



ANNUAL REPORT

For the 12 months to
30 June 2017

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Water Resources Group Limited

ABN: 11 124 426 339

Directors

Mr Steve Morris (Non-Executive Chairman)

Mr Simon Lill (Executive Director)

Mr Dominic Redfern (Non-Executive Director) (Resigned 17 August 2017)

Mr Steve Annear (appointed 17 August 2017)

Company Secretary

Mr Simon Lill

Registered Office

Level 3, 2-4 Ross Place,
South Melbourne, Victoria 3205

Telephone : (03) 9673 9690
Facsimile: (03) 9673 9699

Email: Corporate@WaterResourcesGroup.com
Website: www.WaterResourcesGroup.com

Securities Exchange Listing

The Company's securities are listed on the official list of the Australian Securities Exchange Limited.

ASX Stock Code: WRG

Share Registry

Link Market Services
Locked Bag A14
SYDNEY SOUTH NSW 1235

Phone: 1300 554 474 or (02) 8280 7111
International: +61 2 8280 7111
Fax: (02) 9287 0303
Fax: (02) 9287 0309 (for proxy voting)

Auditors

PKF Hacketts Audit
Level 6,
10 Eagle Street
BRISBANE QLD 4000

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Dear Shareholder,

We thank you for your patience, and assure you that there are activities occurring with the Company and with the work on the Company's core technology, the Air2O3 generator.

During the year, we were approached by a significant participant in the water sector, and provided them a simple trial of our generator. This trial impressed them enough to wish to immediately commence their own trials on a reactor that we provided to them.

The testing undertaken was detailed and lengthy, as the product may be required in a variety of conditions and sizes. Initial reports were positive as to the consistency and ease of production, though the stress testing undertaken results in the equipment needing some mechanical redesign work to assist it to withstand some of the operating conditions to which it may be put to work. This rework is not seen as problematic and testwork is expected to recommence shortly. In understanding the problems that we have had to address prior to these trials, we remain hopeful of reporting positive outcomes before the end of the year.

After the end of the year, the Company has strengthened its ties with Somnio through the appointment of key Somnio employee, Mr. Steve Annear, to the Board of Water Resources Group. We have advised the market of the work towards ensuring WRG has access to the full suite of Somnio water technologies. This appointment, and Mr. Annear's acceptance, is a precursor to this developing relationship. He will be an invaluable member of the Board and we look forward to working with him.

Mr. Dominic Redfern has stepped aside to make way for Mr. Annear. I would like to thank him, on behalf of the Board and all shareholders for his efforts since his appointment in 2008. It will not have been an easy time for him and he certainly showed his capabilities and qualities to us during his time on the Board. We wish him the best in his future work endeavours.

The Company remains on a solid financial footing through the ongoing support of its major shareholder, Dilato Holdings, who have recommitted to their financing package through to 31 December 2018. Dilato are associated with Somnio through a common major shareholder which also assists the relationship moving forward.

The Company also manages its cash, as a result of requiring the Dilato facility very closely, and the accounts show that cash outflows remain at possibly the bare minimum for an ASX listed public company.

I would like to take this opportunity to thank my fellow Directors, Mr. Simon Lill and Mr. Dominic Redfern, for their ongoing efforts throughout the year and also our shareholders for their ongoing support. We remain committed to achieving successful outcomes for all and believe that finally the shareholders will start to see some positive outcomes in the year ahead.

Yours sincerely,



Steve Morris
Chairman
31 August 2017

Your directors submit their report for the period ended 30 June 2017.

Directors

The names and details of the Company's directors in office during the financial period and until the date of this report are as follows. Where applicable, all current and former directorships held in public listed companies over the last three years have been detailed below:

Directors were in office for this entire period unless otherwise stated.

Steve Morris

Chairman and Non-Executive Director

Mr. Morris has over 20 years of experience at the most senior executive level in a range of industries including the last 15 in Financial Markets. During that time he has held positions such as Head of Private Clients Australia for Paterson's Securities Ltd, Managing Director of Intersuisse Ltd. Currently he is managing director of Peloton Shareholder Services, offering management of shareholder based capital raising and investor relations advice to many ASX listed companies. Mr. Morris is also a Non-Executive Director of De Grey Mining and sits on the Board of Directors of the Melbourne Football Club.

Mr. Morris is also a director of ASX listed Company, De Grey Mining Limited (appointed 29 October 2014).

Simon Lill

Executive Director Company Secretary

Mr. Lill has a background of over 30 years of stockbroking, capital raising, management, business development and analysis for a range of small and start-up companies, in both the manufacturing and resources industries. He has assisted the Company since his appointment in its restructuring activities and was appointed in an executive role by the Board in November 2014.

In the 3 years prior to the date of this report Mr. Lill has been, or is, a director of the following:

- De Grey Mining Limited (appointed 2 October 2013, continuing)
- Mejority Capital Limited (formerly Bridge Global Capital Limited) (appointed 18 May 2010, continuing)
- Mako Hydrocarbons Limited (appointed 28 August 2015; Mako was placed in administration on 30 August 2015. Directorship discontinued).

Mr Steve Annear

Non-Executive Director – Appointed 17 August 2017

Mr. Annear is responsible for the management of Somnio's operations and works on execution of the Company's business plan including the development and deployment of commercial strategies. Prior to joining Somnio, Mr. Annear enjoyed a successful career in senior management roles in large Industrial companies in Australia. This experience has included mergers, acquisitions, supply chain transformations, various strategic change programs and most recently, the sale of Atlas Steels where he was an equity partner and Managing Director.

Mr. Annear has had no previous ASX listed directorships.

Dominic Redfern

Non-Executive Director – Appointed 22 April 2008; Resigned 17 August 2017

Mr. Redfern is the co-founder and Partner of Altima Partners LLP. The Altima Restructuring Fund specialises in illiquid equity investments and is a shareholder in the Company. Mr. Redfern is also the founder of Mandala Capital Limited, a Mauritius fund management company and managed by MCL, Mandala Agribusiness Fund Limited was an investor in WRG at the IPO.

Dividends

No dividends were paid or declared for payment from the beginning of the financial period to the time of issuing this report.

Principal Activities

The principal activities of the Company during the year ended 30 June 2017 were:

- Ongoing analysis of the technical and economic viability of the AiR_2O_3 technology specific to its uses in water;
- Seeking out and considering alternative opportunities in the water sector; and
- Consideration of alternative, non-water related opportunities utilizing the AiR_2O_3 generator.

Operating and Financial Review

Company Overview

Water Resources Group ("WRG") is an Australian based company now focussed on water treatment solutions within the global water sector, with a current specific focus on Australia. It has a unique method of generating ozone, and is working on the commercialisation of that generator within the water sector.

The potential uses of ozone are many, and include:

- Water treatment- drinking water, recreational water, waste water, ballast water, brackish water;
- Air purification, mould prevention, surface decontamination with ozonated air/water;
- Scale/algae/mould prevention in cooling towers and heat exchangers;
- Food sterilization, preservation and storage –Fresh food sterilization (vegetables, fruits, meat and fish), shelf life enhancement (shipping and supermarket), cold storage etc;
- Disease control and prevention in aquaculture and agriculture;
- Zebra mussels and algae prevention in lakes and rivers;
- Tire and rubber reclamation;
- Seed treatment for fast germination and premier seed production, grain storage etc; and
- Washing and soil removal at wash facilities.

At the moment WRG does not have rights to all of the above applications. It is in discussions with Somnio and expects to shortly finalise rights to all of the Somnio water applications.

Somnio have also been developing new water technologies.

- Free Radical Generation which will produce a more powerful oxidant, by way of an hydroxyl radical; and
- Capacitive Deionisation, which involves the deionisation of water and is used to purify brackish water.

The near-term objectives of the company remain as follows:

- The finalization of a formal licensing agreement between Somnio and WRG for the exclusive global commercialization rights to Somnio's water treatment technology suite;
- An agreed pathway between the two companies to finalize research and product development and to bring Phase One products to market; and
- A formal partnership agreement between the two companies.

The new Board believes that the Somnio water treatment technologies have strong commercial prospects. The Somnio relationship should provide WRG exclusive access to a range of products that will hold a strong competitive advantage in specific segments of the global water treatment industry.

Operating Performance

The company has reported a net loss for the 12 months to 30 June 2017 of (\$259,012). (Loss 12 months to 30 June 2016: \$677,110)

The net operating cash-flow deficit for the 12 months to 30 June 2017 was (\$73,254). (12 months to 30 June 2016: (\$228,610). The Company has continued to survive through the period through the ongoing support of Dilato Investments Pty Ltd, who have confirmed their ongoing support under arrangements detailed in Note 10 of the Financial Statements.

Significant Changes in the State Of Affairs

No significant changes in the Company's state of affairs occurred during the financial year.

Significant Events after the Balance Date

On 20 July 2017 Dilato Holdings Pty Limited agreed to extend their Series J Convertible Note Facility for \$1.5M to 31 December 2018.

Mr. Dominic Redfern resigned as a Director on 17 August 2017. He was replaced by Mr. Steve Annear on 17 August 2017.

No other significant events have occurred between the balance date and the date of execution of this report.

Likely Developments and Expected Results

The director's plan to continue to seek means of commercialising the various potential uses of ozone, as well as to commence commercial sales in certain areas, most notably the swimming pool environment.

Environmental Regulation and Performance

There have been no significant known breaches of the company's licence conditions or any environmental regulations to which it is subject.

Share Options

Unissued shares

On 23 March 2017 7,764,600 options exercisable at \$0.30 expired. As at the date of this report, there are no options on issue. Refer to Note 12 for further details of the option movements.

Shares issued as a result of the exercise of options

No shares were issued as a result of the exercise of options during the financial period.

Indemnification and Insurance of Directors and Officers

During or since the financial period, the company has paid premiums in respect of a contract insuring all the directors of Water Resources Group Limited against legal costs incurred in defending proceedings for conduct other than: CA 300(8)(b),(9)(f)

- (a) A wilful breach of duty
- (b) A contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*

The period covered by the Directors and Officers insurance is from 11 December 2015 to 11 December 2016, for a total contract premium paid of \$11,350. The Directors were uncovered from 11 December 2016 until 18 August 2017.

Directors Meetings

The number of meetings of directors (including meetings of committees of directors) held during the period and the numbers of meetings attended by each director were as follows:

Director	No. of Meetings eligible to attend	No. of Meetings attended
Steve Morris	8	8
Dominic Redfern	8	8
Simon Lill	8	8

Committee Membership

As at the date of this report, and given the lack of financial and management resources available to the Company, the Board had resolved to not operate any sub-committees for audit or governance purposes.

Remuneration Report (Audited)

This remuneration report for the twelve months ended 30 June 2017 outlines the remuneration arrangements of the Company in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

There are no KMP's with Executive Agreements at the end of the Financial Period.

Board payments were \$1,541 per month paid to the Chairman (Steve Morris) during the period 1 July 2016 to 30 June 2017. Mr. Simon Lill received \$4,000 per month. Mr. Dominic Redfern agreed to provide his services free of charge.

All payment structures remain substantially below what the Company has been paying in previous years.

Key Management Personnel

As at 30 June 2017

Mr. Steve Morris	Chairman (appointed 2 September 2013, continuing)
Mr. Simon Lill	Executive Director (appointed 2 September 2013, continuing)
Mr. Dominic Redfern	Non-Executive Director (appointed 22 April 2008, resigned 17 August 2017)

Remuneration Policy

The Board is responsible for determining and reviewing compensation arrangements for the Directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. The Company does not link the nature and amount of the emoluments of such officers to the Company's financial or operational performance. The expected outcome of this remuneration structure is to retain and motivate Directors.

As part of its Corporate Governance Policies and Procedures, the Board has adopted a formal Remuneration Committee Charter. Due to the current size of the Company and number of directors, the Board has elected not to create a separate Remuneration Committee but has instead decided to undertake the function of the Committee as a full Board under the guidance of the formal charter.

The rewards for Directors' have no set or pre-determined performance conditions or key performance indicators as part of their remuneration due to the current nature of the business operations. The Board determines appropriate levels of performance rewards as and when they consider rewards are warranted. The Company has no policy on executives and directors entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

The Company's constitution and the ASX listing rules specify that the Non-Executive Director fee pool shall be determined from time to time by a general meeting. The latest determination was at the 2009 annual general meeting (AGM) held on 30 July 2010 when shareholders approved an aggregate fee pool of \$350,000 per year. The Board may determine from time to time that these fees may be settled by the issue of shares and/or options.

Details of Remuneration

Details of the nature and amount of each element of the emolument of each Director and Executive of the Company, including all key management personnel as required by the *Corporations Act 2001*, for the 12 months to 30 June 2017 are below in Table 1 (2017) and Table 2 (2016).

The overall level of compensation takes into account the performance of the Company over a number of years and includes both financial and non-financial measures of performance. In the period since the Company listed on the ASX it has been seeking to develop its d'AWSRO technology and has suffered significant development losses in that time. This has lead the Company to a severe cash shortage, such that current compensation for directors and key management is not established through comparison to other listed companies, nor to profitability.

Analysis of bonuses included in remuneration

There were no short term cash bonuses paid during the reporting period or the prior reporting period.

Options over equity instruments granted as compensation

There were no options granted in the 12 months to 30 June 2017. (2016: Nil).

Directors' Interests in the Company at the date of this report

As at the date of this Report the relevant interest of each director in the shares and options of the Company is as follows:

Director	Ordinary Shares		Options over Ordinary Shares	
	Direct	Indirect	Direct	Indirect
Steve Morris	545,659	-	-	-
Simon Lill	-	-	-	-
Dominic Redfern	-	-	-	-

Company Performance and Remuneration

Company Performance

The Company's Earnings Per Share (EPS), shown in the table below, is an indication of Company performance through the last 5 financial years, including the current period ended 30 June 2017.

	31 December 2013	31 December 2014	30 June 2015	30 June 2016	30 June 2017
EPS (cents)	(0.94)	0.00	0.008	(0.016)	(0.006)

The Company listed on the Australian Securities Exchange ("ASX") on 30 December 2010. The Initial Public Offering ("IPO") issue price was \$0.25 and the closing price on 30 June 2017 was \$0.001.

Company Performance Link to Remuneration

There is no direct company performance measure determining fixed remuneration.

The Short Term Incentive Performance ("STIP") remuneration is determined by the achieving of key performance indicator targets advised to the participant prior to the commencement of each measurement period. The key performance indicators, yet to be determined, will measure individual and company performance.

The Long Term Incentive Performance remuneration is determined based on achievement of service and/or performance criteria. The criteria are still to be determined. The remuneration will be via incentive rights for the delivery of shares upon payment of an exercise price. The value of the incentive rights is therefore directly linked to the Company's share price and hence the Company's performance.

Share based Remuneration of Key Management Personnel

There were no shares issued from the exercise of options awarded as remuneration during the period. Details of the options held by key management personnel are set out in Note 17.

Executive Contractual Arrangements

As a result of the overall capital and management restructuring the Company did not have any outstanding management contracts during the year ended 30 June 2017. The Company appointed Mr. Simon Lill as Executive Director on 19 November 2014, effective as at 1 July 2014. It has not entered into any contractual arrangements with him.

Other Contractual Arrangements

There are no other contractual arrangements with any key management personnel.

Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2017

	Short-term benefits				Post-employment benefits		Share-based payments		Total	Performance related
	Salary & fees \$	Cash bonus \$	Non-monetary benefits \$	Other \$	Super-annuation \$	Retirement benefits \$	Options \$	Shares \$		
<u>Non-executive directors</u>										
Steve Morris	18,500	-	-	-	-	-	-	-	18,500	0%
Dominic Redfern	NIL	-	-	-	-	-	-	-	NIL	0%
Total	18,500	-	-	-	-	-	-	-	18,500	0%
<u>Executive directors</u>										
Simon Lill	48,000	-	-	-	-	-	-	-	48,000	0%
Total	48,000	-	-	-	-	-	-	-	48,000	0%
Total	66,500	-	-	-	-	-	-	-	66,500	0%

DIRECTORS'

REPORT

Water Resources Group Limited
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Table 2: Remuneration for the 12 months ended 30 June 2016

	Short-term benefits				Post-employment benefits		Share-based payments		Total	Performance related
	Salary & fees	Cash bonus	Non-monetary benefits	Other	Super-annuation	Retirement benefits	Options	Shares		
	\$	\$	\$		\$	\$	\$	\$		
<u>Non-executive directors</u>										
Steve Morris	42,000	-	-	-	-	-	-	-	42,000	0%
Dominic Redfern	NIL	-	-	-	-	-	-	-	NIL	0%
Total	42,000	-	-	-	-	-	-	-	42,000	0%
<u>Executive directors</u>										
Simon Lill	48,000	-	-	-	-	-	-	-	48,000	0%
Total	48,000	-	-	-	-	-	-	-	48,000	0%
Total	90,000	-	-	-	-	-	-	-	90,000	0%

End of remuneration report.

Auditor Independence and Non-Audit Services

Our auditor, PKF Hacketts Audit has provided the Board of Directors with an independence declaration in accordance with Section 307C of the *Corporations Act 2001*. The independence declaration is included on page 12.

Non-audit services

The directors confirm no non-audit services were provided by the entity's auditor, PKF Hacketts Audit.

Signed in accordance with a circular resolution of the directors.



Steve Morris
Chairman/Non-Executive Director
Melbourne, 31 August 2017

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
WATER RESOURCES GROUP LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF HACKETTS AUDIT



Liam Murphy
Partner

Brisbane, 31 August 2017

CORPORATE GOVERNANCE

STATEMENT

Water Resources Group Limited
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Corporate Governance Charter

The Board is responsible for the corporate governance of the Company and guides and monitors the business and affairs of the Company on behalf of the shareholders by whom it is elected and to whom it is accountable. The Board has adopted a Corporate Governance Charter to assist it in its corporate governance responsibilities.

The Board of directors of Water Resources Group Limited is responsible for establishing the corporate governance framework of the Company having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of Water Resources Group Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Board Functions

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board.

The responsibility for the operation and administration of the Company would normally be delegated, by the Board, to the CEO and the executive management team. However due to limited management and financial resources the operation and administration of the Company has been undertaken by the Board.

The Board has appointed Mr Simon Lill to the role of Executive Director who will operate within the Board's instructions at all times and report to the Board on all matters that the Board requests in a timely and detailed manner.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it would usually make use of sub-committees. Specialist sub-committees are able to focus on a particular responsibility and provide informed feedback to the Board.

However the Board has resolved to operate all such sub-committees through the Board, such that to that end the Board has ceased operation of both the Audit and Risk, and the Nomination and Remuneration committees. It will seek to re-implement such committees if it returns to an improved financial position.

Other functions reserved to the Board include:

- Approval of the annual and half-yearly financial reports
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures
- Ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored
- Reporting to shareholders

Ethical Standards

The Board is committed to its core governance values of integrity, respect, trust and openness among and between Board members, management, employees, customers and suppliers. These values are enshrined in the Board's Code of Conduct policy, which is available at www.waterresourcesgroup.com

The Code of Conduct policy requires all directors, management and employees to, at all times:

- act honestly and in good faith;

- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with both the letter and spirit of the law;
- encourage the reporting and investigation of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the Code of Conduct.

Directors are obliged to be independent in judgment and ensure all reasonable steps are taken to ensure that the Board's core governance values are not compromised in any decisions the Board makes.

Expertise

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report are included in the directors' report. Members of the Board have been brought together to provide the qualifications, skills and experience required for managing a company operating within the water treatment market.

Board Composition

The Board recognises the Corporate Governance Council's recommendation that the Chair should be an independent director. The Board is chaired by Mr Steven Morris who is independent and was appointed on 3rd September 2013. The Board comprises 3 Directors. As the Company's activities increase or reduce in size, nature and scope, the size of the Board and the optimum number of Directors required to adequately supervise the Company's activities, within the limitation imposed by the Constitution, will be reviewed periodically.

Securities Trading Policy

A copy of the Company's security trading policy can be found on our website www.waterresourcesgroup.com which regulates dealings by all Directors and all executives and employees nominated by the Board (Restricted Persons). Persons nominated are to be listed in a schedule prepared and maintained by the Company Secretary and include the following:

- all Directors and all officers of the Company including a Managing Director;
- key executives including the Chief Financial Officer and any Director of a subsidiary of the Company;
- corporate and divisional accounting officers reporting directly to any of the above executives;
- secretaries and assistants performing confidential work and reporting to any of the above positions; and
- members of corporate staff who have access to Company financial results.

As required by the ASX listing rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company.

Committees and Responsibilities

Due to the current size and scale of operations the Board as a whole is currently operating all activities that may usually be delegated to a Committee.

Corporate Governance Policies

The Company's Corporate Governance Charter contains, among others, 3 policies, namely the Code of Corporate Conduct, Securities Trading Policy and the Continuous Disclosure Policy. The Code of Corporate Conduct sets out the standard with which the Board, management and employees are encouraged to comply when dealing with each other, shareholders

CORPORATE GOVERNANCE

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and the broader community. The Securities Trading Policy restricts Directors from dealing in Shares at inappropriate times or in appropriate circumstances. Finally, under the Continuous Disclosure Policy, Directors are required to notify of their interests in the Company and any material information must be communicated to the market in accordance with certain procedures.

Risk Management

The Board has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value.

In recognition of this, the Board determines the company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. In doing so the Board has taken the view that it is crucial for all Board members to be a part of this process and as such, has not established a separate risk management committee.

For the purposes of assisting investors to understand better the nature of the risks faced by Water Resources Group Limited, the Board considers operational risks as part of the Principle 7 disclosures. However the Board notes that risks may be subject to change based on underlying market events such as.

- Fluctuations in commodity prices, exchange rates and demand volumes
- Political instability/sovereignty risk in some operating sites
- The occurrence of force majeure events by significant suppliers
- Increasing costs of operations, including labour costs
- Changed operating, market or regulatory environments as a result of climate change

However the Board notes that risks may be subject to change based on underlying market events such as.

- Fluctuations in commodity prices, exchange rates and demand volumes
- Political instability/sovereignty risk in some operating sites
- The occurrence of force majeure events by significant suppliers
- Increasing costs of operations, including labour costs
- Changed operating, market or regulatory environments as a result of climate change

Shareholder Communications

Pursuant to Principle 6, the Company's objective is to promote effective communication with its shareholders at all times.

Water Resources Group Limited is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information about Water Resources Group Limited's activities in a balanced and understandable way
- Complying with continuous disclosure obligations contained in the ASX listing rules and the *Corporations Act* in Australia
- Communicating effectively with its shareholders and making it easier for shareholders to communicate with Water Resources Group Limited

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX
- Through the distribution of the annual report and notices of annual general meetings

- Through shareholder meetings and investor relations presentations
- Through letters and other forms of communications directly to shareholders
- By posting relevant information on Water Resources Group Limited's website: www.waterresourcesgroup.com

The Company's website has a dedicated investor relations section for the purpose of publishing all important company information and relevant announcements made to the market.

The external auditors are required to attend the annual general meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

Diversity

The company recognises that a talented and diverse workforce is a key competitive advantage. The Company is committed to the development of a workplace that promotes diversity. The Company's policy is to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background.

To this end, the Company supports the recommendations contained in the *ASX Corporate Governance Principles and Recommendations*.

Given the current size and scale of the Company operations its only personnel, as at this report, are its three (3) directors. There are currently no women in senior executive positions or on the board

Performance Evaluation

The Board assesses its performance, the performance of individual directors and the performance of its committees annually through a combination of internal peer review and externally facilitated evaluation processes. Directors' individual performances are also evaluated each year against their performance plans, which are reviewed annually. The Board also formally reviews its governance arrangements on a similar basis annually.

The performance of KMP is reviewed on a biannual basis by the Chair, with assistance of the nomination and remuneration committee.

The performance of each member of KMP is assessed against their individual performance plans, which comprise target performance indicators. Performance indicators for each KMP are set annually in consultation with KMP. Consideration is also given to the contribution each member of KMP makes to Board meetings. Further details regarding the Board's remuneration policy for KMP is provided in the remuneration report.

Performance evaluations for each member of KMP were not conducted during the reporting period ending 30 June 2017. These evaluations will recommence in accordance with the evaluations espoused above if the Company improves its financial position.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the twelve months ended 30 June 2017

	Note	30 June 2017 \$	30 June 2016 \$
Revenue from continuing operations			
Other income		-	-
Total revenue		-	-
Consulting expenses		(160,414)	(170,425)
Loss from reclassification of reserves	5	-	(431,013)
Other expenses		(98,598)	(75,365)
Finance cost – interest expense		-	(277)
Profit/(Loss) before income tax		(259,012)	(677,110)
Income tax expense	6	-	-
Net profit/(Loss) for the period		(259,012)	(677,110)
Attributable to owners of the parent entity		(259,012)	(677,110)
<i>Items that may be reclassified to profit or loss</i>			
Other Comprehensive Income			
Reclassification adjustment relating to foreign operations disposed of during the year		-	431,043
Total Comprehensive Income/(Loss) for the period		(259,012)	(246,067)
Attributable to owners of the parent entity		(259,012)	(246,067)
Basic earnings Profit/(loss) per share (cents)	7	(0.006)	(0.016)
Diluted earnings Profit/(loss) per share (cents)	7	(0.006)	(0.016)

The Statement of Profit or Loss and Other Comprehensive Income above should be read in conjunction with the accompanying notes.

As at 30 June 2017

The Statement of Financial Position above should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the 12 months ended 30 June 2017

	Contributed Equity	Equity settled share based payments reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2016	73,270,517	-	-	(74,166,405)	(895,888)
Profit/(Loss) for the period	-	-	-	(259,012)	(259,012)
Other comprehensive income	-	-	-	-	-
Total comprehensive income (Loss) for the period	-	-	-	(259,012)	(259,012)
Equity Transactions					
Reclassification of share based payments reserve	-	-	-	-	-
Balance at 30 June 2017	73,270,517	-	-	(74,425,417)	(1,154,900)

For the 12 months ended 30 June 2016

	Contributed Equity	Equity settled share based payments reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2015	73,270,517	1,603,553	(431,043)	(75,092,848)	(649,821)
Profit/(Loss) for the period	-	-	-	(677,110)	(677,110)
Other comprehensive income	-	-	431,043	-	431,043
Total comprehensive income (Loss) for the period	-	-	-	(677,110)	(246,067)
Equity Transactions					
Reclassification of share based payments reserve	-	(1,603,553)	-	1,603,533	-
Balance at 30 June 2016	73,270,517	-	-	(74,166,405)	(895,888)

The Statement of Changes in Equity above should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the 12 months ended 30 June 2017

	Note	30 June 2017 \$	30 June 2016 \$
Cash flows related to operating activities			
Payments for staff costs, advertising and marketing, research and development, leased assets, and other working capital		(73,254)	(228,611)
Net operating cash flows	14	(73,254)	(228,611)
Cash flows related to financing activities			
Proceeds from borrowings		60,000	226,150
Net financing cash flows		60,000	226,150
Net increase / (decrease) in cash held		(13,254)	(2,461)
Cash and cash equivalents at beginning of the period		19,535	21,996
Cash and Cash Equivalents at the end of the period		6,281	19,535

The Statement of Cash Flows above should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Water Resources Group Limited (‘the Company’ or ‘WRG’) is a public company, incorporated and domiciled in Australia. The Company listed on the Australian Securities Exchange (ASX) on 30 December 2010.

Water Resources Group Limited’s registered office and principal place of business:
Level 3, 2 - 4 Ross Place,
South Melbourne, Victoria 3205

The financial report was authorised for issue in accordance with a resolution of the directors on 31 August 2017.

The nature of operations and principal activities of the Company are described in the Director’s Report and Chairman’s Review.

Basis of Preparation

Water Resources Group Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on the basis of historical cost except for derivative financial instruments which are carried at fair value. All amounts are presented in Australian dollars. Australian dollars is the Company’s functional and presentation currency.

Statement of Compliance

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

Going Concern

The directors of Water Resources Group Limited have prepared the Financial Report of Water Resources Group Limited on a going concern basis which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The directors have reviewed the business outlook and the assets and liabilities of the Company and are of the opinion that at the date of signing the financial report for the 12 months to 30 June 2017 the ability of the company to continue as a going concern, including the ability to pay its debts as and when they fall due is dependent upon the following matters:

1. the ongoing funding support of Dilato Holdings Pty Ltd, which has been confirmed;
2. the ability to arrange additional (non-Dilato) capital through equity or debt; and
3. the ability of the Company to commercialise water treatment and other ozone consuming projects to generate sufficient future cash flows to enable its future obligations to be met.

The Company has sufficient funding to ensure its survival through the next 12 to 24 months but in the longer term if it is unable to achieve the three matters above there is uncertainty as to whether the Company will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

2. New and Amended Accounting Standards and Interpretations

Changes in accounting policy and disclosure

In the current six months, the Company has applied a number of new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015. None of these standards resulted in any changes to the financial statements.

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective and which may result in changes to future financial statements.

New or Revised Requirement	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 ‘Financial Instruments’, and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 ‘Revenue for Contracts with Customers’	1 January 2018	30 June 2019

The Company does not believe that any of the above will have a material impact on the entity’s financial statements in the period of initial application.

3. Summary of Significant Accounting Policies

(a) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(b) Trade and other receivables

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets.

Loans and receivables are carried at amortised cost using the effective interest method.

For loans and receivables, the amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

(c) Foreign Currency

Functional and presentation currency

The financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are converted into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost are carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in comprehensive income.

(d) Impairment of Assets

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

For the purposes of impairment testing, assets are grouped at the lowest level for which there is separately identifiable cash inflows that are largely independent of the cash inflows of other assets (cash generating units). If the recoverable amount of an asset or group of assets (cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset or group of assets (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately. There is no reversal of previous impairment losses of goodwill.

(e) Income Tax

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and that they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

The benefit of these deferred tax assets is not recognised because it is not considered probable that sufficient taxable income will be derived in future periods against which to offset these assets. In particular, the benefit of the losses will only be obtained in future years if:

- (a) The Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the deduction for the losses to be realised;
- (b) The Company has complied and continues to comply with the conditions for deductibility imposed by law; and
- (c) No changes in tax legislation adversely affect the Company in realising the benefit from the deduction for the losses.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Tax Expense

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity.

(f) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

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

All revenue is stated net of the amount of goods and services tax (GST).

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(h) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial period that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(i) Earnings per share

Basic earnings per share amounts are calculated by dividing net loss for the period attributable to ordinary equity holders of the parent, adjusted to exclude any costs of servicing equity, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

(j) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of the loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(k) Borrowing costs

Borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(l) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Recovery of deferred tax assets

Deferred tax assets are not recognised for deductible temporary differences due to the uncertainty that future taxable profits will be available to utilise those temporary differences.

5. Expenses

	30 June 2017 \$	30 June 2016 \$
Loss before income tax includes the following specific items		
Loss on reclassification of foreign currency translation reserve upon liquidation of subsidiaries	-	431,043
Total	-	431,043

6. Income Taxes

Income Tax Expense

	30 June 2017 \$	30 June 2016 \$
The major components of income tax expenses are:		
Income statement		
Current income tax charge / (benefit)	-	-
Deferred income tax		
Relating to tax losses and origination and reversal of temporary differences	(256,314)	(303,017)
Deferred tax assets not brought to account	256,314	303,017
Income tax expense reported in comprehensive income statement	-	-

	30 June 2017 \$	30 June 2016 \$
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Company's applicable income tax rate is as follows:		
Accounting profit / (loss) before tax from continuing operations	(259,012)	(246,067)
At the Company's statutory income tax rate:		
Australia 27.5% (2016: 30%)	(71,228)	(90,905)
Adjustment for temporary differences (accruals)	742	-
Net tax benefit utilised in the current period	(70,486)	-
Net tax benefit not recognised in the current period due to uncertainty of recoupment	70,486	90,905
Income tax expense reported in comprehensive income statement	-	-

Deferred Tax Assets

	Statement of Financial Position 30 June 2017 \$	Statement of Financial Position 30 June 2016 \$	Statement of Comprehensive Income 30 June 2017 \$	Statement of Comprehensive Income 30 June 2016 \$
Accruals and provisions	5,323	4,997	11,141	8,413
Losses	7,975,761	8,192,740	245,173	294,604
Deferred tax assets are not brought to account	7,981,085	8,197,487	(256,314)	(303,017)
Gross deferred income tax assets	-	-	-	-

Tax losses of the Company

The Company has Australian tax losses for which no deferred tax asset is recognised in the statement of financial position of \$29,002,769 (2016: \$28,746,455) which are available indefinitely for offset against future taxable income subject to continuing to meet relevant statutory tests.

7. Earnings Per Share

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

	30 June 2017 \$	30 June 2016 \$
(a) Earnings used in calculating earnings per share		
For basic earnings per share:		
Net Profit/(loss) from continuing operations attributable to ordinary equity holders of the parent	(259,012)	(246,067)
For diluted earnings per share:		
Net Profit/(loss) from continuing operations attributable to ordinary equity holders of the parent	(259,012)	(246,067)

7. Earnings per Share (Continued)

	30 June 2017 \$	30 June 2016 \$
(b) Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share:	4,177,254,400	4,177,254,400
Effect of dilution:	-	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	4,177,254,400	4,177,254,400

There are no potential ordinary shares included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented. However the table below details instruments that could potentially dilute basic earnings per share in the future:

	30 June 2017 \$	30 June 2016 \$
Share options granted and outstanding as at balance date	-	7,764,600

8. Trade and Other Payables

Current	30 June 2017 \$	30 June 2016 \$
Trade payables	3,856	1,158
Other payables	-	-
Accruals	15,500	15,500
Other related parties (a)	575,405	398,906
Balance	594,761	415,564

Trade payables and other payables are non-interest bearing liabilities. All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

(a) For terms and conditions relating to other related party payables refer to Note 17.

9. Financial Liabilities

Current		30 June 2017 \$	30 June 2016 \$
Short term loans	(i) (ii)	569,234	509,234
Balance		569,234	509,234

- (i) The short term loan referred is part of a Convertible Note facility (Series I Convertible Notes) approved by shareholders whereby the Company is able to draw down up to \$500,000 in capital which, once it has been drawn down, is able to be converted to equity at a price of \$0.001 per share, and further described below. The Company is currently in discussion with Dilato Holdings as to the conversion of this facility. The loan is at call as at 30 June 2017 and therefore it is classified as a current liability.
- (ii) The Company has started to draw down on its Series J Convertible Notes, with \$69,234 drawn down as at 30 June 2017. These notes are convertible as described below. The loan was payable on 31 December 2017 as at 30 June 2017 and therefore it is classified as a current liability. Subsequent to year end, the facility has been extended to 31 December 2018.

Available Facilities and Risk Exposure

The Company has two working capital facilities provided by Dilato Holdings Pty Ltd, as noted below:

Convertible Note Series I – A facility of \$500,000 to be drawn down in \$50,000 increments (or as otherwise agreed). On final draw down the series may be converted to equity as approved by shareholders, at Dilato's option at a rate of \$0.001 per share. As at 30 June 2017 this facility had reached its fully drawn down limit of \$500,000. (30 June 2016: \$500,000); and

Convertible Note Series J – A facility of \$1,500,000 that is available to the Company for a period of 18 months from the date of shareholder approval (31 July 2014). To be drawn down in \$50,000 increments (or as otherwise agreed) with the Notes to be converted or redeemed at Dilato Holdings' discretion, with the conversion rate being subject to a 20% discount to a 20-day VWAP.

Dilato has confirmed an extension of 12 months on the Series J Convertible Notes to 31 December 2018.

Interest rate, foreign exchange and liquidity risk are discussed in Note 20.

10. Contributed Equity

	Note	30 June 2017 \$	30 June 2016 \$
Ordinary shares	(a)	73,270,517	73,270,517
Balance		73,270,517	73,270,517

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(a) Movement in ordinary shares on issue

12 months ended 30 June 2017	No. of shares	\$
At 1 July 2016	4,177,254,400	73,270,517
As at 30 June 2017	4,177,254,400	73,270,517
12 months ended 30 June 2016	No. of shares	\$
At 1 July 2015	4,177,254,400	73,270,517
As at 30 June 2016	4,177,254,400	73,270,517

Capital Management

The Company's balance sheet as presented shows a deficiency in assets versus liabilities. The Company enjoys the ongoing support of its major shareholder, Dilato Holdings Pty Ltd, and has ongoing financing arrangements with Dilato.

11. Reserves

	30 June 2017 \$	30 June 2016 \$
Foreign currency translation reserve (a)	-	-
Options reserve (b)	-	-
Balance	-	-

(a) Foreign Currency Translation Reserve

	30 June 2017 \$	30 June 2016 \$
Opening balance	-	(431,043)
Movement in translation of foreign operations	-	431,043
Balance	-	-

Exchange differences relating to the translation from the functional currencies of the Company's foreign controlled entity into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

(b) Option Reserve

	30 June 2017 \$	30 June 2016 \$
Opening balance	-	1,603,553
Share based payments	-	-
Issue of options during the period	-	-
Transfer to Contributed Equity in respect of options exercised	-	-
Transfer to Accumulated Losses in respect of options cancelled or forfeited	-	(1,603,353)
Balance	-	-

The option reserve is used to record the value of share based payments provided to consultants and advisors as consideration for services rendered, payments for licences acquired and the issue of options during the financial period for Director and employee remuneration.

12. Reserves (continued)

Options outstanding at period end

The following table illustrates the number of options outstanding at 30 June 2017.

Option Series	Grant Date	Expiry Date	Exercise Price (\$)	Balance at Start of the Year Number	Granted during the year Number	Expiry of option during the year Number	Forfeited/ Cancelled during the year Number	Balance at End of the Year Number	Vested and exercisable at End of the Year Number
Series 9	23/03/2012	23/03/2017	0.30	7,764,600	-	7,764,600	-	-	-
Total				7,764,600	-	7,764,600	-	-	-

Series 9 Options granted to Non-Executive and Executive Directors and employees as part of executive and employee remuneration.

13. Commitments and Contingencies

The Company has a commitment to contribute US\$250,000 towards the construction of a water test bed at Somnio Global Inc in exchange for access to that water test bed for a period of 3 years. This commitment has been adjusted to be only due and payable if and when the Company raises a suitable amount of capital. The Company has accrued a figure of A\$50,000 against this commitment as at 30 June 2017. The Company has recently entered into discussions with Somnio seeking an adjustment to this contingent liability.

14. Cash Flow Information

Reconciliation of Net Loss After Tax to Net Cash Flow from Operations

	30 June 2017 \$	30 June 2016 \$
Net profit / (loss) for the period	(259,012)	(246,067)
Adjustments for:		
Non-cash flow items in profit from ordinary activities		
Write off of plant and equipment	-	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	6,562	1,890
(Increase)/decrease in prepayments	-	1,607
Increase/(decrease) in trade and other payables	179,196	13,959
Increase/(decrease) in financial liabilities	-	-
Net operating cash flows	(73,254)	(228,611)

Loan Facilities

For terms of the Loan Agreement refer to Note 10.

15. Auditors Remuneration

The auditor of Water Resources Group Limited for the 12 months ended 30 June 2017 and 30 June 2016 is PKF Hacketts Audit.

	30 June 2017 \$	30 June 2016 \$
Audit and review of the financial report of the company	20,875	23,250

16. Significant Events after Balance Sheet Date

On 20 July 2017 Dilato Holdings Pty Limited agreed to extend their Series J Convertible Note Facility for \$1.5M to 31 December 2018.

Mr. Dominic Redfern resigned as a Director on 17 August 2017. He was replaced by Mr. Steve Annear on 17 August 2017.

No other significant events have occurred between the balance date and the date of execution of this report.

17. Related Party Disclosures

Related Party Payables

	30 June 2017 \$	30 June 2016 \$
Directors' payables	254,500	188,000
Dilato payables	270,905	160,906
Other related parties payable	50,000	50,000
Total	575,405	398,906

Key Management Personnel

Remuneration

Refer to the remuneration report contained in the Directors' report for details of remuneration paid or payable to each member of the Company's key management personnel (KMP) for the twelve months ended 30 June 2017.

Compensation for key management personnel during the period was as follows;

	30 June 2017 \$	30 June 2016 \$
Short-term employee benefits	66,500	90,000
Post-employment benefits	-	-
Share-based payments	-	-
Termination payments	-	-
Total	66,500	90,000

Amounts payable to KMP's

A total of \$66,500 in director fees were payable as at 30 June 2017 (Refer to Director's Report) – and consists of Mr. Morris (\$18,500) and Mr. Lill (\$48,000). These fees were payable for Director duties and for Chief Executive responsibilities (Mr. Lill).

Share holdings of key management as at 30 June 2017

	Balance at beginning of period 1 July 2016	Other Changes	Balance at end of period 30 June 2017
Non-executive directors			
Steven Morris	545,659	-	545,649
Dominic Redfern	-	-	-
Total	545,659	-	545,659
Simon Lill	-	-	-
Total	-	-	-
Total	545,659	-	545,659

Share holdings of key management as at 30 June 2016

	Balance at beginning of period 1 July 2015	Other Changes	Balance at end of period 30 June 2016
Non-executive directors			
Steven Morris	545,659	-	545,649
Dominic Redfern	-	-	-
Total	545,659	-	545,659
Simon Lill	-	-	-
Total	-	-	-
Total	545,659	-	545,659

18. Share based payments

During the 12 months ended 30 June 2017 there were nil share based payments. (2016: Nil share based payments)

19. Discontinued Operations, Segment Reporting, and Subsidiaries

Discontinued operations

The Company has closed down all subsidiaries.

Identification of Reportable Segments

The Company's Board (being the Chief Operating Decision Maker "CODM") has considered its operating segments based on entities from which it may earn revenues or incur expenses. Previous overseas operations have been closed down. No segment information has been reported to the CODM during the 12 months to 30 June 2017 and accordingly there is no segment information to disclose.

Types of Products and Services

The Company, through its technology partner Somnio Global, is conducting ongoing research into various water treatment technologies and services dominantly associated with ozone production technology in the areas of waste water treatment and recreational water.

Consolidation

The Company no longer presents consolidated accounts as through the closure of all subsidiaries it has become a sole entity.

20. Financial Risk Management

The Company is exposed to a variety of financial risks through its use of financial instruments. This note discloses the Company's objectives, policies and processes for managing and measuring these risks. The Company's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets. The Company does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Company is exposed to are described below.

Specific risks

1. Market risk
 - (a) Foreign currency
 - (b) Interest rate
2. Credit risk
3. Liquidity risk

Financial assets / liabilities used

The principal categories of financial assets / liabilities used by the Company are:

- Cash and cash equivalents
- Trade receivables
- Trade and other payables
- Short term loans
- Convertible notes

Objectives, policies and processes

The risk management policies of the Company seek to mitigate the above risks and reduce volatility on the financial performance of the Company. The Board has no separate committees to manage issues such as audit and risk management. Due to constraints on financial and management resources all risk issues are managed at a Board level. Controls in place are considered appropriate for the current position of the Company. Financial risk management is managed by the Board as a whole, given the present size and scale of operations.

1. Market risk

(a) Foreign currency risk

Whilst the Company has previously operated in overseas markets, during the 12 months to 30 June 2017, it had no overseas operations other than through its relationship with Somnio. All payments owed to Somnio will be in Australian dollars.

(b) Interest risk rate

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument changes due to changes in market interest rates.

The Company's main interest rate risk arises from finance facilities. The Company's amounts exposed to interest rate risk as at 30 June 2017 are:

	30 June 2017	30 June 2016
Financial Assets	\$	\$
Cash and cash equivalents (i)	6,281	19,535
Total	6,281	19,535

20. Financial Risk Management (Continued)

(i) There was nil interest earned on the general operating bank accounts in the period ended 30 June 2017 of NIL (2016:\$NIL)

	30 June 2017	30 June 2016
Financial Liabilities	\$	\$
Short term loans	569,234	509,234
Total	569,234	509,234

Interest rate risk management

The Company's loan facilities as described in Note 10 are all at fixed interest, or zero interest, rates. They are therefore not subject to interest rate risk as defined in AASB 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Company continues to operate with limited quantities of cash at this point, drawing down funds from Dilato as required through the existing working capital facility. Any surplus company funds will be placed at suitable AA+ or higher rated banks.

2. Credit risk

Exposure to credit risk

The credit risk is managed by the Board and arises from cash and cash equivalents as well as credit exposure including outstanding receivables. All cash balances held at banks are held at internationally recognised institutions. There is no credit risk exposure expected from receivables as at balance date.

The carrying amount of financial assets represents the minimum credit exposure and are as follows;

	30 June 2017	30 June 2016
	\$	\$
Cash and cash equivalents	6,281	19,535
	6,281	19,535

3. Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as and when they fall due.

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- there are insufficient funds are available to settle a transaction on the due date;
- the Company is forced to sell financial assets at a value which is less than their carrying value;
- the Company is unable to settle or recover a financial asset at all.

To help reduce these risks the Company has readily accessible standby facilities and other funding arrangements in place.

The Company's amounts exposed to liquidity risk as at 30 June 2017 are:

	30 June 2017	30 June 2016
Financial Liabilities	\$	\$
Trade and other payables	594,761	415,564
Short term loans	569,234	509,234
Total	1,163,995	924,798

Amounts presented below represent the remaining contractual maturities of the Company's financial liabilities as at 30 June 2017:

	30 June 2017	30 June 2016
Financial Liabilities	\$	\$
12 months or less	1,163,995	924,798
1 – 5 years	-	-
Over 5 years	-	-
Total	1,163,995	924,798

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the assets and liabilities at the date of the statement of financial position.

4. Fair value estimation

The carrying value of trade receivables and payables is a reasonable approximation of their fair values due to their short-term nature.

DIRECTORS'

DECLARATION

Water Resources Group Limited
Annual Financial Report
For the 12 months ended 30 June 2017

In accordance with a resolution of the directors of Water Resources Group Limited, the directors of the company declare that:

In the opinion of the directors:

- (a) the financial statements and notes, as set out on pages 15 to 30, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, *the Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date;
- (b) subject to the matters disclosed in Note 1 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Board



Steve Morris, Chairman
Melbourne, 31 August 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WATER RESOURCES GROUP LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Water Resources Group Limited (the company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company.

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

- i) Giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

Independence

We are independent of the company in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. This matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For each matter below, our description of how our audit addressed the matter is provided in that context.

1. Funding and Liquidity

Why significant

The company recorded net liabilities of \$1,154,900 as at 30 June 2017 and have recorded a net loss of \$259,012 and net operating cash outflow of \$73,254 for the year then ended.

The company also disclosed in note 1 Going Concern their assessment of the company's ability to continue as a going concern in the next 12 months from the date of signing the financial statements and its ability to obtain sufficient funding in the mid-to-long term.

How our audit addressed the key audit matter

We evaluated the company's funding and liquidity position at 30 June 2017 and the ability of the company to repay its debts as and when they fall due for a minimum of 12 months from the date of signing the financial report.

In order to assess the funding and liquidity position, we:

- reviewed the process undertaken to determine the appropriateness of the use of the going concern basis;
- reviewed the funding plan for the company to achieve its future operational and program development needs; and
- obtained a confirmation of financial support letter from Dilato Holdings Pty Ltd and the extension of the Series J Convertible Notes facility until 31 December 2018..

Other Information

Other information is financial and non-financial information in the annual report of the Group which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

The Other Information we obtained prior to the date of this Auditor's Report were the Director's report, Chairman's Letter and the Corporate Governance Statement.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.

Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Australian Accounting Standard

AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

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

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

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

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

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

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Water Resources Group Limited for the year ended 30 June 2017 complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PKF HACKETTS

PKF HACKETTS AUDIT



LIAM MURPHY
PARTNER

31 AUGUST 2017
BRISBANE

ADDITIONAL INFORMATION

The following additional information is provided in accordance with the ASX listing rules. The information is current as at the date of signing the directors report.

Substantial Shareholders			Twenty largest shareholders:	
The names of substantial shareholders in the Company are:				
Shareholder	Number of Ordinary Shares		Name	Number of ordinary shares held
Dilato Holdings Pty Ltd	3,314,210,000		DILATO HOLDINGS PTY LTD	3,314,210,000
Robert O Bylin	246,500,000		ROBERT O BYLIN	246,500,000
Distribution of ordinary shareholdings			CONTINENTAL GLOBAL INVESTMENT LIMITED	56,917,724
Range of holdings	Number of shareholders	Number of Ordinary Shares	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	55,917,724
1 – 1,000	16	825	MS. FIONA JEANNE MORGAN	35,000,000
1,001 – 5,000	9	38,025	MR. MALCOLM RICHMOND	31,992,938
5,001 – 10,000	69	559,105	CREDAL INTERNATIONAL LTD	22,778,813
10,000 – 100,000	184	8,416,842	MR. MICHAEL DIMITRIOUS	22,500,000
100,001 and over	297	4,168,239,603	MR ROBERT OLAV BYLIN & MRS SANDRA DEE BYLIN	21,117,820
Total	575	4,177,254,400	MR GAVIN JOHN REZOS	20,420,268
Options			JAMES ELLIOTT CHESTNUT	18,666,667
The company has Nil Options on issue as at 30 June 2017			JB TORO PTY LTD	15,000,000
Voting Rights			GEMTARA INVESTMENTS PTY LTD	11,115,077
The voting rights attached to ordinary shares are that each member present in person or by proxy, attorney or representative at a general meeting has one vote on a vote taken by show of hands, and one vote for each fully paid share held on a vote taken on poll. There are no voting rights attached to options.			RICHARD PERCIVAL	11,000,000
			MOMENTUM VENTURES LIMITED	10,522,000
			MS. FIONA JEANNE MORGAN	8,609,193
			VALENTIN LATKOVSKI <CODY NIKOLA LATKOVSKI A/C>	7,001,667
			CITICORP NOMINEES PTY LIMITED	6,951,149
			RODNEY STEPHEN ADLER <RA DIVERSIFIED INVT A/C>	6,348,014
			BROADSCOPE PTY LTD <CATLOW SUPERANNUATION FUND A/C>	6,250,000
			Total	3,928,603,308
			On-market buy-back	
			There is no current on-market buy-back	
			Stock Exchange Listings	
			The Company's ordinary shares are quoted on the Australian Securities Exchange (ASX code: WRG)	