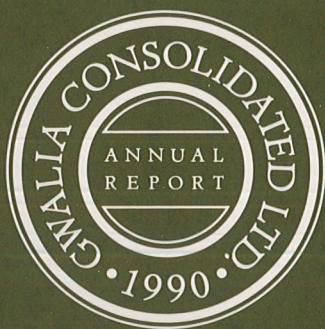


GWALIA CONSOLIDATED LTD.



A N N U A L R E P O R T

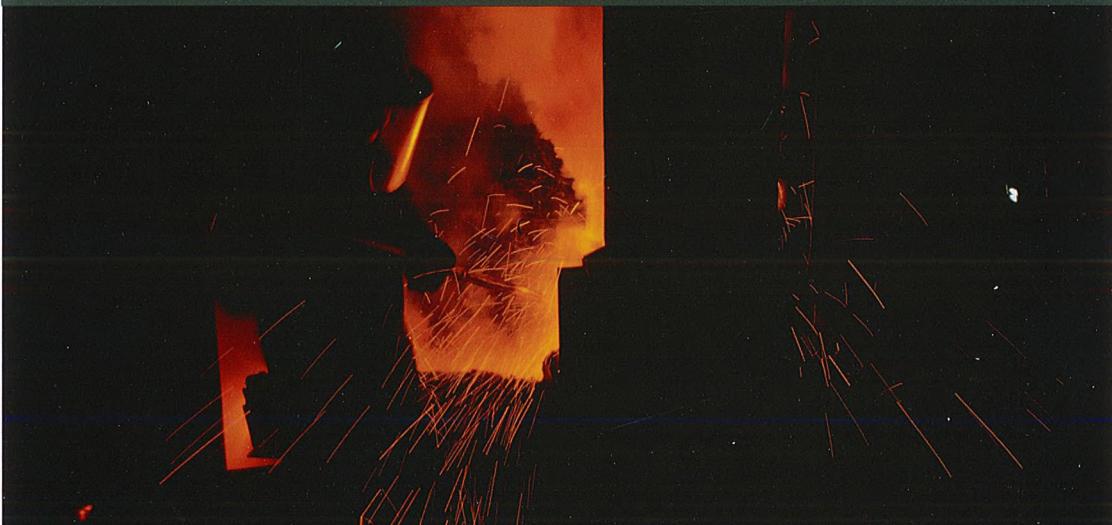


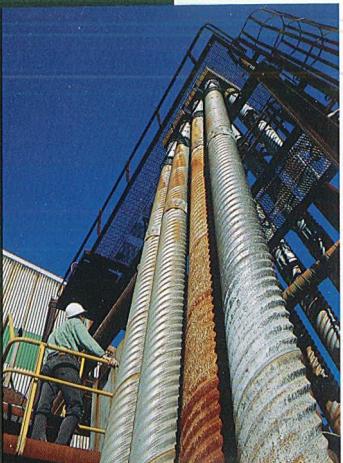


# GWALIA CONSOLIDATED LTD.

ANNUAL REPORT

1 9 9 0



**DIRECTORS:**

R.J. Lynch, LL.B (Chairman)  
 P.K. Lalor, LL.B (Managing)  
 C.J. Lalor, LL.B  
 (Executive — Legal and Commercial)  
 E.M. Ross-Adjie, AASA, CPA  
 (Executive — Financial Management)  
 J. Ainsworth, B.Sc., C.Eng..  
 F.I.M.M., F.A.I.M.E.  
 W.L. Beevers, B.Sc. (Hons)  
 G. Harrison  
 L.E. Baragwanath, B.Phil, M.A.  
 (Oxon) (Alternate for W.L. Beevers)

**SECRETARY:**

E.M. Ross-Adjie, AASA, CPA

**REGISTERED OFFICE:**

16 Parliament Place  
 West Perth WA 6005  
 Telephone: (09) 481 1988  
 Telex: AA95797  
 Facsimile: (09) 481 1271

**AUDITORS:**

Ernst & Young  
 Chartered Accountants  
 40 The Esplanade  
 Perth WA 6000

**BANKERS:**

The Rural & Industries Bank  
 of Western Australia  
 54-58 Barrack Street  
 Perth WA 6000

**SHARE REGISTRY:**

Criterion Share Registry Pty Ltd  
 16 Parliament Place  
 West Perth WA 6005  
 Telephone: (09) 481 0821  
 Telex: AA95797  
 Facsimile: (09) 481 1271

Quoted on Australian Stock Exchange Limited.

NOTICE is hereby given that the Annual General Meeting of Members of the Company will be held in the Georgiana Room, Perth International Hotel, 10 Irwin Street, Perth on Friday, the 23rd day of November 1990 at 4:30 p.m.

KEY INFORMATION AND  
HIGHLIGHTS FOR THE YEAR

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The Company declares a consolidated net operating profit for the year after income tax and minority interests of \$6.25 million. Equity accounted profit for the year was \$10.72 million before deducting abnormal items amounting to \$5.66 million.

The Directors recommend a final dividend of 2 cents per share bringing total dividend payments for the year to 6 cents per share.

Earnings per share amounted to 16.3 cents.

The Company completes its mergers with affiliated companies Gwalia Minerals N.L., Greenbushes Ltd., Lithium Australia Ltd. and Gwalia International Ltd. resulting in the establishment of Gwalia Consolidated Ltd. As a result of the mergers, the Company now holds substantial and valuable interests in a diverse range of high quality, long life assets including tantalum, lithium, tin, gold, talc, graphite and kaolin.

Sons of Gwalia N.L., an associate company in which Gwalia Consolidated Ltd holds a 37% equity, produced a record 76,454 fine ounces of gold for the year along with a record operating profit of \$27.71 million.

**CORPORATE**

Director P.K. Lalor

General Manager

— Planning &amp; Evaluation

G.R. Boden

**FINANCE AND  
ADMINISTRATION**

Director E.M. Ross-Adjie

Management Accountant R.P. Daniel

Manager — Administration

R.J. Addicott

Personnel Co-ordinator P.J. May

**MARKETING & SHIPPING**

General Manager J.J. Linden

Development Technologist M. Haigh

Shipping Manager P.N. Johnston

Contracts Manager E. Bradley

**TECHNICAL SERVICES**

General Manager — Mining

P.G. Carter

General Manager

— Resource Development

J. Kalnejais

General Manager

— Technical Services G.R. Meates

Manager — Operations M.D. Bale

Senior Development Geologist

R.J. Varley

**COMMERCIAL  
AND LEGAL**

Director C.J. Lalor

General Manager

— Commercial G.R. Ball

Legal Counsel — C.W. Foley

**MINERAL EXPLORATION**

General Manager R.M. Thomson

Senior Exploration Geologist

B.V.L. Rees

Senior Exploration Geologist

D.W. Sargeant

**UNITED STATES OFFICE**

Senior Vice-President D.D. Greig

Senior Vice-President — Operations

M.D. Drozd

**ZIMBABWE OFFICE**

Acting Manager D.J. Jack

**MINE MANAGERS**

Greenbushes Mine — P. Smith

Mt Seabrook Talc Mine —  
P. JongenBarite Hill Mine (USA) —  
D. Ruminski

BOARD OF DIRECTORS



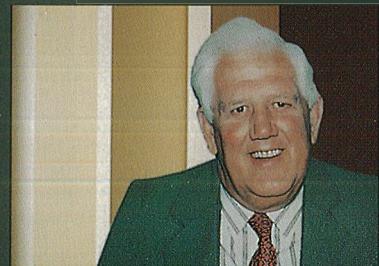
R.L. Lynch  
Chairman

P.K. Lalor  
Managing Director



F.M. Ross-Adie  
Executive — Financial  
Management

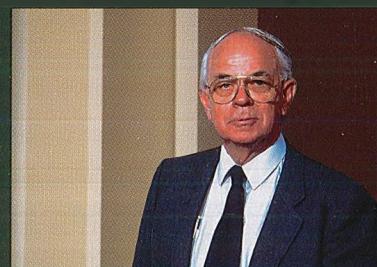
C.J. Lalor  
Executive — Legal  
and Commercial



J. Ainsworth  
Director



W.L. Beevers  
Director



L.E. Baragwanath  
Alternate for W.L. Beevers



The Managing Director's Report for the 1990 financial year is indeed a milestone. As a result of the successful mergers of Gwalia Resources Ltd. with its affiliated companies, other than Sons of Gwalia N.L., the Company has emerged as a significant and diversified mining company operating within Australia and overseas.

The Company's operating profit for the year after income tax and minority shareholders' interests was \$6.25 million.

The Directors have recommended a final dividend of two cents per ordinary share on the enlarged issued capital after the issue of approximately 24 million new shares pursuant to the mergers with the affiliated companies, thus bringing total dividend payments for the year to six cents per ordinary share.

Earning per share amounted to 16.3 cents.

Following the success of the four Schemes of Arrangement between Gwalia Minerals N.L., Greenbushes Ltd., Lithium Australia Ltd. and Gwalia International Ltd. and their respective shareholders, these companies and their assets were merged with Gwalia Resources Ltd. to create Gwalia Consolidated Ltd.

Shareholders of the scheme companies voted heavily in favour of all of the Schemes of Arrangement.

As part of the documentation required for shareholders, Rothschild Australia Limited were commissioned to prepare an Independent Expert's Report which valued Gwalia Consolidated Ltd. at approximately \$150 million which is equivalent to \$2.50 per Gwalia Consolidated Ltd. share.

The effect of the mergers is to consolidate the significant and valuable assets held by the various affiliated companies and to enable the development of these assets and new projects in the future.

Gwalia Consolidated Ltd. now holds substantial and valuable interests in a diversified range of high quality mineral assets including tantalum, lithium, tin, gold, talc, graphite and kaolin. These resources will generate long term cash flow for the Company which will allow it to fund development of these assets in the future along with growth through investment in new projects.

Clearly, the simplification of the previous structure will result in flexibility and significant cost savings in the management and financing of our operations.

The Company is the largest shareholder in Sons of Gwalia N.L. holding 36.7% of its issued capital. Sons of Gwalia produced 76,454 fine ounces of gold resulting in an operating profit of \$27,711,041 after a significant write-off in abnormal items amounting to \$8,079,631.

The Company received dividends from Sons of Gwalia N.L. during the financial year of \$6,733,511.

As a result of the mergers, all of the Company's operations at Greenbushes have been consolidated and will be conducted as a single business unit known as the Greenbushes Mine. This will encompass the existing tantalum, lithium and tin operations and ancillary production of kaolin.

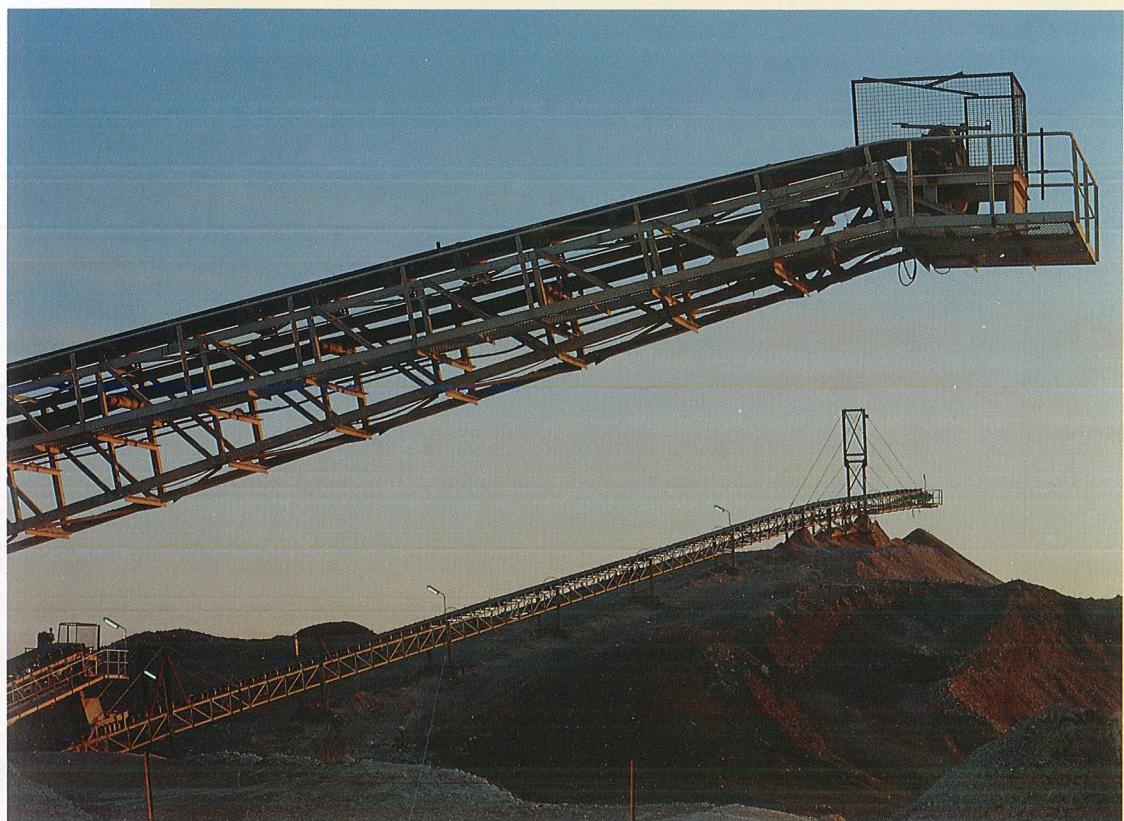
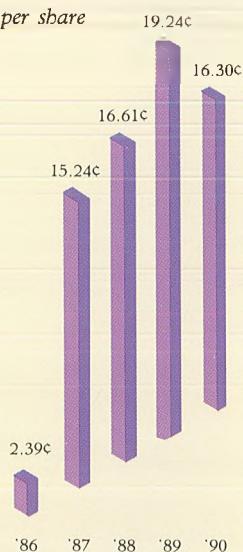
A Feasibility Study is currently being conducted at the Greenbushes Mine to evaluate and consider the various alternatives and requirements necessary to operate, upgrade or modify the existing operations with the objective of maximising production at the least possible cost.

## M A N A G I N G D I R E C T O R ' S R E P O R T

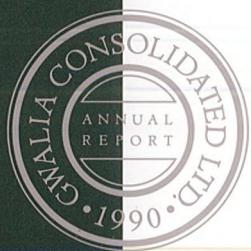
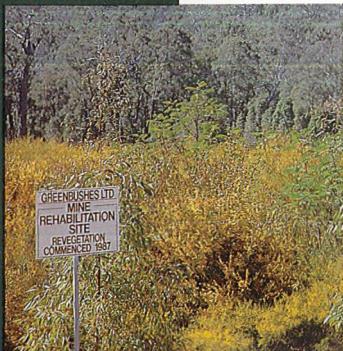
*Operating profit after tax and minority interests.*



*Earnings per share*



*Stockpile conveyor at Greenbushes.*



At the same time a major marketing study for all commodities produced at the Greenbushes Mine is being undertaken together with discussions and negotiations with consumers. The objective is to enable the Company to make a decision prior to the end of March 1991 with respect as to how the Greenbushes Mine should be operated in the future and the strategies to be adopted in marketing the commodities produced.

During the year one of the affiliated companies, Lithium Australia Ltd., was awarded the Western Australian Outstanding Export Achievement Award for 1990 for its efforts in marketing its lithium products overseas.

The feasibility and marketing studies applicable to the Munglinup Graphite Project were completed during the year and a decision as to whether to proceed to development will be made by the joint venture partners by the end of December 1990.

The Mt Seabrook Talc Mine continued to operate efficiently during the year producing 28,005 tonnes of talc which was exported from the Company's loading and shipping facilities at Geraldton in Western Australia. All of the talc was sold under an exclusive sales contact to Cyprus Industrial Minerals Company.

The strategy of Gwalia Consolidated Ltd., in the medium term, is to focus on its existing metal and mineral resources in Australia with the objective of developing them to their maximum potential.

At the same time the Company will focus its overseas activities in the United States both for gold and other metals and minerals. The Company believes that significant opportunities for growth exist in the United States, not only in the area of the exploration and development of mineral deposits but also in the marketing of the Company's products from Australia. The Company is now a major participant in the world tantalum and lithium markets and North America represents a significant consumer base for all of these products.

The Company will benefit from its first gold production in the United States from the Barite Hill Gold Project in South Carolina early in 1991. Production is anticipated at approximately 20,000 ounces per annum. A number of forward sales contracts have been put in place which will guarantee the profitability of this project.

Results from the initial evaluation of the Sullivan Mine in Nevada are encouraging. The Company holds an option to purchase this copper-gold resource which has significant potential for the development of an existing resource along with a large, high quality exploration area for gold.

In Zimbabwe the Company has pursued, at a modest level, exploration and development with the gold resource at the Connemara Mine being continually increased.

The Company has marginally increased its holding in Biotech International Ltd., a Perth Second Board company operating in the area of biotechnology to 43.5%. During the year Biotech was awarded a Generic Industrial Research and Development Grant for \$675,000 for research into genetic recombinant of the sterile red fungus.

As a result of the mergers, the number of shareholders in Gwalia Consolidated Ltd. has increased substantially to approximately 10,000, with significant holdings occurring outside of Australia particularly in Europe and North America.



*Worker supervising the primary crusher of Spodumene ore at Greenbushes.*



As a result of the mergers, the number of shareholders in Gwalia Consolidated Ltd. has increased substantially to approximately 10,000, with significant holdings occurring outside of Australia particularly in Europe and North America.

Similarly, the Company's staff numbers have also increased due to the mergers. All staff combined to play an important role in the Company's growth and success and the Directors wish to take this opportunity to thank them for their contribution.

#### PETER K LALOR

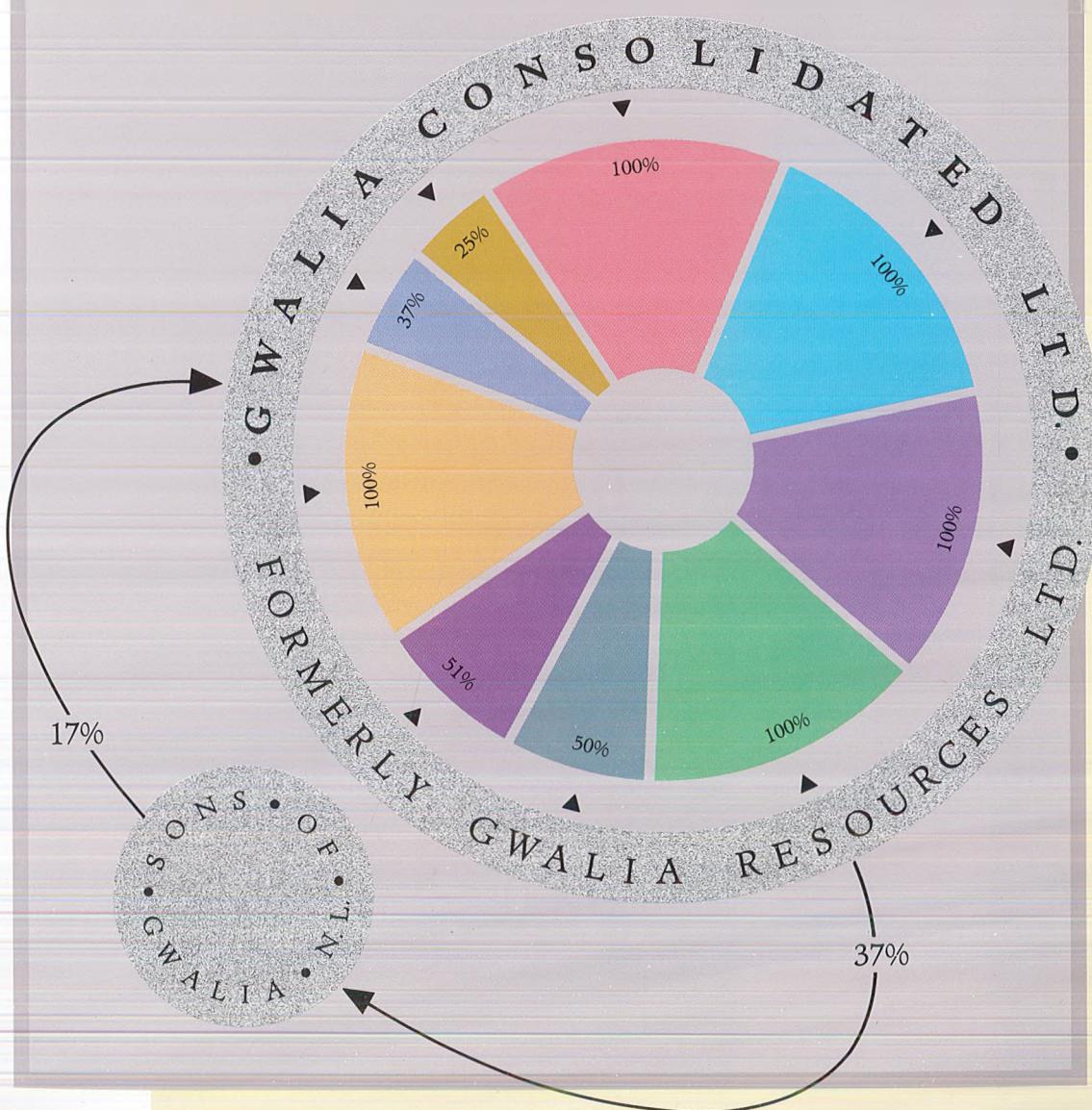
*Managing Director*

26th October 1990

#### C O M M O D I T Y P R O D U C T I O N S T A T I S T I C S

GREENBUSHES MINE		Year Ending 30 June 1990	
Tantalum Ore treated		1.56	million tonnes
Head Grade			
tin	0.106	kg/tonne Sn	
tantalum	0.066	kg/tonne Ta <sub>2</sub> O <sub>5</sub>	
Tantalum Tailings			
Retreated	1.10	million tonnes	
Head Grade			
tin	0.063	kg/tonne Sn	
tantalum	0.041	kg/tonne Ta <sub>2</sub> O <sub>5</sub>	
Production			
tin metal	227	tonnes Sn	
tantalum glass	39480	kg Ta <sub>2</sub> O <sub>5</sub>	
tantalum concentrates	91930	kg Ta <sub>2</sub> O <sub>5</sub>	
tantalum pentoxide	5560	kg Ta <sub>2</sub> O <sub>5</sub>	
niobium pentoxide	2115	kg Nb <sub>2</sub> O <sub>5</sub>	
Lithium Ore Treated	114951	tonnes	
Head Grade	4.33	% Li <sub>2</sub> O	
Spodumene Produced	57205	tonnes	
MOLINE GOLD MINE (50%)			
Ore Treated	586979	tonnes	
Head Grade	2.37	g/t gold	
Gold Produced	39270	ozs	
SONS OF GWALIA MINE		(Sons of Gwalia N.L. — 100%)	
Ore Treated	777220	tonnes	
Head Grade	3.25	g/tonne gold	
Gold Produced	73773	ozs	
DAY DAWN MINE		(Sons of Gwalia N.L. — 90%)	
Gold Produced	2990	ozs	
(Mine Commissioned			
25 April 1990)			
MT SEABROOK TALC MINE			
Ore Treated	59788	tonnes	
Production			
industrial talc	5123	tonnes	
cosmetic talc	22882	tonnes	

Sons of Gwalia N.L.	37%
Greenbushes Mine	100%
Mt Seabrook Mine	100%
Gwalia (USA) Ltd	100%
Gwalia Zimbabwe (Private) Limited	100%
Munglinup Graphite Project	51%
Moline Gold Mine	50%
Bald Hill Tantalite Deposit	100%
Chimelle Petroleum Ltd.	25%



# REVIEW OF OPERATIONS AND INVESTMENTS

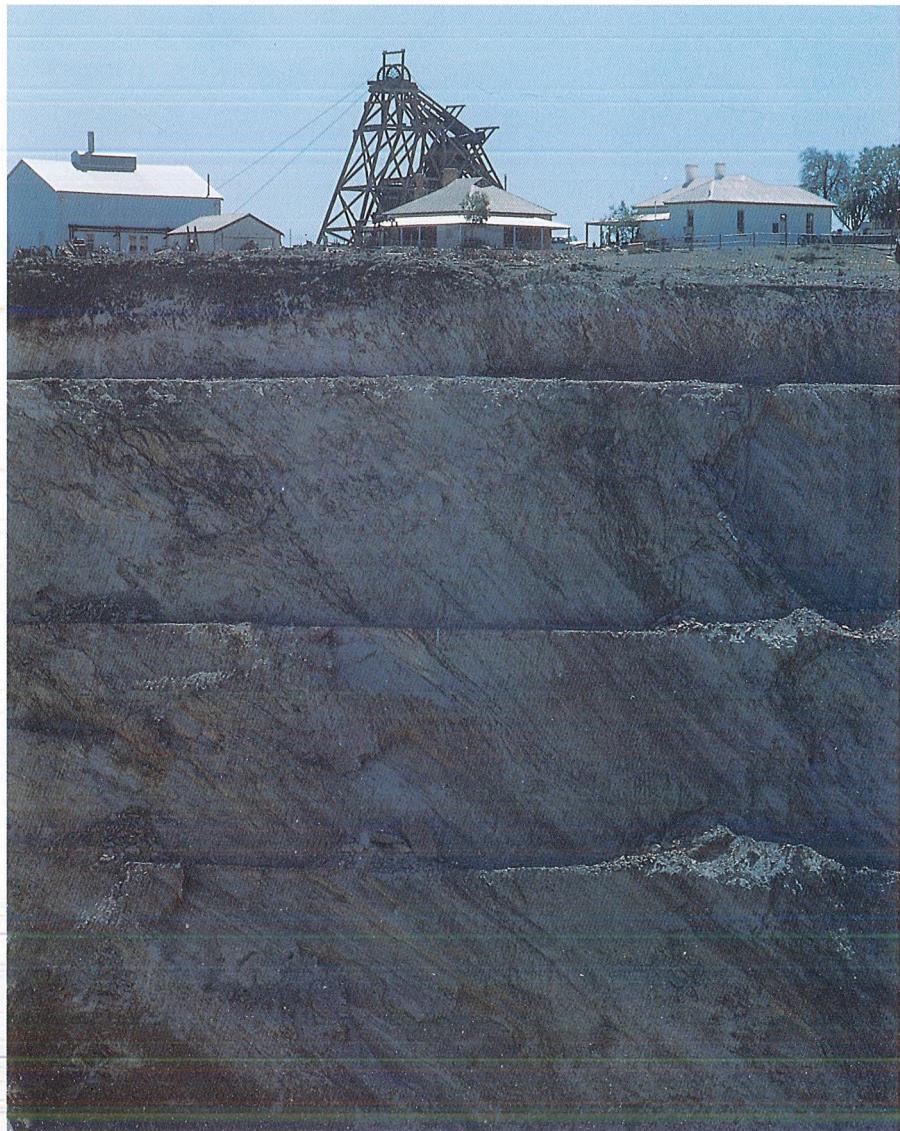
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## SUMMARY

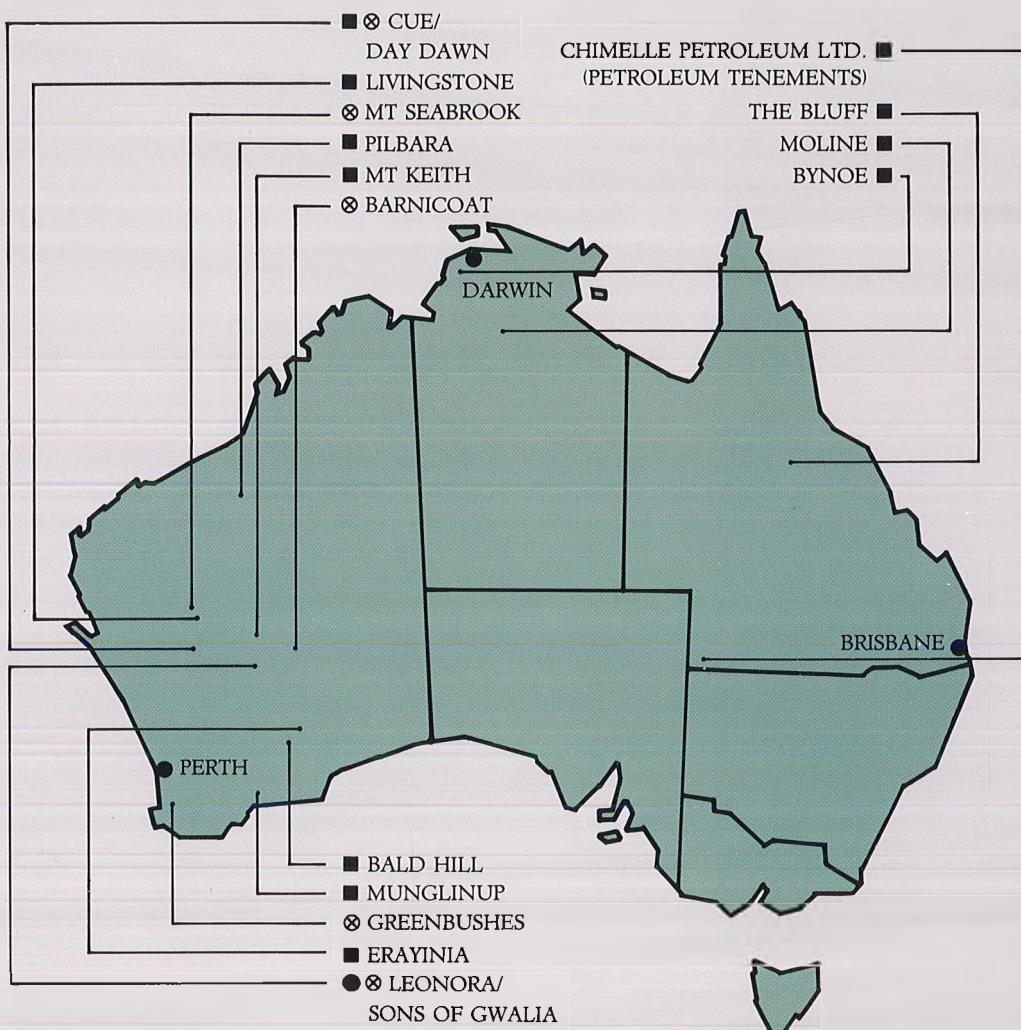
As a result of the creation of Gwalia Consolidated Ltd during the year by way of mergers, the Company now holds directly and indirectly significant interests in high quality, long life assets. The major shareholding in Sons of Gwalia N.L. will result in both a significant revenue stream from dividends and a substantial Balance Sheet item through the investment itself. The Greenbushes Mine is a resource of world standard and will produce tantalum and lithium products, tin and kaolin for many years. Similarly, the Mt Seabrook Talc Mine, has a long life whilst gold production will be directly added to the commodity portfolio through the United States operations at Barite Hill. Hopefully, a positive decision will be made shortly which will see the Munglinup Graphite Project proceed.

All of the above mines will generate long term cash flow for the Company which will allow it to fund the optimal development of its assets in the future together with growth through investment in new projects.



# REVIEW OF OPERATIONS AND INVESTMENTS

## A U S T R A L I A N   P R O J E C T S L O C A T I O N   M A P

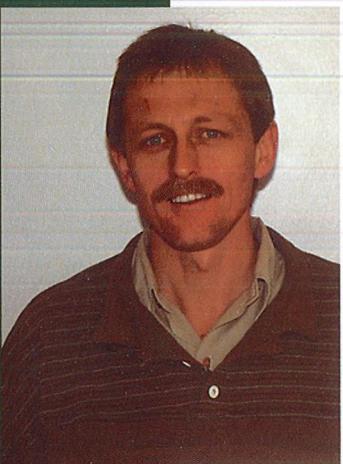


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### L E G E N D

- ⊗ MINES
- PROSPECTS
- GWALIA GROUP OFFICES

# REVIEW OF OPERATIONS AND INVESTMENTS



P. Smith  
Greenbushes  
Mine Manager.



## GREENBUSHES MINE

As a result of the mergers, the Greenbushes Mine in Western Australia is now wholly owned and operated by the Company. The Greenbushes Mine is now operated as a single business unit producing tantalum and lithium products, tin and kaolin.

The Greenbushes pegmatite is one of the largest zoned rare metal pegmatites in the world containing mineral reserves which are highly significant on a world basis. The existing tantalum resource is in excess of 30 million lbs of Ta<sub>2</sub>O<sub>5</sub> which is sufficient to provide a major portion of world demand for many years.

Tantalum is used in the electronics, aerospace and super-alloy industries. It is also used in the production of grinding and cutting tools and instruments.

Tantalum product is generated from both open-pit mining of soft rock pegmatites and tailings retreatment. Current tantalum production levels are in the range of 280,000 pounds per annum.

The Company also produces tantalum carbide in Europe and in the United States and has access to metallurgical grade tantalum metal production facilities.

Standard tin metal is produced and cast into ingots for sale to domestic and overseas markets.

Within the zoned pegmatite, a large spodumene ore body also exists. Spodumene is the ore from which lithium is sourced. The spodumene ore body at Greenbushes contains reserves in excess of 40 million tonnes averaging 2.9% lithium oxide (Li<sub>2</sub>O) to a depth of 220 metres.

This is the world's highest grade and largest reserve of spodumene. Within that reserve is a high grade section containing 6 million tonnes of ore averaging 4.0% Li<sub>2</sub>O.

The spodumene ore is processed to produce a number of products for various markets. Spodumene concentrates are a key low cost source of lithia in the production of television tubes, oven-top tableware, fibreglass and specialty glassware.

Glass grade spodumene is used in the container glass industry to reduce the cost of production by such measures as reduction in energy consumption, increased production rate and reduction in the rejection rate.

Production of spodumene concentrates increased for the fifth consecutive year to 57,205 tonnes of both high grade and glass grade products. Market acceptance and sales are growing steadily.

Tin production at Greenbushes for the year amounted to 227 tonnes.

Discussion continued with potential joint venture parties in respect of the development of the kaolin resources at Greenbushes with the objective of beneficiating the ore prior to the current practice of shipping bulk kaolin direct from the mine.

A decision was made during the year to review the overall operations at Greenbushes with the objective of evaluating the most efficient and cost effective way to develop the Mine to produce a range of commodities. This study includes an evaluation of the possibility of utilising an existing decline shaft which accesses the high grade section of the known tantalum and tin resources.

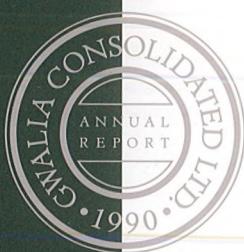
REVIEW OF OPERATIONS AND  
INVESTMENTS



TOP: Removal of waste ore from the  
Greenbushes main pit.

BOTTOM: Core sample drilling in the  
Greenbushes main pit.

## REVIEW OF OPERATIONS AND INVESTMENTS

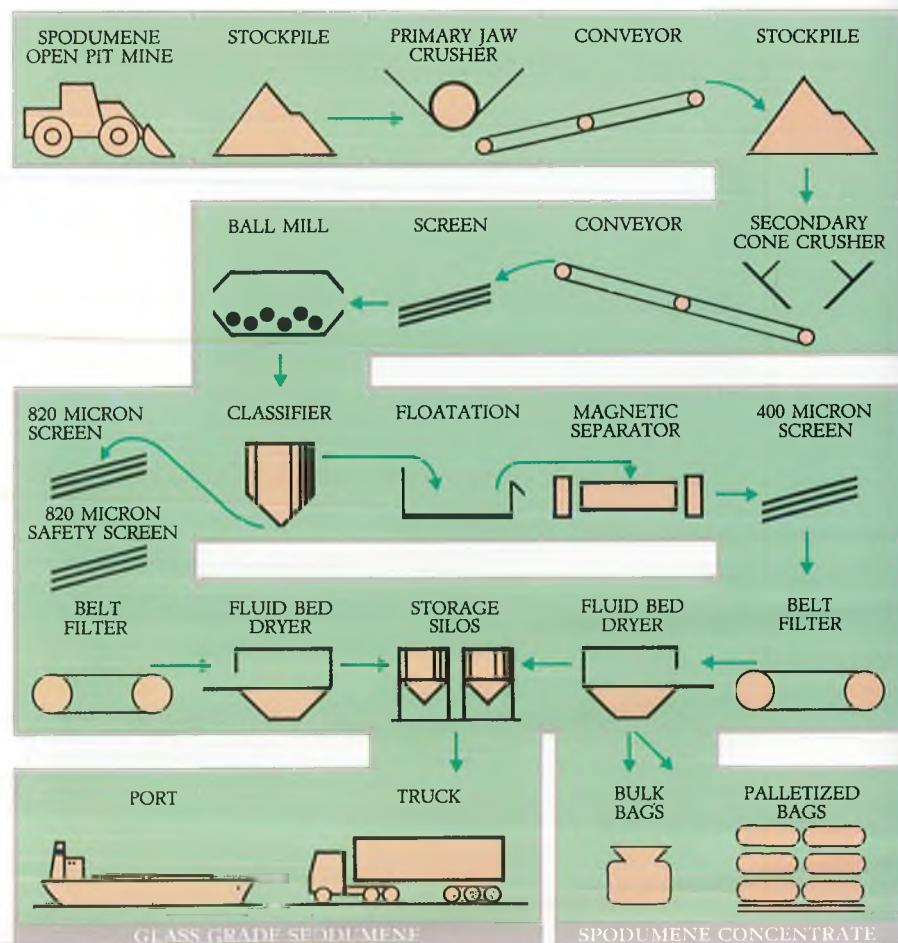


A decision was made during the year to review the overall operations at Greenbushes with the objective of evaluating the most efficient and cost effective way to develop the Mine to produce a range of commodities. This study includes an evaluation of the possibility of utilising an existing decline shaft which accesses the high grade section of the known tantalum and tin resources. The study also includes an evaluation of the existing processing facilities for all products and ancillary infrastructure together with a marketing study for all commodities produced at the Greenbushes Mine.

It is anticipated a decision as to the future method of operations at Greenbushes will be made in the first quarter of calendar year 1991.

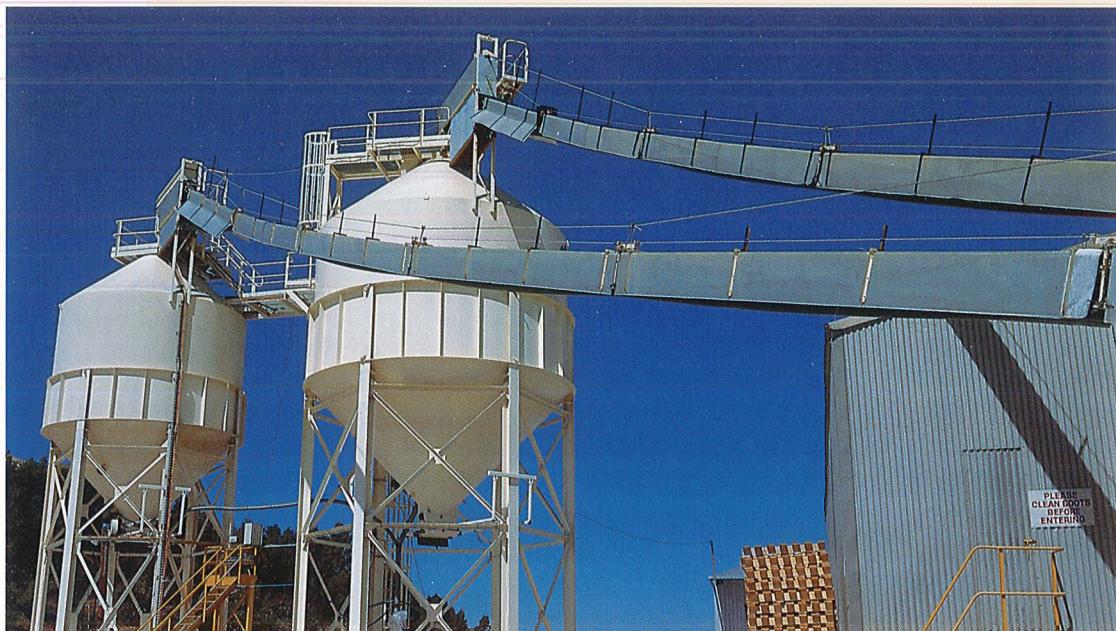
### I D E A L I S E D F L O W S H E E T

#### F O R S P O D U M E N E P R O D U C T I O N



REVIEW OF OPERATIONS AND  
INVESTMENTS

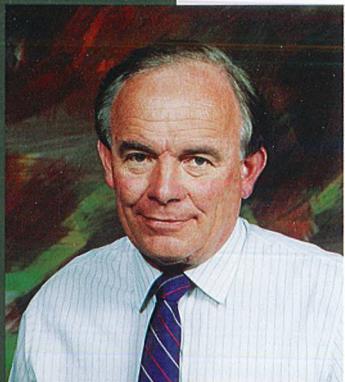
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TOP: Spodumene concentrate storage silos  
at Greenbushes.

BOTTOM: Tailings retreatment plant  
at Greenbushes.

## REVIEW OF OPERATIONS AND INVESTMENTS



J. Brown  
Gwalia Mine  
Manager.



### SONS OF GWALIA N.L.

The Company is the largest shareholder in Sons of Gwalia N.L. holding 12,247,110 fully paid ordinary 25 cent shares which constitutes 36.7% of that Company's issued capital.

Sons of Gwalia N.L. produced a record 76,454 fine ounces of gold for the financial year ended 30 June 1990. Anticipated production for the 1991 financial year should exceed 100,000 fine ounces which will include its 90% share of production from the Day Dawn Gold Project and the contribution from the recently acquired Barnicoat Mine at Laverton in Western Australia.

Sons of Gwalia N.L. declared a record operating profit for the year ended 30 June 1990 of \$27,711,041 after a significant write off in abnormal items amounting to \$8,079,631. A final dividend of 30 cents per ordinary share has been recommended making a total for the 1990 calendar year of 60 cents per share. This will result in Gwalia Consolidated Ltd receiving a distribution of \$7,351,206 in dividends in 1990.

### ORE RESERVES — SONS OF GWALIA MINE

Ore reserves were first calculated in 1984 to a depth of 60 metres and have since been upgraded from time to time. As at the 30 June 1990, ore reserves to a depth of 190 metres were as follows:

Proved	2,910,000 tonnes @ 3.38 g/t gold
Probable	740,000 tonnes @ 3.48 g/t gold
Total proved and probable	3,650,000 tonnes @ 3.40 g/t gold

*The above reserves were calculated using a 1g/t cut off.*

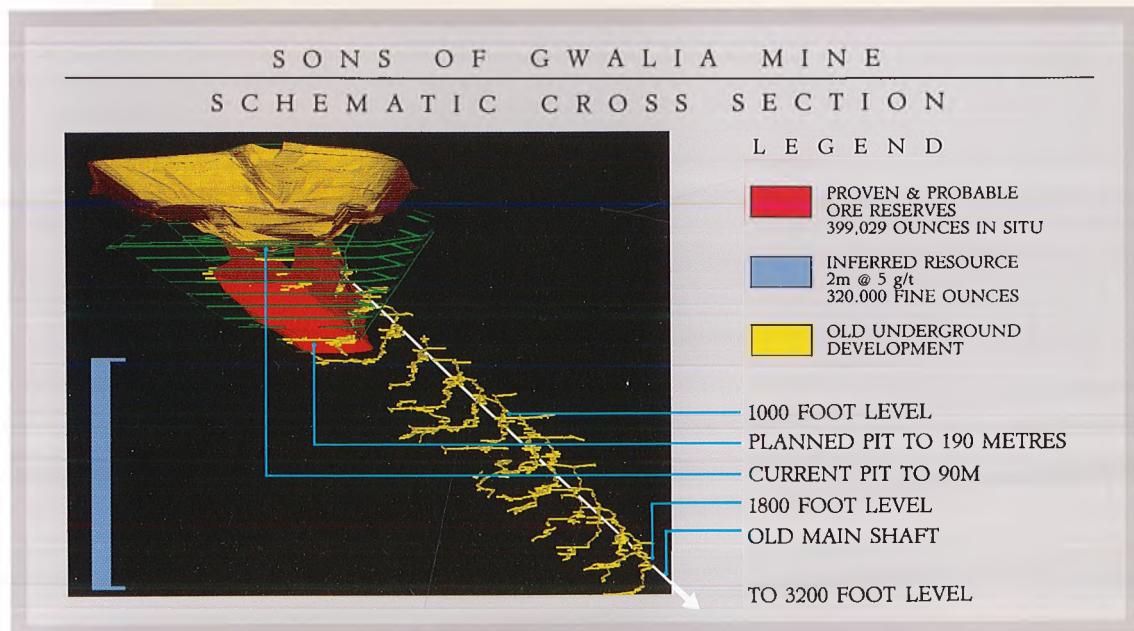
A resource, additional to the above, of 2 million tonnes @ 5 g/t gold has been inferred between 190 metres and 560 metres depth.

### SONS OF GWALIA MINE DEVELOPMENT

As at 30 June 1990, open-pit mining at the Sons of Gwalia Mine was at a depth of approximately 90 metres. Current projections anticipate open-pittable mining to a depth of 190 metres which will require the relocation of the existing railway line currently situated between the treatment plants and the open-pit. Necessary approvals and acquisitions have largely been completed and it is anticipated that the works will be completed by March 1991.

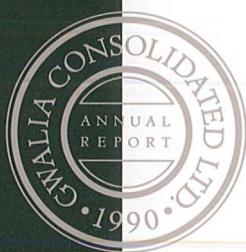
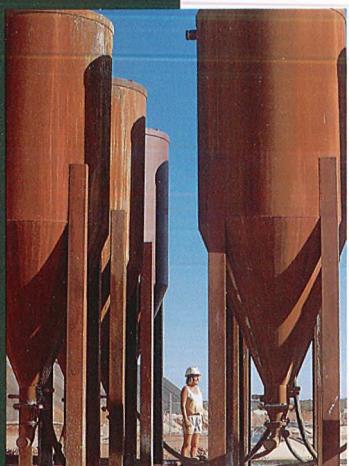
The original underground workings at the Sons of Gwalia Mine extended to a depth of approximately 1150 metres. Sons of Gwalia N.L. continued exploration below the 190 metre level during the year with deep exploration drilling continuing to provide encouragement. Preliminary feasibility studies continued into the methods by which underground and development would take place given favourable reserve and economic results in the future.

## REVIEW OF OPERATIONS AND INVESTMENTS



TOP: Aerial view of Sons of Gwalia Mine.

# REVIEW OF OPERATIONS AND INVESTMENTS



## FORWARD SALES

Sons of Gwalia N.L. held outstanding forward sales contracts for 354,000 fine ounces of gold as at the 30 June 1990. These contracts when delivered over the life of the mine are expected to return an average price of A\$750 per ounce of gold.

## BARNICOAT GOLD MINE

Sons of Gwalia N.L. recently completed the purchase of the operating Barnicoat Gold Project near Laverton in Western Australia. The acquisition included a fully integrated gold treatment circuit including a three stage crushing plant.

Gold production from this heap leach project for the financial year ended 30 June 1991 is estimated at approximately 25,000 fine ounces with existing ore reserves sufficient to sustain this level for a further twelve months.

Ongoing geological exploration has indicated potential for further gold mineralisation both at surface and at depth at a number of adjacent prospects.

By acquiring the Barnicoat Gold Project, Sons of Gwalia N.L. now holds a strategic position in the proven north eastern gold province of Western Australia including two well positioned gold treatment plants and ancillary facilities at Laverton and Leonora.

## INVINCIBLE GOLD N.L.

Sons of Gwalia N.L. holds 89.66% of the issued capital of Invincible Gold N.L. ("Invincible").

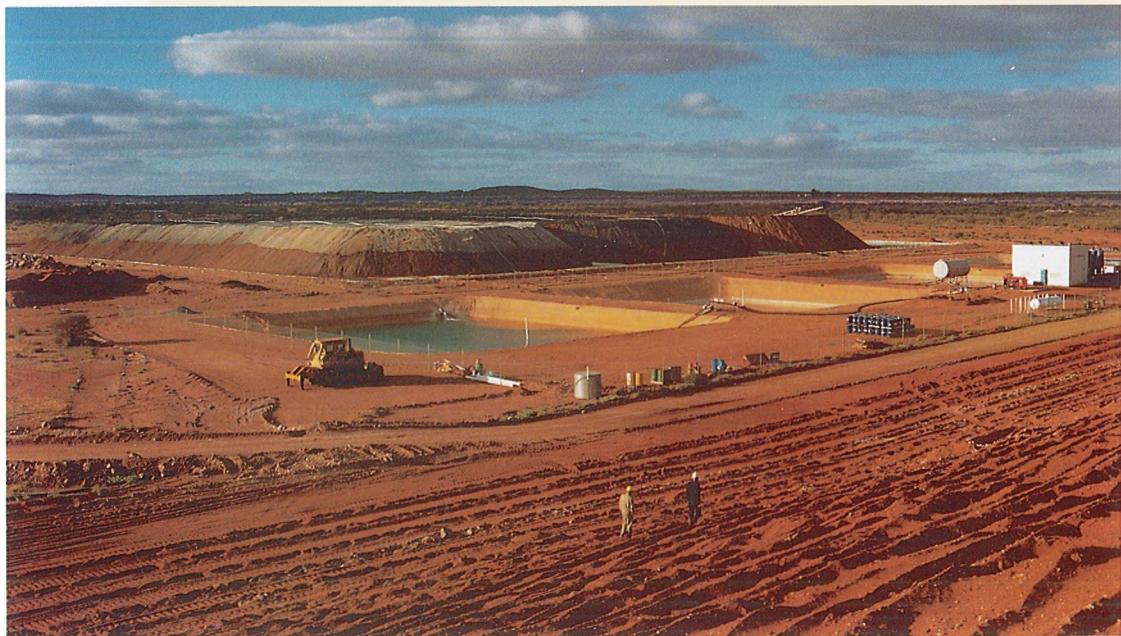
Invincible's main asset comprises the Day Dawn Gold Project near Cue in Western Australia where the operating heap leach project produced 2,990 fine ounces from its commissioning in April 1990 to 30 June 1990. Gold production during the 1991 financial year is anticipated to be 10,000 fine ounces which will complete the project.

Invincible has agreed to the sale of its Meekatharra exploration tenements for a total of \$2.57 million.



REVIEW OF OPERATIONS AND  
INVESTMENTS

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TOP: Aerial view of the Barnicoat Mine.

BOTTOM: Day Dawn Gold Project.

## REVIEW OF OPERATIONS AND INVESTMENTS



### MT SEABROOK TALC MINE

The Mt Seabrook Talc Mine is situated approximately 160 kilometres northwest of Meekatharra in Western Australia. The Company produces a high grade cosmetic talc, primarily for the United Kingdom market, along with an industrial grade product.

The crude talc is crushed and processed at the minesite and then trucked to the Company's bulk handling facility at the port of Geraldton where it is shipped pursuant to a sales agreement with Cyprus Industrial Minerals Company.

During the year the Company produced 28,005 tonnes of talc in various grades.

In addition to Mt Seabrook, the Company holds title to a series of talc occurrences at Livingstone, approximately 6 kilometres west of Mt Seabrook where a significant resource of premium grade talc has been delineated.

The premium or cosmetic grade talc is used primarily in the cosmetic industry while the industrial grade services a number of markets including the plastics, paints and paper industries.

### MUNGLINUP GRAPHITE PROJECT

The Company holds a 51% interest in the Munglinup Graphite Project in the southwest of Western Australia. A significant graphite resource has been delineated to date at the Halbert's Main Zone of approximately 1.47 million tonnes @ 18.2% fixed carbon measured and indicated. Excellent potential exists to increase this resource when required.

Feasibility and ancillary marketing studies have recently been completed and a decision will be made by the Company and its joint venture partner, Warrior International Ltd by the end of the calendar year 1990 as to the future development of the project.

The proposed processing facility includes an integrated leaching and flotation processing circuit to treat the graphite ore which will be mined by open-pittable methods. The end product will be bagged and transported by road to the port of Fremantle for shipment to overseas customers.

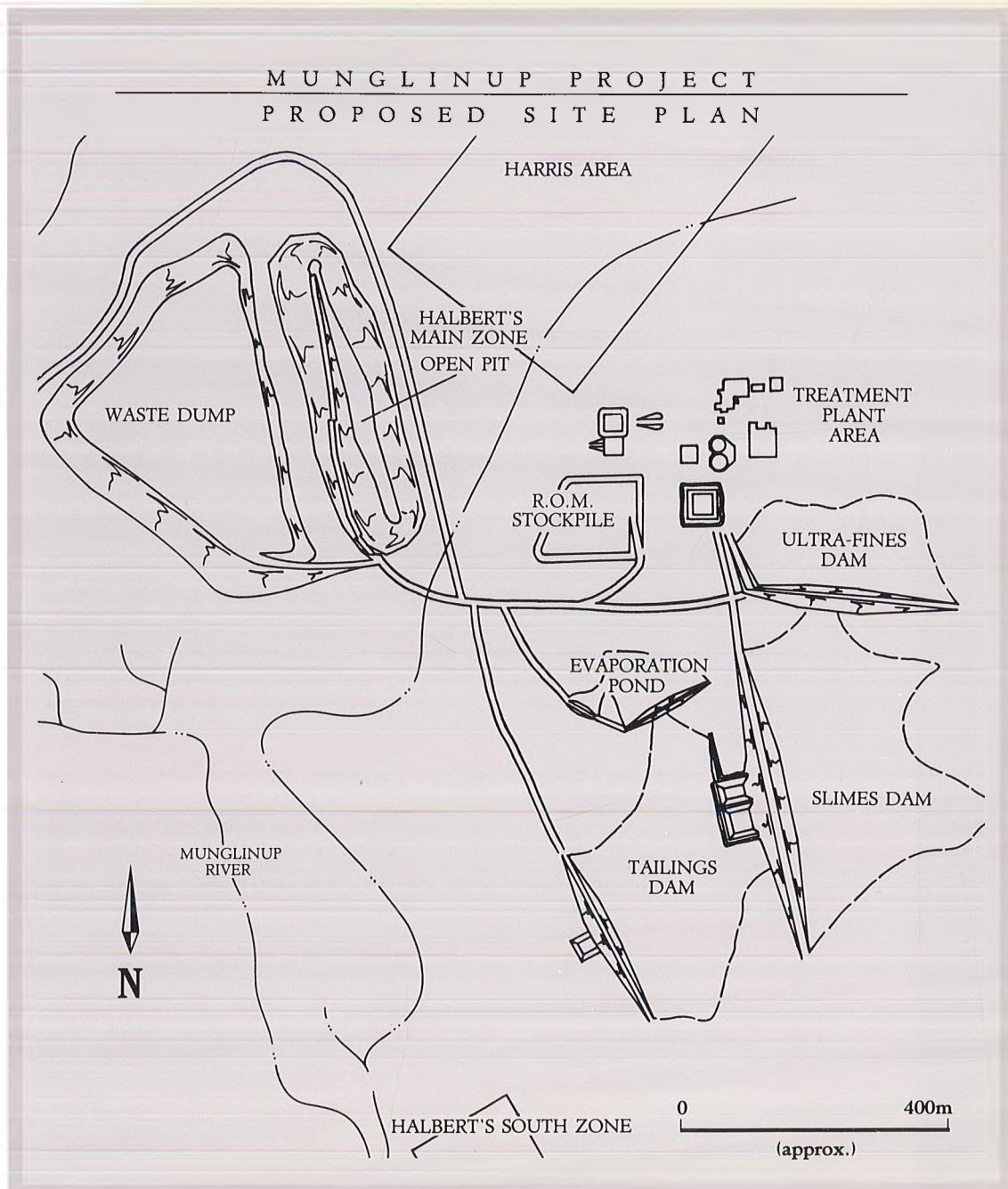
### MOLINE GOLD PROJECT

The Company owns 50% of the Moline Gold Project in the Northern Territory. In conjunction with its joint venture partner, the Company operates this open-pit mining project at current production levels of 40,000 ounces per annum. To date the project has been disappointing with original forecast ore reserves and grades being far higher than those actually achieved since production commenced in early 1989.

Unless new ore reserves can be established or joint ventures completed with owners of nearby resources, it is anticipated that the project will cease operations prior to the end of the current financial year.



REVIEW OF OPERATIONS AND  
INVESTMENTS



## REVIEW OF OPERATIONS AND INVESTMENTS



### GWALIA (USA) LTD

In the United States, the Company is represented by its wholly owned subsidiary, Gwalia (USA) Ltd whose major asset is the Barite Hill Gold Project in South Carolina.

After long permitting delays, this project is due for commissioning by the end of the calendar year with estimated production of approximately 20,000 fine ounces of gold per annum.

Mining is by open-pit and processing will utilise heap leach methodology. Ore reserves to date are as follows:

Rainsford Pit	184,000 tonnes @ 1.4 g/t gold and 6.0 g/t silver
Main Pit	1,474,000 tonnes @ 1.3 g/t gold and 6.2 g/t silver
Total Reserves	1,658,000 tonnes @ 1.3 g/t gold and 6.2 g/t silver

Gwalia (USA) Ltd currently has in place forward sales contracts totalling 40,000 ounces of gold at an estimated average price of US\$470 per fine ounce when delivered over the life of the mine. 230,000 ounces of silver have also been forward sold at an estimated average price of US\$6.50 per ounce delivered over the life of the mine.

### SULLIVAN GOLD PROJECT

Gwalia (USA) Ltd holds the option to purchase the Sullivan Gold Project in Nevada. The project area comprises the low grade gold-copper Sullivan Mine and a 62 square kilometre area with significant potential for gold mineralisation.

Gwalia (USA) Ltd has completed a preliminary feasibility study in respect of the main Sullivan Mine area where a significant gold-copper resource has been delineated.

Utilising a 0.5 g/t cut off, a measured resource of 12.7 million tonnes @ 0.93 g/t gold has been delineated along with an ancillary 18 million tonnes of copper grading 0.34% utilising an 0.25% cut off.

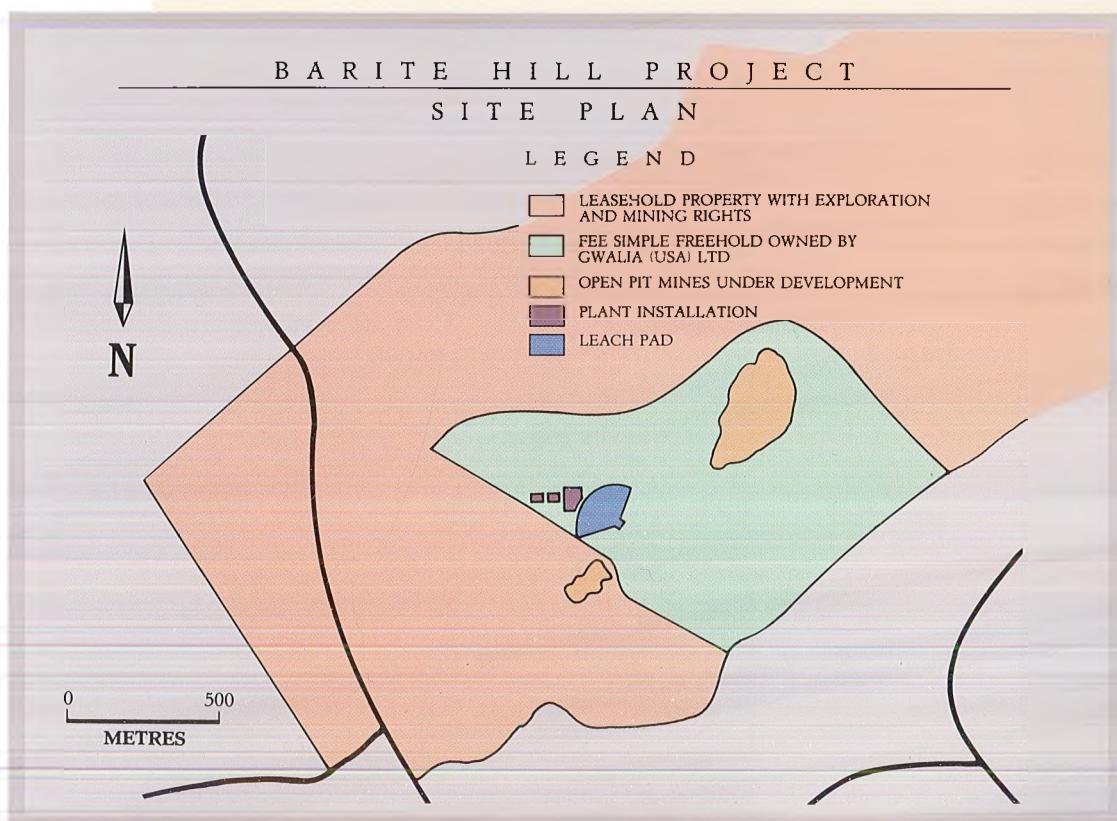
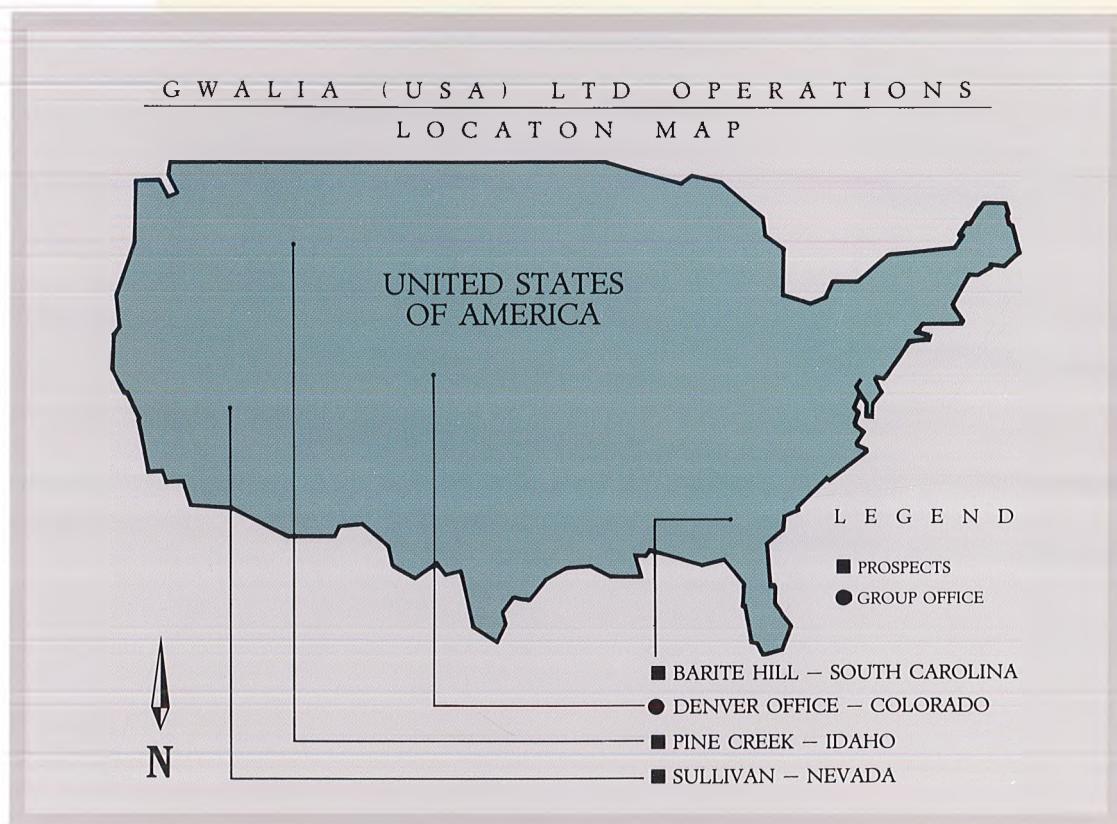
The above resource contains in excess of 300,000 ounces of gold along with significant copper credits.

Metallurgical studies to date have indicated that a combined leaching, solvent extraction and carbon-in-pulp treatment circuit will recover in excess of 85% of the contained gold and copper within the resource.

Evaluation of the project is continuing and it is anticipated that a decision as to the development of the project will be made prior to the end of this financial year.



# REVIEW OF OPERATIONS AND INVESTMENTS



# REVIEW OF OPERATIONS AND INVESTMENTS



## GWALIA (USA) LTD — EXPLORATION

A licence agreement for gold exploration and development at Pine Creek has recently been entered into over a large tract of land in the vicinity of the Bear Track Gold Project in Idaho.

In North America, Gwalia (USA) Ltd will continue to explore for and develop resources which are compatible with the Company's objectives including gold, base metals, strategic and industrial minerals.

## GWALIA ZIMBABWE (PRIVATE) LIMITED

Through this wholly owned subsidiary, the Company holds 75% of the Zimbabwe operating Company, Chase Minerals (Private) Limited. This Company holds a number of exploration projects for gold. Currently, under a governmental floor price plan, the price of gold on delivery is guaranteed at not less than Z\$950 per ounce which makes mining of low grade gold deposits both attractive and competitive in world terms.

The main project in Zimbabwe is the Connemarra Gold Mine which comprises a group of old workings spread over a 10 kilometre strike length. To date, a resource of some 600,000 tonnes @ 1.5 g/t gold has been delineated which is amenable to open-pit mining and heap leach technology.

Chase Minerals also holds title to the adjacent tailings dump resulting from the original mining at Connemarra. This dump contains a resource of approximately 1.7 million tonnes @ .93 g/t gold some of which may be amenable to heap leach processing.



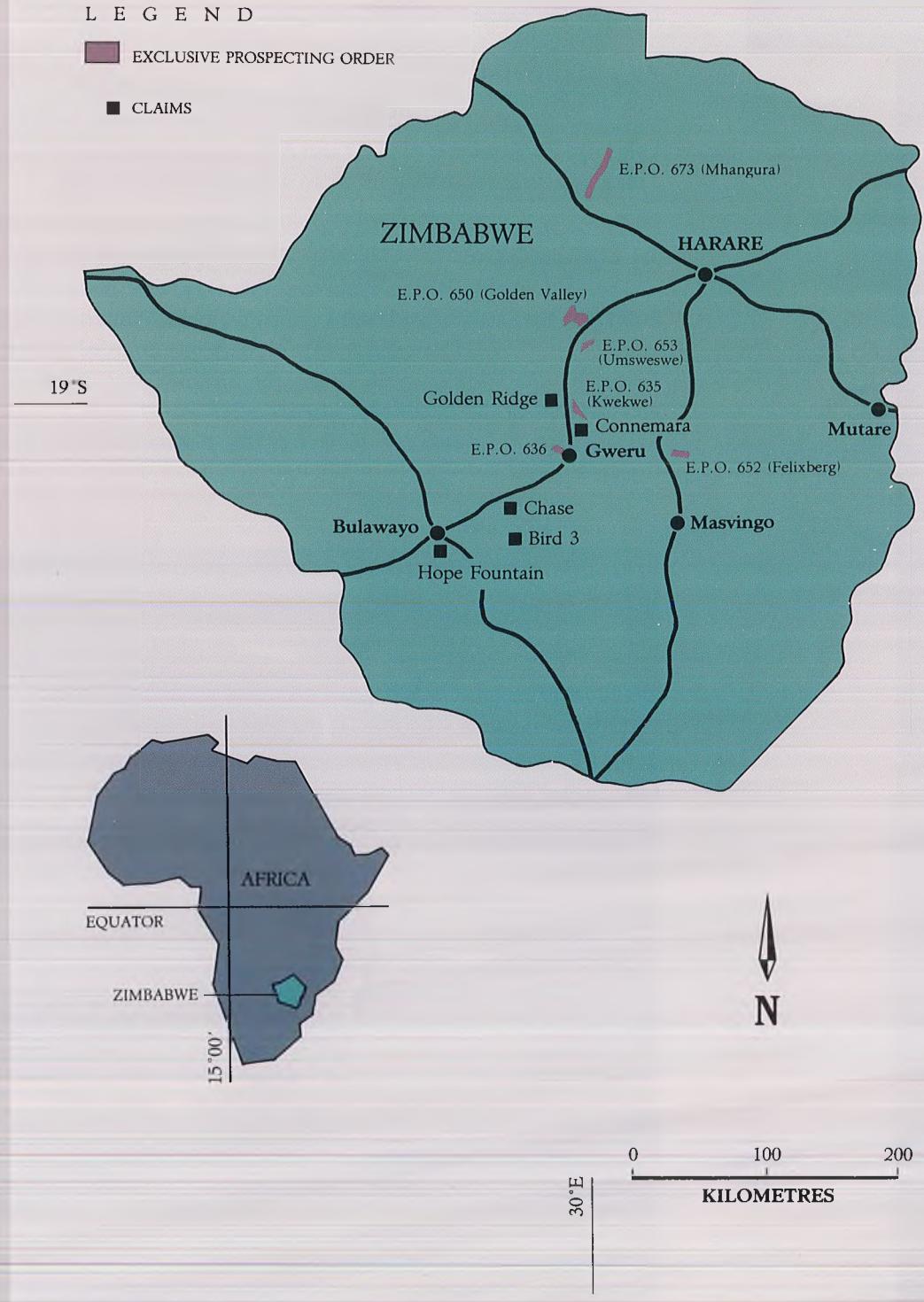
REVIEW OF OPERATIONS AND  
INVESTMENTS

ZIMBABWE  
PROJECT LOCATION MAP

LEGEND

■ EXCLUSIVE PROSPECTING ORDER

■ CLAIMS



# REVIEW OF OPERATIONS AND INVESTMENTS

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## BALD HILL TANTALITE PROJECT

The Company owns the Bald Hill tantalite deposit situated south of Kalgoorlie in Western Australia where a resource of 850,000 tonnes grading 0.051% Ta<sub>2</sub>O<sub>5</sub> has been calculated.

A feasibility study has been completed which indicates that an economic project could be established subject to tantalite prices for product being in the range of A\$60/65 per pound.

## PETROLEUM

The Company owns 25% of Chimelle Petroleum Ltd which holds a 35.734% interest in PL 33 and ATP 267 in Queensland. Chimelle Petroleum Ltd is currently producing oil at an annual rate of 840 bpd.

## BIOTECH INTERNATIONAL LTD

During the year, the Company marginally increased its holding in the Perth Second Board company, Biotech International Ltd. to 43.5%.

During the year, Biotech was awarded a Generic Industrial Research and Development Grant for \$675,000 for research into genetic recombinant of the sterile red fungus.

Sales of Biotech's Taq polymerase also increased during the year.



FINANCIAL STATEMENTS

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Year Ended 30 June 1990

## DIRECTORS' REPORT

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The Directors submit their report for the year ended 30 June 1990 made in accordance with a resolution of the Directors.

### DIRECTORS

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The names and particulars of the qualifications, experience and special responsibilities of the Directors in office at the date of this report are:-

**Mr. R.J. Lynch, LL.B (age 57)**

Non-Executive Chairman of the Board of Directors. Mr Lynch is also the Non-Executive Chairman of Sons of Gwalia N.L. and a Director of several other public mining companies. Previously he had practised as a solicitor in the mining industry.

**Mr. P.K. Lalor, LL.B (age 48)**

Managing Director with responsibility for the operations of the Group. Mr Lalor is also the Managing Director of Sons of Gwalia N.L. and Invincible Gold N.L. He is a Director of the World Gold Council, Gold Corp Australia and an Executive Councillor of the Chamber of Mines and Energy of Western Australia (Incorporated).

**Mr. C.J. Lalor, LL.B (age 46)**

Mr Lalor is an Executive Director of the Group with responsibility for all legal and commercial aspects of the Group's affairs. He is also an Executive Director of Sons of Gwalia N.L. and Invincible Gold N.L. He is an Executive Councillor of the Association of Mining and Exploration Companies (AMEC) and an Alternate Director of the World Gold Council. Mr Lalor has previously practised as a lawyer in the mining jurisdiction of Western Australia.

**Mr J. Ainsworth B.Sc., C.Eng., F.I.M.M., F.A.I.M.E.  
(age 60)**

Mr Ainsworth is a Chartered Engineer, a Fellow of the Institution of Mining and Metallurgy and a Fellow of the American Society of Mining Engineers  
He is a Director and Founder of Warrior International Ltd, a UK based company which provides merchant banking services to the mining industry.

**Mr. E.M. Ross-Adjie, AASA, CPA (age 52)**

Executive Director, Company Secretary and Financial Controller. Mr Ross-Adjie has many years experience in accounting, finance and administration in the mining industry. He is also an Executive Director of Sons of Gwalia N.L. and Invincible Gold N.L.

**Mr W.L. Beevers B.Sc., Hons. (age 43)**

Mr Beevers, a resident of the United Kingdom, is a partner in the United Kingdom Stockbroking firm of Charlton Seal, a division of Wise Speke Limited. He is a member of the London Stock Exchange and has considerable experience and expertise in the area of finance and investment.

## DIRECTORS' REPORT

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Mr L.E. Baragwanath B.Phil; M.A. (Oxon) (age 67)  
Alternate for Mr W.L. Beevers. Mr Baragwanath is graduate of the University of Melbourne and holds a Masters Degree from Oxford University. He is currently a Director of several Australian public companies and was the founder Chairman of the Pan-Australia Unit Trust.

Mr G. Harrison (age 39)

Non-Executive Director. Mr Harrison, a resident of the United Kingdom, is also a Director of Sons of Gwalia N.L., the Chairman of Tyndall Australia Limited, Tyndall Life Insurance Company Limited and several other local and overseas public companies. Prior to Mr Harrison's corporate involvement, he was a stockbroker in the United Kingdom and a member of the London Stock Exchange.

The interest of each Director in the share capital of the company at the date of this report and as contained in the register of Directors' shareholdings of the Company is disclosed as part of the supplementary information accompanying the financial statements.

### PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were investment in and the corporate and financial management of a group of companies involved in mining and mineral exploration activities.

### RESULTS AND DIVIDENDS

The consolidated net profit of the Group for the year ended 30 June 1990 after income tax and minority interests amounted to \$6,245,557.

### DIVIDENDS

A final dividend of two cents per ordinary share has been recommended requiring funds amounting to \$1,192,000. The dividend will be paid on the issued capital subsequent to the reconstruction. A final dividend of four cents per ordinary share was recommended in the Directors' Report for the year ended 30 June 1989.

### REVIEW OF OPERATIONS

A review of the group's operations during the financial year and the results of those operations are set out in the section entitled "Review of Operations" elsewhere in this report.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year, there was no significant change in the state of affairs of the Company other than that referred to in the accounts or notes thereto.

### SIGNIFICANT EVENTS SUBSEQUENT TO END OF FINANCIAL YEAR

Since the end of the financial year, the Directors are not aware of any matter or circumstance not otherwise dealt with in this report or the Group's financial statements that has significantly, or may significantly affect the operations of the Company or

Group, the results of those operations or the state of affairs of the Company or Group in subsequent financial years.

#### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely future developments in the operations of the Group are referred to in the "Review of Operations". Other than as referred to in this report, further information as to likely developments in the operations of the Group and expected results of those operations would, in the opinion of the Directors, be speculative and not in the best interests of the Group.

#### SHARE OPTIONS

During the financial year, 2,500,000 options to acquire fully paid ordinary 20 cent shares in the capital of the Company were granted to Executive Directors and employees of the Company and its associated or related corporations. The exercise price of these options is \$1.575 per ordinary share and the expiry date is 17 November 1994.

At the date of this report, 2,494,000 of these options are outstanding.

#### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit other than:

- (a) a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the Group's accounts.
- (b) a fixed salary as a full-time employee of the Company or of a related corporation.

by reason of a contract entered into by the Company or a related corporation with:

- a Director;
- a firm of which a Director is a member;
- a Company in which a Director has a substantial financial interest.

Signed for and on behalf of the board in accordance with a resolution of the Directors.

R.J. LYNCH

*Chairman*

P.K. LALOR

*Director*

PERTH, 26th October 1990

# STATEMENT BY DIRECTORS

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In accordance with a resolution of the Directors of Gwalia Consolidated Ltd, we state that:-

1. In the opinion of the Directors:-

- (a) the profit and loss statement is drawn up so as to give a true and fair view of the profit of the Company for the financial year ended 30 June 1990;
- (b) the balance sheet is drawn up so as to give a true and fair view of the state of affairs of the Company as at 30 June 1990; and
- (c) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. In the opinion of the Directors, the Group accounts are drawn up so as to give a true and fair view of:-

- (a) the profit of the Company and its subsidiaries for the financial year ended 30 June 1990; and
  - (b) the state of affairs of the Company and its subsidiaries as at 30 June 1990;
- so far as they concern members of the Company.

3. The accounts of the Company and the Group accounts have been made out in accordance with applicable approved accounting standards.

R.J. LYNCH

*Director*

P.K. LALOR

*Director*

PERTH, 26th October 1990

A U D I T O R S ' R E P O R T

TO THE MEMBERS  
GWALIA CONSOLIDATED LTD  
(Formerly Gwalia Resources Ltd)

We have audited the accounts set out on pages 35 to 57 and the Statement by Directors in accordance with Australian Auditing Standards.

In our opinion the accounts of Gwalia Consolidated Ltd and Group accounts, are properly drawn up in accordance with the provisions of the Companies (Western Australia) Code and so as to give a true and fair view of:

- (i) the state of affairs of the Company and of the Group at 30 June 1990 and of the profit of the Company and of the Group for the year ended on that date so far as they concern members of the Holding Company;
  - (ii) the other matters required by Section 269 of that Code to be dealt with in the accounts and in the Group accounts;
- and are in accordance with applicable approved accounting standards.

ERNST & YOUNG  
*Chartered Accountants*

J P DOWLING  
*Partner*

Perth, 26th October 1990

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 1990

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	Notes	Group		Holding Company	
		1990 \$	1989 \$	1990 \$	1989 \$
OPERATING REVENUE	2	<u>13,034,040</u>	<u>11,946,142</u>	<u>12,845,026</u>	<u>11,815,386</u>
OPERATING PROFIT	2	<u>5,675,117</u>	<u>5,587,337</u>	<u>6,778,149</u>	<u>5,554,861</u>
INCOME TAX CREDIT/(EXPENSE)					
ATTRIBUTABLE TO OPERATING PROFIT	4	<u>187,244</u>	<u>11,915</u>	<u>91,622</u>	<u>11,915</u>
OPERATING PROFIT AFTER INCOME TAX		<u>5,862,361</u>	<u>5,599,252</u>	<u>6,869,771</u>	<u>5,566,776</u>
EXTRAORDINARY ITEMS	5	<u>—</u>	<u>1,276,508</u>	<u>—</u>	<u>1,276,508</u>
OPERATING PROFIT AND EXTRAORDINARY ITEMS					
AFTER INCOME TAX	6	<u>5,862,361</u>	<u>6,875,760</u>	<u>6,869,771</u>	<u>6,843,284</u>
MINORITY INTEREST IN					
OPERATING PROFIT/(LOSS)					
AND EXTRAORDINARY ITEMS					
AFTER INCOME TAX		<u>383,196</u>	<u>—</u>	<u>—</u>	<u>—</u>
OPERATING PROFIT AND EXTRAORDINARY ITEMS					
AFTER INCOME TAX					
ATTRIBUTABLE TO MEMBERS OF GWALIA CONSOLIDATED LTD		<u>6,245,557</u>	<u>6,875,760</u>	<u>6,869,771</u>	<u>6,843,284</u>
RETAINED PROFITS					
at the beginning of the financial year		<u>9,269,232</u>	<u>5,251,960</u>	<u>9,147,125</u>	<u>5,162,329</u>
TOTAL AVAILABLE FOR APPROPRIATION		<u>15,514,789</u>	<u>12,127,720</u>	<u>16,016,896</u>	<u>12,005,613</u>
DIVIDENDS PROVIDED FOR OR PAID		<u>(2,621,484)</u>	<u>(2,858,488)</u>	<u>(2,621,484)</u>	<u>(2,858,488)</u>
RETAINED PROFITS					
at the end of the financial year		<u>12,893,305</u>	<u>9,269,232</u>	<u>13,395,412</u>	<u>9,147,125</u>

The accompanying notes form part of these financial statements.

BALANCE SHEET  
AT 30 JUNE 1990

Notes	Group		Holding Company	
	1990	1989	1990	1989
	\$	\$	\$	\$
<b>CURRENT ASSETS</b>				
Cash	3,240,600	1,341,338	940,549	300
Receivables	7 292,881	431,833	839,513	2,144,660
Inventory	8 3,466	—	—	—
Other	9 198,807	14,649	182,833	14,649
<b>TOTAL CURRENT ASSETS</b>	<b>3,735,754</b>	<b>1,787,820</b>	<b>1,962,895</b>	<b>2,159,609</b>
<b>NON-CURRENT ASSETS</b>				
Receivables	10 26,875,667		26,875,667	
Investments	11 94,106,029	105,465,831	98,444,767	104,971,935
Property, plant and equipment	12 7,949,342	2,616,426	5,527,987	2,616,426
Mineral exploration expenditure	13 9,814,823	—	—	—
Expenditure carried forward	14 1,330,896	—	—	—
Other	15 968,331	87,224	449,280	87,224
<b>TOTAL NON-CURRENT ASSETS</b>	<b>141,045,088</b>	<b>108,169,481</b>	<b>131,297,701</b>	<b>107,675,585</b>
<b>TOTAL ASSETS</b>	<b>144,780,842</b>	<b>109,957,301</b>	<b>133,260,596</b>	<b>109,835,194</b>
<b>CURRENT LIABILITIES</b>				
Creditors and borrowings	16 27,884,822	1,137,773	27,242,706	1,137,773
Provisions	17 1,497,717	1,714,504	1,479,999	1,714,504
<b>TOTAL CURRENT LIABILITIES</b>	<b>29,382,539</b>	<b>2,852,277</b>	<b>28,722,705</b>	<b>2,852,277</b>
<b>NON-CURRENT LIABILITIES</b>				
Creditors and borrowings	18 7,006,569	203,244	344,832	203,244
Provisions	19 155,469	—	155,469	—
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>7,162,038</b>	<b>203,244</b>	<b>500,301</b>	<b>203,244</b>
<b>TOTAL LIABILITIES</b>	<b>36,544,577</b>	<b>3,055,521</b>	<b>29,223,006</b>	<b>3,055,521</b>
<b>NET ASSETS</b>	<b>108,236,265</b>	<b>106,901,780</b>	<b>104,037,590</b>	<b>106,779,673</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	20 7,147,420	7,146,220	7,147,420	7,146,220
Reserves	21 83,903,169	90,486,328	83,494,758	90,486,328
Retained profits		12,893,305	9,269,232	13,395,412
Shareholders' equity attributable to members of Gwalia Consolidated Ltd		103,943,894	106,901,780	104,037,590
Minority shareholders' interests in subsidiaries		4,292,371	—	—
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>108,236,265</b>	<b>106,901,780</b>	<b>104,037,590</b>	<b>106,779,673</b>

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF THE  
SOURCES & APPLICATIONS OF FUNDS  
YEAR ENDED 30 JUNE 1990

	Notes	1990	1989
		\$	\$
<b>FUNDS FROM OPERATIONS</b>			
Inflows of funds from operations	2	13,034,040	11,946,142
Outflows of funds from operations		<u>6,058,661</u>	<u>3,907,480</u>
	3	<u>6,975,379</u>	<u>8,038,662</u>
<b>PROCEEDS FROM THE SALE OF NON-CURRENT ASSETS</b>		—	29,348,003
<b>REDUCTION IN ASSETS</b>		—	—
Current assets	22	138,952	3,903,709
Non-current assets		<u>4,097,370</u>	—
<b>INCREASE IN LIABILITIES</b>		—	—
Current liabilities	22	27,198,312	342,769
Non-current liabilities	22	<u>6,803,325</u>	203,244
<b>STAMP DUTY REFUND</b>		—	16,775
<b>MINORITY INTEREST IN SUBSIDIARY ACQUIRED</b>		<u>4,675,567</u>	—
<b>TOTAL SOURCES OF FUNDS</b>		<u>49,888,905</u>	<u>41,853,162</u>
 <b>INCREASE IN ASSETS</b>			
Current assets	22	2,086,886	8,641
Non-current assets	22	<u>44,549,609</u>	20,010,715
<b>REDUCTION IN LIABILITIES</b>		—	—
Current liabilities	22	351,995	17,724,729
<b>INCOME TAX PAID (refunded)</b>		<u>41,687</u>	—
<b>DIVIDENDS PAID</b>		<u>2,858,728</u>	4,109,077
<b>TOTAL APPLICATIONS OF FUNDS</b>		<u>49,888,905</u>	<u>41,853,162</u>

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
AS AT 30 JUNE 1990

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Company and Group financial statements have been drawn up in accordance with the accounting standards of the Australian Accounting Bodies, approved accounting standards and the requirements of the Companies (Western Australia) Code. They have been prepared in accordance with the historical cost convention except for certain assets which are at valuation. The accounting policies adopted are consistent with those of the previous year.

**(a) PRINCIPLES OF CONSOLIDATION**

The Group accounts comprise a consolidation of the accounts of Gwalia Consolidated Ltd and all its subsidiaries. A list of these subsidiaries appears in Note 11 to these accounts. All intercompany balances and transactions, and unrealised profits resulting from intra-group transactions have been eliminated. Profits (Losses) are taken up in the Group accounts from the effective date of acquisition.

**(b) INVESTMENTS**

Long-term investments by the Holding Company and the Group have been valued at independent valuations dated 12 June 1990 prepared by Rothschilds Australia Limited. The valuations were commissioned for the purpose of mergers of Gwalia Consolidated Ltd with its subsidiary and affiliated corporations (refer note 11). The directors will periodically consider the carrying value of these investments.

Where there has been a permanent diminution in the value of an investment a provision for diminution is made.

Investments held for resale are valued at the lower of cost and net realisable value.

**(c) MINERAL EXPLORATION EXPENDITURE**

The Company adopts the policy of capitalising all mining and exploration costs which relate to an area of interest as they occur where:

- (i) the area of interest has proven commercially recoverable reserves and the rights to tenure of the area of interest are current; or
- (ii) exploration activities and/or evaluation of the area of interest has not yet reached a stage which permits a reasonable assessment of the existence or otherwise of commercially recoverable reserves.

The ultimate recouptment of costs related to areas of interest in the exploration and/or evaluation phase is dependent on the successful development and commercial exploitation or sale of the relevant areas.

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

**(d) EXPENDITURE CARRIED FORWARD**

**Mine Development Costs**

Development costs incurred in preparing the mine sites for production are carried forward to the extent that these costs are expected to be recouped through the successful exploitation of the Company's Mining Leases. The expenditure will be amortised over the life of the mine from commencement of operations.

**(e) DEPRECIATION**

Depreciation is provided on a straight line basis on all tangible fixed assets, other than freehold land or buildings under construction, at rates calculated to allocate their cost or valuation less estimated residual value, against revenue over their estimated useful lives. Major depreciable assets comprise plant and equipment which are depreciated on a prime cost basis over five years.

NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
AS AT 30 JUNE 1990

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(f) INCOME TAX

Tax effect accounting procedures are applied whereby income tax is regarded as an expense and is matched with the accounting profit after allowing for permanent differences. Income tax on net cumulative timing differences is set aside to deferred income tax and future tax benefit accounts at current rates. Timing differences arise when the period in which items are included in determining accounting profit differ from the periods in which they are included in determining taxable income. The future tax benefit relating to timing differences is carried forward as an asset if there is assurance beyond reasonable doubt of it being realised. Where companies in the Group have incurred tax losses, the future tax benefit relating to the tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

(g) EQUITY ACCOUNTING

The Company has equity accounted its investments in associated companies in accordance with the approved applicable accounting standard on equity accounting. Associated companies are companies in which the Group holds more than 20% of the issued capital and is able to exert significant influence over the operations of those companies.

(h) JOINT VENTURES

The Company's interest in exploration joint ventures is brought to account based on the actual expenditure incurred by the Company in contributing to the joint venture's exploration programme.

(i) LEASED FIXED ASSETS

Assets acquired under finance leases, where risks and benefits incidental to ownership are effectively transferred from the lessor to the lessee, are capitalised as fixed assets. The initial value of those assets equals the present value of the relative minimum lease payments plus any guaranteed residual value and is amortised on a straightline basis over the estimated economic life of the particular asset.

(j) FOREIGN CURRENCIES

**Translation of foreign currency transactions**

Transactions in foreign currencies of group entities are converted to local currency at the rate of exchange ruling at the date of the transaction.

Amounts payable to and by the group entities that are outstanding at the balance date and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the financial year.

**Translation of accounts of overseas operations**

All overseas operations are deemed self-sustaining as each is financially and operationally independent of Gwalia Consolidated Ltd. The accounts of overseas operations are translated using the current rate method and any exchange differences are taken directly to the foreign currency translation reserve.

(k) INVENTORIES

Inventories are valued at the lower of cost. Cost is determined on a first in first out basis.

NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
AS AT 30 JUNE 1990

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(1) INCOME RECOGNITION

Dividend income is taken into profit as received.

(m) GOLD LOANS

Gold loans are recorded at the historical gold price at the time funds are drawn down. Gold delivered as repayment of loans is recorded as a sale and a reduction of the liabilities at the same historical gold price at draw down.

(n) ROYALTY EXPENDITURE

Royalty expenditure represents expenditure in relation to the acquisition of the Group's interest in royalties over certain petroleum permits which are expected to benefit and contribute to the earning capacity of future periods and does not relate to current revenue. This expenditure is capitalised and amortised in amounts equal to royalties received.

(o) DEFERRED RECONSTRUCTION EXPENDITURE

Expenditure incurred in respect of reconstruction of the Gwalia Group as explained in Note 32 has been deferred and will be amortised over five years.

(p) GOODWILL

Goodwill represents the excess purchase consideration over the fair value of identifiable net assets acquired at the date of acquisition of a business or shares in a subsidiary.

Goodwill is amortised by the straight line method over the period during which benefits are expected to be received. This is taken as being 20 years.

NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
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	Group		Holding Company	
	1990	1989	1990	1989
	\$	\$	\$	\$
<b>2. OPERATING PROFIT AND INFLOWS AND OUTFLOWS OF FUNDS FROM OPERATIONS</b>				
The operating profit before income tax is arrived at after charging/(crediting) the following items:				
Bad debts recovered				
— amounts receivable from subsidiaries	—	—	(220,690)	—
Amortisation and depreciation of property, plant and equipment				
— buildings	38,728	—	38,728	—
— plant and equipment	104,790	8,654	54,600	8,654
— plant and equipment under lease	99,172	30,334	99,172	30,334
Finance charges				
— Lease liability	58,310	19,695	58,310	19,695
— Rental — operating leases	290,436	—	290,436	300,000
Provisions for employee entitlements	240,633	209,951	226,561	209,951
Interest paid				
— other persons/corporations	1,097,909	4,273	1,097,909	4,273
— associated companies	211,494	—	103,572	—
Mineral exploration expenditure written off	521,315	123,699	—	25,320
(Profit)/Loss on sale of non-current assets	(88,760)	637,492	(88,760)	637,492
Write-down of investments	22,704	—	22,704	—
Foreign exchange losses	28,331	—	—	—
Included in the operating profit are the following items of operating revenue:				
Corporate, financial, administrative and technical costs reimbursed from associated companies	4,470,728	3,838,976	4,470,728	3,838,976
Other revenue:				
Dividends received				
— associated companies	6,733,511	6,106,955	6,733,511	6,106,955
Interest received/receivable				
— associated companies	1,203,985	—	1,203,985	—
— other persons/corporations	270,769	349,065	84,571	218,309
Poceeds from sale of non-current assets	352,231	1,651,146	352,231	1,651,146
Other	2,816	—	—	—
Operating revenue and inflow of funds from operations	13,034,040	11,946,142	12,845,026	11,815,386

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	Group		Holding Company	
	1990	1989	1990	1989
	\$	\$	\$	\$

**3. FUNDS FROM OPERATIONS**

The reconciliation of Group operating profit before income tax to funds from operations is as follows:

Group operating profit	5,675,117	5,587,337
Amortisation and depreciation	242,690	38,988
Net loss (profit) on sale of non-current assets	(88,760)	637,492
Proceeds on sale of non-current assets	352,231	476,874
Proceeds from sale of shares	9,449	1,174,272
Exploration expenditure written off	521,315	123,699
Provisions for employee entitlements	240,633	—
Write down of investments	22,704	—
Funds from operations	<u>6,975,379</u>	<u>8,038,662</u>

**4. INCOME TAX**

The prima facie tax on operating profit differs from the income tax provided in the accounts and is calculated as follows:

Prima facie tax on operating profit	2,213,295	2,179,061	2,643,478	2,166,396
Tax effect of permanent differences				
— Rebateable dividends	(2,626,069)	(2,381,712)	(2,626,069)	(2,381,712)
Mineral exploration expenditure written off	203,313	48,243	—	9,875
Capital loss on sale of mining tenement	—	281,064	—	281,064
Other items (net)	43,095	(87,576)	(88,153)	(87,538)
Over provision from previous year	(20,878)	—	(20,878)	—
Prior year losses not previously brought to account	—	(50,995)	—	—
Income tax expense/(credit) attributable to operating profit	<u>(187,244)</u>	<u>(11,915)</u>	<u>(91,622)</u>	<u>(11,915)</u>

**5. EXTRAORDINARY ITEMS**

Tax effect is nil except where otherwise stated

Profit on sale of investments	—	1,276,508	—	1,276,508
	<u>—</u>	<u>1,276,508</u>	<u>—</u>	<u>1,276,508</u>

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	Group		Holding Company	
	1990	1989	1990	1989
	\$	\$	\$	\$
<b>6. CONSOLIDATED PROFIT</b>				
Contributions to group profit:				
Gwalia Consolidated Ltd	6,869,771	6,843,284		
Sevake Pty Ltd	—	(89,604)		
Riverslea Estates Pty Ltd	(220,690)	130,756		
Falcon Marble and Granite Pty Ltd	—	100		
Future Minerals Pty Ltd	—	(8,776)		
Gwalia International Ltd	(232,681)	—		
A.R.I. Chemicals Pty Ltd	—	—		
A.R.I. Investments Pty Ltd	—	—		
A.R.I. (S.A.) Pty Ltd	—	—		
Griffith Sales & Service Pty Ltd	—	—		
Metallica Limited	—	—		
Gwalia (U.S.A.) Limited	(388,607)	—		
Gwalia Zimbabwe (Private) Ltd	14,553	—		
Chase Minerals (Private) Limited	(179,985)	—		
	<u>5,862,361</u>	<u>6,875,760</u>		
<b>7. RECEIVABLES (CURRENT)</b>				
Other debtors	222,881	360,111	177,032	360,111
Amounts receivable from associated companies	70,000	71,722	70,000	71,722
Amounts receivable from subsidiaries	—	—	1,543,146	3,277,533
Less provision for doubtful debts	—	—	(950,665)	(1,564,706)
	<u>292,881</u>	<u>431,833</u>	<u>839,513</u>	<u>2,144,660</u>
<b>8. INVENTORIES</b>				
Consumables	<u>3,466</u>	—	—	—
<b>9. OTHER CURRENT ASSETS</b>				
Prepayments	<u>198,807</u>	14,649	<u>182,833</u>	<u>14,649</u>
<b>10. RECEIVABLES (NON-CURRENT)</b>				
Amounts receivable from associated companies	<u>26,875,667</u>	—	<u>26,875,667</u>	—

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	Group		Holding Company	
	1990	1989	1990	1989
	\$	\$	\$	\$
<b>11. INVESTMENTS (NON-CURRENT)</b>				
Investments comprise:				
(a) Shares in associated companies				
— listed on a prescribed stock exchange				
— at Directors' valuation 30 June 1988	81,525,465	86,202,982	81,525,465	85,708,881
— at cost	19,114,424	19,029,622	19,114,424	19,029,622
— unlisted at cost	1,971	4,000	1,971	4,000
	<u>100,641,860</u>	<u>105,236,604</u>	<u>100,641,860</u>	<u>104,742,503</u>
Revaluation decrement to independent valuation	<u>(6,591,529)</u>	<u>—</u>	<u>(6,591,529)</u>	<u>—</u>
Investments in associated companies at independent valuation June 1990	<u>94,050,331</u>	<u>105,236,604</u>	<u>94,050,331</u>	<u>104,742,503</u>
(b) Shares in other companies				
— listed on a prescribed stock exchange				
— at market value 30 June 1990	55,695	229,225	55,695	229,225
— unlisted at cost	3	2	2	2
	<u>55,698</u>	<u>229,227</u>	<u>55,697</u>	<u>229,227</u>
(c) Shares in subsidiaries listed on a prescribed stock exchange				
— at Directors' valuation 30 June 1988	—	—	4,094,150	—
— at cost	—	—	652,676	—
	—	—	4,746,826	—
Revaluation decrement to independent valuation	—	—	<u>(408,290)</u>	—
Investments in listed subsidiaries at independent valuation June 1990	—	—	<u>4,338,536</u>	—
— unlisted subsidiaries at cost	—	—	203	205
	—	—	<u>4,338,739</u>	<u>205</u>
	<u>94,106,029</u>	<u>105,465,831</u>	<u>98,444,767</u>	<u>104,971,935</u>
Aggregate quoted market value at balance date of investments listed on a prescribed stock exchange	<u>81,777,981</u>	<u>83,631,741</u>	<u>84,305,505</u>	<u>83,247,441</u>

(1) Revaluations

Investments in associated companies and listed subsidiaries have been revalued to valuations determined by Rothschild Australia Limited as stated in their report dated 12 June 1990 prepared for the purpose of the mergers of Gwalia Consolidated Ltd and its subsidiary and affiliated corporations subsequent to the year end (refer Note 32). The valuations were based principally on discounting the cash flows of the underlying mines within the respective companies and independent valuations prepared by N.H. Cole and Associates Pty Ltd, of exploration tenements held by the respective companies.

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**11. INVESTMENTS (NON-CURRENT) Continued**

Investments in subsidiaries comprise:-

Name	% held by		State of Incorporation	Holding Company Investment		
	Holding Company			1990	1989	
	1990	1989				
	%	%		\$	\$	
Falcon Marble & Granite Pty Ltd	—	100	Western Australia	—	1	
Future Minerals Pty Ltd	100	100	Western Australia	201	201	
Sevake Pty Ltd	100	100	New South Wales	2	2	
Riverslea Estates Pty Ltd	—	100	Queensland	—	1	
Gwalia International Ltd (2)	50.81	—		4,338,536	—	
Subsidiaries of Gwalia International Ltd:						
— A.R.I. Chemicals Pty Ltd (1)(2)	100	—	New South Wales	—	—	
— A.R.I. Investments Pty Ltd (1)(2)	100	—	New South Wales	—	—	
— A.R.I. (S.A.) Pty Ltd (1)(2)	100	—	South Australia	—	—	
— Griffith Sales & Service Pty Ltd (1)(2)	100	—	New South Wales	—	—	
— Metallica Limited (1)	100	—	New South Wales	—	—	
— Gwalia (U.S.A.) Ltd	100	—	U.S.A.	—	—	
— Gwalia Zimbabwe (Private) Limited (1)	100	—	Zimbabwe	—	—	
Subsidiary of Gwalia Zimbabwe (Private) Limited	100	—				
— Chase Minerals (Private) Limited	75	—	Zimbabwe	—	—	
				4,338,739	205	

(1) These subsidiaries were audited by Gould Ralph & Company.

(2) These subsidiaries have been placed in voluntary liquidation.

Investments in associated companies comprise:-

Name	Group Interest		% held by		Principal Activities	
	Group Interest		Group			
	1990	1989	1990	1989		
	\$	\$	%	%		
Sons of Gwalia N.L.	79,535,384	79,457,257	36.70	40.26	Gold mining and mineral exploration	
Gwalia Minerals N.L.	12,929,846	19,086,225	40.24	48.34	Talc and gold mining and mineral exploration	
Gwalia International Ltd	—	5,214,464	—	50.38	Mineral exploration	
Biotech International Ltd	1,585,101	1,478,658	43.55	41.70	Biotechnology research and related investments	
	<u>94,050,331</u>	<u>105,236,604</u>				

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	Group		Holding Company	
	1990	1989	1990	1989
	\$	\$	\$	\$
<b>12. PROPERTY PLANT AND EQUIPMENT</b>				
Freehold land				
At cost	<u>1,968,727</u>	<u>856,923</u>	<u>1,968,727</u>	<u>856,923</u>
Buildings on freehold land				
At cost	<u>2,619,843</u>	<u>—</u>	<u>2,619,843</u>	<u>—</u>
Provision for depreciation	<u>(38,728)</u>	<u>—</u>	<u>(38,728)</u>	<u>—</u>
	<u>2,581,115</u>	<u>—</u>	<u>2,581,115</u>	<u>—</u>
Plant and equipment				
At cost	<u>3,191,827</u>	<u>118,122</u>	<u>672,678</u>	<u>118,122</u>
Provision for depreciation	<u>(161,830)</u>	<u>(8,654)</u>	<u>(64,036)</u>	<u>(8,654)</u>
	<u>3,029,997</u>	<u>109,468</u>	<u>608,642</u>	<u>109,468</u>
Plant and equipment under lease				
At cost	<u>499,009</u>	<u>248,232</u>	<u>499,009</u>	<u>248,232</u>
Provision for amortisation	<u>(129,506)</u>	<u>(30,334)</u>	<u>(129,506)</u>	<u>(30,334)</u>
	<u>369,503</u>	<u>217,898</u>	<u>369,503</u>	<u>217,898</u>
Buildings under construction				
At cost	<u>—</u>	<u>1,432,137</u>	<u>—</u>	<u>1,432,137</u>
Total property, plant and equipment				
At cost	<u>8,279,406</u>	<u>2,655,414</u>	<u>5,760,257</u>	<u>2,655,414</u>
Provision for depreciation and amortisation	<u>(330,064)</u>	<u>(38,988)</u>	<u>(232,270)</u>	<u>(38,988)</u>
	<u>7,949,342</u>	<u>2,616,426</u>	<u>5,527,987</u>	<u>2,616,426</u>
The land and buildings have been acquired or constructed within the previous three years and the directors consider cost to be an appropriate estimate of the current valuation of these assets.				
<b>13. MINERAL EXPLORATION EXPENDITURE</b>				
Acquisition cost of tenements and interests in joint ventures	<u>2,381,531</u>	<u>—</u>	<u>—</u>	<u>—</u>
Expenditure thereon	<u>7,433,292</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>9,814,823</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>14. EXPENDITURE CARRIED FORWARD</b>				
Mine development expenditure	<u>1,330,896</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>15. OTHER NON-CURRENT ASSETS</b>				
Future income tax benefit	<u>152,180</u>	<u>87,224</u>	<u>152,180</u>	<u>87,224</u>
Deferred group reconstruction expenditure	<u>297,100</u>	<u>—</u>	<u>297,100</u>	<u>—</u>
Goodwill	<u>408,290</u>	<u>—</u>	<u>—</u>	<u>—</u>
Deferred petroleum royalty expenditure	<u>180,339</u>	<u>—</u>	<u>—</u>	<u>—</u>
Provision for amortisation	<u>(69,578)</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>968,331</u>	<u>87,224</u>	<u>449,280</u>	<u>87,224</u>

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	Group		Holding Company	
	1990	1989	1990	1989
	\$	\$	\$	\$
<b>16. CREDITORS AND BORROWINGS (CURRENT)</b>				
Bank overdraft	132,034	484,029	119,952	484,029
Bank loan	26,706,819	146,570	26,706,819	146,570
Trade creditors	958,102	481,150	328,068	481,150
Lease liability (Refer Note 26)	78,120	26,024	78,120	26,024
Amounts payable to associated companies	9,747	—	9,747	—
	<b>27,884,822</b>	<b>1,137,773</b>	<b>27,242,706</b>	<b>1,137,773</b>
Secured liabilities comprise:				
Bank overdraft and loan	<b>26,838,853</b>	<b>484,029</b>	<b>26,826,771</b>	<b>484,029</b>
The bank loan is secured by a first registered debenture over the assets and undertakings of the Company and its subsidiaries and a share mortgage over the majority of shares held by the Company and its subsidiaries.				
Subsequent to the mergers referred to in Note 32 the Company has entered into negotiations with its bankers to arrange appropriate short and long term facilities for the whole group.				
<b>17. PROVISIONS (CURRENT)</b>				
Employee entitlements	302,071	209,951	287,999	209,951
Income tax	3,646	75,309	—	75,309
Dividends	1,192,000	1,429,244	1,192,000	1,429,244
	<b>1,497,717</b>	<b>1,714,504</b>	<b>1,479,999</b>	<b>1,714,504</b>
<b>18. CREDITORS AND BORROWINGS (NON-CURRENT)</b>				
Lease liability (Refer Note 25)	344,832	203,244	344,832	203,244
Loans	1,347,130	—	—	—
Gold loans	5,314,607	—	—	—
	<b>7,006,569</b>	<b>203,244</b>	<b>344,832</b>	<b>203,244</b>
Secured liabilities comprise:				
Loans	1,347,130	—	—	—
Gold loans	5,314,607	—	—	—
	<b>6,661,737</b>	<b>—</b>	<b>—</b>	<b>—</b>
The gold loan is guaranteed by Sons of Gwalia N.L. which holds a first ranking fixed and floating charge over the assets and undertakings of Gwalia International Ltd. As consideration for this guarantee Sons of Gwalia N.L. is paid 0.5% of the gross gold drawn down. At 30 June 1990, 9,121 ounces of gold were outstanding in respect of the gold loan.				
<b>19. PROVISIONS (NON-CURRENT)</b>				
Employee entitlements	148,513	—	148,513	—
Deferred tax liability	6,956	—	6,956	—
	<b>155,469</b>	<b>—</b>	<b>155,469</b>	<b>—</b>

NOTES TO AND FORMING PART OF THE  
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	Group		Holding Company	
	1990	1989	1990	1989
	\$	\$	\$	\$
<b>20. SHARE CAPITAL</b>				
Authorised capital				
50,000,000 shares of 20 cents each	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Issued capital				
35,737,100 (1989 - 35,731,100) ordinary shares of 20 cents each fully paid	<u>7,147,420</u>	<u>7,146,220</u>	<u>7,147,420</u>	<u>7,146,420</u>
During the year, 6,000 employee options were converted to shares. The exercise price was \$1.575 per share giving a premium of \$1.375 per share. At 30 June 1990, a total of 2,494,000 employee options were outstanding.				
<b>21. RESERVES</b>				
Reserves comprise:				
Share premium	<u>23,800,920</u>	<u>23,792,671</u>	<u>23,800,920</u>	<u>23,792,671</u>
Asset realisation	<u>669,535</u>	<u>669,535</u>	<u>669,535</u>	<u>669,535</u>
Investment revaluation	<u>59,432,593</u>	<u>66,024,122</u>	<u>59,024,303</u>	<u>66,024,122</u>
Foreign currency translation	<u>121</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>83,903,169</u>	<u>90,486,328</u>	<u>83,494,758</u>	<u>90,486,328</u>
Movements in reserves:				
Share premium reserve				
Balance at beginning of year	<u>23,792,671</u>	<u>23,792,671</u>	<u>23,792,671</u>	<u>23,792,671</u>
6,000 shares at a premium of \$1.375 per share	<u>8,249</u>	<u>—</u>	<u>8,249</u>	<u>—</u>
Balance at end of year	<u>23,800,920</u>	<u>23,792,671</u>	<u>23,800,920</u>	<u>23,792,671</u>
Investment revaluation reserve				
Balance at beginning of year	<u>66,024,122</u>	<u>70,316,162</u>	<u>66,024,122</u>	<u>70,316,162</u>
Transfer to asset realisation reserve on realisation of investment	<u>—</u>	<u>(344,506)</u>	<u>—</u>	<u>(344,506)</u>
Devaluation of shares held in associated companies to independent valuation June 1990	<u>(6,591,529)</u>	<u>(3,947,534)</u>	<u>(6,999,819)</u>	<u>(3,947,534)</u>
Balance at end of year	<u>59,432,593</u>	<u>66,024,122</u>	<u>59,024,303</u>	<u>66,024,122</u>
Foreign currency translation reserve				
Balance at beginning of year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Increment on translation of foreign subsidiaries	<u>121</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance at end of year	<u>121</u>	<u>—</u>	<u>—</u>	<u>—</u>

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	Group		Holding Company	
	1990	1989	1990	1989
	\$	\$	\$	\$
<b>22. SOURCES AND APPLICATIONS OF FUNDS</b>				
Sources of funds include:				
Reduction in assets				
Current assets				
Cash	—	3,110,911		
Other debtors	137,230	754,520		
Receivables from associates	1,722	38,278		
	<u>138,952</u>	<u>3,903,709</u>		
Non-current assets				
Investment in associated companies	4,097,370	—		
Increase in liabilities				
Current liabilities				
Bank loans	26,560,249	—		
Trade creditors	476,952	106,794		
Lease liability	52,096	26,024		
Payable to associated company	9,747	—		
Provisions	99,268	209,951		
	<u>27,198,312</u>	<u>342,769</u>		
Non-current liabilities				
Lease liability	141,588	203,244		
Loan	1,347,130	—		
Gold loan	5,314,607	—		
	<u>6,803,325</u>	<u>203,244</u>		
Applications of funds include:				
Increase in assets				
Current assets				
Cash	1,899,262	—		
Consumables	3,466	—		
Prepayments	184,158	8,641		
	<u>2,086,886</u>	<u>8,641</u>		

NOTES TO AND FORMING PART OF THE  
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	Group		Holding Company
	1990	1989	1990
	\$	\$	\$
<b>22. SOURCES AND APPLICATIONS OF FUNDS</b>			
Continued			
Non-current assets			
Amounts receivable from associated companies	<b>26,875,667</b>	—	
Listed shares acquired	<b>23,379</b>	2,628,913	
Investment in associated companies	—	15,283,623	
Land	<b>1,111,804</b>	280,600	
Buildings	<b>1,187,706</b>	1,432,137	
Plant and equipment	<b>3,025,198</b>	118,122	
Plant and equipment under lease	<b>250,777</b>	248,232	
Mineral exploration expenditure	<b>10,336,138</b>	19,088	
Mine development expenditure	<b>1,330,896</b>	—	
Deferred expenditure relating to group reconstruction	<b>297,283</b>	—	
Petroleum royalty	<b>110,761</b>	—	
	<b>44,549,609</b>	<b>20,010,715</b>	—
Reduction in liabilities			
Current liabilities			
Bank overdraft	<b>351,995</b>	17,669,639	
Loan	—	100	
Amounts payable to associated companies	—	54,990	
	<b>351,995</b>	<b>17,724,729</b>	—

Subsidiary Acquired:

On 7 December 1989, the Company increased its shareholding in the capital of Gwalia International Ltd. to 50.81%. Assets and liabilities acquired have been included in the summary of sources and applications of funds.

Details of the acquisition are:

Consideration	\$
— cash paid (net)	5,240,926
Minority shareholding	<b>4,675,567</b>
	<b>9,916,493</b>

Net assets of Gwalia International Ltd  
at 7 December 1989

Cash	\$ 2,736,456
Receivables	55,429
Consumables	5,358
Prepayments	52,563
Investments	1
Plant and equipment	1,262,197
Exploration expenditure	8,366,328
Deferred mining expenditure	762,460
Petroleum royalty	<b>113,702</b>
	<b>13,354,494</b>

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	Group		Holding Company	
	1990	1989	1990	1989
	\$	\$	\$	\$
<b>22. SOURCES AND APPLICATIONS OF FUNDS</b>				
<i>Continued</i>				
Trade creditors		125,865		
Employee entitlements		12,866		
Taxation		99,268		
Gold loan		2,304,214		
Loans		1,284,191		
Lease liability		19,887		
		<u>3,846,291</u>		
Fair value of net assets		9,508,203		
Goodwill arising on acquisition		408,290		
		<u>9,916,493</u>		
Subsidiary Sold:				
On the 30 September 1989, the Company sold its 100% interest in Riverslea Estates Pty Ltd.				
Consideration		2		
Net assets of Riverslea Estates Pty Ltd		2		
<b>23. REMUNERATION OF DIRECTORS AND EXECUTIVES</b>				
(a) Directors' Remuneration				
Amounts received or due and receivable by Directors of the Group and Holding Company from Group companies and related corporations	<u>220,678</u>	<u>83,115</u>	<u>152,403</u>	<u>83,115</u>
The number of Directors of the Holding Company and Group whose remuneration falls within the following bands:				
\$ 0 – \$ 9,999	0	1	0	1
\$10,000 – \$19,999	2	0	2	0
\$20,000 – \$29,999	0	3	0	3
\$30,000 – \$39,999	0	0	2	0
\$40,000 – \$49,999	0	0	1	0
\$60,000 – \$69,999	3	0	0	0
(b) Superannuation Benefits				
Superannuation contributions paid in connection with the retirement of persons from the office of Director or Principal Executive Officer of Group companies, in aggregate as the Directors believe that the provision of full particulars would be unreasonable	<u>23,506</u>	<u>20,467</u>	<u>11,753</u>	<u>20,467</u>
(c) Executives' Remuneration				
No executive received in excess of \$85,000 remuneration from the Company or a related corporation.				

NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
AS AT 30 JUNE 1990

**24. SUPERANNUATION COMMITMENTS**

All employees, upon joining the Company, are entitled immediately to death and permanent disablement benefits and after serving a qualifying period to superannuation benefits on retirement (subject to a vesting scale). The Company contributes to the funds on behalf of its employees at various percentages of their wages and salaries. The commitment to contribute only exists as long as the employment of these persons continues. The fund is an accumulation fund and benefits paid are based on defined contributions.

Group	1990		Holding Company	
	1990	1989	1990	1989
	\$	\$	\$	\$

**25. AUDITORS' REMUNERATION**

Amounts received or due and receivable by the auditors of the holding company:

Auditing accounts	20,500	18,500	19,500	17,500
Other services	<u>15,790</u>	<u>30,408</u>	<u>14,790</u>	<u>30,408</u>

Amounts received or due and receivable by the auditors other than the auditors of the holding company:

Auditing accounts of certain subsidiaries	<u>10,994</u>	<u>—</u>	<u>—</u>	<u>—</u>
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**26. LEASE EXPENDITURE COMMITMENTS**

Finance leases:

Not later than one year	155,487	62,944	155,487	62,944
Later than one year and not later than two years	136,132	62,944	136,132	62,944
Later than two years and not later than five years	299,080	218,181	299,080	218,181
Later than five years	—	—	—	—
Total minimum lease payments	<u>590,699</u>	<u>344,069</u>	<u>590,699</u>	<u>344,069</u>
Future finance charges	<u>(167,747)</u>	<u>(114,801)</u>	<u>(167,747)</u>	<u>(114,801)</u>
Lease liability	<u>422,952</u>	<u>229,268</u>	<u>422,952</u>	<u>229,268</u>
Current liability (Refer Note 16)	<u>78,120</u>	<u>26,024</u>	<u>78,120</u>	<u>26,024</u>
Non-current liability (Refer Note 18)	<u>344,832</u>	<u>203,244</u>	<u>344,832</u>	<u>203,244</u>
	<u>422,952</u>	<u>229,268</u>	<u>422,952</u>	<u>229,268</u>

**27. CAPITAL EXPENDITURE COMMITMENTS**

Estimated capital expenditure contracted for at balance date but not provided for, payable not later than one year after the end of the financial year

—	962,863	—	962,863
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NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
AS AT 30 JUNE 1990

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**28. RELATED PARTY DISCLOSURES**

- (a) The Directors of Gwalia Consolidated Ltd during the financial year were:

R.J. Lynch  
P.K. Lalor  
C.J. Lalor  
G. Harrison  
E.M. Ross-Adjie

- (b) The following related party transactions occurred during the financial year.

- i) Gwalia Consolidated Ltd holds strategic investments in a number of associated companies including Sons of Gwalia N.L., Gwalia Minerals N.L., Gwalia International Ltd and Biotech International Ltd. Gwalia Consolidated Ltd provides corporate, financial, administrative and technical services to these companies. Each company reimburses Gwalia Consolidated Ltd with their respective proportions of the cost of providing these services.
- ii) During the year a short term unsecured loan of \$385,000 was provided by Sons of Gwalia N.L. to Gwalia Consolidated Ltd. The amount outstanding at 30 June 1990 is Nil (1989 Nil). Interest was payable at 1% above the 30 day bank bill rate. Total interest paid by Gwalia Consolidated Ltd was \$10,133.
- iii) Gwalia Consolidated Ltd leases equipment, furniture and fittings from Sons of Gwalia N.L. Total lease payments made during the year was \$290,436.
- iv) Gwalia Consolidated Ltd purchased 160,000 Gwalia International Ltd shares from Sons of Gwalia N.L. at their original cost to Sons of Gwalia N.L. of \$40,250.
- v) Sons of Gwalia N.L. purchased land during the year. It then sold the land to Gwalia Consolidated Ltd for \$1,053,000 which represented the original purchase price plus subsequent holding costs.
- vi) Gwalia Consolidated Ltd has received \$6,733,511 in dividend income from Sons of Gwalia N.L.
- vii) Gwalia Consolidated Ltd provided a loan facility to the limit of \$27,500,000 to Gwalia Minerals N.L. At 30 June 1990, the balance outstanding on the loan facility was \$26,875,667 (1989 Nil). Interest is charged at 1.0% above the commercial bill rate for the funding period. Total income received/receivable at 30 June 1990 was \$1,175,856. The loan is required to be repaid by 30 December 1990. As security for the loan Gwalia Consolidated Ltd has a share mortgage over Gwalia Minerals N.L.'s 81.88% interest in Greenbushes Ltd.
- viii) The Company has guaranteed overdraft loan facilities of its associated companies. Refer Note 30.

NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
AS AT 30 JUNE 1990

**29. EQUITY SUPPLEMENTARY FINANCIAL INFORMATION  
PROFIT AND LOSS STATEMENT**

	Consolidated		Share of Associated Companies		Consolidated and Share of Associated Companies	
	1990	1989	1990	1989	1990	1989
	\$	\$	\$	\$	\$	\$
Operating profit (loss)	(1,058,394)	(519,618)	5,036,663	10,891,604	3,978,269	10,371,986
Income tax credit (expense) attributable to operating profit	<u>187,244</u>	<u>11,915</u>	<u>507,436</u>	<u>(100,870)</u>	<u>694,680</u>	<u>(88,955)</u>
Operating profit (loss) after income tax	<u>(871,150)</u>	<u>(507,703)</u>	<u>5,554,099</u>	<u>10,790,734</u>	<u>4,672,949</u>	<u>10,283,031</u>
Profit (loss) on extraordinary items	—	1,276,508	—	(1,217,016)	—	59,492
Income tax attributable to profit on extraordinary items	—	—	—	—	—	—
Profit (loss) on extraordinary items after income tax	—	1,276,508	—	(1,217,016)	—	59,492
Operating profit and extraordinary items after income tax	<u>(871,150)</u>	<u>768,805</u>	<u>5,544,099</u>	<u>9,573,718</u>	<u>4,672,949</u>	<u>10,342,523</u>
Minority interests in operating profit and extraordinary items after tax	<u>385,196</u>	<u>—</u>	<u>5,972</u>	<u>(35,982)</u>	<u>391,168</u>	<u>(35,982)</u>
Operating profit and extraordinary items after income tax attributable to members of						
— the Group	(485,954)	768,805	—	—	—	—
— associated companies	—	—	5,550,071	9,537,736	5,064,117	10,306,541
Retained profits at the beginning of the financial year	9,415,132	5,397,860	17,568,941	14,004,216	26,984,073	19,402,076
Dividends received from associated companies	<u>6,733,511</u>	<u>6,106,955</u>	<u>(6,733,511)</u>	<u>(6,106,955)</u>	<u>—</u>	<u>—</u>
Total available for appropriation	15,662,689	12,273,620	16,385,501	17,434,997	32,048,190	29,708,617

NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
AS AT 30 JUNE 1990

29. EQUITY SUPPLEMENTARY FINANCIAL INFORMATION Continued

	Consolidated		Share of Associated Companies		Consolidated and Share of Associated Companies	
	1990	1989	1990	1989	1990	1989
	\$	\$	\$	\$	\$	\$
Retained (profits) losses applicable to associated companies sold during year or consolidated at year end for the first time	—	—	1,305,859	133,944	1,305,859	133,944
Adjustment to retained profits to reflect dilution of investment in associated companies	—	—	(732,297)	—	(732,297)	—
Dividends provided for or paid	(2,621,484)	(2,858,488)	—	—	(2,621,484)	(2,858,488)
RETAINED PROFITS at the end of the financial year	<u>13,041,205</u>	<u>9,415,132</u>	<u>16,959,063</u>	<u>17,568,941</u>	<u>30,000,268</u>	<u>26,984,073</u>
<b>BALANCE SHEET</b>						
Investment in associated companies						
Shares in associated companies at cost	33,650,590	39,358,382	—	—	33,650,590	39,358,382
Shares in associated companies' reserves	—	—	18,312,769	13,871,521	18,312,769	13,871,521
Share of associated companies' profits (losses)	—	—	16,959,063	17,568,941	16,959,063	17,568,941
Aggregate carrying amount	<u>33,650,590</u>	<u>39,358,382</u>	<u>35,271,832</u>	<u>31,440,462</u>	<u>68,922,422</u>	<u>70,798,844</u>
Investments in listed companies	<u>55,695</u>	<u>229,225</u>	<u>—</u>	<u>—</u>	<u>55,695</u>	<u>229,225</u>
Other assets	<u>47,497,372</u>	<u>4,491,472</u>	<u>—</u>	<u>—</u>	<u>47,497,372</u>	<u>4,491,472</u>
Total assets	<u>81,203,657</u>	<u>44,079,079</u>	<u>35,271,832</u>	<u>31,440,462</u>	<u>116,475,489</u>	<u>75,519,541</u>
Total liabilities	<u>(36,544,577)</u>	<u>(3,055,521)</u>	<u>—</u>	<u>—</u>	<u>(36,544,577)</u>	<u>(3,055,521)</u>
Net assets	<u>44,659,080</u>	<u>41,023,558</u>	<u>35,271,832</u>	<u>31,440,462</u>	<u>79,930,912</u>	<u>72,464,020</u>

NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
AS AT 30 JUNE 1990

29. EQUITY SUPPLEMENTARY FINANCIAL INFORMATION *Continued*

	Share of Associated Companies				Consolidated and Share of Associated Companies	
	Consolidated		Companies		1990	1989
	1990	1989	1990	1989	\$	\$
Share capital	7,147,420	7,146,220	—	—	7,147,420	7,146,220
Reserves	24,470,455	24,462,206	18,312,769	13,871,521	42,783,224	38,333,727
Retained profits	13,041,205	9,415,132	16,959,063	17,568,941	30,000,268	26,984,073
Total shareholders' equity	44,659,080	41,023,558	35,271,832	31,440,462	79,930,912	72,464,020

The equity consolidated summarised balance sheet above excludes the revaluation of investments in associated companies as it is reflected in the actual consolidated balance sheet.

30. CONTINGENT LIABILITIES

- (a) The company has guaranteed the bank overdraft facility of Biotech International Ltd up to a maximum of \$600,000. As security for this guarantee the company holds a second ranking registered debenture over all the undertakings of Biotech International Ltd.
- (b) The company has guaranteed a loan facility of Chase Minerals (Private) Limited, a subsidiary of Gwalia International Ltd operating in Zimbabwe, up to a maximum of A\$1,650,000. As at June 1990 the loan outstanding amounted to A\$1,347,130.
- (c) The company has guaranteed an irrevocable letter of credit of Gwalia International Ltd for USD \$190,000.
- (d) The company has guaranteed a bank guarantee for Gwalia Minerals N.L. of \$800,000.

31. SEGMENT INFORMATION

(a) Industry Segments

	Corporate and Financial Management	Consolidation		
		Mining	Elimination	Consolidated
		1990	1990	1990
<b>Operating Revenue</b>				
Revenue from persons outside the Group	12,845,026	—	—	12,845,026
Unallocated revenue	—	—	—	189,014
				13,034,040
Segment result	6,778,149	(1,370,515)	267,483	5,675,117
Segment assets	133,754,694	16,047,971	(5,021,823)	144,780,842

NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
AS AT 30 JUNE 1990

(b) Geographical Segments

	Australia 1990	U.S.A. 1990	Zimbabwe 1990	Elimination 1990	Consolidation 1990
	\$	\$	\$	\$	\$

Operating Revenue

Revenues from persons

outside the Group 13,184,238 11,795 2,439 (164,432) 13,034,040

Segment result 6,182,237 (459,513) (492,803) 445,196 5,675,117

Segment assets 142,953,270 12,482,686 1,042,722 (12,057,836) 144,780,842

The group operated in predominantly two industries — corporate and financial management of group associated companies and the mining of gold and industrial minerals. It operated in three geographical areas — Australia, United States of America and Zimbabwe.

32. SUBSEQUENT EVENTS

- (1) On 16 July 1990, Gwalia Consolidated Ltd received shareholder approval to increase its authorised capital to 200,000,000 million ordinary shares of 20 cents each, an increase of 150,000,000 shares.
- (2) On 3 September 1990, Gwalia Resources Ltd, after receiving shareholders' approval changed its name to Gwalia Consolidated Ltd.
- (3) On 28 September 1990, Gwalia Consolidated Ltd successfully completed mergers involving schemes of arrangement between Gwalia Minerals N.L., Greenbushes Ltd, Lithium Australia Ltd and Gwalia International Ltd and their respective shareholders.

The mergers involve Gwalia Consolidated Ltd issuing shares to the minority shareholders in the scheme companies in exchange for Gwalia Consolidated shares.

Based on minority shareholdings in the scheme companies at 30 June 1990, Gwalia Consolidated will be required to issue approximately 23,711,900 ordinary shares of 20 cents in exchange for the minority shareholders' interests.

L I S T I N G   R E Q U I R E M E N T S   O F  
A U S T R A L I A N   S T O C K   E X C H A N G E   L I M I T E D

Statement of Security Holders as at 22 October 1990 in compliance with Listing Requirement 3C(3)(e)(i) to 3C(3)(e)(iv) —

	Ordinary Shares	Options	Employee Options
Distribution schedule of holdings			
1 — 1000	8426	471	0
1001 — 5000	1679	344	9
5001 — 10000	200	50	17
10001 — over	187	45	34
	<u>10492</u>	<u>910</u>	<u>60</u>
Number of holders	10492	910	60
Number of holders holding less than a marketable parcel	2078	660	N/A
% of total holding by or on behalf of the twenty largest holders	75.01	91.46	80.44

Interest of Directors

The register of Directors' share-holdings disclosed that at 26 October 1990, the Directors of the Company held the following relevant interests:

	Ordinary Shares		Options	
	In Own Names	In Other Names	In Own Names	In Other Names
R.J. Lynch	9,565	2858	1666	nil
P.K. Lalor	30,486	4,254,449	3,236,298	nil
C.J. Lalor	30,487	4,254,449	3,236,298	nil
E.M. Ross-Adjie	27,874	nil	300,000	nil
G. Harrison	nil	nil	nil	nil
J. Ainsworth	nil	nil	nil	nil
W.L. Beevers	42,858	nil	nil	nil

Substantial shareholders (holding not less than 10%) as shown in the Company's Register of Substantial Shareholders —

	Ordinary Shares
Messrs P.K. & C.J. Lalor, 16 Parliament Place, West Perth, WA	4,254,449
Sons of Gwalia N.L. 16 Parliament Place, West Perth, WA	9,907,043
Minoil Securities Limited C/- Level 22, MLC Centre Martin Place, Sydney, NSW	7,146,111

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the seventeenth Annual General Meeting of Members of the Company will be held in the Georgiana Room, Perth International Hotel, 10 Irwin Street, Perth on Friday, the 23rd day of November 1990 at 4:30 p.m.

## 1. ORDINARY BUSINESS:

- 1.1 To receive and consider the Accounts and Balance Sheet of the Company for the year ended 30 June 1990 and the reports of the Directors and Auditors thereon.
- 1.2 To re-elect Directors:
  - (a) Mr E.M. Ross-Adjie retires by rotation and being eligible, offers himself for re-election.
  - (b) Mr J. Ainsworth who was appointed by the Board during the year retires in accordance with the Company's Articles of Association and being eligible offers himself for re-election.
  - (c) Mr W.L. Beevers who was appointed by the Board during the year retires in accordance with the Company's Articles of Association and being eligible offers himself for re-election.
  - (d) Mr G. Harrison retires by rotation and does not seek re-election.
- 1.3 To declare a dividend. The Directors recommend the payment on 3 December 1990 of a dividend of two (2) cents per ordinary share to shareholders on the Register of Members at 5:00 p.m. W.S.T. on 12 November 1990.

## 2. SPECIAL BUSINESS:

To consider and if thought fit pass the following resolution as an ordinary resolution:

"That the fees payable to the Directors be set at an aggregate of \$100,000 per annum and that the Directors be authorised to determine the allocation of such fees as amongst themselves."

3. To transact any other business which may be brought forward in conformity with the Company's Articles of Association.

By Order of the Board

EARDLEY M ROSS-ADJIE

*Secretary*

Dated this 26th day of October 1990.

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