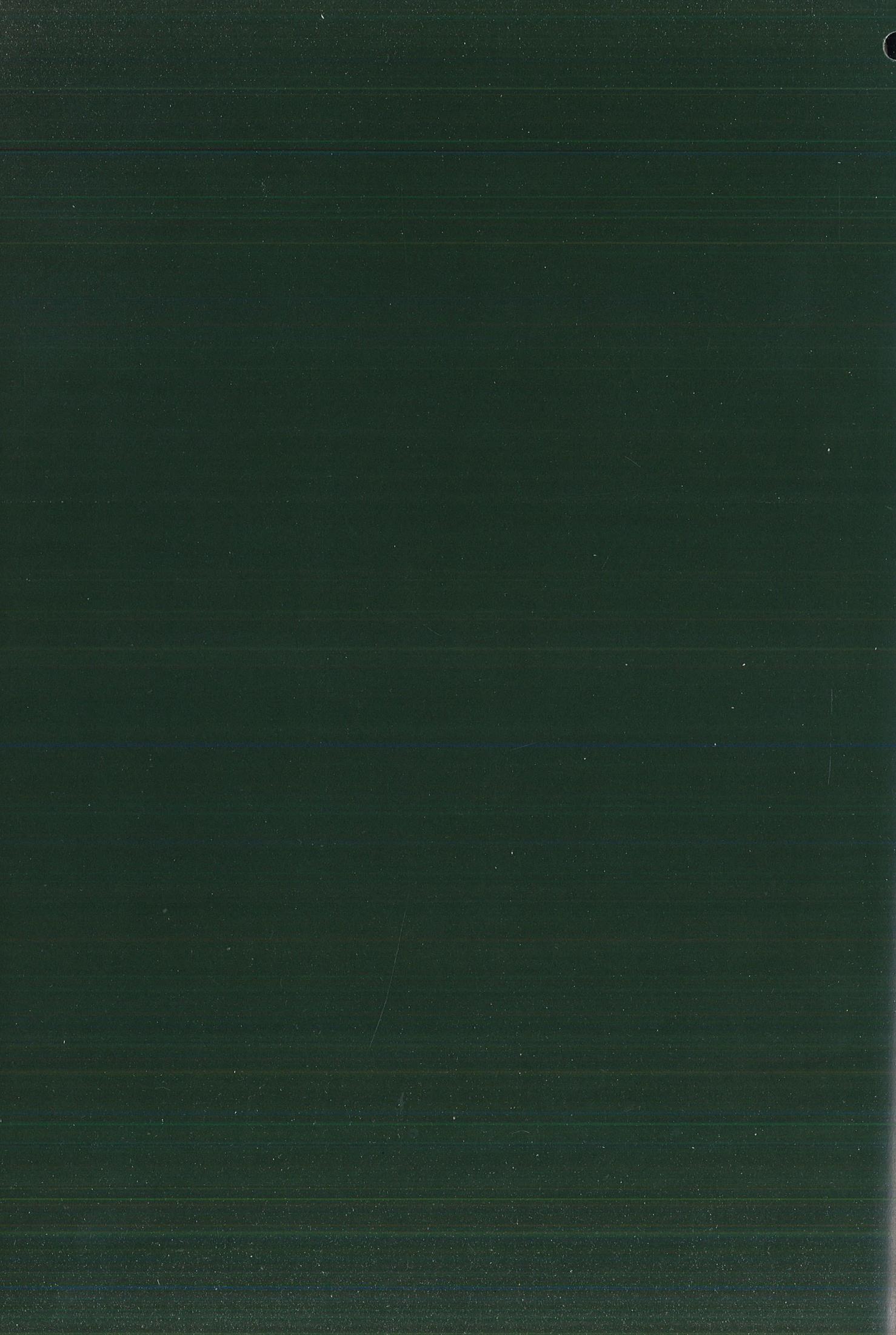




G W A L I A   C O N S O L I D A T E D   L T D .  
A N N U A L   R E P O R T   1 9 9 1

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G W A L I A   C O N S O L I D A T E D   L T D .  
ANNUAL REPORT 1991



FILE COPY

**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, ASCPA,  
(Executive — Financial Management)  
J. Ainsworth, B.Sc., C.Eng., F.I.M.M.,  
F.A.I.M.E.  
W.L. Beevers, B.Sc. (Hons)  
L.E. Baragwanath, B.Phil, M.A. (Oxon)  
(Alternate for W.L. Beevers)

**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

**SECRETARY:**

E.M. Ross-Adjie, ASCPA

**BANKERS:**

R&I Bank of Western Australia Ltd  
54-58 Barrack Street  
Perth WA 6000

**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 22nd day of  
November, 1991 at 4.30pm.**

**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.



# Management

## EXECUTIVE DIRECTORS

P K Lalor (Managing)  
C J Lalor (Executive)  
E M Ross-Adjie (Executive)

## OPERATIONS

P G Carter  
J Kalnejais  
G R Meates  
M D Bale  
R J Varley

## LEGAL AND COMMERCIAL

G R Ball  
C W Foley

## MARKETING & SHIPPING

J J Linden  
E Bradley  
P N Johnston  
M Haig

## FINANCE, ADMINISTRATION AND HUMAN RESOURCES

G R Boden  
R P Daniel  
R J Addicott  
P J May

## MINERAL EXPLORATION

Dr M J Donaldson  
B V L Rees  
D W Sargeant



## MINE MANAGERS

P N Smith Greenbushes  
P J Jongen Mt Seabrook

## OVERSEAS

P C Jones  
President, Consolidated Nevada  
Goldfields Corporation, USA  
D J Jack  
Acting Manager, Chase Minerals (Private)  
Ltd., Zimbabwe

## Board of Directors



*Gwalia Consolidated Ltd.  
Directors  
left to right:  
L.E. Baragwanath  
W.L. Beevers  
C.J. Lalor  
J. Ainsworth  
R.J. Lynch  
E.M. Ross-Adjie  
P.K. Lalor*

## Managing Director's Report

Gwalia Consolidated Ltd. has reported an increased operating profit of \$8.4m for the financial year ended 30 June 1991 after income tax and minority shareholders' interests.

The Directors have recommended a dividend of two cents per ordinary share to be paid on 2 December 1991 to shareholders on the register of members at 5.00 p.m. (WST) on 11 November 1991.

The Directors consider the results for the year under review to be more than satisfactory given the extremely difficult economic conditions experienced by the mining sector in Australia over the last twelve months. These conditions have been even more stringent for small to medium-sized mining companies in Australia where difficult stock market conditions, unavailability of new equity capital, the high Australian dollar and falling commodity prices have all resulted in adverse trading conditions.



Following the reconstruction which occurred late in 1990 the Company has focussed its efforts over the last twelve months on the Greenbushes Mine and on the Feasibility Study relating to the Munglinup Graphite Project. The Company's current business plan will involve a continuation of its objectives to re-develop the Greenbushes Mine along with other industrial and strategic minerals projects such as the Munglinup graphite deposit.

The Company currently holds substantial and valuable interests in a diversified range of high quality mineral assets including tantalum, lithium, tin, gold, talc, graphite and kaolin.

The Company is also the largest shareholder in Sons of Gwalia N.L. holding approximately 36% of that company's issued capital.

Sons of Gwalia again produced another excellent result in the 1990/91 financial year with gold production totalling a record 118,926 fine ounces and an operating profit of \$24.2 million after significant write-offs in abnormal items amounting to \$8.2 million.

Sons of Gwalia's result was notable in what was a very difficult year with disappointing results for many established gold producers. The Company received dividends from Sons of Gwalia during the financial year of \$12.79m. This included a special dividend of \$6.12m which is unlikely to be repeated this financial year.



years since operations commenced in 1984, with gold recovery at the completion of the open cut estimated to be in excess of 750,000 ounces of gold.

The new ore reserves partially encompass underground reserves and Sons of Gwalia N.L. is optimistic that the underground project will proceed after the finalisation of the open cut operations thereby sustaining the life of the mine for quite some years to come.

The Greenbushes Mine operated according to budget during the year producing approximately 321,000 lbs of tantalum concentrates, 52,000 tonnes of spodumene and lithium products and 291 tonnes of tin. Sales were somewhat lower as a result of the worldwide recession.

A Feasibility Study was completed in respect of 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 lowest possible cost. This Feasibility Study was completed subsequent to the financial year and generated sufficient positive results to enable the Directors to resolve to proceed with the recapitalisation of the mine.

The Feasibility Study and the economic returns resulting from it were greatly enhanced by the Company's success in entering into long term supply contracts covering a significant percentage of the estimated production of tantalite over the next five years from the new processing facilities along with supporting currency hedging programmes. These sales contracts were entered into with virtually all of the western world's major processors. In addition to assisting the recapitalisation and redevelopment of the Greenbushes Mine, it is hoped that the contracts will tend to stabilise the tantalum industry which has historically been subject to extreme pricing volatility.

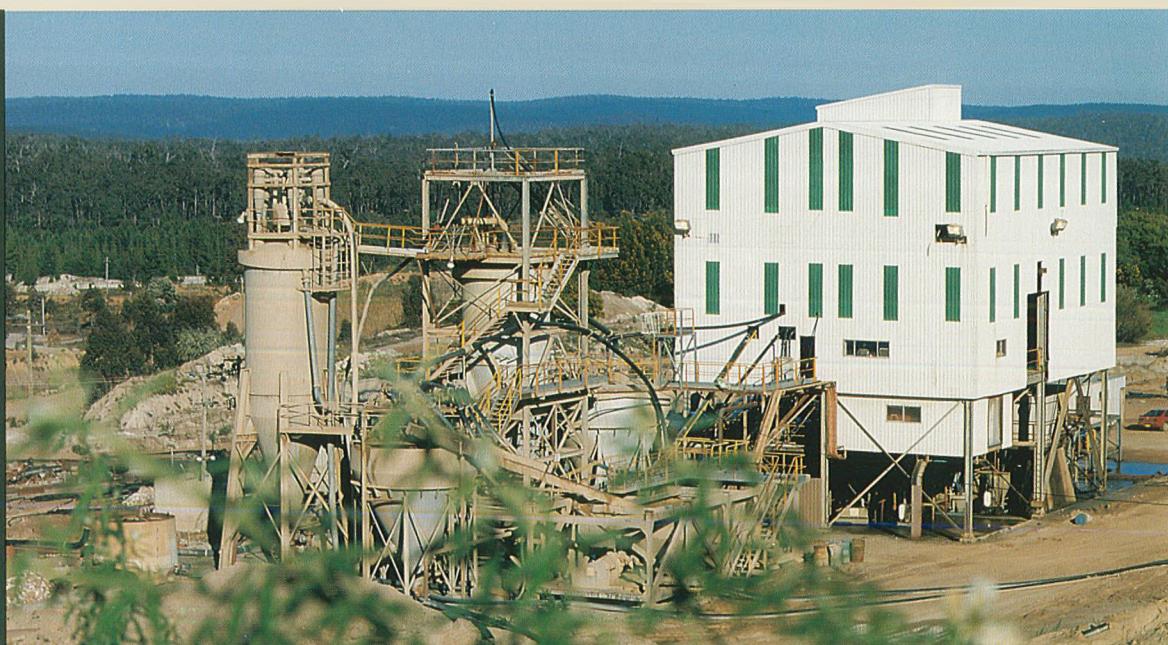
Sons of Gwalia N.L. also announced a significant increase in ore reserves and resources as at 31 March 1991. The current projections indicate that the open cut operations at the Sons of Gwalia mine will be depleted some time in 1995. This will mean that the mine will have operated for a period of some eleven



## Managing Director's Report (CONTINUED)

As at the date of this report financing negotiations are taking place with the objective of commencing plant construction prior to the end of the calendar year with commissioning of the new facilities at Greenbushes scheduled for October 1992.

Feasibility and marketing studies were also completed for the Munglinup Graphite Project. The results were positive despite the fact that the graphite market is experiencing pressures due to the worldwide recession. The Company and its joint venture partner resolved to defer development of the project until market conditions improve which will also enable the Company to focus its efforts on the development and commissioning of the Greenbushes project.



The Mt Seabrook talc mine produced 16,038 tonnes of talc which were exported from the Company's loading and shipping facilities at Geraldton in Western Australia. All of the talc was sold under sales contract to Cyprus Industrial Minerals Company. Sales levels were significantly less than in previous years and these levels will continue for the current financial year but with substantial increases in both volume and price agreed to by our purchaser in the following years.

During the year the Company completed a merger with Consolidated Nevada Goldfields Corporation and now holds approximately 63% of the issued capital of that company. Gold production in the United States is now emanating from the Barite Hill gold project in South Carolina and the Aurora gold mine in Nevada.



The Company has continued to pursue, at a modest level, exploration and development in Zimbabwe with the main focus being on the Connemara mine.

The Moline gold mine in the Northern Territory continued to exceed expectations with new reserves being delineated during the year sufficient to sustain production for at least another twelve months. The Company's 50% share of gold production for the year amounted to approximately 18,500 fine ounces.

The Company now holds approximately 44% of the issued capital of Biotech International Limited, a Perth Second Board company operating in the area of biotechnology. Biotech was recently chosen, along with BHP, as the joint winner of the Australian Museum Prize for Industry at the 1991 Eureka Prizes.

With the decision having been made to redevelop the Greenbushes Mine and with the preliminary Feasibility Study indicating the viability of the Sons of Gwalia underground in the future, the Company now has substantial interests in two high quality, long life mineral resources along with its other assets and interests.

Once again, the Company's staff committed themselves to achieving our objectives, and the Directors wish to take this opportunity to thank them for their contributions to the Company's growth and success.

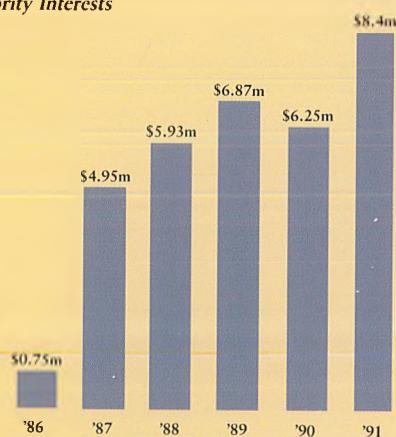
**Peter K Lalor**  
Managing Director

18 October, 1991

*Earnings Per Share*



*Operating Profit after Tax and Minority Interests*



# Review of Operations

## GREENBUSHES MINE

The Company wholly owns and operates the Greenbushes Mine, located at Greenbushes in the southwest of Western Australia. The mine produces tin metal, tantalum concentrates, spodumene concentrates and kaolin ores from the Greenbushes pegmatite.



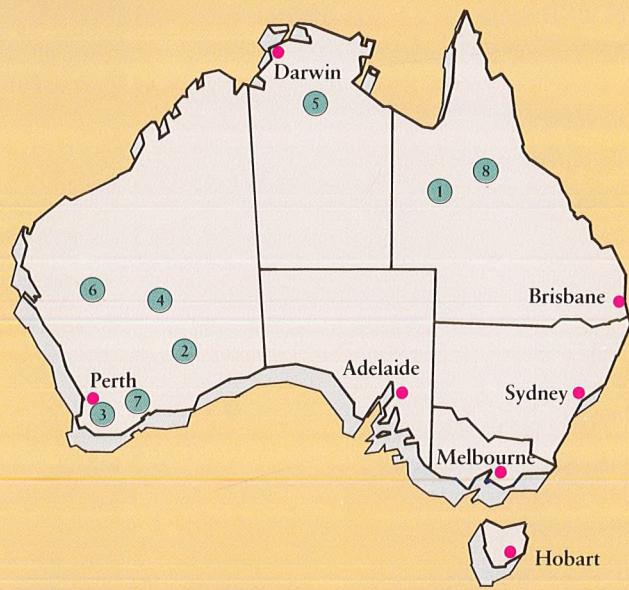
*Greenbushes Mine —  
Tantalum open cut.*

## GEOLOGY

The Greenbushes pegmatite is one of the largest zoned rare metal pegmatites in the world. The pegmatite strikes north/northwest over a distance of 5 kilometres with variable dips to the west. The pegmatite is an intrusive sequence of quartzes, felspars, tourmaline and micas, with the important economic minerals of cassiterite (tin), tantalite and spodumene (lithium) occurring together with beryl and garnet. Subsequent to the pegmatite intrusion, later cross-cutting dolerite intrusions formed dykes and sills and subsequent metamorphism has formed the present zoned pegmatite resource.

### Australian Projects Location Map

- (1) Chatsworth
- (2) Erayinia
- (3) Greenbushes Mine
- (4) Leonora/Sons of Gwalia
- (5) Moline Mine
- (6) Mt Seabrook Mine
- (7) Munglinup
- (8) The Bluff



# Review of Operations (CONTINUED)

## GREENBUSHES MINE ORE RESERVES AND RESOURCES AS AT 30 JUNE 1991.

### Reserve:

#### Weathered Pegmatite

(Tin/Tantalum)

Proved

0.859 mt @ 255ppm Sn & 63ppm Ta<sub>2</sub>O<sub>5</sub>

### Resource:

#### Weathered Pegmatite

(Tin/Tantalum)

Measured/Indicated/Inferred

3.3mt @ 289ppm Sn & 68ppm Ta<sub>2</sub>O<sub>5</sub>

### Reserve:

#### Fresh Pegmatite

(Tin/Tantalum)

Proved

3.3 mt @ 1030ppm Sn & 485ppm Ta<sub>2</sub>O<sub>5</sub>

Probable

8.2 mt @ 890ppm Sn & 387ppm Ta<sub>2</sub>O<sub>5</sub>

### Resource:

#### Fresh Pegmatite

(Tin/Tantalum)

Measured/Indicated

6.7 mt @ 1370ppm Sn & 298ppm Ta<sub>2</sub>O<sub>5</sub>

### Reserve:

#### Fresh Pegmatite

(Spodumene)

Proved

2.37 mt @ 4.39% Li<sub>2</sub>O

Probable

0.43 mt @ 4.37% Li<sub>2</sub>O

### Resource:

#### Fresh Pegmatite

(Spodumene)

Measured/Indicated

5.11 mt @ 4.34% Li<sub>2</sub>O

### Resources:

Additional mineral resources include the following:

#### Alluvials

(Tin/Tantalum)

Measured/Indicated

0.198 mt @ 424ppm Sn & 45ppm Ta<sub>2</sub>O<sub>5</sub>



# Review of Operations (CONTINUED)

## FEASIBILITY STUDY

As foreshadowed in the 1990 Annual Report, a complete review of the Greenbushes operation was conducted and concluded. This review evaluated alternatives for the most cost efficient and productive means for continued production of tin, tantalum and spodumene.

The studies concluded that tin/tantalum and spodumene ores should continue to be produced from open pits, with the transition from weathered to fresh pegmatite ores for the tin/tantalum sector. This will require the construction of a new tantalum processing facility capable of treating the harder ores associated with the fresh pegmatite. The study also concluded that these facilities



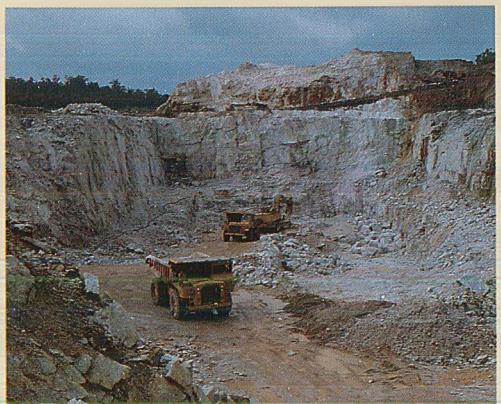
should be constructed in the 1991/92 financial year for production in 1992/93. The study also showed current spodumene treatment capacity was adequate for several years under current product demand levels.

As a result of the above studies, the decision was made to proceed with the development of the tantalum hard rock operations and to construct new tantalum processing facilities.

### Gwalia's Proposed Tantalum and Lithium Production Facilities at Greenbushes

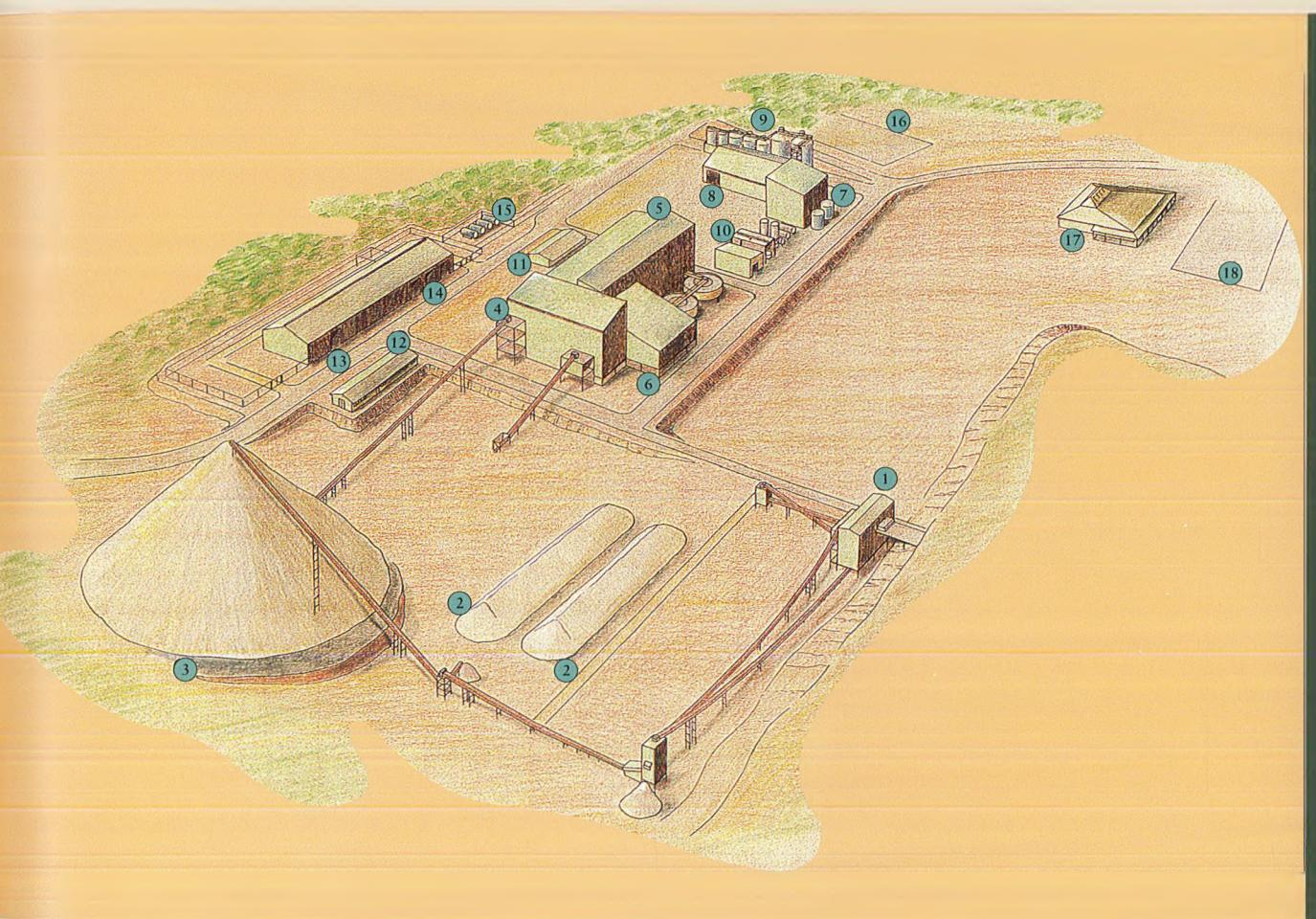
#### LEGEND

- (1) Crusher Building
- (2) Lithium Ore Stockpile
- (3) Tantalum Ore Stockpile
- (4) Tantalum & Lithium Grinding
- (5) Tantalum Plant
- (6) Lithium Plant
- (7) Lithium Filtration & Drying
- (8) Lithium Product Store
- (9) Lithium Product Bins
- (10) Reagents Area
- (11) Crib / Ablution Building
- (12) Laboratory
- (13) Store
- (14) Workshop
- (15) Gas Cylinders
- (16) Carpark (1)
- (17) Office
- (18) Carpark (2)



## TANTALUM SALES CONTRACTS

During the year the Company and the two largest processors of tantalum concentrates in the world announced that they had entered into contracts for the purchase and long term supply of high grade tantalite in concentrates. The processors are suppliers of tantalum and ancillary products to the electronics and refractory metals industries, including electronic grade powder and wire for capacitors and mill products for corrosion resistance, together with defence and aerospace applications.



The initial term of the contracts are for periods of five years with concentrates being supplied at fixed volumes and prices on an annual basis.

The quantities to be delivered under these contracts mean that the Company has secured contracts for the delivery of a minimum of 2.0 million lbs of  $\text{Ta}_2\text{O}_5$  and a maximum of 2.4 million lbs of  $\text{Ta}_2\text{O}_5$  over the next five years.

These contracts at fixed annual prices and quantities suggest that the tantalum industry can look forward to a period of stability in price and supply of raw materials.

The quantities referred to above do not take into account any probable spot sales of tantalum concentrates or increases beyond the minimum quantities to be supplied pursuant to the above contracts or any new contractual arrangements which may be entered into with other parties.

# Review of Operations (CONTINUED)

## TANTALUM RESOURCES (OTHER THAN GREENBUSHES)

### BYNOE

Bynoe is located 25 kilometres south of Darwin in the Northern Territory and is owned 50% by the Company and 50% by a subsidiary of the Bayer/Starck Group. The resource consists of alluvial, eluvial and weathered pegmatites.

Although the Company has produced tantalum concentrates from this project, currently the primary gravity separation circuit is being held on a care and maintenance basis.



### BALD HILL

The Bald Hill mineral deposit is located 120 kilometres southeast of Kalgoorlie and is wholly owned by the Company. The resource occurs in a pegmatite occurring over a strike length of 600 metres where drilling has defined a measured resource of 640,000 tonnes containing 0.053% Ta<sub>2</sub>O<sub>5</sub>.

A feasibility study was completed some time ago based on a 120,000 tonnes per annum mining programme. Average annual production from such a development on this basis would be 95,000 lbs. of tantalite and 42,000 lbs. of tin.

### 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 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.

Feasibility and ancillary marketing studies have been completed confirming the viability of the project. However, the Company and its Joint Venture partner, Warrior Investments Limited, have decided to defer development of the project pending an improvement in demand for the product.

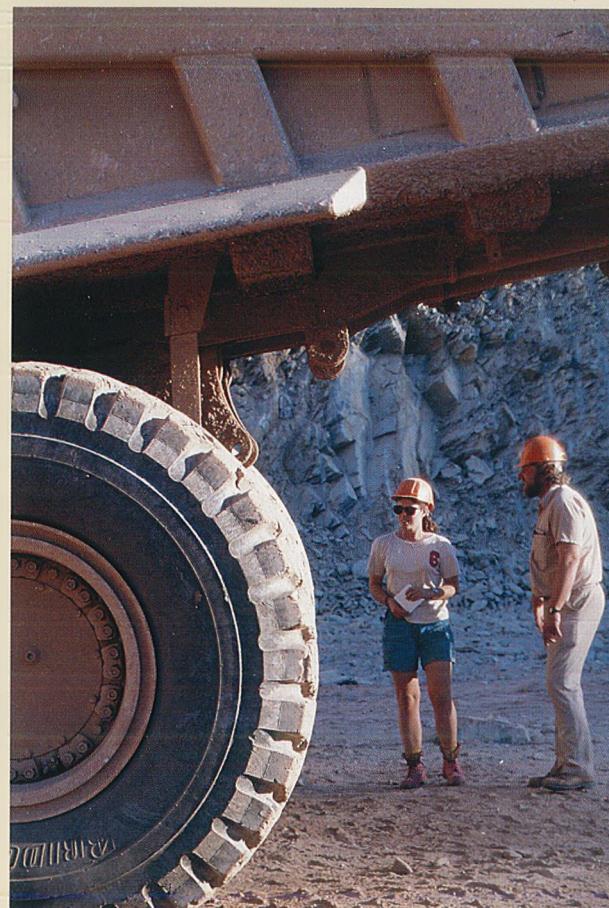
The proposed processing facility includes an integrated leaching and flotation processing circuit to treat the graphite ore which will be mined by openpit methods. The end product will be bagged and transported by road to the port of Fremantle for shipment to overseas customers.

## MOLINE GOLD MINE

The Company owns 50% of the Moline Gold Mine in the Northern Territory. This open pit mine was operated in conjunction with a joint venture partner for a total production for the year of 36,979 fine ounces of gold.

During the year, exploration success achieved an extension of mine life. At year end, proven mineable ore reserves were 405,400 tonnes at 2.8g/t gold (37,103 ounces) and indicated resources stood at 457,700 tonnes at 2.8g/t gold (41,663 ounces).

The joint venture will continue to actively pursue exploration opportunities during the current year.



## MT SEABROOK TALC MINE

The Company owns and operates the Mt Seabrook talc mine which is situated 160 kilometres northwest of Meekatharra in Western Australia. High grade cosmetic talc is produced, primarily for the United Kingdom market, along with an industrial grade product.

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

During the year, a total of 16,038 tonnes of talc in various grades was produced. A planned inventory reduction was achieved and existing contracts were extended to the end of calendar year 1996, with improvements in negotiated prices.

The Company also holds title to a series of talc occurrences at Livingstone, six kilometres west of Mt Seabrook where a significant resource of premium grade talc has been delineated.

Premium quality talc is used mainly in the cosmetic industry, while the industrial grade services a number of markets, including the plastics, paints and paper industries.

## Review of Operations (CONTINUED)

### CONSOLIDATED NEVADA GOLDFIELDS CORPORATION

The Company currently holds approximately 63% of the issued Common shares of Consolidated Nevada Goldfields Corporation ("CNGC") (formerly Nevada Goldfields Corporation).

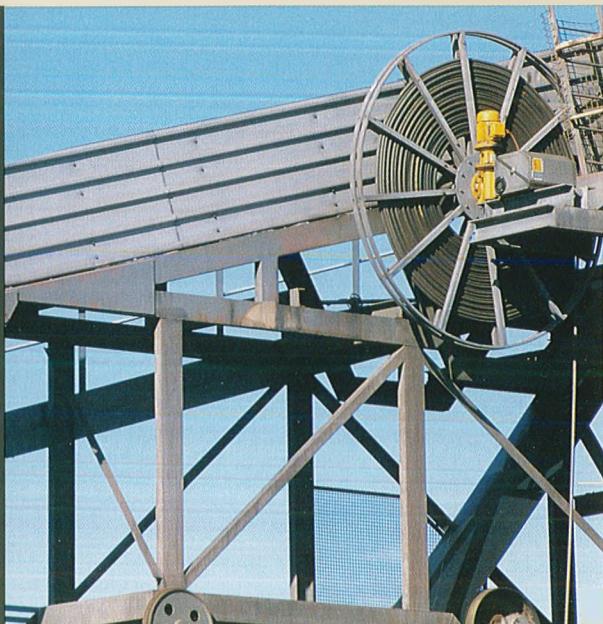
In a complex agreement completed in April 1991, the Company acquired CNGC's long term bank debt of US\$10.8 million and succeeded to the bank's rights under the loan agreement. The Company then agreed to sell this debt to CNGC for a consideration of US\$2.5 million and 21,625,000 Common shares in the capital stock of CNGC.

In addition, CNGC purchased from the Company, all of the issued shares of Gwalia (U.S.A.) Ltd. and a debt of US\$3.17 million due by Gwalia (U.S.A.) Ltd. to the Company in exchange for a cash consideration of US\$1000 and the issue to the Company of 15,875,000 Common shares in the capital stock of CNGC respectively.

The shares in CNGC were subsequently consolidated on the basis of a 6 for 1 reverse split.

CNGC presently has an issued capital of 9.8 million shares which are listed on the Toronto and Stuttgart Exchanges and traded on NASDAQ in the U.S.A. The share price at 18 September 1991 was Canadian\$0.80 giving a market capitalisation of Canadian\$7.84m.

CNGC operates in the U.S.A. at:



#### AURORA MINE

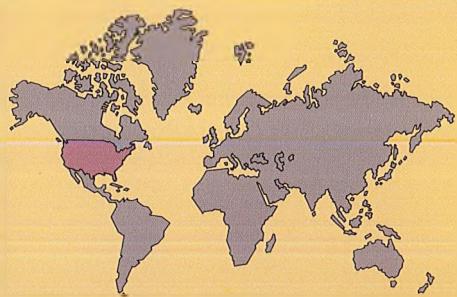
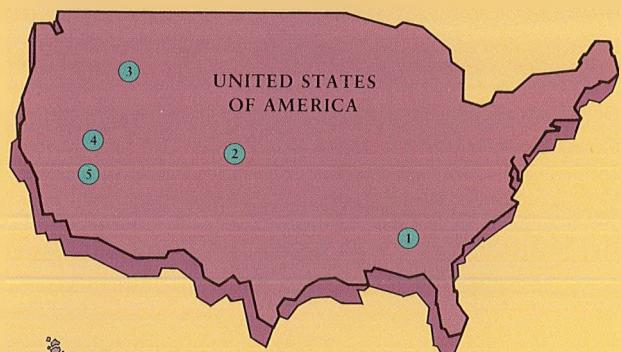
CNGC owns the Aurora Mine in Nevada where gold production for the 1990/91 year totalled 11,607 ounces. Production for the 1991/92 year is expected to be 13,000 ounces.

#### BARITE HILL MINE

CNGC also owns the Barite Hill Mine, in South Carolina. Some difficulties have been experienced recently due to leakage from the stacked ore pads. Although these problems are expected to be resolved in the medium term, 1991/92 gold production may be reduced to 15,000 ounces from earlier estimates of 20,000 ounces.

### USA Project Location Map

- ① Barite Hill — South Carolina
- ② Denver Office — Colorado
- ③ Pine Creek — Idaho
- ④ Aurora — Nevada
- ⑤ Kingston/Manhattan — Nevada



## Review of Operations (CONTINUED)

### KINGSTON MINE

CNGC owns the Kingston Mine and ancillary plant which is currently on a care and maintenance basis. It will not be brought into production until at least two years of reserves are proved up at which time production could be in the 30,000 to 40,000 ounces per annum range.

CNGC's current exploration programme is concentrating on the areas around Aurora where opportunities exist for expanding existing reserves and in the Kingston area to prove up sufficient ore to re-start the mill.



### CHIMELLE PETROLEUM LTD.

Greenbushes holds a 50% equity shareholding in Chimelle Petroleum Ltd., an unlisted public company. Mohawk Oil Co. Limited of Canada holds the remaining 50%.

Chimelle has working interests in oil production wells in the Eromanga-Cooper Basin in south west Queensland.

Aggregate oil production is 850 barrels of oil per day from 17 producing oil wells in five separate fields.

The remaining recoverable proven and probable oil reserve estimate as at 30 June 1991 was 1,117,000 barrels of which Chimelle's share is 377,500 barrels.

### BIOTECH INTERNATIONAL LTD.

The Company holds approximately 44% of the issued share capital of Biotech International Ltd. which is a commercial biotechnology research and development company listed on the Perth Second Board of the Australian Stock Exchange.

Biotech operates from fully equipped laboratory facilities at Bentley in Western Australia and conducts research and development in three general market areas:

- research and diagnostic industry;
- algal biotechnology and natural products; and
- plant biological control.

Biotech International Ltd. was recently chosen, along with BHP, as the joint winner of the Australian Museum Prize for Industry at the 1991 Eureka Prizes.

# Exploration Projects

## ERAYINIA

The Company has entered into a joint venture agreement with Metana Minerals N.L. whereby it may earn a 70% interest in an Exploration Licence at Erayinia, 120 kilometres east of Kalgoorlie, by the expenditure of \$600,000 within five years.

The Exploration Licence, which covers an area of some 197 square kilometres, is prospective for base metals.

A regolith mapping programme was undertaken following the establishment of a grid, and four traverses of rotary air blast drilling some 200 metres apart were completed. Anomalous copper, zinc, lead and gold values were returned from a zone over 400 metres long in mafic schists.

Following a ground magnetometry programme designed to define lithological trends, further drilling was completed and anomalies have been confirmed which warrant further exploration.

## BURTVILLE

The Burtville project near Laverton in Western Australia comprises Mining Lease No. 38/261 and is located 25 kilometres south of the Barnicoat Mine operated by Sons of Gwalia N.L.

This project was previously subject to a joint venture with Aberfoyle N.L. who earned a 60% interest by exploration expenditure during 1988/89. Aberfoyle estimated the project had an inferred resource of 1.4 million tonnes at 2.5g/t gold.

The Joint Venturers decided to sell the tenement late in 1990 and several offers were received. The Company, through its subsidiary Gwalia Minerals N.L., subsequently elected to exercise its pre-emptive right and purchased the Aberfoyle interest to resume full ownership of the tenement.

Further exploration infill drilling has been undertaken to increase the confidence level in the estimated resource and to allow consideration of selective mining at higher grades.

Results included:

HOLE NO.	FROM (m)	TO (m)	INTERVAL (m)	GRADE g/t gold
BRTC 151	31	50	19	2.65
BRTC 160	38	49	11	22.06
BRTC 161	31	35	4	11.46
BRTC 170	6	23	17	2.05
BRTC 174	23	26	3	6.33
BRTC 177	14	19	5	2.24
BRTC 179	21	29	8	2.25

Metallurgical leach testwork was also completed and provided encouraging results. The resource estimate and the future of the project is currently under review.

## Exploration Projects (CONTINUED)

### SILICA SAND

The Company has identified silica sand as a commodity of interest to produce and export to the world container glass industry. Silica sand complements the existing spodumene products from Greenbushes which are being exported to major container glass makers around the world.

As part of this project the Company has entered into an option to explore for silica sand over 1400 hectares of land located at Kemerton near Bunbury. Should the exploration delineate sufficient tonnage of an acceptable quality to warrant commercial exploitation, the Company has the right to either purchase the mineral rights or the freehold title to the property.

Exploration has been extended to other potential coastal areas within economic cartage distances from established ports and infrastructure. Emphasis is on locating sufficient quantity of a high quality silica sand suitable for export purposes to the container and foundry sands industries.



### THE BLUFF

The Company holds an Exploration Permit of some 123 square kilometres located near Charters Towers in north Queensland. The Permit contains part of the Cambro-Ordovician Mt Windsor volcanic sequence considered prospective for polymetallic massive sulphide mineralisation.

Geological mapping, gridding and soil sampling was completed during the year and a broad anomalous zone has been identified which requires further exploration.

## ZIMBABWE

The Company conducts its exploration and development activities in Zimbabwe through its subsidiary Chase Minerals (Private) Ltd. ("Chase") in which the Company holds an 87% interest with the minority partner diluting. Chase holds interests in a number of mining tenements. The subsidiary is based in Harare and owns and operates its own percussion drilling plant.



## CONNEMARA

Chase holds the Connemara group of mines which comprises approximately 10 kilometres strike length of old workings, near the towns of Kwekwe and Gweru.

To date, a resource of some 600,000 tonnes @ 1.5g/t gold has been delineated which is amenable to open pit mining and heap leach technology.

With the approval of the Zimbabwe Prison Service, an application has been lodged for mining rights within the adjacent Prison Reserve which covers 280 hectares held under Special Grant, and includes the Connemara Mine tailings dump. The dump is estimated at

1.7 million tonnes with a grade of 0.93g/t gold. This area also includes several old workings including the main Connemara shaft with potential for further resource discoveries.

Subject to the grant of the abovementioned application, further evaluation work is planned.



# Exploration Projects (CONTINUED)

## MHANGURA

Exclusive Prospecting Order 673 is situated 140 kilometres northwest of Harare and comprises 183 square kilometres covering a 50 kilometre strike length of the Angwa fault zone and its projected northern extension. There are a number of gold occurrences along this fault zone.



Soil sampling has defined an extensive geochemical gold anomaly approximately seven kilometres in length which is open to the north. The large anomalous zone is a new discovery with significant potential. Trenching and channel sampling was completed as well as rock chip sampling over some old workings. Results have confirmed gold mineralisation and exploration is continuing.

## MAZOWE

Exclusive Prospecting Order 651 is located 40 kilometres north of Harare. Gridding, mapping and bulk leach extractable gold sampling have defined an anomalous area approximately 3 kilometres long and up to 600 metres wide and application for an extension of the tenement term has been approved to allow further exploration work. Drill testing is scheduled later this calendar year.

## HOPE FOUNTAIN (70%)

This joint venture comprises a number of claims, 12 kilometres southeast of Bulawayo, covering approximately 360 hectares. The Company has completed agreed exploration expenditures to earn its 70% interest.

An indicated resource of 112,000 tonnes at 2.1 g/t gold has been estimated to a depth of 25 metres. The metallurgical results from column tests show heap leach recoveries in the range 60% — 70%.

A sole risk agreement has been completed with the Company's minority joint venture partner who will undertake a shaft development project with a production royalty payable to Chase.



G W A L I A C O N S O L I D A T E D L T D .  
FINANCIAL STATEMENTS 1991



# Director's Report

## DIRECTORS

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 58)

Non-Executive Chairman of the Board of Directors.

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

### Mr. P.K. Lalor, LL.B (age 49)

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 Consolidated Nevada Goldfields Corporation, 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 47)

Mr Lalor is an Executive Director 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 a Director of Consolidated Nevada Goldfields Corporation and an Alternate Director of the World Gold Council. Mr Lalor 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 61)

Non-Executive Director. 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 of Sons of Gwalia N.L. and 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, ASCPA (age 53)

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. and a Director of Consolidated Nevada Goldfields Corporation.

### Mr W.L. Beevers, B.Sc., Hons. (age 44)

Mr Beevers, a resident of the United Kingdom, is a partner in the United Kingdom Stockbroking firm of John Siddall & Son Ltd. He is a member of the London Stock Exchange and has considerable experience and expertise in the area of finance and investment.

# Director's Report (CONTINUED)

## Mr L.E. Baragwanath, B.Phil; M.A. (Oxon) (age 68)

Alternate for Mr W.L. Beevers. Mr Baragwanath is a 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.

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 mining and exploration for minerals and gold, investment in and the corporate and financial management of corporations involved in mining and exploration for gold, minerals and oil and in the industry of biotechnology.

## RESULTS

The consolidated net profit of the Group for the year ended 30 June 1991 after income tax and minority interests amounted to \$8.385 million.

## DIVIDENDS

A dividend of two cents per ordinary share has been recommended requiring funds amounting to \$1.189 million. A final dividend of two cents per ordinary share was recommended in the Directors' Report for the year ended 30 June 1990.

## 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 the Company completed mergers with subsidiary and associated corporations, Greenbushes Ltd, Lithium Australia Ltd, Gwalia Minerals N.L. and Gwalia International Ltd.

The mergers resulted in the issue by the Company of 23,719,014 fully paid ordinary shares to the minority shareholders of the merged Companies at a premium of \$1.50 per share and a pro-rata grant of 23,824,367 options to acquire fully paid ordinary shares in the capital of the Company at a premium of \$2.30 per share on or before 15 October, 1995 to the Company's shareholders on the register of members prior to the mergers.

# Director's Report (CONTINUED)

During the year the Company also acquired a 63% interest in the issued capital of Consolidated Nevada Goldfields Corporation Inc. ("CNGC") in a series of transactions which included the sale by the Company of its 100% interest in the issued capital of Gwalia (USA) Ltd to CNGC.

As a result of these mergers and acquisitions and the Company's earnings for the 1990/1991 financial year, shareholders funds have increased from \$108.236 million at 30 June 1990 to \$135.158 million at 30 June 1991, a net increase of \$26.922 million.

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 23,824,367 options to acquire fully paid ordinary shares in the capital of the Company were granted to shareholders on the register of members at 15 October 1990 on a pro-rata basis. The exercise price of these options is \$2.50 per ordinary share and the expiry date is 15 October 1995.

At the date of this report the following options are outstanding:—

2,494,000 unlisted employee options to acquire fully paid ordinary shares at an exercise price of \$1.575 per share on or before 17 November 1994.

23,824,367 listed options to acquire fully paid ordinary shares at an exercise price of \$2.50 per share on or before 15 October 1995.

## **Director's Report** (CONTINUED)

### **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:—

- (i) a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts;
- (ii) 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:—
  - (i) a Director,
  - (ii) a firm of which a Director is a member,
  - (iii) a company in which a Director has a substantial financial interest.

At the date of this report there are no contracts or proposed contracts with the Company in which any of the Directors have an interest.

### **ROUNDING**

The amounts contained in this report have been rounded off under the option available to the company under S311 and Regulation 3.6.05 of the Corporations Law and Regulations.

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, 18 October 1991

# **Directors' Statement**

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 account 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 1991;
  - (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 1991; 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 1991; and
  - (b) the state of affairs of the Company and its subsidiaries as at 30 June 1991 so far as they concern members of the Group Holding Company.
3. The accounts of the Company and the Group accounts have been made out in accordance with applicable accounting standards.
4. The accounts of the Company and the Group accounts have been properly prepared by a competent person.

On behalf of the Board,

R.J. LYNCH  
Director

P.K. LALOR  
Director

PERTH, 18 October 1991

# Auditor's Report

TO THE MEMBERS OF GWALIA CONSOLIDATED LTD

We have audited the accounts and Group accounts set out on pages 32 to 61 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 Corporations Law and so as to give a true and fair view of:

- (i) the state of affairs of the Company and of the Group as at 30 June 1991 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 Group Holding Company;
- (ii) the other matters required by Division 4 of Part 3.6 of that Law to be dealt with in the accounts and in the Group accounts;

and are in accordance with Statements of Accounting Concepts and applicable Accounting Standards. The names of the subsidiaries of which we have not acted as auditors are identified in Note 11.

ERNST & YOUNG

J.P. Dowling

Partner

Perth, 18 October, 1991

# Profit and Loss Account

YEAR ENDED 30 JUNE 1991

	Notes	Group		Holding Company	
		1991 \$'000	1990 \$'000	1991 \$'000	1990 \$'000
OPERATING REVENUE	2	<u>59,254</u>	<u>13,034</u>	<u>23,409</u>	<u>12,845</u>
OPERATING PROFIT	2	7,224	5,675	10,456	6,778
INCOME TAX CREDIT (EXPENSE) ATTRIBUTABLE TO OPERATING PROFIT	5	(93)	188	196	92
OPERATING PROFIT AFTER INCOME TAX	6	7,131	5,863	10,652	6,870
MINORITY INTEREST IN OPERATING PROFIT AFTER INCOME TAX		<u>1,254</u>	<u>383</u>	<u>—</u>	<u>—</u>
OPERATING PROFIT AFTER INCOME TAX ATTRIBUTABLE TO MEMBERS OF GWALIA CONSOLIDATED LTD		8,385	6,246	10,652	6,870
RETAINED PROFITS at the beginning of the financial year		<u>12,893</u>	<u>9,269</u>	<u>13,395</u>	<u>9,147</u>
TOTAL AVAILABLE FOR APPROPRIATION		21,278	15,515	24,047	16,017
DIVIDENDS PROVIDED FOR OR PAID	3	(1,189)	(2,622)	(1,189)	(2,622)
RETAINED PROFITS at the end of the financial year		<u>20,089</u>	<u>12,893</u>	<u>22,858</u>	<u>13,395</u>

The profit and loss account should be read in conjunction with the accompanying notes.



# Consolidated Summary of Sources and Application of Funds

YEAR ENDED 30 JUNE 1991

	Notes	1991 \$'000	1990 \$'000
<b>FUNDS FROM OPERATIONS</b>			
Gross inflows of funds from operations 2		59,254	13,034
Proceeds from the sale of non-current assets		<u>(6,478)</u>	<u>(352)</u>
Inflows of funds from operations		52,776	12,682
Outflows of funds from operations		<u>(38,923)</u>	<u>(6,059)</u>
	4	13,853	6,623
<b>REDUCTION IN ASSETS</b>			
Current assets	24	—	139
Non-current assets	24	39,755	4,097
<b>INCREASE IN LIABILITIES</b>			
Current liabilities	24	13,403	27,198
Non-current liabilities	24	40,403	6,804
<b>PROCEEDS FROM THE SALE OF NON-CURRENT ASSETS</b>			
		6,478	352
<b>MINORITY INTEREST IN SUBSIDIARY ACQUIRED</b>			
		289	4,676
<b>PROCEEDS FROM SHARE ISSUE</b>			
		<u>40,322</u>	<u>—</u>
<b>TOTAL SOURCES OF FUNDS</b>			
		<u><u>154,503</u></u>	<u><u>49,889</u></u>
<b>INCREASE IN ASSETS</b>			
Current assets	24	23,898	2,087
Non-current assets	24	105,425	44,549
<b>REDUCTION IN LIABILITIES</b>			
Current liabilities	24	23,988	352
<b>INCOME TAX PAID</b>		—	42
<b>DIVIDENDS PAID</b>		<u>1,192</u>	<u>2,859</u>
<b>TOTAL APPLICATION OF FUNDS</b>			
		<u><u>154,503</u></u>	<u><u>49,889</u></u>

The above summary forms part of the notes to the accounts

# Notes to and Forming part of the Financial Statements AT 30 JUNE 1991

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounts have been prepared in accordance with the historical cost convention, except for certain assets which are at valuation. Cost in relation to assets represents the cash amount paid or the fair value of the asset given in exchange.

The accounts have been made out in accordance with the requirements of the Corporations Law which include disclosures required by Schedule 5 and applicable accounting standards.

The accounting policies adopted are consistent with those of the previous year unless otherwise specified.

### (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. The consolidated financial statements include the information contained in the financial statements of Gwalia Consolidated Limited and each of its subsidiaries as from the date the parent obtains control and until such time as control ceases.

Where there is a loss of control of a subsidiary the consolidated accounts include the results for the part of the reporting period during which the parent entity had control.

The accounts of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All intercompany balances and transactions, and unrealised profits arising from intra group transactions, have been eliminated in full.

### (b) Investments

Long term investments in associated companies have been valued at Directors valuations as at 31 December 1990 or at cost. Other long-term investments held by the Company and the Group have been stated at independent valuations dated 12 June 1990 prepared by Rothschild Australia Limited or at cost. The Directors periodically consider the carrying value of these investments and 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:

- (a) the area of interest has proven commercially recoverable reserves and the rights to tenure of the area of interest are current; or
- (b) 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 upon 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.

# Notes to and Forming part of the Financial Statements

AT 30 JUNE 1991

## (e) Depreciation

Depreciation is provided on a straight line basis on all tangible fixed assets, other than freehold land, 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.

## (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 applicable accounting standard on equity accounting. Associated companies are companies in which the Group holds between 20% and 50% of the issued capital and is able to exert significant influence over the operations of those companies.

## (h) Joint Ventures

The Group's interest in exploration joint ventures is brought to account based on the actual expenditure incurred by the Group 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 and net realisable value. Cost is determined on a first in first out basis.

## (l) Income Recognition

Dividend income is taken into profit as received.

# Notes to and Forming part of the Financial Statements AT 30 JUNE 1991

**(m) Gold Loans**

The gold loan is recorded at the historical gold price at the time funds were drawn down. Gold to be delivered as repayment of the loan will be recorded at the same historical gold price.

**(n) Royalty Expenditure**

Royalty expenditure represents expenditure in relation to the acquisition and maintenance 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 the mergers of the Company with its subsidiaries has been deferred and will be amortised over 5 years.

**(p) Goodwill**

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time 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.

	Group		Holding Company	
	1991 \$'000	1990 \$'000	1991 \$'000	1990 \$'000

**2. OPERATING PROFIT AND  
INFLows AND OUTFLOWS  
FROM OPERATIONS**

- i) The operating profit before income tax is arrived at after charging/(crediting) the following items:

Bad debts recovered  
— amounts receivable from subsidiaries  
Amortisation and depreciation  
— buildings 38 39 34 39  
— plant and equipment 1,965 105 78 55  
— plant and equipment under lease 514 99 143 99  
— goodwill 321 — — —  
— mine development 687 — — —  
— mining leases 608 — — —  
— Group reconstruction costs 110 — — —  
Finance charges  
— Lease liability 284 58 87 58  
— Rental — operating leases 363 290 — 290  
Provisions for employee entitlements 297 241 335 227

# Notes to and Forming part of the Financial Statements AT 30 JUNE 1991

	Group		Holding Company	
	1991 \$'000	1990 \$'000	1991 \$'000	1990 \$'000
<b>2. OPERATING PROFIT AND INFLOWS AND OUTFLOWS FROM OPERATIONS</b>				
(Continued)				
Interest paid				
— other persons/corporations	4,833	1,098	3,482	1,098
— associated companies	35	211	4	104
Mineral exploration expenditure written off	1,964	521	—	—
(Profit)/loss on sale of non-current assets	3	(89)	(66)	(89)
Write-down of investments	—	23	—	23
Foreign exchange losses/(gains)	(1,635)	28	—	—
Government royalties	<u>565</u>	—	—	—
ii) Included in the operating profit are the following items of operating revenue:				
Sales revenue	29,160	—	—	—
Corporate, financial, administrative and technical service costs reimbursed from associated companies	4,196	4,471	4,196	4,471
Other revenue:				
Dividends received				
— associated companies	12,787	6,734	12,787	6,734
Interest received/receivable				
— associated companies	—	1,204	—	1,204
— other persons/corporations	407	271	205	84
Proceeds from sale of non-current assets	6,478	352	6,146	352
Other	<u>6,226</u>	<u>2</u>	<u>75</u>	—
Operating revenue and inflow of funds from operations	<u>59,254</u>	<u>13,034</u>	<u>23,409</u>	<u>12,845</u>
iii) Included in the operating profit is the following abnormal item:				
Profit on close out of gold loan (no tax effect)	<u>2,754</u>	—	—	—

# Notes to and Forming part of the Financial Statements AT 30 JUNE 1991

	Group		Holding Company	
	1991	1990	1991	1990
	\$'000	\$'000	\$'000	\$'000
<b>3. DIVIDENDS PAID OR PROVIDED FOR</b>				
Dividends paid during the year				
Franked	—	—	—	—
Unfranked	1,192	2,859	1,192	2,859
	<u>1,192</u>	<u>2,859</u>	<u>1,192</u>	<u>2,859</u>
Dividends proposed				
Franked	—	—	—	—
Unfranked	1,189	1,192	1,189	1,192
	<u>1,189</u>	<u>1,192</u>	<u>1,189</u>	<u>1,192</u>
Amount of unappropriated profits and reserves which could be distributed as franked dividends out of existing franking credits or out of franking credits arising from the payment of income tax in the forthcoming period in respect of current year's profit	—	—	—	—
<b>4. FUNDS FROM OPERATIONS</b>				
The reconciliation of Group operating profit before income tax to funds from operations is as follows:				
Group operating profit	7,224	5,675		
Amortisation and depreciation	4,260	243		
Net loss (profit) on sale of non-current assets	—	(89)		
Proceeds from sale of shares	—	9		
Exploration expenditure written off	1,964	521		
Provision for employee entitlements	297	241		
Write down of investments	—	23		
Inventory written off	98	—		
Provision for major repairs	10	—		
Funds from operations	<u>13,853</u>	<u>6,623</u>		

## 5. INCOME TAX

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

# Notes to and Forming part of the Financial Statements AT 30 JUNE 1991

	Group		Holding Company	
	1991 \$'000	1990 \$'000	1991 \$'000	1990 \$'000
<b>5. INCOME TAX</b>				
Continued				
Prima facie tax on operating profit	2,817	2,213	4,078	2,643
Tax effect of permanent differences:				
— Rebateable dividends	(4,492)	(2,626)	(4,492)	(2,626)
— Profit on close out of gold loan	(1,074)	—	—	—
— Mineral exploration expenditure written off	26	203	—	—
— Borrowing costs	64	—	64	—
— Other items (net)	122	143	154	(88)
Over provision from previous years	—	(121)	—	(21)
Losses not brought to account	(2,630)	—	—	—
	<u>93</u>	<u>(188)</u>	<u>(196)</u>	<u>(92)</u>
Income tax provided comprises:				
Provision attributable to current year	4	4	—	—
Over provision of previous year	—	(121)	—	(21)
Adjustment for subsidiaries acquired during the year				
— Deferred income tax liability	(1,601)	—	—	—
— Future income tax benefit	61	—	—	—
Provision attributable to future years				
— Deferred income tax liability	1,904	(7)	(7)	(7)
— Future income tax benefit	(275)	(64)	(189)	(64)
	<u>93</u>	<u>(188)</u>	<u>(196)</u>	<u>(92)</u>
<b>6. CONSOLIDATED PROFIT</b>				
Contributions to Group profit:				
Gwalia Consolidated Ltd	10,463	6,870		
Riverslea Estates Pty Ltd	—	(221)		
Future Minerals Pty Ltd	24	—		
Gwalia International Ltd	(1,863)	(233)		
Gwalia (U.S.A.) Limited	(292)	(389)		
Gwalia (Zimbabwe) (Private) Limited	9	16		
Chase Minerals (Private) Limited	(209)	(180)		
Gwalia Minerals N.L.	(2,401)	—		
Greenbushes Ltd	(340)	—		
Lithium Australia Ltd	834	—		
Zinnanda Pty Ltd	2,499	—		
Consolidated Nevada Goldfields Corporation Inc.	(1,586)	—		
Jewel Engineering Pty Ltd	(9)	—		
Kensington Investments Pty Ltd	2	—		
	<u>7,131</u>	<u>5,863</u>		

**Notes to and Forming part of the  
Financial Statements AT 30 JUNE 1991**

	Group		Holding Company	
	1991	1990	1991	1990
	\$'000	\$'000	\$'000	\$'000
<b>7. RECEIVABLES (CURRENT)</b>				
Trade debtors	5,963	—	—	—
Other debtors	521	223	79	177
Amounts other than trade debts receivable				
— Associated companies	127	70	49	70
— Subsidiary companies	—	—	1,520	1,543
Provision for non-recovery of debt	—	—	(1,092)	(951)
	<b>6,611</b>	<b>293</b>	<b>556</b>	<b>839</b>
<b>8. INVENTORIES</b>				
At Cost				
— raw materials and stores	2,193	3	—	—
— work in progress	3,228	—	—	—
— gold in circuit	265	—	—	—
— finished goods	9,288	—	—	—
	<b>14,974</b>	<b>3</b>	<b>—</b>	<b>—</b>
At net realisable value				
— finished goods	304	—	—	—
Total inventories at lower of cost and net realisable value	<b>15,278</b>	<b>3</b>	<b>—</b>	<b>—</b>
<b>9. OTHER CURRENT ASSETS</b>				
Prepayments	<b>621</b>	<b>199</b>	<b>21</b>	<b>183</b>
<b>10. RECEIVABLES (NON-CURRENT)</b>				
Amounts receivable from				
— Subsidiary companies	—	—	34,560	—
— Associated companies	51	26,875	—	26,875
— Other debtors	627	—	—	—
	<b>678</b>	<b>26,875</b>	<b>34,560</b>	<b>26,875</b>
<b>11. INVESTMENTS (NON-CURRENT)</b>				
Investments comprise:				
(a) Shares in associated companies				
— listed on a prescribed stock exchange				
— at independent valuation				
30 June 1990	<b>79,947</b>	<b>94,048</b>	<b>79,947</b>	<b>94,048</b>
— unlisted at cost	<b>722</b>	<b>2</b>	<b>2</b>	<b>2</b>
	<b>80,669</b>	<b>94,050</b>	<b>79,949</b>	<b>94,050</b>

# Notes to and Forming part of the Financial Statements AT 30 JUNE 1991

	Group		Holding Company	
	1991	1990	1991	1990
	\$'000	\$'000	\$'000	\$'000
<b>11. INVESTMENTS (NON-CURRENT)</b>				
(Continued)				
Revaluation decrement to				
Directors' valuation	<u>(19,712)</u>	—	<u>(19,712)</u>	—
Total investments in				
associated companies at				
Directors' valuation				
December 1990	<u>60,957</u>	<u>94,050</u>	<u>60,237</u>	<u>94,050</u>
(b) Shares in other companies				
— listed on a prescribed stock exchange				
— at market value				
30 June 1991	<u>3</u>	<u>56</u>	<u>3</u>	<u>56</u>
(c) Shares in subsidiaries listed on a prescribed stock exchange				
— at independent valuation				
30 June 1990	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,339</u>
— unlisted subsidiaries				
— at independent valuation				
30 June 1990	<u>—</u>	<u>—</u>	<u>17,269</u>	<u>—</u>
— at cost	<u>—</u>	<u>—</u>	<u>40,322</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>57,591</u>	<u>—</u>
	<u>60,960</u>	<u>94,106</u>	<u>117,831</u>	<u>98,445</u>
Aggregate quoted market value at balance date of investments listed on a prescribed stock exchange	<u>52,964</u>	<u>81,778</u>	<u>52,964</u>	<u>84,305</u>

- (i) On 28 September 1990, Gwalia Consolidated Ltd successfully completed mergers involving schemes of arrangement between Gwalia Minerals NL, Greenbushes Ltd, Lithium Australia Ltd and Gwalia International Ltd and their respective shareholders. The mergers involved Gwalia Consolidated Ltd issuing shares to the minority shareholders in the scheme companies in exchange for the minority shareholders interests in those companies shares with the effect that all scheme companies are now wholly owned subsidiaries of Gwalia Consolidated Ltd.
- (ii) The Directors are of the opinion that market value is not a true reflection of the inherent value of the Company's strategic controlling interest in the issued shares of Sons of Gwalia N.L., particularly in view of that Company's recently announced increased ore reserves and resources. Accordingly, the Directors believe that the Company's book value of those shares is an appropriate carrying value.

# Notes to and Forming part of the Financial Statements AT 30 JUNE 1991

## 11. INVESTMENTS (NON-CURRENT)

(Continued)

Investments in subsidiaries comprise:—

Name	% held by		State of Incorporation	Holding Company		
	Holding Company			1991	\$'000	
	1991	1990				
	%	%			\$'000	
Lithium Australia Ltd	100	—	W.A.	9,047	—	
Gwalia Minerals NL	100	40.24	W.A.	31,706	—	
Greenbushes Ltd	100	—	W.A.	8,718	—	
<b>Subsidiaries of Greenbushes Ltd:</b>						
— Jewell Engineering P/L	100	—	W.A.	—	—	
— Kensington Investments P/L	100	—	W.A.	—	—	
— Zinnanda P/L	100	—	W.A.	—	—	
— Greenbushes (USA) Inc	100	—	U.S.A.	—	—	
Future Minerals P/L	100	100	W.A.	—	—	
Sevake P/L	100	100	N.S.W.	—	—	
Gwalia International Ltd	100	50.81	N.S.W.	8,120	4,339	
<b>Subsidiaries of Gwalia International Ltd:</b>						
Gwalia Zimbabwe (Private) Limited (1)	100	100	Zimbabwe	—	—	
<b>Subsidiary of Gwalia Zimbabwe (Private) Limited:</b>						
— Chase Minerals (Private) Limited (1)	80	75	Zimbabwe	—	—	
Consolidated Nevada Goldfields Corporation Inc.(1)	63.1	—	U.S.A.	—	—	
<b>Subsidiaries of Consolidated Nevada Goldfields Corporation:</b>						
— Nevada Goldfields Inc (1)	100	—	U.S.A	—	—	
— Kingston Consolidated Inc (1)	100	—	U.S.A	—	—	
— Aurora Consolidated Inc (1)	100	—	U.S.A	—	—	
— Empire Consolidated Inc (1)	100	—	U.S.A	—	—	
— Gwalia (USA) Ltd (1)	100	100	U.S.A.	—	—	
				<u>57,591</u>	<u>4,339</u>	

(1) These subsidiaries were audited by other than the Holding Company's Auditors.



# Notes to and Forming part of the Financial Statements AT 30 JUNE 1991

	Group		Holding Company	
	1991	1990	1991	1990
	\$'000	\$'000	\$'000	\$'000
<b>13. MINERAL EXPLORATION EXPENDITURE</b>				
Acquisition cost of tenements and interests and expenditure thereon	23,945	9,815	—	—
Provision for amortisation	(486)	—	—	—
	<u><b>23,459</b></u>	<u><b>9,815</b></u>	<u><b>—</b></u>	<u><b>—</b></u>
<b>14. EXPENDITURE CARRIED FORWARD</b>				
Mine development expenditure	67,193	1,331	—	—
Provision for amortisation	(12,052)	—	—	—
	<u><b>55,141</b></u>	<u><b>1,331</b></u>	<u><b>—</b></u>	<u><b>—</b></u>
<b>15. INTANGIBLES</b>				
Goodwill	7,766	408	—	—
Provision for amortisation	(321)	—	—	—
	<u><b>7,445</b></u>	<u><b>408</b></u>	<u><b>—</b></u>	<u><b>—</b></u>
<b>16. OTHER NON-CURRENT ASSETS</b>				
Deferred group reconstruction expenditure	739	297	739	297
Provision for amortisation	(110)	—	(110)	—
	<u><b>629</b></u>	<u><b>297</b></u>	<u><b>629</b></u>	<u><b>297</b></u>
Deferred petroleum royalty expenditure	180	180	—	—
Provision for amortisation	(109)	(69)	—	—
	<u><b>71</b></u>	<u><b>111</b></u>	<u><b>—</b></u>	<u><b>—</b></u>
Deferred debenture expenditure	717	—	—	—
Provision for amortisation	(310)	—	—	—
	<u><b>407</b></u>	<u><b>—</b></u>	<u><b>—</b></u>	<u><b>—</b></u>
Future income tax benefit	427	152	341	152
Total other non-current assets	<u><b>1,534</b></u>	<u><b>560</b></u>	<u><b>970</b></u>	<u><b>449</b></u>
<b>17. CREDITORS AND BORROWINGS (CURRENT)</b>				
i) Consolidated Nevada				
Goldfields Corporation				
Bank loans — secured (a)	4,183	—	—	—
Gold Loan — secured (b)	2,729	—	—	—
Trade creditors	1,034	—	—	—
Other creditors	309	—	—	—
	<u><b>8,255</b></u>	<u><b>—</b></u>	<u><b>—</b></u>	<u><b>—</b></u>

# Notes to and Forming part of the Financial Statements AT 30 JUNE 1991

	Group		Holding Company	
	1991	1990	1991	1990
	\$'000	\$'000	\$'000	\$'000
<b>17. CREDITORS AND BORROWINGS (CURRENT)</b>				
(Continued)				
ii) Holding Company and its wholly owned subsidiaries				
Bank Loan — secured (c)	992	26,707	—	26,707
Bank overdraft	1,722	132	91	120
Trade Creditors	4,656	958	334	228
Lease Liability (Note 28)	775	78	177	78
Other creditors	1,017	—	93	—
Amount owing to				
— Subsidiary Companies	—	—	793	—
— Associated Companies	—	10	—	10
	<u>9,162</u>	<u>27,885</u>	<u>1,488</u>	<u>27,243</u>
	<u><u>17,417</u></u>	<u><u>27,885</u></u>	<u><u>1,488</u></u>	<u><u>27,243</u></u>
Secured liabilities				
a) and c) By a registered first				
mortgage over the assets				
and undertakings of				
Gwalia Consolidated Ltd				
b) Guaranteed by an				
associated Company —				
refer Note 29 (b) (x)				
<b>18. PROVISIONS (CURRENT)</b>				
Repairs	70	—	—	—
Employee entitlements	1,259	302	424	288
Income tax	4	4	—	—
Dividends	1,189	1,192	1,189	1,192
	<u>2,522</u>	<u>1,498</u>	<u>1,613</u>	<u>1,480</u>
<b>19. CREDITORS AND BORROWINGS (NON-CURRENT)</b>				
i) Consolidated Nevada Goldfields Corporation				
Gold loan — secured (a)	10,008	—	—	—
Convertible notes	3,457	—	—	—
Other creditors	862	—	—	—
	<u>14,327</u>	<u>—</u>	<u>—</u>	<u>—</u>

# Notes to and Forming part of the Financial Statements AT 30 JUNE 1991

	Group		Holding Company	
	1991	1990	1991	1990
	\$'000	\$'000	\$'000	\$'000
<b>19. CREDITORS AND BORROWINGS (NON-CURRENT)</b>				
(Continued)				
(ii) Holding Company and its wholly owned subsidiaries				
Bank loan — secured (b)	28,020	—	17,738	—
Gold loan — secured (a)	—	5,315	—	—
Lease liability (note 28)	1,491	345	269	345
Other loans	—	1,347	—	—
	29,511	7,007	18,007	345
	43,838	7,007	18,007	345
Secured liabilities				
a) Guaranteed by an associated company. Refer note 29 (b) (x)				
b) By a registered first mortgage over the assets and undertakings of Gwalia Consolidated Ltd				
Australian dollar equivalents of amounts payable in foreign currencies not effectively hedged				
United States dollars	10,281	—	—	—
Zimbabwe dollars	992	—	—	—
<b>20. PROVISIONS (NON CURRENT)</b>				
Rehabilitation	1,000	—	—	—
Employee entitlements	349	148	349	148
Deferred tax liability	1,911	7	—	7
	3,260	155	349	155
<b>21. SHARE CAPITAL</b>				
Authorised capital				
250,000,000 shares of 20 cents each	50,000	50,000	50,000	50,000
Issued capital				
59,456,114 (1990 — 35,737,100) ordinary shares of 20 cents each fully paid	11,891	7,147	11,891	7,147



# Notes to and Forming part of the Financial Statements

AT 30 JUNE 1991

	Group		Holding Company	
	1991 \$'000	1990 \$'000	1991 \$'000	1990 \$'000
<b>22. RESERVES</b>				
(Continued)				
Foreign currency translation				
— balance at beginning of year	—	—	—	—
— increment on translation of foreign subsidiaries	80	—	—	—
— balance at end of year	80	—	—	—
<b>23. MINORITY INTEREST</b>				
Analysis of minority interest in subsidiaries				
— Share capital	3,347	3,953		
— Reserves	1,214	2,688		
— Retained profits	(1,234)	(2,349)		
	3,327	4,292		
Reconciliation of minority interest in subsidiaries:				
(a) Gwalia International Ltd				
— Balance at beginning of year	4,292	—		
— Minority interest on acquisition	—	4,683		
— Share of losses	(626)	(391)		
— Share of movement in reserves	31	—		
— Minority interest acquired by Company at 28 September 1990	(3,697)	—		
Balance at end of year	—	4,292		
(b) Consolidated Nevada Goldfields Corporation				
— Minority interest on acquisition at 31 March 1991	3,918	—		
— Share of operating losses	(610)	—		
— Share of movement in reserves	(29)	—		
— Share of foreign exchange loss	(18)	—		
— Issue of shares to minorities	66	—		
Balance at end of year	3,327	—		
Total Minority Interest	3,327	4,292		



# Notes to and Forming part of the Financial Statements AT 30 JUNE 1991

	Group		Holding Company	
	1991	1990	1991	1990
	\$'000	\$'000	\$'000	\$'000
<b>24. SOURCES AND APPLICATIONS OF FUNDS (Continued)</b>				
Applications of funds include:				
Increase in assets				
Current assets				
— Cash	1,785	1,899		
— Inventory	15,372	4		
— Trade debtors	5,963	—		
— Amounts receivable from associated companies	57	—		
— Security deposits	56	—		
— Sundry debtors	243	—		
— Prepayments	422	184		
	<u>23,898</u>	<u>2,087</u>		
Non-current assets				
— Amounts receivable from associated companies	—	26,876		
— Other debtors	300	—		
— Investments	1,190	23		
— Land	52	1,112		
— Buildings	1,835	1,188		
— Plant and equipment	20,632	3,025		
— Plant and equipment under lease	2,169	251		
— Mineral exploration and mine development expenditure	70,712	11,666		
— Deferred expenditure relating to group reconstruction	442	297		
— Petroleum royalty	—	111		
— Goodwill	7,358	—		
— Other	735	—		
	<u>105,425</u>	<u>44,549</u>		
Reduction in liabilities				
Current liabilities				
— Bank overdraft	—	352		
— Loan	23,978	—		
— Amounts payable to associated companies	10	—		
	<u>23,988</u>	<u>352</u>		

# Notes to and Forming part of the Financial Statements AT 30 JUNE 1991

	Group		Holding Company	
	1991 \$'000	1990 \$'000	1991 \$'000	1990 \$'000

## 24. SOURCES AND APPLICATIONS OF FUNDS (Continued)

### Subsidiary Acquired:—

On 28 September 1990, the Company acquired 100% of the share capital of Gwalia Minerals N.L., Lithium Australia Ltd and Greenbushes Ltd and its subsidiaries. On 31 March 1991, the company acquired 63.8% of the share capital of Consolidated Nevada Goldfields Corporation. Assets and liabilities acquired have been included in the summary of sources and application of funds.

Details of the acquisitions are:—

	\$'000
Consideration	
— Cash	12,930
— Shares issued	36,545
— Loan forgiven	4,115
— 36.2% of the net assets of Gwalia (USA) Ltd	491
— Minority shareholding	<u>3,426</u>
	<u>57,507</u>

Total net assets of companies acquired at dates of acquisition

	\$
Cash	3,353
Receivables	7,677
Inventory	12,131
Prepayments	907
Investments	4,581
Plant and equipment	22,326
Exploration expenditure	20,452
Deferred mining expenditure	42,192
Other	<u>637</u>
	<u>114,256</u>



# Notes to and Forming part of the Financial Statements

AT 30 JUNE 1991

	Group		Holding Company	
	1991 \$'000	1990 \$'000	1991 \$'000	1990 \$'000
<b>25. REMUNERATION OF DIRECTORS AND EXECUTIVES</b> <i>(Continued)</i>				
(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 are disclosed in aggregate as the Directors believe that the provision of full particulars would be unreasonable.	<u>50</u>	<u>24</u>	<u>49</u>	<u>12</u>
(c) Executives remuneration				
Amounts received or due and receivable by Executive Officers of the Group from Group companies and related corporations whose remuneration is \$100,000 or more	<u>310</u>	<u>—</u>	<u>111</u>	<u>1</u>
The number of executives of the Group whose remuneration falls within the following bands:				
\$110,000 — \$119,999	1	—	1	—
\$190,000 — \$199,999	1	—	—	—
The above executives are also Directors of the Group and as such their remuneration is also included in Directors remuneration disclosed in note 25(a)				
<b>26. SUPERANNUATION COMMITMENTS</b>				
All employees are entitled immediately upon joining the Company to death and permanent disablement benefits and 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		Holding Company	
	1991 \$'000	1990 \$'000	1991 \$'000	1990 \$'000
<b>27. AUDITORS' REMUNERATION</b>				
Amounts received or due and receivable by the auditors of the Holding Company:				
Auditing accounts	<u>115</u>	<u>21</u>	<u>23</u>	<u>20</u>
Other services	<u>7</u>	<u>16</u>	<u>7</u>	<u>15</u>

# Notes to and Forming part of the Financial Statements AT 30 JUNE 1991

	Group		Holding Company	
	1991	1990	1991	1990
	\$'000	\$'000	\$'000	\$'000
<b>27. AUDITORS' REMUNERATION</b>				
(Continued)				
Amounts received or due and receivable by auditors other than the auditors of the Holding Company:				
Auditing accounts	126	11		
Other services	28	—		
<b>28. LEASE EXPENDITURE COMMITMENTS</b>				
Finance leases:				
— not later than one year	1,100	156	244	156
— later than one year and not later than two years	1,299	136	158	136
— later than two years and not later than five years	413	299	177	299
Total minimum lease payments	2,812	591	579	591
Future finance charges	(546)	(168)	(133)	(168)
Lease liability	2,266	423	446	423
Current liability				
(refer note 17)	775	78	177	78
Non-current liability				
(refer note 19)	1,491	345	269	345
	2,266	423	446	423

## 29. 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 (resigned)
  - E.M. Ross-Adjie
  - J. Ainsworth
  - W.L. Beevers
- (b) The following related party transactions occurred during the financial year.

# Notes to and Forming part of the Financial Statements AT 30 JUNE 1991

## 29. RELATED PARTY DISCLOSURES

(Continued)

- i) Gwalia Consolidated Ltd holds strategic investments in a number of associated companies being Sons of Gwalia N.L., and its subsidiaries and Biotech International Ltd.

Gwalia Consolidated Ltd provides corporate, financial, administrative and technical services to these companies. Each company reimburses Gwalia Consolidated Ltd at cost for their respective proportions of the cost of providing these services.

- ii) Gwalia Consolidated Ltd leases equipment, furniture and fittings from Sons of Gwalia N.L. at commercial rates. Total lease payments made to Sons of Gwalia N.L. during the year were \$242,640 (1990 — \$290,436).

- iii) During the year, Gwalia Consolidated Ltd sold land and buildings situated at 14/16 Parliament Place, West Perth, to Sons of Gwalia N.L. for \$4,630,000. An independent valuation prepared by Richard Ellis, Estate Agents, was used as the basis for determining the consideration paid. Sons of Gwalia N.L. charges Gwalia Consolidated Ltd commercial rent for the use of the premises based on advice from the Real Estate Agents. The amount of rent paid to Sons of Gwalia N.L. for the period 1 January 1991 to 30 June 1991 was \$162,540.

- iv) Gwalia Consolidated Ltd has received \$12,786,841 in dividend income from Sons of Gwalia N.L.

- v) Gwalia Consolidated Ltd has guaranteed the performance of Consolidated Nevada Goldfields Corporation, a 63% owned subsidiary, of all its obligations with respect to a US dollar cash advance facility. The facility has been drawn down at 30 June 1991 to US\$3,132,000. Consolidated Nevada Goldfields Corporation pays Gwalia Consolidated Ltd a 1.5% guarantee fee (A\$41,297 for 1991).

- vi) Gwalia Consolidated Ltd has guaranteed the performance of an associated company, Chimelle Petroleum Ltd, of all its obligations with respect to a cash advance facility. The facility has been drawn down at 30 June 1991 by \$1,750,000. Chimelle Petroleum Ltd pays Gwalia Consolidated Ltd a 1.5% guarantee fee (\$12,031 for 1991).

- vii) During the year Gwalia Consolidated Ltd paid consulting fees in the ordinary course of business of \$76,500 to Antrim Nominees Pty Ltd., a company associated with Mr J. Linden, a former Director of Greenbushes Ltd.

Greenbushes Ltd also sold its subsidiary, Key Investments Pty Ltd to Antrim Nominees Pty Ltd and others during the year for \$650,000. At 30 June 1991, \$300,000 remains owing to Greenbushes. Greenbushes continues to guarantee Key Investments performance under a bank guarantee to the R&I Bank of W.A.

- viii) Treasury Function

During the year Gwalia Consolidated Ltd and an associate, Sons of Gwalia N.L. each acquired 50% of the issued share capital of Gwalia Securities Pty Ltd, a company formed for the purpose of entering into foreign currency hedging arrangements, gold forward sales contracts, option agreements and other treasury functions when called upon to do so as Agent, Principal or Guarantor for Gwalia Consolidated Ltd. and Sons of Gwalia N.L. and their subsidiary companies.

Gwalia Consolidated Ltd., its wholly owned subsidiaries and Sons of Gwalia N.L. have each given joint and several guarantees and cross guarantees with respect to the performance of Gwalia Securities Pty Ltd of all or any of its obligations pursuant to these transactions.

Gwalia Consolidated Ltd. and its wholly owned subsidiaries and Sons of Gwalia N.L. have entered into a Shareholders Agreement to reflect the above matters.

# Notes to and Forming part of the Financial Statements AT 30 JUNE 1991

## 29. RELATED PARTY DISCLOSURES

(Continued)

### viii) Treasury Function (Continued)

As consideration for providing these guarantees, Gwalia Consolidated Ltd. is paid a fee at commercial rates by Sons of Gwalia N.L. on the amount of any exposure arising out of a quarterly revaluation of existing transactions entered into by Gwalia Securities Pty Ltd on behalf of Sons of Gwalia N.L. No fees were receivable by Gwalia Consolidated Ltd. in the current financial year. Similarly, Gwalia Consolidated Ltd. will pay a fee based on the same formula to Sons of Gwalia N.L. in consideration of Sons of Gwalia N.L. guaranteeing any exposures arising out of transactions entered into by Gwalia Consolidated Ltd and its wholly owned subsidiaries.

At the date of this report, Gwalia Securities Pty Ltd has entered into the following transactions which remain outstanding:

— As Agent and Guarantor for Gwalia Minerals N.L.

Call Option in favour of Macquarie Bank Limited to deliver 25,000 ounces fine gold at a strike price of \$700 per ounce on the exercise and expiry date 31 January 1996.

— As Agent and Guarantor for Sons of Gwalia N.L.

Call Option in favour of Macquarie Bank Limited to deliver 12,000 ounces fine gold at a strike price of \$700 per ounce on the exercise and expiry date 31 January 1996.

Prior to the formal treasury arrangements being entered into as detailed above, Sons of Gwalia N.L. acting as Agent for Gwalia Securities Pty Ltd and Greenbushes Ltd entered into the following Foreign Currency Term Hedge Agreements:—

- To buy US\$108.43 million from Greenbushes Ltd at an exchange rate of US\$0.70 over the period 28 November 1990 to 30 October 1995.
- Call Option to buy US\$54 million from Greenbushes Ltd at an exchange rate of US\$0.70 over the period 27 November 1992 to 30 October 1995.
- To sell US\$108.43 million to Macquarie Bank Limited at an exchange rate of US\$0.70 over the period 28 November 1990 to 30 October 1995.
- Call Option in favour of Macquarie Bank Limited to sell US\$54 million at an exchange rate of US\$0.70 over the period 27 November 1992 to 30 October 1995.

Sons of Gwalia N.L. is currently in the process of assigning all of these Foreign Currency Term Hedge Agreements to Gwalia Securities Pty Ltd.

- ix) Warrior International Ltd, a company of which Mr J. Ainsworth is a Director, received a fee of 1,000,000 common shares in Consolidated Nevada Goldfields Corporation Inc. for services rendered in respect of the Group's acquisition of its interest in Consolidated Nevada Goldfields Corporation.
- x) Sons of Gwalia N.L. has guaranteed the repayment of a gold loan made by Mase Westpac Australia Limited to Gwalia (USA) Ltd for a consideration of 1.5% per annum of the gross value of the gold drawn down and outstanding from time to time. The amount of gold owed by Gwalia (USA) Ltd to Mase Westpac Australia Limited at 30 June 1991, amounted 21,000 ounces (1990 — nil) and the fees paid by Gwalia (USA) Ltd to Sons of Gwalia N.L. for providing this guarantee amounted to \$197,574 for the 1990/91 financial year (1990 — nil).



# Notes to and Forming part of the Financial Statements AT 30 JUNE 1991

	Share of Associated Companies				Consolidated and Share of Associated Companies	
	Consolidated	1991	1990	Companies	1991	1990
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>30. EQUITY SUPPLEMENTARY FINANCIAL INFORMATION (Continued)</b>						
Total available for appropriation	21,426	15,663	12,588	16,385	34,014	32,048
Retained (profits)losses applicable to associated companies sold during year or consolidated at year end for the first time	—	—	2,894	1,306	2,894	1,305
Adjustment to returned profits to reflect dilution of investment in associated companies	—	—	—	(732)	—	(732)
Dividends provided for or paid	—	(2,622)	—	—	—	(2,621)
<b>RETAINED PROFITS at the end of the financial year</b>	<u>21,426</u>	<u>13,041</u>	<u>15,482</u>	<u>16,959</u>	<u>36,908</u>	<u>30,000</u>
<b>BALANCE SHEET</b>						
Investment in associated companies						
Shares in associated companies at cost	13,105	33,651	—	—	13,105	33,651
Shares in associated companies' reserves	—	—	<u>15,341</u>	<u>18,313</u>	<u>15,341</u>	<u>18,313</u>
Share of associated companies' profits (losses)	—	—	<u>15,482</u>	<u>16,959</u>	<u>15,482</u>	<u>16,959</u>
Aggregate carrying amount	<u>13,105</u>	<u>33,651</u>	<u>30,823</u>	<u>35,272</u>	<u>43,928</u>	<u>68,923</u>
Investments in other companies	<u>114</u>	<u>56</u>	—	—	<u>114</u>	<u>56</u>
Other assets	<u>141,695</u>	<u>47,497</u>	—	—	<u>141,695</u>	<u>47,497</u>
Total assets	<u>154,914</u>	<u>81,204</u>	<u>30,823</u>	<u>35,272</u>	<u>185,737</u>	<u>116,476</u>
Total liabilities	<u>(67,365)</u>	<u>(36,545)</u>	—	—	<u>(67,365)</u>	<u>(36,545)</u>
Net assets	<u>87,549</u>	<u>44,659</u>	<u>30,823</u>	<u>35,272</u>	<u>118,372</u>	<u>79,931</u>
Share capital	11,891	7,147	—	—	11,891	7,147
Reserves	50,905	24,471	15,341	18,313	66,246	42,784
Retained profits	21,426	13,041	15,482	16,959	36,908	30,000
Minority interest	3,327	—	—	—	3,327	—
<b>Total shareholders' equity</b>	<u>87,549</u>	<u>44,659</u>	<u>30,823</u>	<u>35,272</u>	<u>118,372</u>	<u>79,931</u>

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.

# Notes to and Forming part of the Financial Statements AT 30 JUNE 1991

## 31. CONTINGENT LIABILITIES

- (a) The Company has guaranteed the bank overdraft facility of Biotech International Ltd up to a maximum of \$400,000. 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 an irrevocable letter of credit of Gwalia International Ltd for US\$190,000.
- (c) As disclosed in Note 29, the Company has guaranteed cash advance facilities for Consolidated Nevada Goldfields Corporation and Chimelle Petroleum Ltd totalling US\$3,132,000 and \$A1,750,000 at 30 June 1991 respectively.
- (d) The Company has agreed to advance Consolidated Nevada Goldfields Corporation US\$2,000,000 pursuant to a series of convertible subordinated debentures due 31 December 1995. The US\$2,000,000 will be advanced to Consolidated Nevada Goldfields Corporation in four semi-annual instalments of US\$500,000 each commencing 31 December 1991. The debentures are convertible at the Company's option, into 1,666,667 common shares of Consolidated Nevada Goldfields Corporation at any time prior to 31 December 1995. Interest on the monies advanced pursuant to the debentures will be payable semi-annually at 6% per annum.
- (e) The Company has entered into a service agreement with an Executive Director which provides for three years notice or payment of three years salary in lieu of notice in the case of termination of that Executive Director's employment. Total amount payable under this service agreement at 30 June 1991 amounted to \$435,000.

	Corporate and Financial		Management		Mining		Elimination		Consolidated	
	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			\$'000	\$'000
32. SEGMENT INFORMATION										
(a) Industry segments										
Operating Revenue										
Revenue from persons outside the Group	29,343	12,845	29,160		—	—	—	—	58,503	12,845
Unallocated revenue	—	—	—	—	—	—	—	—	751	189
									<u>59,254</u>	<u>13,034</u>
Segment result	10,456	6,778	(3,232)	(1,371)	—	267	7,224	5,675		
Segment assets	62,989	133,755	140,724	16,048	—	(5,022)	203,713	144,781		

# Notes to and Forming part of the Financial Statements AT 30 JUNE 1991

## 32. SEGMENT INFORMATION (Continued)

### (b) Geographical Segments

	Australia 1991 \$'000	U.S.A. 1991 \$'000	Zimbabwe 1991 \$'000	Elimination 1991 \$'000	Consolidated 1991 \$'000
30 June 1991					
<b>Operating Revenue</b>					
Revenues from persons outside the Group	56,334	2,825	95	—	59,254
Segment result	9,302	(1,878)	(200)	—	7,224
Segment assets	172,386	30,224	1,103	—	203,713
30 June 1990	1990 \$'000	1990 \$'000	1990 \$'000	1990 \$'000	1990 \$'000
<b>Operating Revenue</b>					
Revenues from persons outside the Group	13,184	12	2	(164)	13,034
Segment result	6,183	(460)	(493)	445	5,675
Segment assets	142,953	12,483	(1,043)	(12,058)	144,421

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

# **Listing Requirements of Australian Stock Exchange Limited**

Statement of Security Holders as at 7 October 1991 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	5,020	469	0
1001 — 5000	1,851	335	9
5001 — 10000	253	59	17
10001 — over	227	83	34
Number of holders	7,351	946	60
Number of holders holding less than a marketable parcel	3,275	652	N/A
% of total holding by or on behalf of the twenty largest holders	73.75	84.19	80.40

## Interest of Directors

The register of Directors' shareholdings disclosed that at 18 October 1991, 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	9,909	45,651	51,666	—
P.K. Lalor	30,486	4,282,228	458,000	2,838,644
C.J. Lalor	30,487	4,282,228	400,000	2,838,644
E.M. Ross-Adjie	27,880	—	300,000	—
J. Ainsworth	1,000	—	—	—
W.L. Beevers	46,092	—	50,324	—

Substantial shareholders (holding not less than 5%) as shown in the Company's Register of Substantial Shareholders —

	Ordinary Shares
Messrs P.K. & C.J. Lalor,	4,282,228
Sons of Gwalia N.L.	12,240,992
Blaironia Pty Ltd,	4,269,496

# Notice of Annual General Meeting

NOTICE is hereby given that the eighteenth 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 22nd day of November 1991 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 1991 and the reports of the Directors and Auditors thereon.
  - 1.2 To re-elect Directors:
    - (a) Mr R.J. Lynch retires by rotation and being eligible, offers himself for re-election.
    - (b) Mr C.J. Lalor retires by rotation and being eligible, offers himself for re-election.
  - 1.3 To declare a dividend. The Directors recommend the payment on 3 December 1991 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 11 November 1991.
2. 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 18 October 1991.

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