Resource Development Group Limited

ABN 33 149 028 142

Interim Financial Report
31 December 2013

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Contents

CORPORATE INFORMATION

ABN 33 149 028 142

Directors

Mr. Mel Ashton, Non-Executive Chairman
Mr. Jeff Brill, Managing Director
Mr. Damir Panzich, Executive Director
Mr. Chris Ryan, Non-Executive Director

Company secretary

Mr. Mark Pugsley

Registered office

Level 8, Carillon City Office Tower
207 Murray Street, PERTH, WA 6000
Telephone: +61 8 6460 0360
Facsimile: +61 8 6460 0361

Principal place of business

Level 8, Carillon City Office Tower
207 Murray Street, PERTH, WA 6000
Telephone: +61 8 6460 0360
Facsimile: +61 8 6460 0361
Website: www.resdevgroup.com.au

Share register

Security Transfer Registrars Pty Ltd
770 Canning Highway, APPLECROSS, WA 6153
Telephone: +61 8 9315 2333
Facsimile: +61 8 9315 2233

Solicitors

Hilary Macdonald
Corporate & Resources Lawyer
Suite 29, 18 Stirling Highway, NEDLANDS, WA 6009

Bankers

Westpac Banking Corporation
7 & 9A Queen Street, FREMANTLE, WA 6160

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street, PERTH WA 6000

Stock exchange listing

Resource Development Group Limited shares are listed on the Australian Securities Exchange (ASX: RDG)

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity (or "Group") consisting of Resource Development Group Limited ("Company") and the entities it controlled during the period for the half year ended 31 December 2013. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office throughout the period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Mr Mel Ashton	(Non-Executive Chairman)
Mr Jeff Brill	(Managing Director)
Mr Damir Panzich	(Executive Director)
Mr Chris Ryan	(Non-Executive Director)

Principal Activities

The principal activities of the entities within the consolidated entity during the half year were the provision of engineering, construction and consulting services to mining companies.

Review of operations

The half year ended 31 December 2013 has provided continuing challenging market conditions in which Resource Development Group Limited ("RDG") achieved respectable revenues.

The Australian resources sector has experienced challenging and turbulent conditions for a sustained period of time and, as part of its strategy to navigate these conditions, RDG has completed the co-location of all of its four operating subsidiaries into one location. The benefits of this co-location include improved synergies between subsidiaries, improved communication and operating practices and the ability to share resources. Corporate services have been moved to the Group level and rationalised to provide consistency and maximise cost benefits. Each operating subsidiary continues under its own branding and management but will enjoy an increased advantage of being part of the Group of companies.

RDG continued to reduce debt during the half year and strengthening our balance sheet remains one of our primary goals.

Key Information

- Revenues of $13,887,144, down 79.2% on the previous period but achieved under difficult market conditions
- EBIT of ($927,757) achieved under difficult market conditions, after impairment of $1,500,000
- Completion of the co-location of all subsidiaries into our Perth offices
- Consolidation of corporate services at the Group level to provide consistency and cost benefits
- Continued work for major blue chip clients including BHP Billiton Iron Ore, Rio Tinto Iron Ore and Fortescue Metals Group

Operations

Resource Development Group has four operating subsidiaries:

- Ecologia Environmental Consultants Pty Ltd ("Ecologia"), which specialises in environmental management and biological sciences consulting services to the resources, energy and infrastructure sectors of Australia and internationally
- Engenium Pty Ltd ("Engenium"), which provides project delivery services ranging from studies through to detailed engineering solutions and engineering, procurement and construction management (EPCM) services to the resources and infrastructure sectors of Australia and internationally
- Intellect Systems Pty Ltd ("Intellect"), a specialist provider of end to end industrial technology solutions in control systems and automation, electrical engineering and industrial information technology to the resources, energy and infrastructure sectors of Australia and internationally
- Pacer Corporation Pty Ltd ("Pacer"), a provider of low cost, high value, multi-discipline engineering and construction solutions to the Australian resources sector.

DIRECTORS' REPORT (continued)

Sustaining works for major blue chip clients have provided a good base load of work for the Group throughout the half year. Engenium provides services via several multi-year contracts for a range of large mining clients including BHP Billiton Iron Ore, Rio Tinto Iron Ore and Fortescue Metals Group. Ecologia continued with a multi-year contract for Fortescue Metals Group for monitoring services, work for Polaris Metals and completed work for a project in Ecuador as a direct outcome of the previous work completed for the Government of Ecuador. Pacer completed minor design and EPC works for existing operators. Intellect Systems continued works for a strategic supplier of major equipment to large mining clients and provides support and optimisation works for several operating mines.

Workforce Capacity and Capability

Staff numbers have increased over the past half year, with the Group enjoying moderate growth. As at 31 December 2013 Resource Development Group Limited employed 157 people. Each subsidiary carries a core capability skillset that can be rapidly increased to meet project requirements without compromising quality of service. In addition resources can be seamlessly moved between subsidiaries to address project requirements.

Strategy and Outlook

Resource Development Group Limited remains committed to building a diversified services business using a combination of organic growth, exploitation of intercompany synergies and further acquisitions. Whilst the bulk of our revenue in the half year was derived from the resources sector, significant inroads continue to be made against our strategic plan for 2012 to 2016. This plan is underpinned by consolidation of operations in Western Australia followed by geographical and sector diversification within Australia and then internationally.

Resource Development Group Limited has a focus on flexibility and growing our recurring revenue streams to provide resilience in dynamic markets. We have co-located our operations in Perth and will benefit from the synergies of this over the coming months. These include allowing us to all work smarter as a Group and providing for further cost savings. We have begun the process of replicating our capabilities on the east coast of Australia and will be well positioned as that market recovers.

The targets of becoming a resilient business with the ability to navigate challenging market conditions, whilst strengthening our balance sheet remain our primary goals. We are optimistic about the future and are confident we can deliver on our operational and financial goals for 2014.

Auditor Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 5 and forms part of this directors' report for the half year ended 31 December 2013.

Signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

M. Ashton

Mr Mel Ashton

Non-Executive Chairman
Perth, Western Australia
27 February 2014

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Resource Development Group Limited for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia	**W M Clark**
27 February 2014	**Partner**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Notes	Consolidated 31 December 2013 $	31 December 2012 $
Revenue	2	13,887,144	66,896,085
Interest income		61,058	83,610
(Loss)/profit from sale of plant and equipment		(6,362)	523
Employee benefits expense		(10,808,435)	(15,770,067)
Depreciation	2	(241,969)	(258,929)
Finance costs		(165,496)	(154,086)
Impairment		(1,500,000)	-
Share based payments	2	(125,866)	(144,431)
Other expenses		(2,132,269)	(47,132,554)
(Loss)/profit before income tax expense		(1,032,195)	3,520,151
Income tax expense		(143,576)	(1,188,586)
(Loss)/profit for the period		(1,175,771)	2,331,565
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(3,519)	1,743
Other comprehensive (loss)/income for the period, net of tax		(3,519)	1,743
Total comprehensive (loss)/income for the period		(1,179,290)	2,333,308
Basic earnings per share (cents per share)		(0.89)	1.79
Diluted earnings per share (cents per share)		(0.89)	1.70

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Notes	Consolidated 31 December 2013 $	30 June 2013 $
Current Assets			
Cash and cash equivalents		4,672,389	3,842,749
Trade and other receivables		5,484,406	7,450,251
Current tax assets		95,363	955,093
Total Current Assets		10,252,158	12,248,093
Non-Current Assets			
Investments accounted for using the equity method		1	1
Property, plant and equipment		1,359,071	1,526,645
Intangible assets	5	4,500,000	6,000,000
Deferred tax assets		689,107	620,356
Total Non-Current Assets		6,548,179	8,147,002
Total Assets		16,800,337	20,395,095
Current Liabilities			
Trade and other payables		1,655,955	2,418,547
Borrowings	7	4,073,906	4,620,355
Provisions		781,921	1,001,673
Total Current Liabilities		6,511,782	8,040,575
Non-Current Liabilities			
Borrowings	7	2,000,710	3,057,529
Deferred tax liabilities		164,089	119,525
Provisions		238,675	238,961
Total Non-Current Liabilities		2,403,474	3,416,015
Total Liabilities		8,915,256	11,456,590
Net Assets		7,885,081	8,938,505
Equity			
Issued capital	4	12,098,769	12,098,769
Reserves		354,707	232,360
Accumulated losses		(4,568,395)	(3,392,624)
Total Equity		7,885,081	8,938,505

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

Consolidated	Issued capital	(Accumulated losses)/ retained earnings	Foreign currency transaction reserve	Share based payment reserve	Total
	$	$	$	$	$
Balance as at 1 July 2012	12,074,297	2,507,766	(2,335)	18,267	14,597,995
Profit for the period	-	2,331,565	-	-	2,331,565
Exchange differences arising on translation of foreign operations	-	-	1,743	-	1,743
Total comprehensive income for the period	-	2,331,565	1,743	-	2,333,308
Recognition of share-based payments	-	-	-	144,431	144,431
Balance at 31 December 2012	12,074,297	4,839,331	(592)	162,698	17,075,734
Balance as at 1 July 2013	12,098,769	(3,392,624)	(2,015)	234,375	8,938,505
Loss for the period	-	(1,175,771)	-	-	(1,175,771)
Exchange differences arising on translation of foreign operations	-	-	(3,519)	-	(3,519)
Total comprehensive loss for the period	-	(1,175,771)	(3,519)	-	(1,179,290)
Recognition of share-based payments	-	-	-	125,866	125,866
Balance at 31 December 2013	12,098,769	(4,568,395)	(5,534)	360,241	7,885,081

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Consolidated	
	31 December 2013	31 December 2012
	$	$
	Inflows/(Outflows)	
Cash flows from operating activities		
Receipts from customers	15,811,754	58,557,571
Payments to suppliers and employees	(13,885,618)	(54,206,635)
Interest received	61,058	83,610
Finance costs	(153,670)	(119,977)
Income tax refund/(paid)	691,967	(1,939,659)
Net cash provided by operating activities	2,525,491	2,374,910
Cash flows from investing activities		
Purchase of property, plant and equipment	(159,789)	(380,282)
Proceeds from sale of property, plant and equipment	79,032	1,300
Payments for subsidiary, net of cash acquired	-	(781,520)
Purchase of intangibles	-	(7,610)
Net cash used in investing activities	(80,757)	(1,168,112)
Cash flows from financing activities		
Proceeds from borrowing	-	781,520
Repayment of borrowings	(282,956)	(43,958)
Repayment of deferred acquisition consideration	(1,227,117)	(100,000)
Reduction in finance lease and hire purchase liabilities	(105,021)	(46,646)
Net cash (used in)/provided by financing activities	(1,615,094)	590,916
Net increase in cash and cash equivalents	829,640	1,797,714
Cash and cash equivalents at beginning of period	3,842,749	3,162,184
Cash and cash equivalents at end of period	4,672,389	4,959,898

The accompanying notes form part of these financial statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 '*Interim Financial Reporting*', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 '*Interim Financial Reporting*'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2013 and any public announcements made by Resource Development Group Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(b) Basis of preparation

The interim report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

(c) Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2013.

In the half year ended 31 December 2013, management reassessed its estimates in respect of:

- Goodwill (Note 5).

(d) Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2013, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company's operations and effective for the current annual reporting periods beginning on or after 1 July 2013.

It has been determined by the directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company and, therefore, no change is necessary to Group accounting policies.

The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2013. As a result of this review the directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company and, therefore, no change necessary to Group accounting policies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 2: REVENUE AND EXPENSES

	Consolidated	
	31 December 2013	31 December 2012
	$	$
(a) Revenue		
Sales revenue		
Rendering of services	13,364,851	18,699,380
Sale of goods	522,293	48,196,705
	13,887,144	66,896,085
(b) Expenses		
Net foreign exchange gains/(losses)	-	296
Depreciation of non-current assets	(241,969)	(258,929)
Operating lease rental expense	(858,343)	(754,198)
Share based payments expense	(125,866)	(144,431)

NOTE 3: SEGMENT REPORTING

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance.

The Board of Directors of Resource Development Group Limited reviews internal reports prepared as consolidated financial statements and strategic decisions of the Company are determined upon analysis of these internal reports.

The Group operates predominately in one business segment being the provision of engineering, construction and consulting services to mining clients in Australia. The Board of Directors is of the opinion that the condensed consolidated statement of comprehensive income of the Group is equivalent to the operating segment identified above and as such no further disclosure is required in the notes to the condensed financial statements in relation to business segments.

Revenue by geographical region

Revenue by geographical region attributable to external customers is disclosed below, based on the location of the external customer.

	Consolidated	
	31 December 2013	31 December 2012
	$	$
Australia	13,665,197	66,026,703
Africa	214,884	837,564
Ecuador	68,121	115,428
Total	13,948,202	66,979,695

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 3: SEGMENT REPORTING (continued)

Major customers

The Group has a number of customers to whom it provides services where the revenue from each customer was in excess of 10% of the Group's revenue for the half year. These customers generated 28% (2012: Nil) and 21% (2012: 3%) of the group's revenue for the year.

NOTE 4: ISSUED CAPITAL

	Consolidated	
	31 December 2013	30 June 2013
	$	$
132,418,895 Ordinary shares issued and fully paid	12,098,769	12,098,769

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

	Six months ended 31 December 2013		Year ended 30 June 2013	
Movement in ordinary shares on issue	No.	$	No.	$
Balance at beginning of financial period	132,418,895	12,098,769	129,971,723	12,074,297
Issued on 16 May 2013 under employee share scheme	-	-	2,447,172	24,472
Balance at end of financial period	132,418,895	12,098,769	132,418,895	12,098,769

Options

The Company has not issued any options.

The Group continued its Employee Incentive Plan originally set up in February 2011, allowing the Board to invite employees to apply for incentives, for nil consideration. The incentives may be exercised for nil consideration when certain vesting conditions occur, at which point one share will be issued for each incentive exercised.

During the period 1,400,000 new incentives were issued.

	Consolidated	
	Six months ended 31 December 2013	Year ended 30 June 2013
Movement in employee incentives	Number	Number
Balance at beginning of financial period	3,750,000	2,660,040
Issued during period	1,400,000	4,550,000
Forfeited on cessation of employment	-	(1,012,868)
Vested during period	-	(2,447,172)
Balance at end of financial period	5,150,000	3,750,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 5: INTANGIBLES

Goodwill	Consolidated $
Balance at 31 December 2012	13,769,067
Impairment loss charged to profit or loss	(7,769,067)
Balance at 30 June 2013	6,000,000
Impairment loss charged to profit or loss	(1,500,000)
Balance at 31 December 2013	4,500,000
Carrying value	
31 December 2013	4,500,000
30 June 2013	6,000,000

Impairment

During the half year ended 31 December 2013, following the completion of intangible asset impairment testing, a $750,000 charge was taken against Intellect Systems Pty Ltd and a $750,000 charge was taken against Ecologia Environmental Consultants Pty Ltd.

Goodwill Allocation

Goodwill acquired through business combinations have been allocated to specific cash generating units, for impairment testing as follows:

	Consolidated	
	31 December 2013 $	30 June 2013 $
Intellect Systems Pty Ltd	2,250,000	3,000,000
Ecologia Environmental Consultants Pty Ltd	2,250,000	3,000,000
	4,500,000	6,000,000

Impairment testing

Impairment testing compares the carrying value of assets to be tested to the recoverable amount of future cash flows which was determined using the value in use calculation. Assumptions for ascertaining the recoverable amount are based on management's past experience and future expectations. Cash flow projections are based on five year forecasts. Forecasts use current management estimates, based on past management experience and future expectations to determine revenue, expenses, capital expenditure and cash flows.

	Discount rate as at 31 December 2013 % (a)	Discount rate as at 30 June 2013 % (a)	Terminal value growth rate as at 31 December 2013 % (b)	Terminal value growth rate as at 30 June 2013 % (b)
Intellect Systems Pty Ltd	15	12	0	0
Ecologia Environmental Consultants Pty Ltd	15	12	0	0

a) Discount rate represents the pre-tax discount rate applied to the cash flow projections. This discount rate reflects the market determined and risk adjusted discount rate.

b) Terminal value growth rate represents the growth rate applied to extrapolate cash flow projections beyond the five year forecast period. These growth rates are based on the competitive markets and current work in hand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 5: INTANGIBLES (continued)

Reasonably possible change

The recoverable amount of goodwill relating to both Intellect Systems Pty Ltd and Ecologia Environmental Consultants Pty Ltd would be impacted by an adverse movement in earnings, discount rate or terminal growth rate.

NOTE 6: CONTINGENT LIABILITY

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 7: BORROWINGS

		Consolidated	
		31 December 2013 $	30 June 2013 $
Current			
Bank loan		2,365,748	2,648,712
Deferred acquisition consideration		1,700,000	1,927,110
Finance lease liabilities		8,158	44,533
		4,073,906	4,620,355
Non-current			
Loan facility		2,000,000	2,000,000
Deferred acquisition consideration		-	1,000,000
Finance lease liabilities		710	57,529
		2,000,710	3,057,529
Secured	Maturity		
Bank loan	2017	2,365,748	2,648,712
Lease liabilities	2016	8,868	102,062
Total secured borrowings		2,374,616	2,750,774
Unsecured			
Loan facility	2015	2,000,000	2,000,000
Deferred acquisition consideration		1,700,000	2,927,110
Total unsecured borrowings		3,700,000	4,927,110
Total borrowings		6,074,616	7,677,884

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 7: BORROWINGS (continued)

Summary of borrowing arrangements

The secured bank loan with Westpac Banking Corporation has a reducing limit, currently at $2,365,748, with a variable interest rate of 6.6% which was used to assist in the purchase of a subsidiary. The loan is due to expire on 7 May 2017. The loan is secured by a fully interlocking guarantee and indemnity by the Group and supported by a general security agreement by the Group over all existing and future assets and undertakings.

Due to difficult market conditions and the incurring of one-off costs relating to relocation of its subsidiaries and redundancy costs in the second quarter of financial year, RDG breached a number of its financial covenants relating to its loan from Westpac Banking Corporation. The bank has been kept informed at all times of the company's situation and has agreed to forbear from seeking a remedy against the breach pending its quarterly review and subject to there being no other adverse features arising that in the sole discretion of the bank, may prejudice the Bank's position.

The Group entered an agreement with the ultimate parent entity, Lightshare Investments Pty Ltd on 28 June 2013, whereby $2,000,000 of the outstanding deferred acquisition consideration has been converted into an interest bearing loan for a minimum period of two years. Under the terms of the loan facility, interest of 7% is payable annually on 30 June 2014 and 30 June 2015. The facility also ensures that Lightshare Investments Pty Ltd cannot request repayment of the $2,000,000 before 30 June 2015.

NOTE 8: RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Resource Development Group Limited and the subsidiaries listed in the following table.

		% Equity Interest		Investment ($)	
Name	Country of Incorporation	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Engenium Pty Ltd	Australia	100	100	13,791,427	13,791,427
Engenium Projects Ltd	UK	100	100	2	2
Intellect Systems Pty Ltd	Australia	100	100	4,517,962	4,517,962
Pacer Corporation Pty Ltd	Australia	100	100	3,000,000	3,000,000
Ecologia Environmental Consultants Pty Ltd	Australia	100	100	6,252,159	6,252,159
Australian Quarries Pty Ltd	Australia	100	100	2	2

Resource Development Group Limited is the intermediate Australian parent entity and intermediate parent of the Group.

Lightshare Investments Pty Ltd is the ultimate Australian parent entity and ultimate parent of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 8: RELATED PARTY DISCLOSURE (continued)

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial period:

Consolidated		Income from related parties $	Expenditure to related parties $	Amounts owed by related parties $	Amounts owed to related parties $
Entities with significant influence over the Group:					
Lightshare Investments Pty Ltd	2013	-	70,000	-	70,000
	2012	66,381	-	-	-

Entity with significant influence over the Group

Lightshare Investments Pty Ltd owns 57.31% of the ordinary shares in Resource Development Group Limited (2012: 58.39%).

On the 28 June 2013 an agreement was executed between Lightshare Investments Pty Ltd and Resource Development Group Limited whereby $2,000,000 of the $3,700,000 outstanding from the share sale agreement dated 22 February 2011 was converted to an interest bearing loan facility. This loan facility has a 7% interest rate attached where the Group must pay the interest in arrears in two instalments, on 30 June 2014 and 30 June 2015. The term of the loan is two years commencing 1 July 2013 and ending 30 June 2015, with repayment of the $2,000,000 due at the end of the loan term.

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash.

No guarantees provided or received for any related party receivables or payables.

An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

NOTE 9: FINANCIAL INSTRUMENTS

The directors consider that the carrying value of financial assets and financial liabilities as recognised in the consolidated financial statements approximate their fair values.

NOTE 10: EVENTS AFTER THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the interim period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future financial years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 11: COMMITMENTS

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on premises and certain items of computer equipment. These leases have an average life of three years with renewal options included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	Consolidated		Parent	
	31 December 2013 $	30 June 2013 $	31 December 2013 $	30 June 2013 $
Within one year	1,330,111	1,443,430	-	-
After one year but not more than five years	2,215,378	2,803,073	-	-
	3,545,489	4,246,503	-	-

Finance lease and hire purchase commitments - Group as lessee

The Group has finance leases and hire purchase contracts for various items of plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	31 December 2013		30 June 2013	
Consolidated	Minimum Lease payments $	Present value of lease payments $	Minimum lease payments $	Present value of lease payments $
Within one year	8,568		50,971	
After one year but not more than five years	714		63,329	
Total minimum lease payments	9,282		114,300	
Less amounts representing finance charges		(414)		(12,238)
Present value of minimum lease payments		8,868		102,062

Capital commitments

At 31 December 2013 the Group had no capital commitments that have not otherwise been recorded as a liability.

DIRECTORS' DECLARATION

In the opinion of the directors of Resource Development Group Limited (the 'Company'):

1. the attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
   a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of is performance for the year then ended; and
   b. complying with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

M. Ashton

Mel Ashton
Non-Executive Chairman

Dated this 27th day of February 2014

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Resource Development Group Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Resource Development Group Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2013, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Resource Development Group Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

W M Clark
Partner

Perth, Western Australia
27 February 2014