000	750,000
Total	26,750,000	-	-	-	26,750,000	14,750,000

Directors' Report

Equity instruments (continued)

Options granted to key management personnel during the year

During the year ended 30 June 2017, 26,750,000 options were issued to Key Management Personnel with an exercise price range of \$0.04 to \$0.06, pursuant to terms approved by shareholders at the 2016 Annual General Meeting as detailed below. No options were granted during the year ended 30 June 2018.

Details of options over equity instruments granted as compensation

Options granted as compensation held at reporting date by Key Management Personnel of the Company are detailed below.

	Grant date	Number Granted as compensation	Fair value of granted options at grant date	No of options vested and exercisable during the year	Number of options vested during the year %
Non-executive directors					
G Lyons	23 Dec 2016	4,000,000	96,499	800,000	20%
TS Law	23 Dec 2016	4,000,000	96,499	800,000	20%
CA Lau	23 Dec 2016	4,000,000	96,499	800,000	20%
KL Lee	23 Dec 2016	4,000,000	96,499	800,000	20%
M Wilson	23 Dec 2016	4,000,000	96,499	800,000	20%
Other executives					
C Ferrier	6 Feb 2017	5,000,000	101,691	4,000,000	80%
S Borck	6 Feb 2017	1,000,000	20,338	800,000	80%
M Pitts	6 Feb 2017	750,000	15,254	600,000	80%
		26,750,000	619,778	9,400,000	35%

The value of granted options is the fair value calculated at grant date. The total value is included in the table above. This amount is allocated to remuneration over the vesting period.

These 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.

Shares issued on exercise of options

There were no shares issued on the exercise of options by key management personnel for the current or prior year.

END OF REMUNERATION REPORT

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



Gary Lyons
Chairman

Dated at Perth, this 27th day of September, 2018

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2018

		Consolidated	
		2018	2017
	Note	\$	\$
Revenue	6	550,319	920,263
Exploration & evaluation expenditure		(1,960,290)	(1,809,822)
Employee expenses	7(a)	(1,090,826)	(1,049,421)
Depreciation expense		(35,423)	(33,827)
Other expenses	7(b)	(553,809)	(578,788)
Share of losses of associates	16	(483,449)	(327,959)
Loss on sale of investment		(12,273)	(19,932)
Share-based payments		(292,193)	(281,717)
Loss before tax		(3,877,944)	(3,181,203)
Income tax expense	8	-	-
Loss for the year		(3,877,944)	(3,181,203)
Loss attributable to members of the Parent		(3,877,944)	(3,181,203)
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net fair value loss on available-for-sale financial assets		-	(18,030)
Reclassification of available-for-financial sale asset		-	19,695
Other comprehensive income after tax		-	1,665
Total comprehensive loss after tax		(3,877,944)	(3,179,538)
Total comprehensive loss attributable to members of the Parent		(3,877,944)	(3,179,538)
Basic loss per share in cents	9	(1.56)	(1.30)

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 2018

		Consolidated	
		2018	2017
	Note	\$	\$
Current assets			
Cash and cash equivalents	10	4,278,677	8,541,955
Trade and other receivables	11	69,533	170,599
Prepayments		21,186	11,832
Held for sale assets	15	-	34,862
Total current assets		4,369,396	8,759,248
Non-current assets			
Plant & Equipment	12	114,905	123,076
Exploration & evaluation expenditure	13	8,155,061	8,155,061
Investment in an associate	16	2,256,161	989,610
Other financial assets – security deposits		87,630	59,406
Total non-current assets		10,613,757	9,327,153
Total assets		14,983,153	18,086,401
Current liabilities			
Trade and other payables	17	296,932	325,204
Provisions	18(a)	342,084	196,336
Total current liabilities		639,016	521,540
Non-current liabilities			
Provisions	18(b)	217,417	312,693
Total non-current liabilities		217,417	312,693
Total liabilities		856,433	834,233
Net assets		14,126,720	17,252,168
Equity			
Contributed equity	19	154,485,219	154,024,916
Reserves	20	26,883,522	26,591,329
Accumulated losses	21	(167,242,021)	(163,364,077)
Total equity		14,126,720	17,252,168

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

Consolidated statement of changes in equity

For the year ended 30 June 2018

	Contributed Equity	Accumulated losses	Option reserve	Investments revaluation reserve	Total Equity
	\$	\$	\$	\$	\$
Balance at 1/7/2017	154,024,916	(163,364,077)	26,591,329	-	17,252,168
Loss for the year	-	(3,877,944)	-	-	(3,877,944)
Other comprehensive income	-	-	-	-	-
Total comprehensive (loss)/income for the year	-	(3,877,944)	-	-	(3,877,944)
Shares issued	489,500	-	-	-	489,500
Share issue costs	(29,197)	-	-	-	(29,197)
Share-based payments	-	-	292,193	-	292,193
Balance at 30/06/2018	154,485,219	(167,242,021)	26,883,522	-	14,126,720
Balance at 1/7/2016	153,897,416	(160,182,874)	26,309,612	(1,665)	20,022,489
Loss for the year	-	(3,181,203)	-	-	(3,181,203)
Other comprehensive income	-	-	-	1,665	1,665
Total comprehensive (loss)/income for the year	-	(3,181,203)	-	1,665	(3,179,538)
Shares issued	127,500	-	-	-	127,500
Share-based payments	-	-	281,717	-	281,717
Balance at 30/06/2017	154,024,916	(163,364,077)	26,591,329	-	17,252,168

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

Consolidated statement of cash flows

For the year ended 30 June 2018

		Consolidated	
		2018	2017
	Note	\$	\$
Cash flows from operating activities			
Payments to suppliers & employees		(1,482,829)	(1,601,001)
Payments for exploration & evaluation		(1,932,122)	(1,751,143)
Interest received		130,075	516,210
R&D tax offset received		-	11,200
Other income		445,400	482,800
Net cash (used in) operating activities	22	(2,839,476)	(2,341,934)
Cash flows from investing activities			
Payments for plant & equipment		(48,005)	(3,507)
Payments for investment in associate		(1,750,000)	(700,000)
Payments for Hatches Creek Tungsten Project		-	(523,929)
Proceeds from sale of plant & equipment		33,820	9,785
Payments for security deposits/bonds		(28,224)	(22,406)
Proceeds from borrowings repaid		-	3,250,000
Proceeds from sale of other financial assets		35,804	-
Net cash (used in)/provided by investing activities		(1,756,605)	2,009,943
Cash flows from financing activities			
Proceeds from the issue of shares		362,000	-
Share issue costs paid		(29,197)	-
Net cash provided by financing activities		332,803	-
Net (decrease) in cash and cash equivalents		(4,263,278)	(331,991)
Cash and cash equivalents at the beginning of the financial year		8,541,955	8,873,946
Cash and cash equivalents at the end of the financial year	10	4,278,677	8,541,955

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

Notes to the Financial Statements

For the year ended 30 June 2018

Note 1: Corporate information

The financial report of GWR Group Limited ("the Company" or the "the Parent") and of the Group, being the Company and its controlled entities for the financial year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 26 September 2018.

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 30.

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

New and amended standards adopted

The Group has considered the implications of new and amended Accounting Standards applicable for annual reporting periods beginning on or after 1 January 2017 and determined that their application to the financial statements is not relevant or material.

Other standards not yet applicable

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 2018)

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined 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.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, 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 its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Notes to the Financial Statements

For the year ended 30 June 2018

Note 2: Summary of significant accounting policies (continued)

(c) New accounting standards and interpretations (continued)

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

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

As the group does not currently have revenue from contracts with customers, the directors anticipate that the adoption of AASB 15 will not have a significant impact on the Group's financial statements.

AASB 16: Leases (applicable to annual reporting periods commencing on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as either operating leases or finance leases. Lessor accounting remains similar to current practice.

The main changes introduced by the new Standard are as follows:

- recognition of the right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
- depreciating the right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lease to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity at the date of initial application.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Other standards not yet applicable

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the Financial Statements

For the year ended 30 June 2018

Note 2: Summary of significant accounting policies (continued)

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 23 (a).

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.

Notes to the Financial Statements

For the year ended 30 June 2018

Note 2: Summary of significant accounting policies (continued)

g) Income tax (continued)

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.

Notes to the Financial Statements

For the year ended 30 June 2018

Note 2: Summary of significant accounting policies (continued)

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

Exploration and evaluation costs are expensed in the period they are incurred apart from mineral acquisition costs, which are capitalised and carried forward where right to tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated mineral acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and capitalised costs written off to the extent it is deemed that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

Notes to the Financial Statements

For the year ended 30 June 2018

Note 2: Summary of significant accounting policies (continued)

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.

Notes to the Financial Statements

For the year ended 30 June 2018

Note 2: Summary of significant accounting policies (continued)

n) Financial assets

(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.

o) 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.

Notes to the Financial Statements

For the year ended 30 June 2018

Note 2: Summary of significant accounting policies (continued)

p) 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.

q) 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.

r) 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.

s) 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.

Notes to the Financial Statements

For the year ended 30 June 2018

Note 2: Summary of significant accounting policies (continued)

t) 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.

u) 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 20.

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 consolidated statement of profit or loss and other comprehensive income 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.

Notes to the Financial Statements

For the year ended 30 June 2018

Note 2: Summary of significant accounting policies (continued)

(u) Share-based payment transactions (continued)

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 20).

v) Comparative figures

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

w) 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).

Notes to the Financial Statements

For the year ended 30 June 2018

Note 2: Summary of significant accounting policies (continued)

w) Impairment of assets (continued)

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.

x) 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; and
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Notes to the Financial Statements

For the year ended 30 June 2018

Note 2: Summary of significant accounting policies (continued)

x) Fair value of measurements (continued)

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.

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 and price risk), credit risk and liquidity risk.

Notes to the Financial Statements

For the year ended 30 June 2018

Note 3: Financial Risk Management Objectives and Policies (continued)

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 interest-bearing cash and cash equivalents and other financial assets. The Group also holds small amounts of cash and cash equivalents in non-interest bearing accounts for immediate use. 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 exposed to variable interest rate risk:

	Consolidated	
	2018	2017
	\$	\$
Financial assets		
Cash and cash equivalents	4,156,137	8,380,290
Other financial assets (non-current)	65,000	37,000
	<u>4,221,137</u>	<u>8,417,290</u>

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.

Notes to the Financial Statements

For the year ended 30 June 2018

Note 3: Financial Risk Management Objectives and Policies (continued)

Risk exposures and responses (continued)

At 30 June 2018, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

	Post tax loss		Equity	
	Higher/(lower)		Higher/(lower)	
	2018	2017	2018	2017
	\$	\$	\$	\$

Consolidated

+0.50% (50 basis points)	(15,302)	(30,379)	(15,302)	(30,379)
-0.25% (25 basis points)	7,651	15,189	7,651	15,189

Investment price risk

The Group's listed investments are susceptible to market risk arising from uncertainties about its future value. This risk is managed by investing decisions conducted by a committee and the Board.

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 counterparty, 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 on account with two of the "big four" Australia banks. Financing and investing decisions are conducted by a committee and the Board. This includes an appropriate level of due diligence by the committee and the Board to determine the credit risk of the investment or financing decision prior to the commitment being undertaken by the Group.

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.

	Consolidated	
	2018	2017
	\$	\$
<i>The remaining contractual maturities of the Group's financial liabilities are</i>		
1 month or less	296,932	325,204
Over 1 month	-	-
	<u>296,932</u>	<u>325,204</u>

At balance date the Group had cash and cash equivalents of \$4,278,677 (2017: \$8,541,955) for its immediate use or within one month.

Notes to the Financial Statements

For the year ended 30 June 2018

Note 3: Financial Risk Management Objectives and Policies (continued)

Risk exposures and responses (continued)

Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements. The fair values of financial assets and liabilities are approximately their carrying values.

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, tungsten and iron ore commodity price risk. These commodity prices 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, apart from the Hatches Creek Project, 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 mineral resources for the Hatches Creek Project have been prepared in accordance with JORC 2012. 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 goods or services received in exchange if it can be reliably measured. If the fair value of the goods or services cannot be reliably measured, the costs is measured 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 20.

Notes to the Financial Statements

For the year ended 30 June 2018

Note 4: Significant accounting judgements, estimates and assumptions (continued)

(b) Significant accounting estimates and assumptions (continued)

Impairment of capitalised acquisition costs on exploration and evaluation projects

Acquisition costs incurred in acquiring exploration assets are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

The future recoverability of these costs 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 these capitalised costs are determined not to be recoverable in the future, 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 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 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.

Notes to the Financial Statements

For the year ended 30 June 2018

Note 6: Revenue

	Consolidated	
	2018	2017
	\$	\$
Interest income	120,766	497,646
R&D tax offset	-	11,200
Profit on disposal of assets	16,610	-
Sundry income	412,943	411,417
	<u>550,319</u>	<u>920,263</u>

Note 7: Expenses

(a) Employee expenses

Salary and wages	975,218	933,133
Superannuation	62,570	67,117
Other employee expenses	53,038	49,171
	<u>1,090,826</u>	<u>1,049,421</u>

(b) Other expenses

Administration costs	143,751	93,020
Corporate costs	126,362	188,156
Consulting fees	90,960	17,447
Legal costs	13,581	40,348
Occupancy costs	179,155	225,723
Loss on disposal of plant and equipment	-	14,094
	<u>553,809</u>	<u>578,788</u>

Notes to the Financial Statements

For the year ended 30 June 2018

Note 8: Income tax

	Consolidated	
	2018	2017
	\$	\$

A reconciliation of income tax expense applicable to accounting loss 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	(3,877,944)	(3,181,203)
At the statutory income tax rate of 27.5% (2017: 27.5%)	(1,066,435)	(874,831)
Non-deductible expenditure	204,533	83,099
Adjustments recognised in the current year in relation to the current tax of previous years	-	20,289
Change in corporate tax rate	-	3,516,681
Tax loss and temporary differences not brought to account as a deferred tax asset	861,902	(2,745,238)
At the effective income tax rate of 0% (2017: 0%)	-	-

Unrecognised deferred tax assets (liabilities)

Deferred tax assets have not been recognised for the following items:

Provisions	156,447	139,983
Trade and other payables	32,622	35,325
Plant and equipment	5,484	4,844
Allowance for impairment loss	3,968,848	3,964,104
Unused tax losses	38,242,354	37,401,823
Other future deductions	13,417	13,751
Deferred tax assets:	42,419,172	41,559,830

Deferred tax liabilities have not been recognised in respect of the following items:

Accrued interest receivable	(3,773)	(6,333)
Capitalised exploration & evaluation expenditure	(2,098,561)	(2,098,561)
	(2,102,334)	(2,104,894)

Net unrecognised deferred tax asset

40,316,838 39,454,936

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

Notes to the Financial Statements

For the year ended 30 June 2018

Note 8: Income tax (continued)

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 which is consistent with the principle of AASB 112 Income Taxes.

The Groups's carried forward tax losses at balance date are \$139,063,106 (2017: \$136,006,630).

Note 9: Loss per share

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

	Consolidated	
	2018	2017
	\$	\$
Loss used in calculating basic and diluted loss per share	(3,877,944)	(3,181,203)
	<i>Number</i>	<i>Number</i>
Weighted average number of ordinary shares used in calculating basic earnings per share:	249,168,685	243,978,642
Basic loss per share in cents	(1.56)	(1.30)
Diluted loss per share is not disclosed as it would not reflect an inferior position.		

Note 10: Cash and cash equivalents

Cash on hand	387	517
Cash at bank	467,110	515,216
Term deposits	3,811,180	8,026,222
	4,278,677	8,541,955

Note 11: Trade and other receivables

Trade receivables	41,632	123,802
Accrued interest	13,719	23,029
Goods and services tax	6,122	10,553
Other receivables	8,060	13,215
	69,533	170,599

As of 30 June 2018, there were no trade and other receivables that have been determined as impaired or past due.

Notes to the Financial Statements

For the year ended 30 June 2018

Note 12: Plant and equipment

	Consolidated	
	2018	2017
	\$	\$
Plant and equipment at cost	1,847,667	1,804,405
Less: accumulated depreciation	(1,762,699)	(1,736,602)
	84,968	67,803
Motor vehicles at cost	192,919	304,165
Less: accumulated depreciation	(169,526)	(257,070)
	23,393	47,095
Leasehold improvements at cost	13,315	13,315
Less: accumulated depreciation	(6,771)	(5,137)
	6,544	8,178
Total plant and equipment	114,905	123,076
<i>Reconciliation of the carrying amounts is set out below:</i>		
Plant and Equipment		
Carrying amount at beginning of year	67,803	75,501
Additions	43,262	9,112
Depreciation expense	(26,097)	(16,810)
Carrying amount at end of year	84,968	67,803
Motor vehicles		
Carrying amount at beginning of year	47,095	89,688
Disposals	(16,010)	(27,276)
Depreciation expense	(7,692)	(15,317)
Carrying amount at end of year	23,393	47,095
Leasehold improvements		
Carrying amount at beginning of year	8,178	7,880
Additions	-	1,998
Depreciation expense	(1,634)	(1,700)
Carrying amount at end of year	6,544	8,178
Total carrying amount at end of year	114,905	123,076

Notes to the Financial Statements

For the year ended 30 June 2018

Note 13: Exploration and evaluation expenditure

	Consolidated	
	2018	2017
	\$	\$
Exploration and evaluation expenditure	8,155,061	8,155,061
<i>Reconciliation of the carrying amounts is set out below:</i>		
Exploration and evaluation expenditure		
Carrying amount at beginning of year	8,155,061	8,155,061
Movements for the year	-	-
Carrying amount at end of year	8,155,061	8,155,061

(a) Carrying value

The ultimate recoupment of exploration and evaluation expenditure relating to the Group's iron ore and gold projects carried forward is dependent on the successful development for commercial exploitation or sale of the respective mining projects.

Note 14: Available-for-sale financial assets

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 than its cost.

All listed shares held by the Group previously classified as available-for-sale financial assets were reclassified as current assets held for sale in the previous financial year and disposed of during the current year.

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

	Consolidated	
	2018	2017
	\$	\$
Opening balance	-	66,344
Net loss on revaluation of available-for-sale financial assets (note 20)	-	(18,030)
Reclassified as asset held for sale (note 15)	-	(48,314)
Disposal of available-for-sale financial assets	-	-
Fair value at balance date	-	-

Notes to the Financial Statements

For the year ended 30 June 2018

Note 14: Available-for-sale financial assets (continued)

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	
	2018	2017
	\$	\$
Cost: Opening balance	11,760,000	11,760,000
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: Held for sale assets

	Consolidated	
	2018	2017
	\$	\$
Shares held in Corizon Limited	-	-
Shares held in Stratex International PLC ("Stratex") (UK listed shares)	-	34,862

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

Opening balance	34,862	-
Reclassified from available-for-sale financial assets (note 14)	-	48,314
Disposals of Stratex shares	(34,862)	(13,452)
Closing balance	-	34,862

Corizon Limited

In accordance with accounting standards, the investment in Corizon Limited at 30 June 2018 and 2017 has been stated at the lower of the carrying value at date of reclassification as held for sale, and the fair value. The carrying value of the Corizon Limited investment at date of reclassification as held for sale was \$Nil.

Stratex International PLC

During the year ended 30 June 2018 the remaining shares in Stratex were sold for \$22,589, resulting in a loss of \$12,273.

Notes to the Financial Statements

For the year ended 30 June 2018

Note 16: Investment in associates

Tungsten Mining NL

The Group has a 11.14% (2017: 13.28%) interest in Tungsten Mining NL ("TGN"), which is a listed company on the ASX. TGN is focused on the development and exploitation of tungsten deposits, in particular the Mt Mulgine project in Western Australia.

At balance date the Group held 70,000,000 shares in TGN with a market value of \$35,700,000 at a share price of \$0.51 per share.

The following table illustrates the summarised financial information of the Group's investment in TGN.

	Consolidated	
	2018	2017
	\$	\$
<i>Share of the associate's statement of financial position:</i>		
Current assets	5,867,793	429,477
Non-current assets	360,964	323,415
Current liabilities	(75,048)	(29,227)
Equity	6,153,709	723,665
Proportion of the Company's ownership	11.14%	13.28%
Carrying amount of the investment: Opening balance	989,610	617,569
Additional investment – Rights issue	1,750,000	700,000
Total	2,739,610	1,317,569
<i>Share of the associate's loss</i>		
Revenue	59,583	12,483
Expenses	(543,032)	(340,442)
Loss for the year	(483,449)	(327,959)
Share of the associate's other comprehensive loss	-	-
Total comprehensive income loss	(483,449)	(327,959)
Carrying amount of the investment: Closing balance	2,256,161	989,610
Total share of losses of associate	(483,449)	(327,959)
Total carrying amount of investments in associate	2,256,161	989,610

Notes to the Financial Statements

For the year ended 30 June 2018

Note 17: Trade and other payables

	Consolidated	
	2018	2017
	\$	\$
Trade payables	49,756	125,711
Other payables	50,902	28,022
Accruals	196,274	171,471
	<u>296,932</u>	<u>325,204</u>

Note 18: Provisions

	Consolidated	
	2018	2017
	\$	\$
(a) Current		
Employee entitlements	<u>342,084</u>	<u>196,336</u>
(b) Non Current		
Employee entitlements	<u>217,417</u>	<u>312,693</u>

Note 19: Contributed equity

	2018	2017	2018	2017
			\$	\$
(a) Issued capital				
252,494,410 Ordinary fully paid shares (2017: 245,557,898)			<u>154,485,219</u>	<u>154,024,916</u>
	<i>Number</i>	<i>Number</i>	<i>\$</i>	<i>\$</i>
<i>Movement in ordinary shares on issue</i>				
Opening balance	245,557,898	242,282,737	154,024,916	153,897,416
Shares issued to Directors in lieu of cash payment	2,677,699	3,275,161	127,500	127,500
Shares issued under the Share Purchase Plan at \$0.085 per share	4,258,813	-	362,000	-
Share issue costs	-	-	(29,197)	-
Closing balance	<u>252,494,410</u>	<u>245,557,898</u>	<u>154,485,219</u>	<u>154,024,916</u>

Notes to the Financial Statements

For the year ended 30 June 2018

Note 19: Contributed equity (continued)

Shares issued to Directors

During the year, in lieu of a cash payment of \$127,500 (2017: \$127,500) for accrued directors fees, shareholders at the 2017 AGM approved the issue of 2,677,699 (2017: 3,275,161) shares to Directors at a weighted average price of \$0.0476 (2017: \$0.0389) per share.

(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 20: Reserves

	Consolidated	
	2018	2017
	\$	\$
Options reserve	26,883,522	26,591,329
Investments revaluation reserve	-	-
	<u>26,883,522</u>	<u>26,591,329</u>
Movements:		
<i>Options reserve</i>		
Opening balance	26,561,329	26,309,612
Share-based payment expense (note 25)	292,193	281,717
Closing balance	<u>26,883,522</u>	<u>26,591,329</u>
	<i>Number</i>	<i>Number</i>
<i>Movement in options on issue</i>		
Opening balance	27,750,000	-
Issue of options (note 20a)	-	27,750,000
Closing balance	<u>27,750,000</u>	<u>27,750,000</u>

Notes to the Financial Statements

For the year ended 30 June 2018

Note 20: Reserves (continued)

	Consolidated	
	2018	2017
	\$	\$

Investments revaluation reserve

Opening balance	-	(1,665)
Net fair value loss on available-for-sale financial assets (note 14)	-	(18,030)
Reclassification of available-for-sale asset	-	19,695
Closing balance	-	-

(a) Summary of options

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	Number	WAEP	Number	WAEP
	2018	2018	2017	2017
Outstanding at beginning of year	27,750,000	\$0.054	-	-
Granted to directors	-	-	20,000,000	\$0.054
Granted to employees and consultants	-	-	7,750,000	\$0.054
Expired during the year	-	-	-	-
Outstanding at end of year	27,750,000	\$0.054	27,750,000	\$0.054
Exercisable at end of year	15,750,000	\$0.049	5,550,000	\$0.040

Director options

No options were granted to directors during the year ended 30 June 2018. During the year ended 30 June 2017, 20,000,000 unlisted options were issued to Directors following shareholder approval at the Annual General Meeting held on 29 November 2016.

Employee options

No options were granted to employees during the year ended 30 June 2018. During the year ended 30 June 2017, 7,750,000 unlisted options were issued to employees and consultants following shareholder approval at the Annual General Meeting held on 29 November 2016.

Notes to the Financial Statements

For the year ended 30 June 2018

Note 20: Reserves (continued)

The following table illustrates options that have vested and are exercisable at year end:

	Number outstanding	Number vested and exercisable	Exercise price	Expiry date	Remaining contractual life
Director options					
- Granted 23 Dec 2016					
Tranche 1	4,000,000	4,000,000	\$0.04	23 Dec 2020	2.49 years
Tranche 2	4,000,000	4,000,000	\$0.05	23 Dec 2020	2.49 years
Tranche 3	12,000,000	-	\$0.06	23 Dec 2020	2.49 years
Employee options					
- Granted 6 Feb 2017					
Tranche 1	1,550,000	1,550,000	\$0.04	6 Feb 2021	2.61 years
Tranche 2	1,550,000	1,550,000	\$0.05	6 Feb 2021	2.61 years
Tranche 3	4,650,000	4,650,000	\$0.06	6 Feb 2021	2.61 years
Outstanding at end of year	27,750,000	15,750,000	\$0.054		

Note 21: Accumulated losses

	Consolidated	
	2018	2017
	\$	\$
Opening balance	(163,364,077)	(160,182,874)
Loss attributable to members of the Parent	(3,877,944)	(3,181,203)
Closing balance	(167,242,021)	(163,364,077)

Notes to the Financial Statements

For the year ended 30 June 2018

Note 22: Cash flow statement reconciliation

	Consolidated	
	2018	2017
	\$	\$

Reconciliation of net cash and cash equivalents used in operating activities to loss after income tax:

Loss after income tax	(3,877,944)	(3,181,203)
Depreciation	35,423	33,827
Loss/(gain) on disposal of plant and equipment	(16,610)	14,094
Share of loss in associates (note 16)	483,449	327,959
Loss on sale of investment	12,273	19,932
Directors salary and fees settled in shares	127,500	127,500
Share-based payments expense	292,193	281,717

Movements in assets and liabilities

Decrease in trade and other receivables and prepayments	77,296	85,252
(Decrease) in trade and other payables	(23,529)	(107,555)
Increase in provisions	50,473	56,543
Net cash (used in) operating activities	(2,839,476)	(2,341,934)

Note 23: Related party disclosure

	Country of Incorporation	Equity interest	
		2018	2017

(a) Subsidiaries

Iron West Resources Pty Ltd	Australia	100%	100%
Western Gold Resources Pty Ltd	Australia	100%	100%
Wiluna West Gold Pty Ltd	Australia	100%	100%
RWG Minerals Pty Ltd	Australia	100%	100%
NT Tungsten Pty Ltd	Australia	100%	100%

(b) Ultimate parent

GWR Group Limited is the ultimate parent of the Group.

Notes to the Financial Statements

For the year ended 30 June 2018

Note 23: Related party disclosure (continued)

(c) Associates

Tungsten Mining NL (Tungsten)

Services provided to Tungsten

The Group provides certain management and technical services to Tungsten as detailed in the table below.

	Consolidated	
	2018	2017
	\$	\$
<i>Services provided to Tungsten</i>		
Executive management and administration	360,000	360,000
Occupancy and recharges	73,687	51,445
Exploration and evaluation related activities	92,788	89,443
	<u>526,475</u>	<u>500,888</u>

At balance date \$37,400 (2017: \$120,402) remains outstanding in receivables from Tungsten.

Unsecured Loan to Tungsten Mining

In 2016, the Company advanced a \$1,000,000 12%pa interest bearing unsecured loan ("Loan") to Tungsten Mining NL ("Tungsten") an associated entity, to enable Tungsten to settle the acquisition of two tungsten projects in Western Australia. This loan was repaid by Tungsten during the prior year. No loans were provided during the year or outstanding at 30 June 2018.

During the year, the Group received nil (2017: \$60,164) of interest under the terms of this loan.

(d) Key management personnel

Other than those disclosed in Note 23(e), no other transactions with key management personnel occurred during the year.

(e) Transactions with related parties

Law Developments Pty Ltd (Law)

Law is controlled by the Company's Non-executive Deputy Chairman Tan Sri Dato' Tien Seng Law. The Company entered into an office lease agreement with Law at normal commercial terms for the period from 22 August 2014 to 21 August 2016. The agreement is currently operating on a month to month rental basis and the Company, in the current financial year, paid and or incurred \$159,644 (2017: \$189,890) in rental and oncost expenses in relation to this rental agreement. There were no amounts due or outstanding to Law at balance date (2017: Nil).

Endeavour Corporate Pty Ltd (Endeavour)

Company Secretary, Mark Pitts is a Partner at corporate advisory firm Endeavour. During the current year no accounting services of this nature were provided (2017: \$20,430). There are no amounts due or outstanding to Endeavour in relation to these services at balance date (2017: Nil).

(f) Terms and conditions of transactions with related parties

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

Notes to the Financial Statements

For the year ended 30 June 2018

Note 24: Key management personnel disclosures

	Consolidated	
	2018	2017
	\$	\$

Compensation for key management personnel

Short-term	1,101,665	1,061,947
Post-employment	84,473	94,693
Long-term	6,044	
Share-based payments	278,459	275,115
	<u>1,470,641</u>	<u>1,431,755</u>

Note 25: Share based payments

	Consolidated	
	2018	2017
	\$	\$
Unlisted options - Directors	185,750	230,540
Unlisted options - employees and consultants	106,443	51,177
	<u>292,193</u>	<u>281,717</u>

These share-based payments expenses are in relation to options granted to Directors, employees, consultants and contractors in the prior year under the share option plans detailed in note 20 of this financial report.

Note 26: Remuneration of auditors

	Consolidated	
	2018	2017
	\$	\$
Amount paid or due and payable to Stantons International for:		
Audit services	35,575	39,239
Other services	-	-
	<u>35,575</u>	<u>39,239</u>

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

Notes to the Financial Statements

For the year ended 30 June 2018

Note 27: Commitments for expenditure

Annual Tenement expenditure commitments

In order to maintain current rights of tenure to mining tenements, the Group has discretionary minimum annual tenement expenditure requirements and lease rentals of \$2,015,620, of which \$1,298,600 is subject to exemptions, resulting in \$717,200 in annual tenement commitments (2017: \$1,511,550). This discretionary expenditure is capable of being varied from time to time in order to maintain these rights of tenure to mining tenements.

	Consolidated	
	2018	2017
	\$	\$
Office rental commitments		
Less than one year	11,883	11,833
More than one year	-	-
	<u>11,833</u>	<u>11,833</u>

Note 28: Contingencies

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

Note 29: Events after balance date

On 3 September 2018 the Company announced the sale of its 100% owned Hatches Creek Tungsten Project to Tungsten Mining NL. The total consideration for the sale, payable in cash, is \$8.7 million.

Other than the above, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in the future financial year.

Notes to the Financial Statements

For the year ended 30 June 2018

Note 30: Parent entity disclosures

	Parent	
	2018	2017
	\$	\$

(a) Financial position

Assets

Current assets	4,361,337	8,711,173
Non-current assets	10,574,620	9,361,346
Total assets	14,935,957	18,072,519

Liabilities

Current liabilities	592,879	513,715
Non-current liabilities	217,418	312,694
Total liabilities	810,297	826,409

Equity

Contributed equity	154,485,219	154,024,916
Accumulated losses	(167,243,081)	(163,370,135)
Reserves	26,883,522	26,591,329
Total equity	14,125,660	17,246,110

(b) Financial performance

Loss for the year	(3,872,946)	(3,179,537)
Other comprehensive income	-	-
Total comprehensive loss	(3,872,946)	(3,179,537)

(c) Contingencies

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

(d) Guarantees

The Company has not entered into any guarantees in relation to the debts of its subsidiaries.

Notes to the Financial Statements, For the year ended 30 June 2018

Note 30: Parent entity disclosures (continued)

(e) Commitments for expenditure

Annual Tenement expenditure commitments

In order to maintain current rights of tenure to mining tenements, the Company has discretionary minimum annual tenement expenditure requirements and lease rentals of \$1,400,400, of which \$1,298,600 is subject to exemptions, resulting in \$101,800 in annual tenement commitments (2017: \$1,185,500). This discretionary expenditure is capable of being varied from time to time in order to maintain these rights of tenure to mining tenements.

Office rental commitments

	Parent	
	2018	2017
	\$	\$
Less than one year	11,833	11,833
More than one year	-	-
	<u>11,833</u>	<u>11,833</u>

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 2018 are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year then ended; and
 - (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 2018.

On behalf of the Directors,



Gary Lyons
Director

Dated at Perth, this 27th day of September, 2018

Independent Audit Report

Stantons International Audit and Consulting Pty Ltd
trading as

Stantons International

Chartered Accountants and Consultants

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of GWR Group Limited, the Company and its subsidiaries, ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

Key Audit Matters

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

Independent Audit Report

Stantons International

Key Audit Matters	How the matter was addressed in the audit
Carrying Value of Exploration and Evaluation Assets	
<p>As at 30 June 2018, Capitalised Exploration and Evaluation expenditure totalled \$8,155,061 (refer to Note 13 of the financial report).</p> <p>The carrying value of Capitalised Exploration and Evaluation expenditure is a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance of the total balance (54% of total assets); • The necessity to assess management's application of the requirements of the accounting standard Exploration for and Evaluation of Mineral Resources ("AASB 6"), in light of any indicators of impairment that may be present; and • The assessment of significant judgements made by management in relation to the Capitalised Exploration and Evaluation Expenditure. 	<p>Inter alia, our audit procedures included the following:</p> <ol style="list-style-type: none"> Assessing the Group's right to tenure over exploration assets by corroborating the ownership of the relevant licences for mineral resources to government registries and relevant third party documentation; Reviewing the directors' assessment of the carrying value of the exploration and evaluation expenditure, ensuring the veracity of the data presented and that management has considered the effect of potential impairment indicators, commodity prices and the stage of the Group's projects against the requirements of AASB 6; Evaluation of Group documents for consistency with the intentions for the continuing of exploration and evaluation activities in certain areas of interest, and corroborated with enquiries of management. Inter alia, the documents we evaluated included: <ul style="list-style-type: none"> ▪ Minutes of meetings of the board and management; ▪ Announcements made by the Group to the Australian Securities Exchange; and ▪ Cash forecasts; and Consideration of the requirements of accounting standard AASB 6. We assessed the financial statements in relation to the requirements of AASB 6 to ensure appropriate disclosures are made.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

Independent Audit Report

Stantons International

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. 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 entity'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 entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Independent Audit Report

Stantons International

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 2018. 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 on the Remuneration Report

In our opinion the Remuneration Report of GWR Group Limited for the year ended 30 June 2018 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
27 September 2018