



# WPG Resources Ltd

ABN 51 109 426 502

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## Financial Statements

For the year ended 30 June 2017

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# Corporate Directory

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## Directors

**Robert H Duffin** - Executive Chairman

**Helen Wiseman** – Lead Independent Non-executive Director

**Gary J Jones** - Non-executive Director

**Lim See Yong** - Non-executive Director

**Cornel Parshotam** - Alternate Director for Gary Jones

## Company Secretary

**Larissa Brown**

## Registered Office and Principal Place of Business:

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27-31 Macquarie Place  
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**E-mail** info@wpgresources.com.au

**Website** www.wpgresources.com.au

## Share registry

### Boardroom Pty Limited

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Level 12, 225 George Street  
Sydney NSW 2000  
GPO Box 3993  
Sydney NSW 2001

**Telephone** +61 2 9290 9600

**Facsimile** +61 2 9279 0664

## Auditors

### Grant Thornton Audit Pty Ltd

Level 3, 170 Frome Street  
Adelaide SA 5000

## Bankers

**Westpac Banking Corporation**

## Securities Exchange Listing

**Listed on Australian Securities Exchange Limited**

**ASX Code:** WPG

Your Directors present their report on the consolidated entity, consisting of WPG Resources Ltd (WPG or the Company) and the entities it controlled (Group) at the end of, or during the financial year ended 30 June 2017.

## **Chief Executive Officer's Report and Review of Operations**

WPG has deliberately focussed on its three South Australian gold projects (the Challenger and Tarcoola operating gold mines and Tunkillia gold project) during this financial year. During the period under review the Company has become a multi-project gold producer after acquiring 100% of, and continuing to operate, the Challenger gold mine and bringing its Tarcoola gold project into production.



The 2017 financial year has been a transitional year for your Company where WPG has moved from a pre-production company re-starting a mature underground mine within a joint venture to an emerging producer on the cusp of delivering significant stable gold production from two 100% owned operating mines and with significant upside exploration potential at all operating sites and in the broader exploration holdings.

During the year the Company sold 49,060 ounces of gold at an average price of \$1,664 per ounce for a total of \$81.4 million in revenue. The financial results for the financial year have been disappointing reflected in an operating loss of \$9.1 million. Included in this loss is \$9.9 million in depreciation and amortisation charges for an EBITDA of \$0.8 million.

This poor operating performance is largely attributable to underperformance at the Challenger gold mine driven by the need to mine lower grade material than planned as a result on poor development rates achieved by our mining contractor resulting in a lower head grade and higher AISC than anticipated. To remedy this situation a new mining contractor, Byrnes Australia Pty Ltd, were mobilised to site in early August 2017 and we expect a third jumbo to arrive on site in the December quarter to bring underground development back to schedule by the end of this calendar year.

At Tarcoola an unexpected depletion zone increased the pre-stripping requirements before accessing ore however excellent grades have been encountered in the supergene ore and this material has been successfully processed in the Challenger mill at higher throughputs than anticipated. A final cut-back at Tarcoola is currently underway and upon completion in October will reduce the life-of mine strip ratio of 1.8:1 which will allow the delivery of low cost ore to the Challenger mill.

Looking forward the coming financial year is viewed as a transformational one for the Company. Our production guidance of 70,000 to 80,000 ounces of gold remains unchanged with this building from a low September quarter production level during the contractor changeover and increasing significantly in the December quarter onwards. We anticipate that AISC will fall to approximately A\$1,200 per ounce from Q4 FY2018 onwards. The change of contractor undertaken in the September quarter and push-back at Tarcoola are the two key operational steps required to execute this strategy with increases in mill throughput already achieved with steady state rates now increased from 600,000 tonnes per annum to over 700,000 tonnes per annum.

Prior to WPG acquiring Challenger the previous owner wrote-off 450,000 ounces of resource principally in Challenger West and Challenger Deeps. The Challenger mine was acquired on the premise that a significant proportion of this resource could be re-established, that mineralisation continues down plunge and that exploration potential also existed in other structures within the mineralised system.

Since acquisition WPG has been actively drilling with its wholly owned drilling fleet and the mineral resource estimate has increased by over 87% to 364,000 ounces before taking mining depletion into account. As part of this the previously intermittently mined M3 structure has yielded a significant exploration target of which 32,000 ounces now included within the resource estimate. Our highest grade stope mined to date was in the M3 structure 150 metres below surface.

Mining in Challenger Deeps was suspended by the previous owner for a number of reasons including grade depletion proximal to the ductile 215 shear and with mining activities abutting the mining lease boundary with adjacent tenure in dispute. WPG has resolved this dispute with a new mining lease granted to allow mining in Challenger Deeps. Drilling activities in the Deeps are giving very encouraging results and our second phase drilling program on the next four levels in the Deeps has now commenced with first stoping in Challenger Deeps scheduled for the new year. Our planning is based on mining of limited structures within Challenger Deeps however there is significant upside that additional limbs within M1 and M2 may be minable along with the potential to also mine Challenger West below the shear to significantly increase the ounces per vertical metre.

WPG continues to have a low market capitalisation which limits the availability of capital and accordingly WPG has approached capital expenditure frugally. Our recent entitlement offer was withdrawn and funds received returned to shareholders following heavy selling pressure that drove our share price to less than the offer price. To execute our business plan we will require a capital raising and management are working on a number of options to achieve this. Execution of this business plan is essential to delivering shareholder value. To this end WPG would like to express its gratitude to the SA Government who continue to support our project and, subsequent to year end, have provided temporary relief on rehabilitation bonding requirements.

# Directors' Report

for the year ended 30 June 2017

Our trade creditor and accrual balance of \$21.4 million includes an amount of \$10.6 million (including GST) in relation to the April, May and June progress claims submitted by our previous mining contractor. The mining contract with Pybar Mining Services Pty Ltd was terminated in August 2017 with unpaid claims as of that date totalling \$9.6 million (including GST). On 28 September 2017 Pybar Mining Services Pty Ltd initiated a dispute under the dispute resolution clauses of the mining contract with respect to each of these unpaid claims. Challenger Gold Operations Pty Ltd has denied these claims and has notified Pybar of an off-setting claim for failure to properly perform services in accordance with the mining contract. Challenger Gold Operations Pty Ltd is presently assessing its off-setting claims.

## Results

Sales and Processing (Challenger Processing Hub)	Units	**2016-2017 year
Total Ore Processed	Tonnes	602,105
Grade Processed	g/t Au	2.77
Recovery	%	95.0
Gold Recovered	Ounces	50,882
All-in Sustaining Cost*	\$/Ounce	1,532
Gold Sold	Ounces	50,951
Gold Sold – attributable to WPG	Ounces	49,060
Average Gold Price Received	\$/Ounce	1,664
Sales Revenue Realised**	A\$000's	84,799
Sales Revenue Realised – attributable to WPG	A\$000's	81,422

Challenger Gold Mine Operations Summary	Units	**2016-2017 year
Underground Capital Development	m	894
Total Underground Development	m	5,136
Underground Ore Mined	Tonnes	480,416
Underground Ore Grade***	g/t Au	3.03
Surface Stockpiles Treated****	Tonnes	81,058

Tarcoola Gold Mine Operations Summary	Units	**2016-2017 year
Open Pit Waste Mined	bcm	1,248,799
Open Pit Ore Mined	Tonnes	120,287
Mined Grade	g/t Au	2.32
Ore Hauled to Processing Facility	Tonnes	69,439
ROM Stockpile	Tonnes	58,363

**Notes:** \* AISC in relation to underground mining costs include all lateral development and fixed asset additions other than those associated with permanent infrastructure. AISC in relation to open cut mining activities excludes capitalised waste mining costs. AISC includes an appropriate allocation of head office costs.

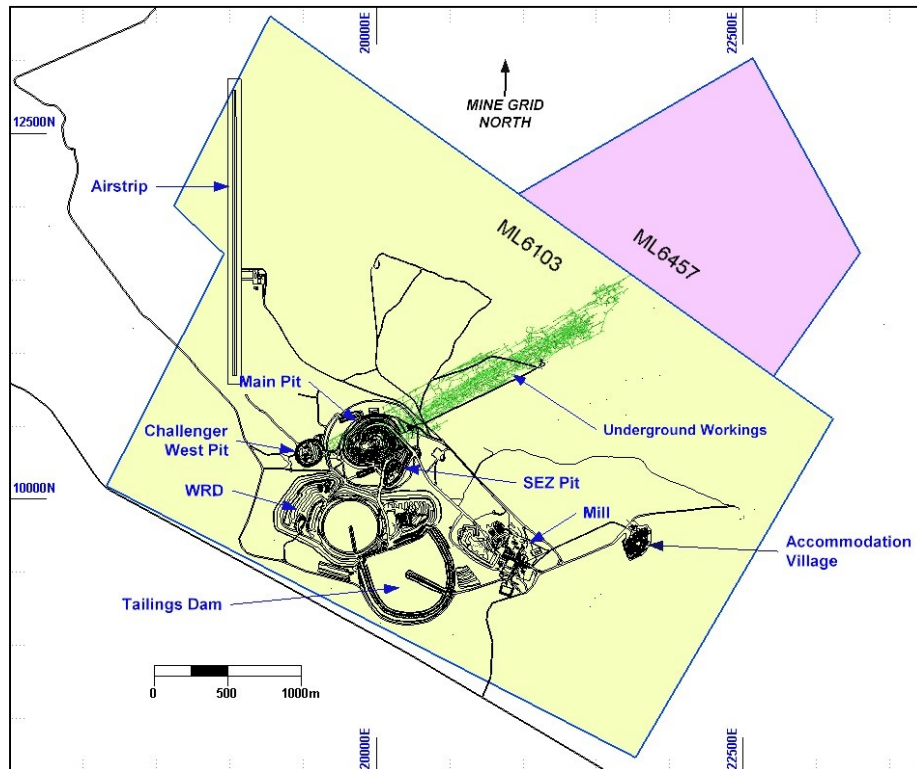
\*\* Production, sales and revenue information is provided for the Challenger gold mine at 100% level (WPG 50% 1 July to 31 July 2016, 100% from 1 August 2016). Current year sales and revenue attributable to the joint venture partner up to 31 July 2016 were 1,891 oz for revenue of \$3,354k

\*\*\* Includes stoping ore, development ore and low grade development ore

\*\*\*\* Low grade stockpiled material acquired with the Challenger gold mine

## Challenger Gold Mine

Challenger is located in the northwestern part of the Gawler Craton, within the Woomera Prohibited Area in South Australia. It is situated approximately 250 km north of Ceduna and 730 km northwest of Adelaide, and is 130 km northwest of WPG's Tarcoola gold project. The Challenger mine and key infrastructure, including the accommodation village, airstrip, CIP treatment plant, tailings dam, two open pit mines, and underground workings are located on ML 6103. Native Title is held by the Antakirinja Matu-Yankunytjatjara people represented by the Antakirinja Matu-Yankunytjatjara Aboriginal Corporation (AMYAC). A Native Title Mining Agreement was implemented by a previous owner covering ML 6103 and a new Native Title Mining Agreement has been successfully negotiated for the new ML 6457.



*Location of MLs 6103 and 6457 at Challenger*

Challenger mining operations are undertaken on ML 6103 and the mine is surrounded by the northern section of EL 5661. A new mineral lease, ML 6457, was granted during the year out of this northern section of EL 5661. ML 6457 contains down plunge extensions of the Challenger lodes and is known as "Challenger Deeps". The Challenger mine recommenced operations in late May 2016 and commissioning continued through to late July. The mine continued to operate throughout the year.

### Increased ownership of Challenger

In August 2016, WPG completed the acquisition of its former joint venture partner DMPL's 50% interest in the mining and exploration joint ventures. The purchase price was \$9 million, assumption of \$375,000 debt for its joint venture interest and the issue of 25 million WPG options to DMPL with a fair value of \$425,000. The acquisition of the former joint venture partner's interest, effective from 1 August 2016, increased WPG's interest in the Challenger mine to 100% and doubled WPG's share of production as well WPG's attributable share of gold contained in Challenger's resources and reserves. It also doubled WPG's exposure to the exploration upside potential of the WGCJV.

### Mining

Mining continued from July 2016 and throughout the year.

During the year, production was primarily from the Challenger West lode with additional material sourced from the Aminus, M2 and M3 lodes. Development of a cross-cut to give access to newly drilled areas of the M3 lode and stoping operations in M3 commenced. The new mining area in M3 near to surface has significant upside opportunity.

However, underground development continued to be below budget which impacted the ability of the mine to develop multiple new stoping areas and to access higher grade areas of the resource. Development focussed on maintaining mill feed resulting in development into lower grade areas of the mine when insufficient development capacity was available to open new stoping areas.

## ***Directors' Report***

### ***for the year ended 30 June 2017***

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Initiatives were implemented to improve the delivery of mine physicals in underground mining operations throughout the year. Increases in development metres achieved allows mining to be undertaken in an increased number of stoping areas and improvements in mining physicals positively impact on AISC.

Further investment in underground development will enable the development of stoping areas in both Challenger West and Challenger Deeps to enable more accurate mine planning and grade management in the mine. Further development on M3 is also expected subject to further drilling results.

In anticipation of commencement of mining in Challenger Deeps later in the calendar year, rehabilitation works at the bottom of the Jumbuck decline at Challenger were completed and development towards the next production level recommenced in early July.

During the June 2017 quarter, WPG invited a number of mining contractors to tender for a new mining contract at Challenger in a competitive process and in July issued a Letter of Intent to Byrncut Australia Pty Ltd. Byrncut mobilised to site and assumes responsibility for all underground mining at Challenger from 8 August 2017.

Byrncut was the contractor at Challenger prior to WPG's acquisition of the mine and they are very familiar with operations at site and have a demonstrable record of delivering on mine physicals at the Challenger gold mine.

During the changeover period, milling operations utilised accumulated ROM stockpiles at both Challenger and Tarcoola.

#### **30 June 2016 Mineral Resource and Ore Reserve Estimates**

On 25 October 2016 WPG released the 30 June 2016 Challenger Mineral Resource and Ore Reserve estimate. This update took into account mining depletion and drilling and sampling results since the previous estimate as at 30 April 2016.

The 30 June 2016 Mineral Resource estimate was a total of 838,000 tonnes at an average grade of 9.76 g/t Au containing 263,000 ounces of gold.

The 30 June 2016 Ore Reserves estimate was 558,000 tonnes at an average grade of 4.98 g/t Au containing 89,000 ounces of gold.

#### **Updated Challenger Mineral Resource Estimate**

On 1 June 2017 WPG released the 31 March 2017 Challenger Mineral Resource estimate. This update took into account mining depletion and drilling and sampling results since the previous estimate as at 30 June 2016 as well as a change in the underground cut-off grade from 5.0g/t Au to 3.0g/t Au, resulting in the inclusion of the M1 generic in the resource.

The 31 March 2017 Mineral Resource estimate was a total of 1,401,401 tonnes at an average grade of 7.62 g/t Au containing 343,299 ounces of gold.

#### **30 June 2017 Mineral Resource and Ore Reserve Estimates**

On 29 September 2017, WPG released the 30 June 2017 Challenger Mineral Resource and Ore Reserve estimate.

The 30 June 2017 Mineral Resource estimate was a total of 1.6 million tonnes at an average grade of 7 g/t Au containing 364,000 ounces of gold.

The 30 June 2017 Ore Reserves estimate was 537,200 tonnes at an average grade of 5.60 g/t Au containing 96,700 ounces of gold.

WPG confirms that it is not aware of any new information or data that materially affects the information included in the 29 September 2017 market announcement and above in relation to the mineral resource estimate, and confirms that to the best of its knowledge and belief all material assumptions and technical parameters underpinning the mineral resource and ore reserve estimates in the 29 September 2017 market announcement continue to apply and have not materially changed except to the extent of production.

#### **Mill**

In February 2017 the Challenger CIP plant poured the first tonne of gold since it was restarted under WPG's management in May 2016. In addition to this milestone, the first blended Challenger-Tarcoola gold bars were produced in February.

Since then, various blend ratios of Challenger and Tarcoola ore have been treated, with trials also covering treatment of 100% Tarcoola feed only. Steady state processing was successfully increased from a 4:1 ratio of Challenger to Tarcoola ore achieved, up to a 2:1 ratio despite the introduction of high clay content supergene ore to the Tarcoola feed.

Due to the abundant availability of ore from both Challenger and Tarcoola the Challenger mill has been run at full capacity. During the June 2017 quarter the Company commenced studies on the potential to increase the throughput of the Challenger mill. As the Challenger processing plant is largely a fixed cost operation with limited variable cost elements a significant opportunity exists to lower unit treatment and overall costs.

Trials were undertaken to run the Challenger treatment plant at higher throughput rates. Throughput at the Challenger plant was increased from the 600,000 tpa rate, at which it operated for many years, to 700,000 tpa with no material loss of gold recovery. Some modest capital will be required to be spent to sustain this throughput rate.

Existing water bores were successfully refurbished during the quarter and are now yielding sufficient water for steady state processing at 700,000 tpa. Additional water will be required to increase this throughput to 800,000 tpa and analysis of suitable drilling sites is underway.

At present ore is sourced from both Challenger and Tarcoola however in the future scope exists to expand the resource base at and near to both sites and to modify the scale of mining operations to ensure continuous ore feed. In addition an expanded mill capacity will increase the potential for future toll treatment of third party ore including potentially the WGCJV which announced its maiden resource estimate in the quarter, and with those resources in close proximity to the Challenger mill.

#### Production Guidance

Production guidance for the combined Challenger and Tarcoola mining operations for the year to 30 June 2017 was in the range of 52,000 to 56,000 ounces. The actual combined production of 50,882 ounces from the Challenger and Tarcoola mining operations for the year to 30 June 2017 was 2% below the lower end of the guidance range.

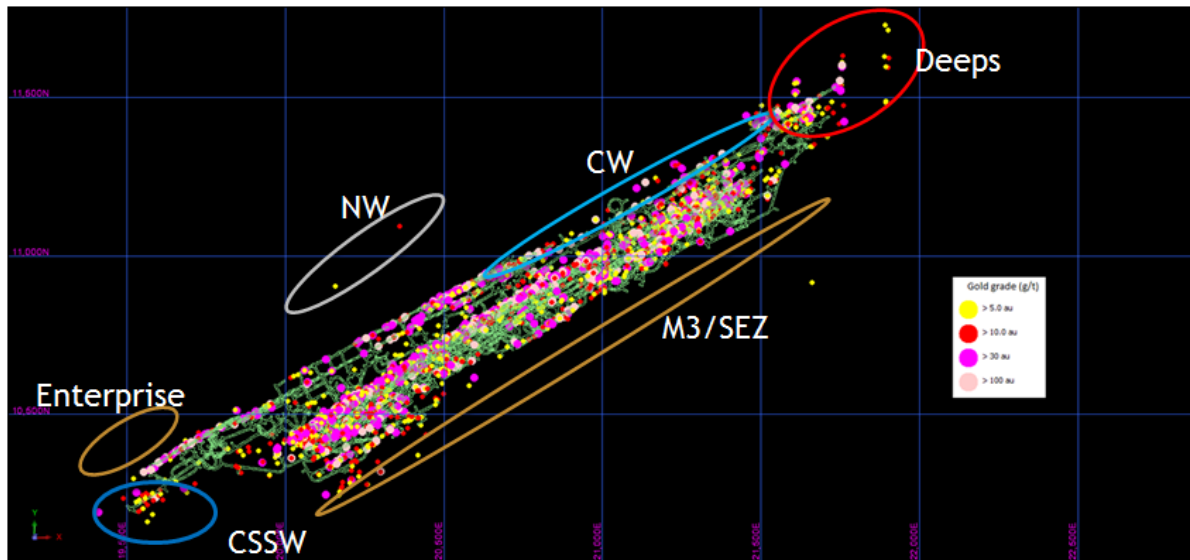
#### Building production profile into 2018

Production guidance for the 2018 financial year is 70,000 to 80,000 ounces.

#### Exploration

WPG placed a high priority on mounting a vigorous exploration program in the near-mine environment during the year. Resource definition and near mine exploration opportunities were pursued during the year by a program of underground diamond drilling split into two sections – development drilling and near mine exploration drilling. Development drilling involved further drilling into Challenger West, Aminus and remnant opportunities in the historic M1 and M2 lodes. Near mine exploration drilling targeted M3 and CSSW. This ongoing program of near mine exploration drilling activity is to identify new minable resources that can be accessed from existing underground development.

The surface projections of these areas are shown in relation to existing underground workings in Figure 1.



Locations of Near Mine Targets

#### Challenger SSW

Drilling in the CSSW mineralised zone tested the down plunge extension of the CSSW envelope below existing drilling and development mined by the previous owner. Indications are that there are numerous leucosomes that contain gold which are comparable in length and grade to intercepts announced in 2015 by the mine's previous owner.



# Directors' Report

for the year ended 30 June 2017

## Enterprise

The Enterprise target is the down plunge projection of the Challenger SW and contains moderate to low grade gold intercepts. Enterprise is accessible through CSSW development.

The initial Enterprise drill program was highly encouraging, with several holes intersecting several vein packages, some up to three metres wide in core. There are numerous, moderate grade hits from Enterprise between 3 to 10g/t within these vein packages.

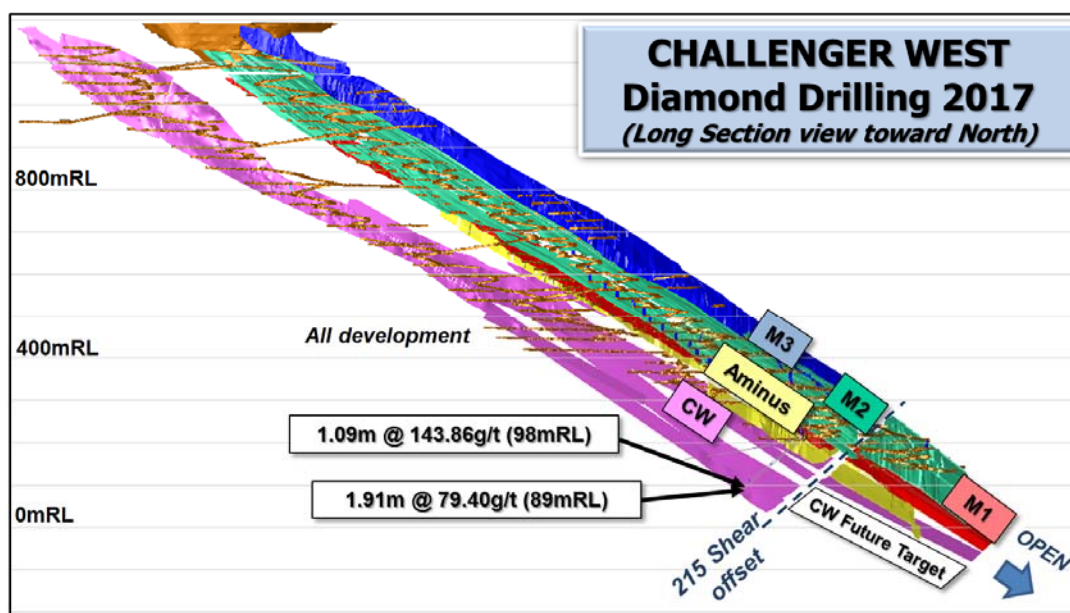
## Challenger West

Drilling was conducted to test the continuity of Challenger West ore shoots in the lower parts of the mine with encouraging results returned, including visible gold in several holes.

A separate drilling program in Challenger Deeps verified the Challenger system continuity at depth of the M1, M2, Aminus and Challenger West ore shoots.



Visible gold in core at Challenger West



Challenger West drill results below 100mRL



### **Aminus and OFW**

Located within the greater Challenger mine area significant intercepts have provided increased confidence to commence production following Diamond drilling to test the continuity of the Aminus lode.

### **M3/SEZ**

The M3 lode is a near mine target that has not been fully explored and is not in the current Challenger resource. The M3 and SEZ lodes are located on separate limbs of a folded vein package, with a potential strike length of up to 150 metres.

Extensive drilling programs have been designed from these levels drilled and are ongoing.

On 22 May 2017 WPG announced a combined exploration target for the M3 and SEZ shoots, above the 215 shear.

### **Challenger Deeps**

During the year a dispute over ownership of the gold rights in the northern section of EL 5661 (and therefore ML 6457, which contains the down-plunge extension of the Challenger lodes known as Challenger Deeps) was resolved with WPG's 100% right to all minerals in this area confirmed.

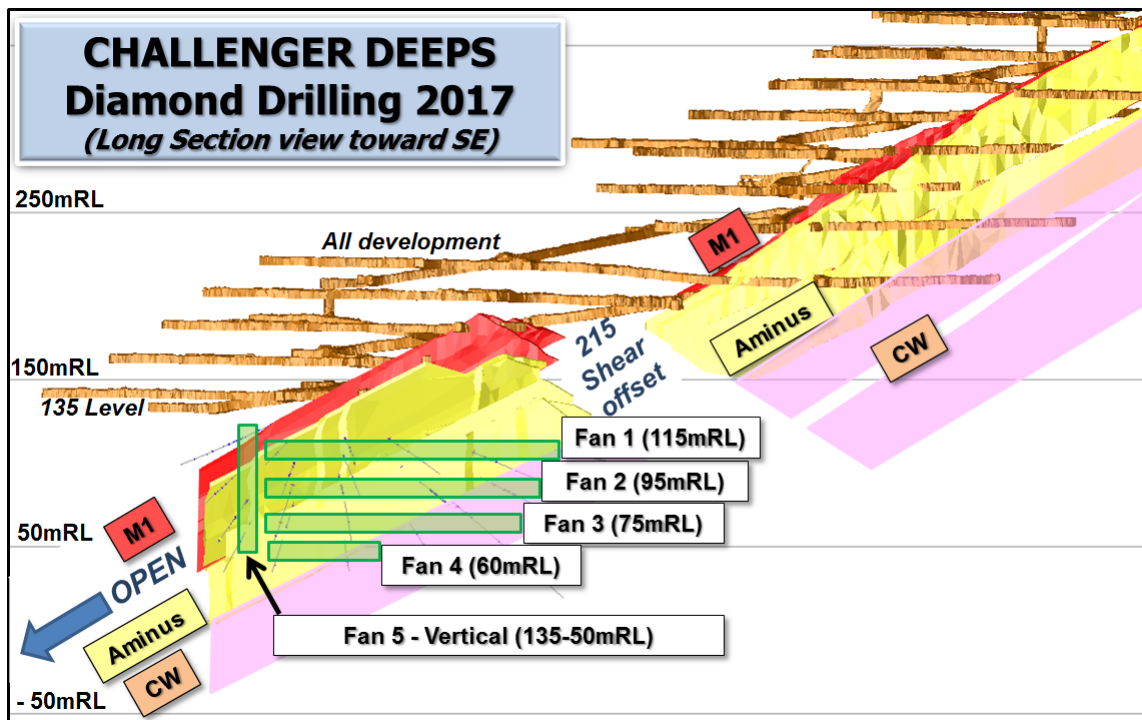
Exploration drilling in the area commenced in early April 2017 from underground drill cuddies following a mine ventilation upgrade which allowed drilling to commence in Challenger Deeps. Encouraging gold assays from the Challenger Deeps drilling program were announced from April - June 2017.



*Primary fan bank at the ventilation shaft collar fully installed and running*

Nineteen drill holes targeting down plunge extensions of the M1, M2, Aminus and Challenger West ore shoots verified the Challenger system continuity at depth.

Importantly, Challenger West was also intercepted for the first time below the 215 Shear as part of this Challenger Deeps drilling. The close proximity of Challenger West to M1 at the lower levels presents attractive parameters at depth to increase ounces per vertical metre. The Phase 2 program on Challenger Deeps commenced in September 2017 following development extensions to the Jumbuck decline below the shear and establishment of a new drilling platform.

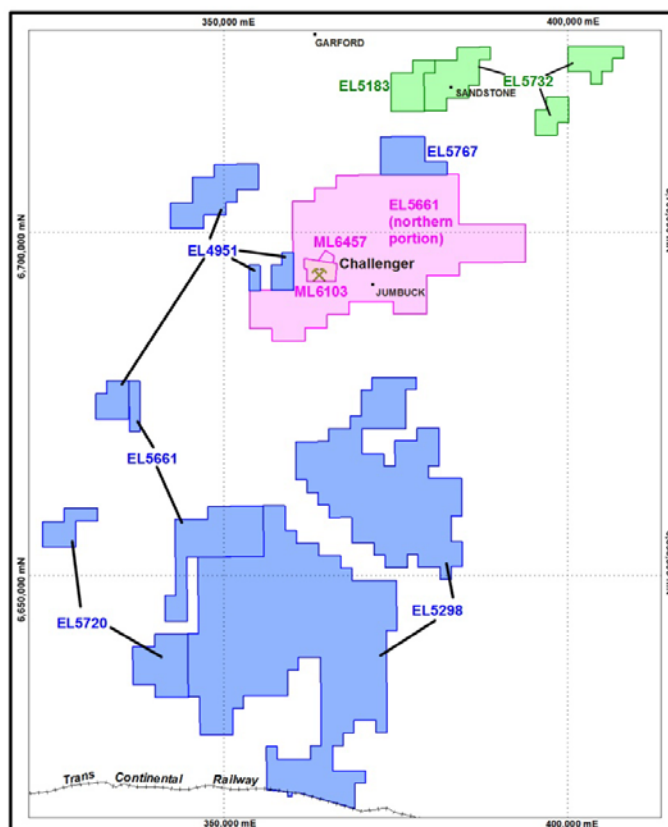


*Challenger Deeps Drilling*

Drilling is planned on multiple near mine exploration targets over the next twelve months. Development drilling will involve further drilling into Challenger West, Aminus and remnant opportunities in the historic M1 and M2 lodes. Near mine exploration drilling will target Challenger Deeps, M3/SEZ and Enterprise.

#### WGCJV

The Western Gawler Craton Joint Venture, between WPG and Tyranna Resources Ltd covers a number of exploration tenements held by Challenger Gold Operations. The Challenger Gold Mine is not subject to the WGCJV.



*WGCJV tenure (shown in green and blue) and CGO tenure (shown in pink)*

The current interests of the parties to the WGCJV are approximately WPG 29%, Tyranna Resources Ltd (Tyranna) 71%. Tyranna Resources Ltd (Tyranna) is the manager of the WGCJV. The WGCJV tenements have focussed on the Golf Bore, Greenwood, Mainwood and Campfire Bore prospects. During the year Tyranna announced a maiden resource estimate of 219,000 oz of gold at a cut-off grade of 0.5 g/t Au in a number of prospects within the WGCJV (refer to Tyranna's ASX announcement of 24 January 2017 and summarised in Figure 14) and completed a program of Reverse Circulation drilling at the Typhoon and Monsoon Prospects, 35km SSW of Challenger gold mine, which returned a number of significant intersections (see Tyranna's ASX announcements dated 8 June and 6 July 2017).

WPG encourage Tyranna to continue exploring in the WGCJV project area for potential eventual treatment of ore through the Challenger mill.

Parts of the project area are also subject to a 10% carried interest held by a private company. The WGCJV's strategy is to target the more advanced gold prospects which are situated within 50 kilometres of the Challenger gold processing operations and increase the economic scale of these prospects via focused and extensive exploration drilling. WPG encourages its WGCJV partner to continue exploring in the project area for potential eventual treatment of ore through the Challenger mill.

In recent years a dispute existed between the parties that hampered exploration activities. In October 2016, a dispute over ownership of the gold rights in the northern section of EL 5661 (and therefore ML 6457, which contains the down-plunge extension of the Challenger lodes known as Challenger Deeps) was resolved with WPG's 100% right to all minerals in this area confirmed.

Under the binding term sheet signed by the parties, Tyranna agreed to drop its claim over the northern part of EL 5661 and in return, WPG agreed that ownership of the tenements subject to the WGCJV, will be transferred to Tyranna under a new joint venture arrangement. This new joint venture is over gold rights in the WGCJV area only and Tyranna will hold rights to other minerals (subject to other third party rights). The interests of the two parties in the new joint venture *ab initio* will be exactly the same as under the old joint venture, and there will be no change to the dilution provisions. As with the old joint venture, Tyranna will be manager of the new joint venture.

The new agreement will allow WPG to continue with its exploration and development of the down-plunge extensions to the Challenger lodes in the area known as Challenger Deeps, secure now in the knowledge that it has 100% rights to this area.

### **Tarcoola Gold Project**

Tarcoola is an historic mining area approximately 170km south east of Challenger. Records indicate previous extraction of over 77,000 ounces of gold at approximately 35 grams per tonne (g/t), principally from high grade narrow vein underground stoping operations. The two defined open-pit deposits in the area, Perseverance and Last Resource, contain an ore reserve estimate of 710,000 tonnes averaging 3.1 g/t of gold containing 71,000 ounces of gold, and this area is the current focus of WPG's project development. In addition, there are numerous other identified areas of mineralisation including the Wondergraph prospect, which provide potential upside to the project.

The Tarcoola project is located on ML 6455 which is surrounded by EL 5355, both of which are owned by WPG's subsidiary Tarcoola Gold Pty Ltd.

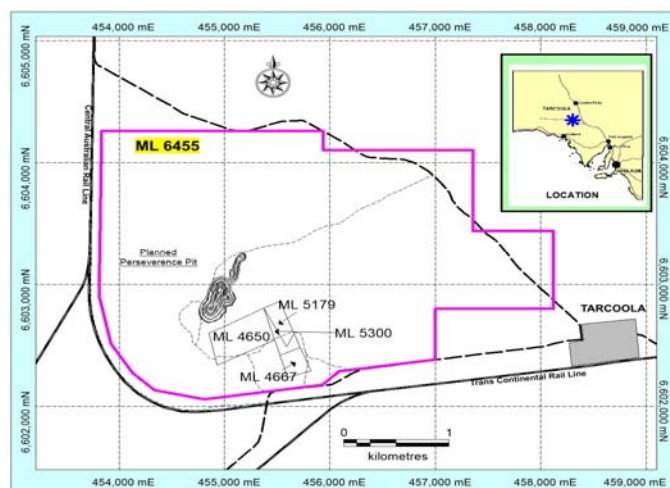
The project is located on Crown Reserve land and Native Title is held by the Antakirinja Matu-Yankunytjatjara people represented by the Antakirinja Matu-Yankunytjatjara Aboriginal Corporation (AMYAC).

This year has also seen the advancement of the Tarcoola gold project through the regulatory approvals process to the commencement of operations in December 2016. Challenger has presented significant operating synergies due to its proximity to Tarcoola.

In September 2016, WPG released its revised Tarcoola definitive feasibility study for the processing of Tarcoola ore through the Challenger CIP treatment plant, with ore hauled to Challenger for treatment, supported by substantially reduced on and off-site services and infrastructure – no need for leach pads or gold recovery circuit on site, resulting in a substantially reduced environmental footprint and gold recovery of approximately 95%.

The Program for Environment Protection and Rehabilitation (PEPR) was lodged in close consultation with DSD (now DPC) and once approved, WPG committed to project development at Tarcoola. The Company continues to work closely with DSD and other stakeholders as the project progressed to construction and mining operations and this will continue post-mining rehabilitation and monitoring works. WPG reached agreement with the Department of Defence (Defence) to access the haul road which traverses the WPA. WPG works closely with Defence under the co-existence framework for accessing the WPA.

WPG completed the acquisition of the vacant Tarcoola Hospital for the purpose of converting the building into dormitory-style accommodation. Refurbishment of the Hospital and other buildings owned by WPG in the Tarcoola township were finalised in anticipation of mining approvals.



*Location of ML 6455 at Tarcoola*

Activities to finalise permitting of the Tarcoola gold project and to obtain all requisite mining approvals and agreements to enable project development, and commencement of mining and haulage to Challenger occurred during the year and mining operations commenced in December 2016. The first ore mined from the pit in mid-December. Haulage of ore to the Challenger processing hub commenced in January 2017 with the first Tarcoola gold poured during February 2017.

Heavily oxidised sediments overlying the pit and disturbed ground due to old mine workings in the upper benches were encountered early in the quarter. This surficial zone suffered from gold depletion however expected gold grades were mined from mid-March onwards and grade control drilling activities are now providing reliable estimates of contained gold in mining blocks.

Since January, grade predictability has been steadily improving, and the positive trend is expected to continue as mining moves below the oxidised sediments and the updated geological model becomes available. This included record ore production during June 2017.

The Tarcoola gold mine continued to ramp-up following stripping of the poorly mineralised upper benches of the pit. During April, a number of significant rainfall events in close proximity to each other caused the suspension of pit operations for 7 days and haulage for 10 days until damage to major access roads to the site was remedied and critical supplies brought back to the mine.

### **Exploration**

WPG has 100% of all minerals over an area of 1,201km<sup>2</sup> on EL 5355 and EL 5254 and reviews exploration targets with potential for further discoveries.

#### **Warrigal Prospect**

During the year, historical near mine exploration data was reviewed and an orientation soil sampling survey completed at the Wondergraph and Warrigal Prospects. A larger soil sampling program at Warrigal generated a significant RC drill target and testing is underway.

#### **Wondergraph**

During the year a small RC program to test historical open down dip and along strike mineralisation was completed at the Wondergraph Prospect. The target is being evaluated for more potential drilling positions with the intention of defining another resource for the Tarcoola operation.

#### **Updated Tarcoola Ore Reserve Estimates**

On 1 September 2016 WPG revised its estimate of Ore Reserves for Tarcoola to 710,000 tonnes at an average grade of 3.1 g/t Au containing 71,000 ounces as at 29 August 2016.

On 21 September 2017, WPG released the 30 June 2017 Tarcoola Mineral Resource and Ore Reserve estimate.

The 30 June 2017 Mineral Resource estimate was a total of 1.6 million tonnes at an average grade of 1.70 g/t Au containing 87,600 ounces of gold.

The 30 June 2017 Ore Reserves estimate was 567,200 tonnes at an average grade of 3.0 g/t Au containing 54,300 ounces of gold.

WPG confirms that it is not aware of any new information or data that materially affects the information included in the 21 September 2017 market announcement and above in relation to the mineral resource estimate, and confirms that to the best of its knowledge and belief all material assumptions and technical parameters underpinning the mineral resource and ore reserve estimates in the 21 September 2017 market announcement continue to apply and have not materially changed except to the extent of production.

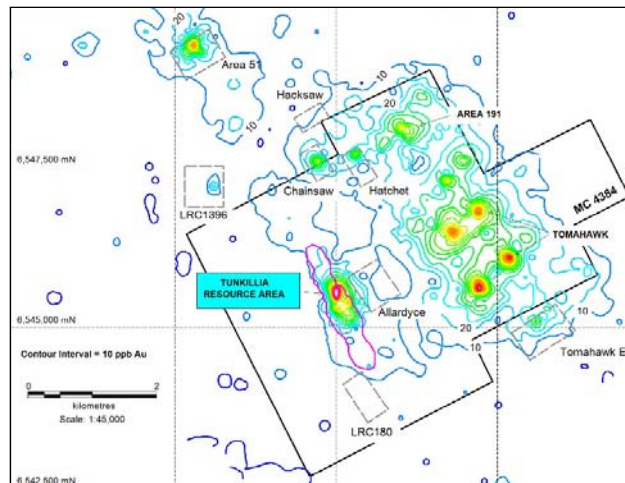
### Tunkillia Gold Project

The Tunkillia gold project is located some 550 km northwest of Adelaide and 70 km southwest of Tarcoola in the Gawler Craton and was first discovered in 1996. WPG has 100% of all minerals over an area of 1,362km<sup>2</sup> on EL 5670, 5901 and 5790 and is reviewing exploration targets with potential for further discoveries. An advanced data compilation of historic drill logs at the 223 Deposit was completed during the December 2016 quarter. The analysis of historical quartz vein data in 3D is ongoing, with the aim of defining the structure of the gold hosting quartz lodes to generate higher grade gold target zones beneath the already defined mineralisation.

Regional target generation on the broader Yarlbirinda Shear Zone away from the 223 deposit was prepared and an Induced Polarisation (IP) survey designed. A 12-month PEPR was lodged and approved by the Mineral Resources Division of the SA Department of the Premier and Cabinet (DPC) in readiness for exploration work on the broader Yarlbirinda Shear Zone away from the 223 deposit.

During the year a number of funding opportunities for Tunkillia were investigated.

No formal work has commenced on the Definitive Feasibility Study however it is envisaged that in-house resources will be deployed in the 2017-2018 year.



*Tunkillia drilling targets*

### Muckanippie, Robins Rise and Lake Woorong Projects

With WPG's current focus on fast tracking its gold projects, the Company's efforts were diverted from its other South Australian project assets.

There was no substantive work undertaken on these tenements during the year.



# Directors' Report

for the year ended 30 June 2017

## Directors

The following persons held office as Directors at the date of this report and throughout the financial year:

Name, Position and Qualifications	Directorships of Other Listed Companies	Appointment date	Resignation date
<b>Robert H Duffin</b> , Executive Chairman BSc (Hons), MSc (Hons), Grad Dip Mgt, FAusIMM			
<b>Helen Wiseman</b> , Lead Independent Non-Executive Director BSc (Hons), CA, GMAICD	Bid Corporation Limited (Johannesburg Stock Exchange) 20 March 2016 - present	20 October 2016	
<b>Gary J Jones</b> , Non-Executive Director * BSc (Auckland), FAusIMM, MSEG			
<b>Lim See Yong</b> , Non-Executive Director BBA (Singapore)			
<b>Cornel Parshotam</b> , Alternate Director for Gary Jones Dip Mining, GCC		1 March 2017	
<b>Martin C Jacobsen</b> , Managing Director & CEO MSCC, MDP (Unisa)			19 December 2016
<b>Leonard A Dean</b> , Non-Executive Director BSc (Metallurgy)			30 November 2016
<b>Dennis R Mutton</b> , Non-Executive Director BSc (Hons), Grad Dip Mgt, JP, FAIM, FAICD			22 March 2017

\* Mr Jones became a Non-Executive Director on 30 November 2016 (prior to that he was Technical Director).

No Directors were appointed or resigned since the end of the financial year. A biography and statutory disclosures regarding each Director are provided in the Directors and Management section of this report.

## Meetings of Directors

Attendances at the Company's Board and Committee meetings held during the year are summarised as follows:

Director	Board	Audit & Risk	Corporate Governance & Nomination	Remuneration
	Total meetings – 13	Total Meetings – 3	Total meetings – 1	Total meetings – 1
Bob Duffin	13 of 13	N/A	N/A	N/A
Helen Wiseman	10 of 10	2 of 2	N/A	1 of 1
Gary Jones	13 of 13	N/A	N/A	N/A
Lim See Yong	13 of 13	3 of 3	1 of 1	1 of 1
Cornel Parshotam*	4 of 4	N/A	N/A	N/A
Martin Jacobsen**	5 of 6	N/A	N/A	N/A
Leonard Dean***	6 of 6	1 of 1	1 of 1	N/A
Dennis Mutton****	10 of 10	2 of 2	1 of 1	N/A

There were four circular resolutions passed by the Board during the year.

\* Mr Parshotam was appointed as Alternate Director to Mr Jones on 1 March 2017. Mr Parshotam has been invited to attend all Board meetings.

\*\*Resigned 19 December 2016

\*\*\* Resigned 30 November 2016

\*\*\*\* Resigned 22 March 2017



## Directors' Interests in Shares, Options and Rights

Directors' interests in shares and rights as at the date of this report are set out below:

Director	No. Shares	No. Rights
Bob Duffin	62,469,010	-
Helen Wiseman	270,000	-
Gary Jones	2,143,931	1,415,870
Lim See Yong	-	-
Cornel Parshotam	-	-

## Board renewal

A number of Board changes occurred during the year. Helen Wiseman, a Chartered Accountant and former partner at KPMG, was appointed to the Board of Directors and was also appointed Chair of the Audit Committee and Lead Independent Director. Mr Cornel Parshotam, WPG's Chief Operating Officer, who has held senior management positions in underground and open pit gold and base metal mining operations and processing, including Head of Operations and General Manager Mine at BHP Billiton's Olympic Dam mine in South Australia, was appointed as an Alternate Director to Mr Gary Jones. The changes best utilise the strong skills and experience held by the Board and committee members and reflect WPG's commitment to board renewal, generational change, and diversity.

## Principal Activities

The principal activities of the Group are mining, exploration, evaluation and development of its precious metal, base metal, iron ore and coal projects located in South Australia. During the year, the Group continued to operate the Challenger gold mine, brought its Tarcoola gold project into production, and continued pursuing exploration opportunities at its third major gold project in South Australia, Tunkillia.

Further details are provided in the Review of Operations.

## Results

The net result of operations after applicable income tax expense was a loss of \$9,056,000 (2016 – loss of \$8,282,000). The Group's net assets at the end of the year were \$21,403,000 (2016 - \$6,374,000).

## Corporate

### Corporate Structure

WPG is a public company limited by shares that is incorporated and domiciled in Australia. The Company is listed on the ASX and trades under the code "WPG". WPG group companies are set out in Note 19 to the Financial Statements.

### Financial Position

As at 30 June 2017, the Company had cash at bank of \$9.9 million.

### Capital Raisings

On 27 July 2016 WPG completed a placement of 113,040,000 shares to sophisticated and professional investors. \$7.35 million was raised. At the same time the Company launched a 1:6 Entitlement Offer to existing shareholders. The fully underwritten Offer was completed on 19 August and raised \$6.32 million on the issue of 97,260,964 fully paid ordinary shares. The funds raised were used to fund the acquisition of 50% of Challenger and to provide funding for developing Tarcoola and for general working capital purposes.

On 13 June 2017 WPG completed a placement of 150,000,000 shares to sophisticated and professional investors raising \$7.2 million. A free 1 for 2 unlisted option exercisable at \$0.08 by 30 June 2019 is attached to the Placement shares. These options are subject to shareholder approval. The shares were issued under the Company's existing placement capacity pursuant to ASX Listing Rules 7.1 and 7.1A. The share placement raised funds for the Challenger mill expansion, mine development, exploration and for general working capital purposes.

On 19 June 2017 WPG launched a \$5.4 million 1 for 8 pro rata non-renounceable Entitlement Issue to eligible shareholders. Due to unfavourable market conditions, the offer was withdrawn on 15 August 2017 and all application moneys refunded.

# Directors' Report

## for the year ended 30 June 2017

### Exercise of Options

During the year, approximately \$3,226,456 was raised through exercise of the Company's quoted options. Following the July 2016 Entitlement Offer, the option exercise price was reduced from \$0.04 to \$0.038.

The unexercised options expired on 31 December 2016 and were subsequently taken up by the underwriter. Approximately \$181,443 was raised through the issue to the underwriter of 4,774,813 shares on exercise of the remaining options.

### Diversity

The Company is committed to developing and maintaining an inclusive work environment accessible to all and actively promotes a corporate culture which embraces diversity including, but not limited to, gender, age, ethnicity, cultural background and people with disabilities. The Board aims to attract and maintain a Board and employee base which has an appropriate mix of skills, experience and expertise by recruiting from a diverse pool of talented and qualified candidates.

The Company seeks to ensure that selection and recruitment decisions are based on merit. The Company recognises that greater innovation and improved engagement are achieved through having a diverse workforce. WPG recognises that a diverse and inclusive workplace not only ensures recruitment of high quality employees, but also enhances employee retention, encourages greater innovation and increases employee engagement.

The Company supports flexible work arrangements, where possible and promotes maintaining a healthy balance between work and home life. An employee's performance is measured by their output and their contribution to the Company.

The Board promotes a corporate culture which embraces diversity by ensuring an inclusive environment exists not only within the Company but also within its contractor companies.

### Gender Diversity

Women are actively encouraged to apply for vacant positions. The Company will ensure that external recruitment suppliers provide a balance of talented and qualified men and women candidates.

One Non-executive Director is female.

One female, the Group Company Secretary, reports directly to the Executive Chairman.

### Proportion of women employees

	30 June 2017		30 June 2016	
Women employees in the whole organisation	15/89	17%	14/74	19%
Women on the Board	1/6	17%	0/6	0%
Senior Executives	1/4	25%	1/6	17%

### Significant Changes in State of Affairs

The Directors are not aware of any significant changes in the state of affairs of the Group occurring during the financial year, other than as disclosed in this report.

### Matters Subsequent to the End of the Financial Year

On 19 June 2017 WPG launched a \$5.4 million 1 for 8 pro rata non-renounceable Entitlement Issue to eligible shareholders. Due to unfavourable market conditions, the offer was withdrawn on 15 August 2017 and all application moneys refunded.

In July 2017, WPG invited a number of mining contractors to tender for a new mining contract at Challenger in a competitive process and issued a Letter of Intent to Byrnes Australia Pty Ltd who commenced mobilisation activities and assumed responsibility for all underground mining at Challenger as of 5 August 2017.

On 21 September and 29 September 2017, WPG released the 30 June 2017 Mineral Resource and Ore Reserve Estimates for Tarcoola and Challenger respectively.

The combined 30 June 2017 Mineral Resource estimate was a total of 3,221,000 tonnes at an average grade of 4.36 g/t Au containing 451,000 ounces of gold.

The 30 June 2017 Ore Reserves estimate was 1,104,000 tonnes at an average grade of 4.25 g/t Au containing 151,000 ounces of gold.

WPG confirms that it is not aware of any new information or data that materially affects the information included in the 21 September and 29 September 2017 market announcements and above in relation to the mineral resource estimate, and confirms that to the best of its knowledge and belief all material assumptions and technical parameters underpinning the mineral resource

and ore reserve estimates in the 21 September and 29 September 2017 market announcements continue to apply and have not materially changed except to the extent of production.

During the year, CGO entered into an agreement with Diversified Minerals Pty Ltd whereby DMPL procured a bank guarantee to be issued to replace the \$2.6 million cash-backed bond and these release funds were utilised as working capital at the Challenger gold mine. DMPL was granted security over the shares held in CGO and the assets of CGO.

Subsequent to year end this security granted to DMPL was discharged. In lieu of posting a replacement rehabilitation bond in respect of the Challenger gold mine, the Company has granted security over the assets of WPG Resources Ltd, Challenger Gold Operations Pty Ltd, Tarcoola Gold Pty Ltd and WPG Gawler Pty Ltd to the Minister for Mineral Resources and Energy in South Australia. The security will be released when a replacement rehabilitation bond is provided by the Company.

The mining contract with Pybar Mining Services Pty Ltd was terminated in August 2017 with unpaid claims as of that date totalling \$9.6 million (including GST). On 28 September 2017 Pybar Mining Services Pty Ltd initiated a dispute under the dispute resolution clauses of the mining contract with respect to each of these unpaid claims. Challenger Gold Operations Pty Ltd has denied these claims and has notified Pybar of an off-setting claim for failure to properly perform services in accordance with the mining contract. Challenger Gold Operations Pty Ltd is presently assessing its off-setting claims.

Other than as noted above, at the date of this report there are no other matters or circumstances which have arisen since 30 June 2017 have significantly affected or may significantly affect:

- a) the operations of the Group;
- b) the results of those operations; or
- c) the state of affairs of the Group.

## Likely Developments and Expected Results

There are no likely developments of which the Directors are aware which could significantly affect the results of the Group's operations in subsequent financial years not otherwise disclosed in the Principal Activities, the Review of Operations or the Matters Subsequent to the End of the Financial Year sections of the Directors' Report.

## Environmental Performance

The Group's exploration and development activities are conducted in accordance with environmental regulations under both Commonwealth and State legislation.

To the best of the Directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

Details of the Group's environmental performance are provided in "Sustainability, Environmental Performance and Community Relations".

## Incentive Rights

During the year ended 30 June 2017, 4,815,900 shares were issued on vesting of incentive rights.

No shares have been issued on vesting of incentive rights from the end of the year to the date of this report.

As at the date of this report the following Incentive Rights are outstanding:

Incentive Rights	Vesting date
4,415,957	1 July 2017*
4,931,769	1 July 2018
6,721,244	1 July 2019

\* At the date of this report, 2,816,098 rights have vested but the shares associated with these rights have not yet been issued. 1,599,859 performance rights will be re-tested at 1 July 2018.

## Options

88,861,748 shares were issued on exercise of options during the year. As at the date of this report, there are 37,500,000 options outstanding, exercisable at \$0.11 expiring on 30 September 2018. Subject to shareholder approval, 79,166,667 options with an exercise price of \$0.08 expiring on 30 June 2019 will be issued to sophisticated and professional investors who participated in the June 2017 Placement and the Corporate Adviser to the June 2017 capital raising.

## Dividends

No dividends were paid or proposed during the year.

## Remuneration Report – Audited

### Policy on Remuneration

#### Directors' Benefits and Emoluments

Directors' remuneration levels, including participation in the Company's Incentive Rights Plan, are structured to provide reasonable compensation consistent with the Company's financial resources and the size and scale of the Company's operations.

#### Remuneration of the Board and Senior Management

The Board, on advice from the Remuneration Committee, determine the remuneration packages for Executive and Non-Executive Directors and for senior management. Decisions taken by the Remuneration Committee and the Board are based on a range of factors, including advice from an independent remuneration consultant.

In establishing and implementing fair remuneration arrangements, the Remuneration Committee and the Board has sought to align remuneration on a market basis with peer companies. The Company has adopted this approach rather than apply particular performance criteria to each relevant individual, which for a company at WPG's stage of operations, remain impractical to determine.

The Incentive Rights Plan (the Plan) for the benefit of Executive Directors and senior management was implemented in the 2011 financial year. A detailed summary of the Plan is set out below.

There is no retirement scheme for Directors.

#### Independent Assessment of Directors Benefits and Emoluments

In accordance with previous resolutions of the Remuneration Committee and the Board, the Company appointed Godfrey Remuneration Group as its independent external remuneration consultant to provide remuneration recommendations and advice to the Remuneration Committee relating to key management personnel of WPG during the 2017 financial year.

The Board is satisfied that the recommendations and advice provided by Godfrey Remuneration Group were free from undue influence of key management personnel. Godfrey Remuneration Group provides key management personnel remuneration recommendations to the Non-Executive Directors only so that neither key management personnel nor the external remuneration consultants are conflicted in the remuneration recommendations or advice provided.

An amount of \$23,320 was paid during the year to the external remuneration consultant.

#### Key Management Personnel and Details of Remuneration

The following tables outline persons who were key management personnel of the Company and the nature and amount of the elements of the remuneration of those persons for the year ended 30 June 2017.

Key Management Personnel in office during the year were:

Name	Position held	Date appointed during the year	Date resigned during the year
Bob Duffin	Executive Chairman	-	-
Helen Wiseman	Lead Independent Non-Executive Director	20 October 2016	-
Gary Jones*	Non-executive Director	-	-
Lim See Yong	Non-executive Director	-	-
Larissa Brown	Group Company Secretary	-	-
Wayne Rossiter**	Chief Executive Officer	-	-
Cornel Parshotam***	Chief Operating Officer and Alternate Director	-	-
Daryl Midgley	Chief Financial Officer	1 March 2017	-
Martin Jacobsen	Managing Director	-	19 December 2016
Len Dean	Non-executive Director	-	30 November 2016
Dennis Mutton	Non-executive Director	-	22 March 2017

\* Mr Jones became a Non-Executive Director on 30 November 2016 (prior to that he was Technical Director).

\*\* Mr Rossiter was appointed Chief Executive Officer on 22 December 2016 (prior to that he was Chief Financial Officer).

\*\*\* Mr Parshotam became Alternate Director to Gary Jones on 1 March 2017

# Directors' Report

for the year ended 30 June 2017

		Short-term employee benefits				Post-employment benefits	Share-based payments			% of remuneration that is performance based	% of value of remuneration that consists of options
		Cash salary and fees	Current year bonus	Prior year bonus	Non-monetary benefits	Super-annuation	Incentive rights	Options	Total	%	%
		\$	\$	\$	\$	\$	\$	\$	\$		
Directors											
Bob Duffin	2017	154,796	-	-	-	-	-	-	154,796	0%	0%
	2016	48,000	-	-	-	-	-	-	48,000	0%	0%
Helen Wiseman *	2017	42,000	-	-	-	-	-	-	42,000	0%	0%
	2016	-	-	-	-	-	-	-	-	0%	0%
Gary Jones* **	2017	112,538	-	-	-	-	17,827	-	130,365	13.7%	0%
	2016	157,800	-	-	-	-	23,738	-	181,538	13.1%	0%
Lim See Yong*	2017	60,000	-	-	-	-	-	-	60,000	0%	0%
	2016	35,175	-	-	-	-	-	-	35,175	0%	0%
Martin Jacobsen ***	2017	370,725	-	-	-	18,219	194,979	-	583,923	33.4%	0%
	2016	353,141	-	-	-	33,548	97,292	-	483,981	20.1%	0%
Len Dean	2017	25,000	-	-	-	-	-	-	25,000	0%	0%
	2016	35,160	-	-	-	-	-	-	35,160	0%	0%
Dennis Mutton	2017	22,500	-	-	-	22,500	-	-	45,000	0%	0%
	2016	5,160	-	-	-	30,000	-	-	35,160	0%	0%
Total	2017	787,559	-	-	-	40,719	212,806	-	1,041,084	20.4%	0%
	2016	634,436	-	-	-	63,548	121,030	-	819,014	14.8%	0%

\* The available approved 'pool' for Non-executive Director fees is \$500,000 (approved in a General Meeting held on 31 August 2010). \$197,857 of this available 'pool' was utilised during the year.

\*\* From 1 July – 30 November 2016, Mr Jones was engaged by the Company on terms agreed and approved by the Board on recommendation of the Remuneration Committee with the services of Mr Jones being provided through a services contract between the Company and a corporate entity associated with Mr Jones. On 1 December 2016, Mr Jones became a Non-executive Director and is paid Non-executive Director fees.

\*\*\* Mr Jacobsen was engaged under an employment agreement, until his resignation on 19 December 2016.

## Other key management personnel

Cornel Parshotam*	2017	324,721	-	-	-	30,849	94,551	-	450,121	21.0%	0%
	2016	49,760	-	-	-	4,680	-	-	54,440	0%	0%
Larissa Brown	2017	177,206	-	-	-	16,835	54,048	-	248,089	22.0%	0%
	2016	169,578	-	-	-	16,110	27,946	-	213,634	13.1%	0%
Wayne Rossiter**	2017	307,593	-	-	-	28,965	87,741	-	424,299	21.0%	0%
	2016	238,508	-	-	-	22,658	39,372	-	300,538	13.1%	0%
Daryl Midgley***	2017	76,667	-	-	-	7,283	-	-	83,950	0%	0%
	2016	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	2017	886,187	-	-	-	83,932	236,340	-	1,206,459	19.5%	0%
	2016	457,846	-	-	-	43,448	67,318	-	568,612	11.8%	0%

## Total compensation

	2017	1,673,746	-	-	-	124,651	449,146	-	2,247,543	19.9%	0%
	2016	1,091,782	-	-	-	106,996	188,348	-	1,387,262	13.8%	0%

\* No directors fees were paid to Mr Parshotam during the year

\*\* Mr Rossiter was appointed CEO effective 22 December 2016 (previously CFO)

\*\*\* Mr Midgley was appointed CFO 1 March 2017

## Share-based Payment and Bonuses

### Incentive Rights Plan (the Plan)

The Company believes that encouraging its employees to become shareholders is the best way of aligning their interests with those of its shareholders.

The Plan, approved by shareholders on 31 August 2010, is the principal tool for the reward and administration of incentive entitlements to all eligible officers, employees, senior consultants and Executive Directors. The Company's Executive Chairman is entitled to participate in the Plan, but has elected not to do so in order to increase the number of Incentive Rights available to other Plan participants.

The Plan assists in the attraction, retention and motivation of the Company's Directors, officers, employees and senior consultants. The Plan does so in a manner that is compliant with relevant tax legislation and in a less dilutionary fashion than the former share option plan.

Under the Plan, eligible employees and Executive Directors may be granted rights to shares in the capital of the Company upon the satisfaction of specified performance criteria (Performance Rights) and specified periods of tenure (Retention Rights) over a vesting period of 3 years, or on shorter periods in some cases. Following the end of the year, the Board amended the Plan so that Retention Rights are no longer offered, and going forward, the LTI reward will be offered in 2 separate performance-based tranches (absolute performance, and relative performance). This change will apply to Incentive Rights going forward. Retention Rights already granted will remain until they vest, lapse or are cancelled in accordance with the Plan.

The Rights will not vest unless the vesting conditions determined by the Board have been satisfied.

Rights cannot vest nor can shares be issued in relation to vested Rights during any period when such recipients would be excluded from acquiring shares under the Company's Securities Trading and Trading Windows Policy.

### Performance and Retention Incentives

A Long-Term Incentive (LTI) reward will be made in the form of Rights to shares which will have a vesting period of 3 years. The number of Rights that ultimately vest (that is, convert to shares) will be based on the Company's performance over the same 3 years. There are 3 separate tranches of incentive rights (retention, absolute performance, and relative performance) which are subject to different vesting tests.

#### Retention rights

An LTI reward made by way of grant of "**Retention Rights**" is granted to eligible employees and Executive Directors pursuant to the terms of the Plan upon or as soon as practicable after commencement of employment and annually thereafter. These Retention Rights are granted annually and on a pro rata basis to the employees' period of tenure, with the full amount vesting if the employee were to remain employed by the Company for 3 years.

The number of Retention Rights to be granted annually to each eligible employee or Executive Director is calculated by the following formula:

$$\text{Participant's Base Package} \times \text{Target Retention LTI\%} \div \text{Right Value}$$

Following the end of the year, the Board amended the Plan so that Retention Rights are no longer offered, and going forward, the LTI reward will be offered in 2 separate performance-based tranches (absolute performance, and relative performance). This change will apply to Incentive Rights going forward. Retention Rights already granted will remain until they vest, lapse or are cancelled in accordance with the Plan.

#### Performance Rights

An LTI reward made by way of the grant of "**Performance Rights**" is granted as soon as practicable after each financial year end. The performance measurement period is three years, and performance is based on average absolute Total Shareholder Return (TSR) and the relative TSR of sixty ASX listed companies. The number of Performance Rights to be granted annually to each eligible employee or Executive Director is calculated by the following formula:

$$\text{Participant's Base Package} \times \text{Target Performance LTI\%} \div \text{Adjusted Right Value}$$

#### Absolute

Absolute performance compares WPG's share price as at the grant date and change compounded annually over 3 years.

#### Relative

Relative performance compares WPG to a basket of 60 ASX listed companies (the 30 immediately above and 30 immediately below WPG's market capitalisation in the materials industry group on the grant date. These performance rights vest according to WPG's relative position in that group of companies as at the vesting date. The sixty listed companies for the purposes of the calculation



are peer companies nominated by Godfrey Remuneration Group, and those companies have a spread of size and level of operations such as to represent, in the Board's view, an appropriate benchmark group.

Target Performance and Retention LTI% figures are developed from broad market data provided by Godfrey Remuneration Group.

**Right value** is determined by the following formula:

*Share Price – (Annual Dividend x Minimum Vesting Period)*

**Adjusted Right Value** is determined by the following formula, with **Probability of Vesting** set at 50% in line with broad market data:

*Right Value x Probability of Vesting*

#### **Re-testing**

In accordance with the Plan rules if no rights in a tranche vest, they will be re-tested once 1 year after the 3 year vesting date. If no vesting occurs upon re-testing the rights will lapse.

#### **Summary of the Plan**

##### **Purpose of the Plan**

The purpose of the Plan is to provide an incentive for eligible employees and Executive Directors by enabling them to participate in the future growth of the Company and upon becoming shareholders to participate in the Company's profits and development. Under the Plan, eligible employees and Executive Directors may be granted rights to shares in the capital of the Company upon the satisfaction of specified performance criteria and specified periods of tenure. The provision of this incentive is expected to result in future benefits to the shareholders and employees of the Company that result from:

- attracting, motivating and retaining key employees by providing balanced, competitive remuneration packaging;
- assisting eligible employees and Executive Directors to become shareholders in the Company, ensuring that they have commonly shared goals related to producing relatively high returns for shareholders; and
- less dilution to the Company than the issue of options under the former share option plan.

##### **Offer of Rights**

When eligible employees and Executive Directors satisfy specified criteria imposed by the Board (including performance criteria and specified periods of tenure) the Board may make a written offer to the employee of Rights. The offer will specify the number of Rights being offered and the conditions that must be met by the employee before the Rights will vest.

##### **Number of Rights Offered**

The number of Rights that will be offered to an employee pursuant to an offer is entirely within the discretion of the Board. Each Right will, upon vesting, entitle the holder to one (1) share in the capital of the Company.

##### **Vesting Conditions**

The measurement and vesting period for both Performance Rights and Retention Rights is 3 years. The Board has the discretion to vary this vesting and measurement period, in a range of circumstances including bonus issues, rights issues and capital reorganisations.

**Performance Rights** – the number of Performance Rights granted is based on the formula outlined above. The number Performance Rights that vest is based on the performance of the Company relative to the average absolute TSR and the relative TSR of sixty ASX listed companies over the three year vesting period. Performance Rights are granted annually and on a pro-rata basis to the employee's period of tenure.

**Retention Rights** – the number of Retention Rights granted is based on the formula outlined above. Vesting of all Retention Rights will occur if the employee remains employed by the Company for three years. Retention Rights are granted annually and on a pro rata basis to the employee's period of tenure.

The Rights will not vest unless the vesting conditions imposed by the Board have been satisfied.

Rights cannot vest nor can shares be issued in relation to vested Rights during any period when such recipients would be excluded from acquiring shares under the Company's Securities Trading and Trading Windows Policy.

##### **Exercise Price**

Employee participants in the Plan will not be required to make any payment in return for a grant of Rights nor for the issue or transfer of shares upon the vesting of Rights.

##### **Lapse of Rights**

Rights that have not vested will lapse:

# Directors' Report

for the year ended 30 June 2017

- at the end of the Measurement Period for Retention Rights;
- at the end of the Measurement Period for Performance Rights when some, but not all, of them do not vest;
- following one re-testing of Performance Rights if they fail to vest;
- if the Rights are transferred without the Board's consent;
- if the employee ceases his or her employment or employment relationship with a Group company; or
- under any circumstances specified by the Board in the offer of Rights.

## Shares Allotted Upon Exercise of Rights

The Company will issue or transfer fully paid, ordinary shares to the employee as soon as practicable after the vesting of Rights. The shares allotted under the Plan will be of the same class and will rank equally with shares in the Company at the date of issue.

## Transfer of Rights

A Right is not transferable without the consent of the Board.

## Takeover, Scheme or Arrangement

In the event of a change-in-control including a takeover:

- unvested Performance Rights will vest in the proportion that the Company's share price has grown since the date of grant of the Performance Rights or such greater proportion as determined in the discretion of the Board. Maximum vesting is 100%; and
- unvested Retention Rights will not be affected;

## Bonus Issues, Rights Issues and Capital Reconstruction

In order to prevent a reduction of the number of shares to which the Rights relate in the event of bonus issues or pro rata rights issues, the Plan rules provides for an adjustment of the number of Rights in accordance with ASX Listing Rule 6.22.2.

In the case of a capital reconstruction the number of Rights may be adjusted at the discretion of the Board.

## Participation in New Issues

There are no participating rights or entitlements inherent in the Rights and the holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Rights. In addition, holders of Rights will not be entitled to vote or receive dividends as a result of their holding of Rights.

## Ban on Hedging Performance Risk

The Board has a hedging risk policy. Under Section 206J of the Corporations Amendment Act 2011 for Rights issued on or after 1 July 2011, Key Management Personnel and their closely related parties must not enter into arrangements which would have the effect of limiting their exposure relating to Rights which have not vested.

## Rights Granted as Remuneration

Details of the terms and conditions of rights granted to Key Management Personnel as compensation during the reporting period are as follows:

Name	Issue date	No. rights granted	Fair value \$	Vested during period	Forfeited during period	Estimated minimum value \$	Estimated maximum value \$	Vesting date
Bob Duffin	-	-	-	-	-	0.00	-	-
Martin Jacobsen	1 July 2016	2,599,725	194,979	2,101,653	(4,450,511)	0.00	194,979	1 July 2019
Gary Jones	1 July 2016	237,689	17,827	527,922	(189,968)	0.00	17,827	1 July 2019
Cornel Parshotam	1 July 2016	1,260,681	94,551	-	-	0.00	94,551	1 July 2019
Larissa Brown	1 July 2016	720,645	54,048	606,445	(136,973)	0.00	54,048	1 July 2019
Wayne Rossiter	1 July 2016	1,169,877	87,741	673,729	(185,309)	0.00	87,741	1 July 2019
<b>Total</b>		<b>5,988,617</b>	<b>449,146</b>	<b>3,909,749</b>	<b>(4,962,761)</b>	<b>0.00</b>	<b>449,146</b>	

Interests and movement in rights under the Incentive Rights Plan as at 30 June 2017:

**Rights held by Directors and other Key Management Personnel**

	At 30 June 2016	Granted	Vested during period	Forfeited during period	At 30 June 2017
Martin Jacobsen	7,455,931	2,599,725	(2,101,653)	(4,450,511)	3,503,492
Gary Jones	1,884,306	237,689	(527,922)	(189,968)	1,404,105
Cornel Parshotam	-	1,260,681	-	-	1,260,681
Larissa Brown	2,130,432	720,645	(606,445)	(136,973)	2,107,659
Wayne Rossiter	2,813,187	1,169,877	(673,729)	(185,309)	3,124,026
<b>Total</b>	<b>14,283,856</b>	<b>5,988,617</b>	<b>(3,909,749)</b>	<b>(4,962,761)</b>	<b>11,399,963</b>

Services provided by Directors' related entities were under normal commercial terms and conditions. No other benefits have been received or are receivable by Directors, other than those already disclosed in the notes to the accounts.

Interests and movements in the shares of the Company held by Directors and their Directors' related entities and Key Management Personnel as at 30 June 2017:

**Shareholdings**

Fully paid ordinary shares	At 30 June 2016	Acquired during period	Granted upon vesting of rights	Disposed during period	At 30 June 2017
Bob Duffin	44,095,776	18,373,234	-	-	62,469,010
Helen Wiseman	-	270,000	-	-	270,000
Gary Jones	1,126,630	548,409	478,892	-	2,153,931
Lim See Yong	-	-	-	-	-
Cornel Parshotam	-	-	-	-	-
Len Dean*	2,000,000	-	333,333	(2,333,333)**	-
Martin Jacobsen*	2,522,044	745,751	1,952,471	(5,220,266)**	-
Dennis Mutton*	254,666	42,444	63,666	(360,776)**	-
Larissa Brown	1,302,583	636,100	562,807	-	2,501,490
Wayne Rossiter	4,767,718	2,776,376	625,341	-	8,169,435
<b>Total</b>	<b>56,069,417</b>	<b>23,392,314</b>	<b>4,016,510</b>	<b>(7,914,375)</b>	<b>75,563,866</b>

\* closing balances are as at resignation dates

\*\*Deemed disposed on resignation/retirement

**Directors' Contracts**

Mr Duffin is engaged by the Company on terms agreed and approved by the Board on recommendation of the Remuneration Committee. Details of those arrangements are set out below. The services of Mr Duffin are provided through a services contract between the Company and a corporate entity associated with Mr Duffin.

**Executive Chairman – Bob Duffin**

Contract term:	Rolling 12 months
Remuneration:	\$154,796 pa
Rights:	-
Termination payments:	Payment on early termination by the Group, other than for gross misconduct, equal to 6 months base remuneration

**Key Management Personnel (KMP) Contracts**

**Chief Operating Officer – Cornel Parshotam**

Contract term:	Commenced 26 April 2016
Remuneration:	\$339,450 pa
Rights:	Cumulative Rights issued as of 30 June 2017 are 1,260,681 Rights
Termination payments:	Payment on early termination by the Group, other than for gross misconduct, equal to 6 months base salary

# Directors' Report

for the year ended 30 June 2017

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## Group Company Secretary – Larissa Brown

Contract term:	Commenced 1 December 2009 (previously contractor)
Remuneration:	\$194,040 pa
Rights:	Cumulative Rights issued as of 30 June 2017 are 2,107,659 Rights
Termination payments:	Payment on early termination by the Group, other than for gross misconduct, equal to 6 months base salary

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## Chief Executive Officer – Wayne Rossiter

Contract term:	Commenced 1 July 2011
Remuneration:	\$350,400 pa
Rights:	Cumulative Rights issued as of 30 June 2017 are 3,124,026 Rights
Termination payments:	Payment on early termination by the Group, other than for gross misconduct, equal to 6 months base salary

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## Chief Financial Officer – Daryl Midgley

Contract term:	Commenced 1 March 2017
Remuneration:	\$251,850 pa
Rights:	No cumulative Rights issued as of 30 June 2017
Termination payments:	Payment on early termination by the Group, other than for gross misconduct, equal to 6 months base salary

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Service contracts or employment agreements have been entered into by the Company with all Key Management Personnel and executives, describing the components and amounts of remuneration applicable on their initial appointment, including terms and performance criteria (if applicable) and entitlements to options under the Share Option Plan and/or rights under the Incentive Rights Plan. These contracts do not fix the amount of remuneration increases from year to year. Remuneration levels will be reviewed generally each year on advice from an Independent Remuneration Consultant to align with peer company remuneration levels, changes in job responsibilities and market compensation expectations. All Key Management personnel have agreed to be paid termination benefits at the Company's option in fully paid ordinary shares subject to certain conditions over the next 12 months. Issues of shares to Directors are subject to shareholder approval.

Directors and KMPs are entitled to rights under the Incentive Rights Plan which are issued from time to time.

## End of Audited Remuneration Report

## Indemnification and Insurance of Officers and Auditors

### Indemnification

The Company has entered into Deeds of Indemnity Insurance and Access with its Directors and Officers indemnifying those Directors and Officers, and agreeing to provide funding arrangements for costs and expenses incurred in defending any legal proceedings arising as a consequence of their acting as a Director or Officer of WPG. The Company also provides an indemnity to an officer of the company engaged to provide personal services on a contractual basis.

### Insurance Premiums

During the financial year the Company has paid premiums to insure each of the Directors and Officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The premiums paid are not disclosed as such disclosure is prohibited under the terms of the contract.

### Proceedings

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.

### **Auditor's Independence and Non-Audit Services**

No non-audit services were provided by the Company's auditor, Grant Thornton Audit Pty Ltd during the current financial year. The Directors received a declaration of independence from the auditors of the Company. It is located on page 27 and forms part of this report.

Signed this 29th day of September 2017 in accordance with a resolution of the Directors.



**Bob Duffin**  
Executive Chairman

# Directors and Management

for the year ended 30 June 2017

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## Bob Duffin – Executive Chairman

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*BSc (Hons), MSc (Hons), Grad Dip Mgt, FAusIMM*

Bob Duffin is a company director with over 45 years' experience in resource exploration, project assessment, mining investment analysis, and company management.

Bob has held senior positions in the exploration divisions of Peko Wallsend and MIM Holdings, then two of Australia's largest mining companies, and is a former Managing Director of Austirex International, an international resource exploration consulting and contracting firm. He has lived and worked in mining communities, including periods in Kalgoorlie in Western Australia and Mount Isa in Queensland, where he worked on exploration programs for a number of commodities, including gold, copper, uranium, base metals and iron ore. He has also worked with three stockbroking firms and was head of research at one of Australia's leading resource sector brokers in the 1980s.

Bob is a former Non-Executive Director of a number of companies, including Centennial Coal, Midwest Corporation, Ferrowest, Burmine, Austmin Gold, Mt Lyell, the UK resources investment company Europa Minerals Group, and Mancala, a mining contractor. Bob has been a Director of WPG since 2004.



## Helen Wiseman – Lead Independent Non-Executive Director

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*BSc (Hons), CA, GMAICD*

Helen Wiseman is a Chartered Accountant and former partner at accounting firm KPMG. She has approximately 30 years' professional experience including working with a broad range of corporate clients in the mining, oil and gas, energy, manufacturing, technology and government sectors. She is a director of, and chairs the audit committee of, Bid Corporation Limited (Bidcorp), a global foodservice group listed on the Johannesburg Stock Exchange and the Australian Consumers Association (Choice). She is also a director of Imalia, a financial services company she co-founded.

She is a member of the Institute of Chartered Accountants in Australia, the Australian Institute of Company Directors, the Institute of Directors Southern Africa, UK Institute of Directors and an associate member of the Association of Certified Fraud Examiners.

Helen was appointed a Director of WPG in October 2016 and is Chair of the Audit & Risk Committee. Helen was appointed Lead Independent Director in March 2017.



## Gary Jones – Technical Director

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*BSc (Auckland), FAusIMM,*

Gary Jones is a geologist with over 50 years' professional experience in mineral exploration and resource and reserve estimation for various type of mineral deposits including porphyry copper-gold, epithermal gold and iron ore. He is Managing Director of Geonz Associates Ltd, a leading New Zealand firm of consulting geologists, and has been an independent consultant to the mining industry for the past 33 years during which time assignments have been completed in many parts of the world including Australia, Indonesia, North and South America, Canada and New Zealand.

Prior to setting up his own consultancy Gary worked as an exploration geologist for Geopeko for 15 years in various parts of Australia including 12 years in central New South Wales where he established and managed a new exploration operation for Geopeko. During this time he supervised numerous base and precious metal projects throughout the Lachlan Fold Belt and parts of the New England region and is credited with the discovery of the Northparkes porphyry copper-gold deposits. Following the initial discoveries at Goonumbla, Gary also had a major input into the pegging of a large block of exploration licences in the Lake Cowal region. He planned and supervised the initial regional exploration programs that ultimately led to the discovery of the 4.4 million ounce Cowal porphyry gold deposit. Early in his career Gary worked on iron ore exploration and mining activities in the Northern Territory. Gary has been a Director of WPG since 2004.





### **Lim See Yong – Non-Executive Director**

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*BBA (Singapore)*

Lim See Yong is General Manager and Director of Xin Sheng International Private Limited, a trading company related to Tangshan Xingye Industrial and Trade Group Corporation, an investor in raw materials for the steel industry. He spent 11 years with NatSteel Trade International, a Singapore mill that produces bars and wire rods from scrap. He was NatSteel's chief representative in China for 7 years from 1995. From 2002 to 2006 he was in charge of selling iron ore and steel products to China, and exporting semi and finished steel products to South East Asian markets. See Yong lives in Singapore. He has been a Director of WPG since 2007.



### **Cornel Parshotam – Alternate Director for Gary Jones; Chief Operating Officer**

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*Dip Mining, GCC*

Cornel Parshotam is a mining professional with over 37 years of operational mining experience. Cornel has held senior mining management positions in Africa and Australasia including General Manager Operations at Metallon Gold Zimbabwe, Acting Operations Manager at Emperor Gold Mines in Fiji and more recently General Manager Mine and then Head of Operations and BHP Billiton's Olympic Dam Mine in South Australia. His range of experience encompasses the management and operation of both surface and underground operations in base metal and precious metal mining.



### **Larissa Brown – Group Company Secretary**

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*BA, Dip Ed, Grad Dip ACG, AGIA*

Larissa Brown is a chartered secretary with particular experience in the administration of resource and resource technology companies. Larissa manages corporate and regulatory compliance, share registry and shareholder liaison & communications and annual reporting, as well as work health safety, safety governance and policy development. Larissa was appointed Group Company Secretary on 6 August 2009.



### **Wayne Rossiter – Chief Executive Officer**

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*BE (Mining), CA, MappFin, MAusIMM, GMAICD*

Wayne Rossiter is both a mining engineer and a chartered accountant. Wayne has held senior finance and management roles in resource and energy companies. Wayne has knowledge and experience in transitioning companies from the exploration stage through to development and into production. His range of experience includes underground coal gasification, coal seam gas, coal, conventional oil and gas, precious metals, gold and iron ore with global experience covering Australia, Africa, China, Indonesia, the USA, the UK, the former Soviet Republic of Georgia and the Middle East.



# Directors and Management

for the year ended 30 June 2017

## Daryl Midgley – Chief Financial Officer

Daryl Midgley is an experienced finance professional with extensive experience in the mining industry. Daryl has previously provided financial consultancy services to a number of ASX-listed companies and was the CFO for ASX-listed KBL Mining Ltd prior to joining WPG. Daryl initially joined WPG as a consultant in late 2016 before being appointed as CFO in March 2017.



**“THE COMMITMENT, SKILLS AND CORE VALUES OF OUR TEAM PROVIDE AN OUTSTANDING CONSTANT DRIVING FORCE TO ASSURE WPG’S ONGOING PERFORMANCE”**

*Bob Duffin*  
**Chairman**

### Key to Post nominals

AGIA	Associate Governance Institute of Australia	FAusIMM	Fellow Australasian Institute of Mining and Metallurgy
BA	Bachelor of Arts	GCC	Geological Certificate of Competency
BBA	Bachelor of Business Administration	GMAICD	Graduate Member Australian Institute of Company Directors
BE	Bachelor of Engineering	Grad Dip ACG	Graduate Diploma in Applied Corporate Governance
BSc	Bachelor of Science	Grad Dip Mgt	Graduate Diploma in Management
CA	Associate Institute of Chartered Accountants in Australia	MappFin	Master of Applied Finance
Dip Ed	Diploma in Education	MAusIMM	Member Australasian Institute of Mining and Metallurgy
Dip Mining	Diploma in Mining	MSc	Master of Science



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## Auditor's Independence Declaration To the Directors of WPG Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of WPG Resources Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, 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.

A stylized, handwritten signature in blue ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A stylized, handwritten signature in blue ink that reads "J L Humphrey".

J L Humphrey  
Partner - Audit & Assurance

Adelaide, 29 September 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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# *Sustainability, Environmental Management and Community Engagement*

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The Company recognises that in order to be an economically successful company, efficient environmental performance and understanding must be integrated into all aspects of the Company's activities.

## **Environmental Performance**

WPG continually strives to improve its environmental performance and monitor its performance by comparison to industry standards, and ensure public availability and transparency of relevant documentation.

As a minimum standard, WPG has ensured that all operational areas comply with applicable government laws and regulations.

WPG encourages and supports research programs relevant to its operations which provide for a greater understanding of the environment and improvement in our rehabilitation and management methods.

WPG holds exploration licences in South Australia. These tenements have been issued by the South Australian State Government which specifies guidelines for minimisation of environmental impacts in relation to activities undertaken on the tenements.

The Company's activities on these tenements are directed towards mineral exploration (rather than development) and are directly and indirectly regulated by a range of state legislation. The exploration licence and mineral claim conditions require the full rehabilitation of the areas on completion of exploration in accordance with various guidelines and standards. A security bond ensures compliance with this rehabilitation obligation and there have been no known breaches of the licence conditions.

## **Challenger gold mine and exploration tenements**

In March 2016 the Company acquired the Challenger gold mine and exploration assets and after a period of temporary closure, site operations recommenced on 16 May 2016 and have operated continuously since then.

The mine has in place substantial environmental monitoring programs which are in accordance with the approved Program for Environmental Protection and Rehabilitation (PEPR). All exploration activities are subject to Exploration Programs for Environmental Protection and Rehabilitation (ePEPR) which outlines environmental impacts and site rehabilitation.

## **Tarcoola gold project**

The Tarcoola gold mine and exploration assets operate under Exploration Licences and Mineral Lease 6455. The ML conditions require the full rehabilitation of the areas on completion of development in accordance with various guidelines and standards. Tarcoola also has in place substantial environmental monitoring programs which are in accordance with the approved Program for Environmental Protection and Rehabilitation (PEPR). All exploration activities are subject to Exploration Programs for Environmental Protection and Rehabilitation (ePEPR) which outlines environmental impacts and site rehabilitation.

Around the Tarcoola mine (within four historic MLs) are a number of sites of historical significance. These sites are not mined and the Company continues to comply with the strict guidelines set out in the ML conditions.

## **WPG has a strong commitment to best practice compliance with all relevant environmental protection conditions.**

WPG will:

- set and communicate environmental objectives and quantified targets;
- monitor progress against these objectives and targets;
- implement environmental management plans in operating areas which may have a significant environmental impact;
- identify where remedial actions are required and implement action plans; and
- monitor licence requirements, with performance against licence conditions reported to the various State regulators on a regular basis.

Environmental performance is reported to the WPG Board on a regular basis.

## **Safety Management Program**

WPG values the safety and health of all of its employees, contractors and the wider community in which it operates.

The Company is committed to a healthy and safe working environment and the welfare of all workers and any person entering any of its workplaces. WPG has a formal Work Health and Safety Policy and Procedural Manual, which is provided and agreed to in writing by all WPG Representatives and is subject to regular reviews. The Company has developed and implemented new comprehensive corporate and site risk registers. Through this Work Health and Safety management system the Company applies best industry standards to its operations.

The Company consults on Work Health and Safety with all contractors prior to entry to site.

The Company also consults with all of its employees, contractors and visitors on specific safety and security related to entry into the Woomera Prohibited Area (WPA), where some of its projects are located, in accordance with Department of Defence guidelines.

## **Employment and Training**

WPG is committed to providing a professional and rewarding work environment where employees can grow and develop their careers.

WPG encourages all employees to undertake professional training, and, as a priority, ensures that their staff have all necessary training to competently carry out their jobs.

WPG particularly looks at enhancing regional employment and training opportunities, and at providing employment and training to appropriate indigenous candidates, especially in the local areas of its operations, and encourages its contractor companies to do the same.

The Company actively encourages women to apply for vacant positions, creates a workplace where talented and qualified women want to work and ensures external recruitment suppliers provide a balance of talented and qualified men and women candidates.

WPG believes that a more effective and innovative workforce is created by recruiting from a diverse range of candidates to access the deepest possible talent pool.

The Company seeks to select and recruit a diverse employee base, including, but not limited to, candidates of different gender, age, ethnicity and cultural background who have an appropriate mix of skills, experience and expertise by recruiting from a diverse pool of qualified candidates. The Board actively promotes a corporate culture which embraces diversity by ensuring an inclusive environment exists not only within the Company but also within its contractor companies. The objectives established by the Company for the achievement of gender diversity within the Company are included in the Directors Report.

## **Community Relations**

WPG's commitment to maintaining good relationships with its employees, stakeholders, Government and non-Government organisations is important to the success and longevity of its operations.

The Company has developed an effective community engagement and consultation strategy, with key community groups identified and communicated with to understand their concerns and likely social implications. Where appropriate, independent advisers assist the Company in formulating and implementing these strategies. WPG consults with pastoralists, Aboriginal communities, other mining and exploration companies and the State and Federal Government in and around the project areas.

WPG is committed to supporting the local communities in the areas of its operations. During the year, the Company contributed to the Royal Flying Doctor Service.

**“ENVIRONMENTAL PERFORMANCE AND SOCIAL RESPONSIBILITY ARE  
FUNDAMENTAL IN EVERYTHING WE DO”**

*Bob Duffin*  
**Chairman**

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2017

	Note	Consolidated	
		2017 \$'000	2016 \$'000
<b>Revenue</b>			
Revenue from continuing operations	2	81,422	1,515
Other income		109	176
<b>Total revenue</b>		<b>81,531</b>	<b>1,691</b>
<b>Production Costs (including depreciation and amortisation)</b>	2	<b>(85,590)</b>	<b>(3,642)</b>
<b>Gross profit/(loss)</b>		<b>(4,059)</b>	<b>(1,951)</b>
<b>Less: Expenses</b>			
Administrative expenses		(3,626)	(3,389)
Occupancy costs		(365)	(317)
Exploration and evaluation expenditure impaired		-	(2,372)
Share based payments	16	(516)	(199)
Other expenses		(490)	(54)
<b>Total Expenses</b>		<b>(4,997)</b>	<b>(6,331)</b>
<b>Loss before tax</b>		<b>(9,056)</b>	<b>(8,282)</b>
Income tax benefit	3	-	-
<b>Loss after tax from continuing operations</b>		<b>(9,056)</b>	<b>(8,282)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Other comprehensive income net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income attributable to owners</b>		<b>(9,056)</b>	<b>(8,282)</b>
<b>Earnings per share from profit / (loss) attributable to the owners of WPG Resources Ltd</b>			
Basic earnings / (loss) per share (cents per share)	17	(1.29)	(2.31)
Diluted earnings / (loss) per share (cents per share)	17	(1.29)	(2.31)

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



# Consolidated Statement of Financial Position

for the year ended 30 June 2017

		Consolidated	
	Note	2017 \$'000	2016 \$'000
<b>Current assets</b>			
Cash and cash equivalents	5	9,929	4,613
Trade and other receivables	6	1,916	1,203
Inventories	7	5,209	3,243
Other financial assets	8	523	74
<b>Total current assets</b>		<b>17,577</b>	<b>9,133</b>
<b>Non-current assets</b>			
Other financial assets	8	2,137	1,605
Property, plant and equipment	9	16,466	396
Development assets	10	15,131	821
Exploration and evaluation expenditure	11	4,640	6,246
<b>Total non-current assets</b>		<b>38,374</b>	<b>9,068</b>
<b>Total assets</b>		<b>55,951</b>	<b>18,201</b>
<b>Current liabilities</b>			
Trade and other payables	12	21,376	5,474
Provisions	13	1,903	1,423
<b>Total current liabilities</b>		<b>23,279</b>	<b>6,897</b>
<b>Non-current liabilities</b>			
Provisions	13	11,269	4,930
<b>Total non-current liabilities</b>		<b>11,269</b>	<b>4,930</b>
<b>Total liabilities</b>		<b>34,548</b>	<b>11,827</b>
<b>Net assets</b>		<b>21,403</b>	<b>6,374</b>
<b>Equity</b>			
Contributed equity	14	54,640	31,330
Reserves	15	1,230	455
Accumulated losses		(34,467)	(25,411)
<b>Total equity</b>		<b>21,403</b>	<b>6,374</b>

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

# Consolidated Statement of Cash Flows

as at 30 June 2017

	Note	Consolidated	
		2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		81,106	1,515
Payments to suppliers and employees		(60,092)	(3,048)
Interest received		79	58
Rent received		-	11
Research and development tax incentive received		-	256
<b>Net cash flows used in operating activities</b>	23	21,093	(1,208)
<b>Cash flows from investing activities</b>			
Payment for acquisition of plant and equipment		(8,070)	(11)
Proceeds from sale of property, plant and equipment		-	711
Payment for development expenditure on mining interests		(16,256)	(389)
Payment for exploration and evaluation expenditure on mining interests		(2,297)	(1,234)
Payments of tenement security deposits		(2,461)	(30)
Payment for acquisition of DMPL's 50% JV interest	25	(8,267)	-
Payment for acquisition of Challenger Gold Operations Pty Ltd		(875)	(125)
Payment for investment in financial assets		(299)	-
<b>Net cash flows used in investing activities</b>		(38,525)	(1,078)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares / exercise of options		24,277	5,718
Payment for share issue costs		(1,529)	(159)
<b>Net cash flows from financing activities</b>		22,748	5,559
<b>Net decrease in cash and cash equivalents</b>		5,316	3,273
Cash and cash equivalents at beginning of the year		4,613	1,340
<b>Cash and cash equivalents at the end of the year</b>	23	9,929	4,613

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

# Consolidated Statement of Changes in Equity

as at 30 June 2017

		Consolidated			
		Contributed Equity	Accumulated Losses	Share Based Payments Reserves	Total Equity
	Note	\$'000	\$'000	\$'000	\$'000
<b>2017</b>					
1 July 2016 – opening balances		31,330	(25,411)	455	6,374
<b>Total comprehensive income</b>					
Loss for the year		-	(9,056)	-	(9,056)
Other comprehensive income		-	-	-	-
<b>Total</b>		<b>-</b>	<b>(9,056)</b>	<b>-</b>	<b>(9,056)</b>
<b>Transactions with owners in their capacity as owners</b>					
Issue of new shares, net of share issue costs	14	23,144	-	-	23,144
Vested options transferred to share capital	14	166	-	(166)	-
Share based payments expense	15	-	-	941	941
<b>Total</b>		<b>23,310</b>	<b>-</b>	<b>775</b>	<b>24,085</b>
<b>As at 30 June 2017</b>		<b>54,640</b>	<b>(34,467)</b>	<b>1,230</b>	<b>21,403</b>
<b>2016</b>					
1 July 2015 – opening balances		25,628	(17,129)	399	8,898
<b>Total comprehensive income</b>					
Loss for the year		-	(8,282)	-	(8,282)
Other comprehensive income		-	-	-	-
<b>Total</b>		<b>-</b>	<b>(8,282)</b>	<b>-</b>	<b>(8,282)</b>
<b>Transactions with owners in their capacity as owners</b>					
Issue of new shares, net of share issue costs		5,702	-	(143)	5,559
Share based payments expense	15	-	-	199	199
<b>Total</b>		<b>5,702</b>	<b>-</b>	<b>56</b>	<b>5,758</b>
<b>As at 30 June 2016</b>		<b>31,330</b>	<b>(25,411)</b>	<b>455</b>	<b>6,374</b>

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

# Notes to the Financial Statements

as at 30 June 2017

## 1. Summary of Significant Accounting Policies

### (a) Corporate information

The consolidated financial statements of WPG Resources Ltd and its subsidiaries (collectively, the Group) for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 29 September 2017. WPG Resources Ltd (WPG, the Company or the parent) is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The Group is principally engaged in gold mining, gold exploration and project development. The Group's principal place of business is 27 – 31 Macquarie Place Sydney. Further information on the nature of the operations and principal activities of the Group is provided in the Directors' Report. Information on the Group's structure is provided in note 19.

### (b) Basis of preparation

The financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board. They have been prepared on a historical cost basis using the accrual method of accounting.

### (c) Statement of compliance

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

### (d) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The Group incurred a loss of \$9.1 million for the year ended 30 June 2017 (2016: \$8.3 million), generated a net cash outflow from operating and investing activities of \$17.4 million and, as of that date, the Group's current liabilities exceeded its current assets by \$5.7 million (2016: \$2.2 million).

In order for the Group to continue as a going concern, the Group must achieve the following:

- Development at Challenger to be on schedule and within budget following appointment of our new underground mining contractor, Byrnecut Australia Pty Ltd, and completion of the final push back at Tarcoola, to enable production to be in line with the Group's cash flow forecasts.
- Raising additional funds which may be from a variety of means inclusive but not limited to issue of new equity, debt, asset sales or entering into joint venture arrangements on mineral properties.

If the Group is unable to achieve the outcomes noted above then there is a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern

and therefore the Group may be unable to realise its assets and liabilities in the normal course of business.

In addition to the above, the mining contract with Pybar Mining Services Pty Ltd was terminated in August 2017 with unpaid claims as of that date totalling \$9.6 million (including GST). On 28 September 2017 Pybar Mining Services Pty Ltd initiated a dispute under the dispute resolution clauses of the mining contract with respect to each of these unpaid claims. Challenger Gold Operations Pty Ltd has denied these claims and has notified Pybar of an off-setting claim for failure to properly perform services in accordance with the mining contract. Challenger Gold Operations Pty Ltd is presently assessing its off-setting claims.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

### (e) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 30 June each year. The parent controls a subsidiary if it is exposed, or has right, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Potential voting rights that are currently exercisable or convertible are considered when assessing control. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

### Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expense as incurred, except if related to the issue of debt or equity securities.

### (f) Property, plant, and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Plant and equipment is depreciated based on a unit-of-production method which results in a depreciation charge proportional to the depletion of the estimated total production over its life. Where there is a change in the estimated total production the depreciation rate is adjusted prospectively in the reporting period in which the change occurs.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

An item of plant and equipment is derecognised upon disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit and loss in the period the item is derecognised.

## **(g) Exploration, evaluation, development and restoration costs**

### *Exploration and evaluation*

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated within costs of development.

### *Exploration and evaluation – impairment*

The Group assesses at the end of each reporting period whether there is an indication that an asset has been impaired and for exploration and evaluation cost whether the above carry forward criteria are met.

Accumulated costs in respect of areas of interest are written off or a provision made in the profit and loss when the above criteria do not apply or when the Directors assess that the carrying value may exceed the recoverable amount. The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

Provisions are made where farm-in partners are sought and there is a possibility that carried-forward expenditures may have to be written off in the future if a farm-in partner is not found. In the event that farm-in agreements are reached or the Group undertakes further exploration in its own right on those properties, the provisions would be reviewed and if appropriate, written back.

### *Mine development*

Development expenditure incurred by or on behalf of the Group is accumulated for the area of interest in which economically recoverable reserves have been identified to the satisfaction of the Directors. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure having a specific connection with the development.

All expenditure incurred prior to the commencement of commercial levels of production from the development is carried forward to the extent to which recoupment out of revenue to be derived from the sale of production from the relevant development property, or from the sale of that property, is reasonably assured.

No amortisation is provided in respect of development until mining commences. After this decision, the costs are amortised over the life of the mine on a production output basis.

### *Rehabilitation and restoration*

Provisions for rehabilitation and restoration costs are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## **(h) Trade and other receivables**

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Objective evidence of impairment includes financial difficulties of the debtor, default payments or debts more than 90 days overdue. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

## **(i) Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at bank and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, if any.

## **(j) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and delivery costs, direct

# Notes to the Financial Statements

as at 30 June 2017

labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity.

Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Mining inventory cost is determined on the following basis:

- Gold and other materials on hand is valued on an average total production cost method;
- Ore stockpile are valued at the average cost of mining and stockpiling the ore, including haulage;
- A proportion of related depreciation and amortisation charge is included in the cost of inventory

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## **(k) Trade and other payables and provisions**

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 7-60 day payment terms.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## **(l) Employee benefits**

### *Wages, salaries, annual leave and sick leave*

Short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement. Annual leave liability is still presented as current liability for presentation purposes under AASB 101 Presentation of Financial Statements.

### *Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely possible, the estimated future cash outflows.

## **(m) Leases**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

## **(n) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

### *Sale of gold*

Revenue from the sale of gold is recognised when the significant risks and rewards of ownership of the gold have passed to the buyer, usually on delivery of the gold. Revenue from the sale of gold is measured at the fair value of the consideration received or receivable.

## **(o) Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and



- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Income taxes relating to items recognised directly in other comprehensive income or equity are recognised in other comprehensive income or equity and not in the profit and loss.

Effective 1 January 2012, the Company and subsidiaries signed a tax sharing agreement pursuant to the Tax Consolidation Legislation to form a tax consolidation group for the purposes of determining the allocation of the group tax liability and which of the parties is to fund the group tax liability.

## **(p) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financial activities, which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## **(q) Currency**

The functional and presentation currency for the Group is Australian dollars (\$).

## **(r) Impairment of assets**

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such

indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount and is expensed as an impairment loss on the Income Statement.

An assessment is also made at the end of the reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

## **(s) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

## **(t) Financial Instruments**

### *Initial recognition and measurement*

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified as 'at fair value through profit or loss' in which case transaction costs are expensed immediately.

### *Classification and subsequent measurement*

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or at cost. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Quoted prices in an active market are used to determine fair value where possible. The Group does not designate any interest in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments,

#### **i) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

#### **ii) Financial liabilities**

# Notes to the Financial Statements

as at 30 June 2017

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

iii) **Derivative financial instruments**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The Group uses derivative financial instruments to hedge its exposure to changes in commodity prices arising in the normal course of business. The Group does not trade derivatives for speculative purposes. Derivative financial instruments are recognised at fair value on the date a derivative contract is entered into. Derivatives financial instruments are recognised at fair value on the date a derivative contract is entered into. Derivatives are valued on a mark-to-market valuation and the gain or loss on re-measurement to fair value is recognised through the Statement of Profit or Loss and Other Comprehensive Income.

iv) **Available-for-sale financial assets**

Available-for-sale financial assets include any financial assets not included in the above categories. The Group's available-for-sale financial assets are initially measured at fair value. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value.

**Fair value measurement**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities with reference to similar instruments and option pricing models.

**Impairment**

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. If there is objective evidence of impairment, the cumulative loss – measured as the difference between the current fair value, less any impairment loss on that financial asset previously not recognised in the profit or loss, is removed from equity and recognised in profit or loss.

**(u) Significant accounting judgements, estimates and assumptions**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are set out below.

**Share-based payment transactions**

In addition to salaries, the Group provides benefits to certain employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The WPG Resources Ltd Incentive Rights Plan (the Plan) is in place to provide these benefits.

The cost of equity-settled transactions is measured at the fair value of WPG shares on the grant date. In valuing transactions settled by way of issue of rights, no account is taken of any vesting limits or hurdles, or the fact that the rights are not transferable.

The cost of these equity-settled transactions is measured by reference to the fair value at the grant date determined by using the Binomial Tree option valuation methodology model.

**Exploration and evaluation costs**

The Group capitalises all its exploration and evaluation expenditure in accordance with accounting policy Note 1(g). Application of this policy requires management to make estimates and assumptions as to future events and circumstances, in particular the assessment of whether economic quantities of reserves will be found. Any such estimates and assumptions may change as new information becomes available.

**Deferred mining expenditure**

The Group defers mining costs incurred during the production stage of its operations, which are calculated in accordance with accounting policy note 1(g). Changes in an individual mine's design will generally result in changes to the life-of-mine waste to contained gold ounces (life-of-mine) ratio. Changes in other technical and economic parameters that impact reserves will also have an impact on the life-of-mine ratio even if they do not affect the mine's design. Changes to the life-of-mine are accounted for prospectively.

**Ore reserve estimates**

The Group estimates ore reserves and mineral resources each year based on information compiled by Competent Persons as defined in accordance with the Australian code for reporting Exploration Results, Mineral Resources and Ore Reserves 2012 ('JORC code'). Estimated quantities of economically recoverable reserves are based upon interpretations of geological models and require assumptions to be made including estimates of short and long-term commodity prices, exchange rates, future operating performance and capital requirements. Changes in reported reserve estimates can impact the carrying value of plant and equipment and development, provision for restoration and rehabilitation obligations as well as the amount of depreciation and amortisation.

**Unit-of-Production method of depreciation and amortisation**

The Group uses the unit-of-production basis when depreciating / amortising mine specific assets which results in a depreciation / amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. Economic life, which is assessed annually, has due regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property. These calculations require the use of estimates and assumptions.

**Impairment of assets**

The group assesses each Cash-Generating Unit (CGU), at least annually, to determine whether there is any indication of impairment or reversal. Where an indicator of impairment or

reversal exists, a formal estimate of the recoverable amount is made, which is deemed as being the higher of fair value less costs to sell and value in use calculated in accordance with accounting policy note 1(q). These assessments require the use of estimates and assumptions such as ore reserves, future production, commodity prices, discount rates, exchange rates, operating costs, sustaining capital costs, any future development cost necessary to produce the reserves (including the magnitude and timing of cash flows) and operating performance.

## *Acquisition of CGO Joint Venture*

The acquisition of the subsidiary during the period was considered a business combination under AASB3.

## *Restoration costs*

The Company recognises provisions for rehabilitation and restoration in accordance with accounting policy Note 1(g) – refer Note 13. Significant judgment is required in determining the provision for restoration and rehabilitation as there are many transactions and other factors that will affect the ultimate payable to rehabilitate and restore the mine site. The estimate of future costs therefore requires management to make assessment of the future restoration and rehabilitation date, future environmental legislation, changes in regulations, price increases, changes in discount rates, the extent of restoration activities and future rehabilitation technologies. When these factors change or become known in the future, such differences will impact the restoration and rehabilitation provision in the period in which they change or become known. At each reporting date the rehabilitation and restoration provision is remeasured to reflect any of these changes. During the period a rehabilitation and restoration provision was recognised on the acquisition of Challenger Gold Operations Pty Ltd and the commencement of the Tarcoola open pit. The measurement of this restoration provisions has been estimated by management.

## *Deferred acquisition costs*

The Company recognises deferred acquisition costs in relation to contingent payments that may be payable in the future upon certain milestones occurring. In assessing these, the Company uses significant judgment regarding the feasibility of the projects, the economic hurdles required for a development decision, estimates of future commodity prices. A probability weighted discounted valuation of these contingent milestones is then calculated to calculate the deferred acquisition costs to be brought to account. Following the acquisition of CGO, along with an increased gold price, the Group believes that mining of Tarcoola will commence shortly, as such the deferred acquisition payments relating to commencing mining at Tarcoola have been recognised as an increased provision payable at year end (refer note 13).

## **(v) Issued capital**

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.

## **(w) Earnings per share**

Basic earnings per share is calculated as net profit attributable to members of the Company, adjusted to exclude any costs of servicing equity divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members of the Company, adjusted for:

- costs of servicing equity;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

## **(x) Investments in associates and joint ventures**

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Investments in associates and joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

# Notes to the Financial Statements

as at 30 June 2017

## (y) Rounding of amounts

The company is of a kind referred to in Class Order 2016/191 issued by the Australian Securities and Investments Commission relating to rounding of amounts in the financial report. Amounts have been rounded to the nearest thousand dollars (\$'000) or in certain cases, the nearest dollar.

## (z) Accounting Standards

### **New and revised standards effective for these financial statements**

In the current year, there are no new and/or revised Standards and Interpretations adopted in these Financial Statements affecting presentation or disclosure and the reported results or financial position.

### **Accounting Standards issued not yet effective and not been adopted by the Group**

The accounting standards that have not been early adopted for the year ended 30 June 2017 but will be applicable to the Group in the future reporting periods are detailed below. Apart from these standards, we have considered other accounting standards that will be applicable in future periods but are considered insignificant to the Group:

- *AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2014-1 Amendments to Australian Accounting Standards (Part E- Financial Instruments), AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

- AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. This standard does not apply mandatorily before 1 January 2018. When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

- *AASB 16 'Leases'*

- AASB 16 replaces AASB 17 Leases and some related Interpretations. The new standard

requires all leases to be accounted for as 'on-balance sheet', other than short term and low value asset leases. The standard provides new guidance on the application of the definition of lease on the sale and lease back accounting. The standard also requires new and different disclosures about leases. This standard does not apply mandatorily before 1 January 2019. When this standard is first adopted for the year ending 30 June 2020, there will be no material impact on the transactions and balances recognised in the financial statements.

- *AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'*

- AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This standard does not apply mandatorily before 1 January 2017. When this standard is first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements.

- *AASB 15 Revenue from Contracts with Customers*

- AASB 15 replaces AASB 118 and AASB 111 Construction Contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer; the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial adoption, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The standard does not apply mandatorily for reporting periods beginning before 1 January 2018. When this standard is first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements.

# Notes to the Financial Statements

as at 30 June 2017

	Consolidated	
	2017	2016
	\$'000	\$'000
<b>2. Revenue and expenses</b>		
<b>Revenue from continuing operations</b>		
Revenue from gold sales	81,422	1,515
<b>Revenue from continuing operations</b>	<b>81,422</b>	<b>1,515</b>
<b>Production Costs</b>		
Mining and milling costs	63,625	3,056
Mine administration and royalty costs	10,527	1,545
Inventory movement	1,576	(959)
Depreciation and amortisation	9,862	-
<b>Total production costs</b>	<b>85,590</b>	<b>3,642</b>

<b>3. Income tax benefit</b>		
Loss from continuing activities before tax expense	(9,056)	(8,282)
Prima facie tax benefit on loss from continuing activities at 30% (2016: 30%)	(2,717)	(2,485)
Tax effect of amounts which are not deductible in calculating taxable income:		
Other deductible items	-	(35)
Share-based payments	155	60
Impairment of exploration expenditure	-	712
Deferred acquisition purchase price	25	545
Accretion of provisions	168	-
Fair value movement on investments	47	5
Loss on hedging asset	100	-
Tax effect of current year tax losses for which no deferred tax asset has been recognised	2,222	1,198
<b>Income tax benefit</b>	<b>-</b>	<b>-</b>
<b>Income tax related to deferred tax</b>		
Unrecognised deferred tax assets and liabilities on income tax account:		
Capital raising costs	401	80
Timing differences	-	-
Carry forward tax losses	10,335	8,113
<b>Net unrecognised deferred tax asset</b>	<b>10,736</b>	<b>8,193</b>

*The taxation benefits will be obtained only if the assessable income derived is of a nature and an amount sufficient to enable the benefit of deductions to be realised; conditions for deductibility imposed by the law are complied with; and there are no changes in tax legislation that adversely affect the realisation of the benefit of the deductions. For accounts purposes, with respect to the above, the Company has not brought the tax benefit to account. All losses available to the group of companies are included in the current year ended 30 June 2017 as it is assumed that these tax losses will be available to the Group to offset future taxable income subject to satisfaction of the continuity of ownership or same business test.*

	Consolidated	
	2017	2016
	\$	\$
<b>4. Auditor's remuneration</b>		
<b>Audit and review of the financial report of the Group</b>	<b>85,390</b>	<b>54,236</b>

# Notes to the Financial Statements

as at 30 June 2017

	Consolidated	
	2017	2016
	\$'000	\$'000
<b>5. Cash and cash equivalents</b>		
Cash at bank	8,495	2,895
Money market securities – term deposits	1,434	1,718
<b>Cash and cash equivalents</b>	<b>9,929</b>	<b>4,613</b>

The weighted average interest rate as at the end of the reporting period is 1.61% (2016: 0.72%) and the average remaining term is 83 days (2015: 33 days).

<b>6. Trade and other receivables</b>		
<b>Current</b>		
Trade receivables	315	375
GST and diesel fuel rebate receivable	1,472	412
Interest receivables	-	3
Other receivables	129	413
<b>Trade and other receivables</b>	<b>1,916</b>	<b>1,203</b>

No trade and other receivables are past due date.

<b>7. Inventories</b>		
Store and consumables	2,261	950
Run of mine ore	1,088	982
Gold doré	1,420	1,066
Gold in circuit	440	245
<b>Inventories</b>	<b>5,209</b>	<b>3,243</b>

<b>8. Other financial assets</b>		
<b>Current</b>		
Financial instruments – commodity put options*	308	-
Financial assets measured at fair value through profit and loss	215	74
<b>Other financial assets – current</b>	<b>523</b>	<b>74</b>
<b>Non-current</b>		
Tenement security deposits	2,035	1,531
Deposits paid	102	74
<b>Other financial assets – non-current</b>	<b>2,137</b>	<b>1,605</b>

\* During the year WPG entered into gold forward sales contracts. At the year-end WPG had gold forward sales contracts totalling 9,250 ounces at an average sale price of \$1,654 per ounce with settlement dates ranging between 27 July 2017 and 29 September 2017.

## Purpose and recognition

Derivatives are used to hedge the cashflow risk associated with the future gold sale transactions. Current assets and liabilities reflect those instruments which are due for settlement within one year based on a valuation at year end including those instruments which have been settled prior to their expiry but subsequent to 30 June 2017. All instruments are expected to be settled within one year from the end of the reporting date.

## Risk exposures and fair value measurements

Information about the group's exposure to credit risk, foreign exchange risk and the methods and assumptions used in determining fair values is provided in notes 1 and 20. The maximum exposure to credit risk at the of the reporting period is the carrying amount of the abovementioned derivative financial assets.



# Notes to the Financial Statements

as at 30 June 2017

	Consolidated	
	2017	2016
	\$'000	\$'000
<b>9. Property, plant and equipment</b>		
<b>Plant and equipment</b>		
Plant and equipment at cost	19,658	710
Accumulated depreciation	(3,192)	(314)
<b>Carrying amount at end of financial year</b>	<b>16,466</b>	<b>396</b>
<b>Reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the current and previous financial year</b>		
Carrying amount at beginning of financial year	396	59
Acquisitions- refer to note 25	13,449	354
Additions	5,499	10
Depreciation expense	(2,878)	(27)
<b>Carrying amount at end of financial year</b>	<b>16,466</b>	<b>396</b>
<b>Property, plant and equipment</b>	<b>16,466</b>	<b>396</b>

<b>10. Development asset</b>		
Development asset at cost	22,757	841
Accumulated amortisation	(7,626)	(20)
<b>Development asset at cost</b>	<b>15,131</b>	<b>821</b>
<b>Development asset reconciliation</b>		
Balance at beginning of financial year	821	-
Acquisitions – refer to note 25	1,377	452
Additions	16,616	389
Transfer from exploration and evaluation expenditure	3,824	-
Amortisation	(7,507)	(20)
<b>Carrying amount at end of financial year</b>	<b>15,131</b>	<b>821</b>

The mine development assets (which include Tarcoola and Challenger mines), along with the associated property, plant and equipment have been determined by management to be a single cash generating unit ("CGU"). The recoverable amount of the CGU has been determined by a value-in-use calculation. Management believe that the fair value of the CGU is greater than the carrying value and therefore fully recoverable.

The fair value has been determined using a discounted cash flow model with the following key assumptions:

- Life of mine remaining – 4.5 years
- Pre-tax discount rate of 16%
- Gold price of AUD \$1,650 per ounce

	Consolidated	
	2017	2016
	\$'000	\$'000
<b>11. Exploration and evaluation expenditure</b>		
Costs brought forward	6,246	7,384
Additions	2,218	1,234
Transferred to development assets	(3,824)	-
Exploration expenditure impaired during the financial year	-	(2,372)
<b>Exploration and evaluation expenditure</b>	<b>4,640</b>	<b>6,246</b>

# Notes to the Financial Statements

as at 30 June 2017

	Consolidated	
	2017	2016
	\$'000	\$'000
<b>12. Trade and other payables</b>		
<b>Current</b>		
Trade creditors and accruals	20,336	4,501
Deferred consideration payable	-	750
Other creditors	1,040	223
<b>Trade and other payables</b>	<b>21,376</b>	<b>5,474</b>

Trade creditors and accruals and other creditors are non-interest bearing and are generally settled on end of month plus 30 day terms.

Trade creditors and accruals include an amount of \$10.6 million (including GST) payable to PYBAR Mining Services Pty Ltd in relation to the April, May and June claims. The June claim of \$3.9 million (including GST) is in dispute.

The mining contract with Pybar Mining Services Pty Ltd was terminated in August 2017 with unpaid claims as of that date totalling \$9.6 million (including GST). On 28 September 2017 Pybar Mining Services Pty Ltd initiated a dispute under the dispute resolution clauses of the mining contract with respect to each of these unpaid claims. Challenger Gold Operations Pty Ltd has denied these claims and has notified Pybar of an off-setting claim for failure to properly perform services in accordance with the mining contract. Challenger Gold Operations Pty Ltd is presently assessing its off-setting claims.

All other trade creditors are within agreed payment terms.

<b>13. Provisions</b>		
<b>Current</b>		
Employee entitlements	853	273
Deferred acquisition cost	1,050	1,150
<b>Current provisions</b>	<b>1,903</b>	<b>1,423</b>
<b>Non-current</b>		
Rehabilitation and restoration costs	10,607	3,767
Premises make good	10	10
Deferred acquisition cost	595	1,041
Employee entitlements	57	112
<b>Non-current provisions</b>	<b>11,269</b>	<b>4,930</b>

During the year, CGO entered into an agreement with Diversified Minerals Pty Ltd whereby DMPL procured a bank guarantee to be issued to replace the \$2.6 million cash backed bond and these release funds were utilised as working capital at the Challenger gold mine. DMPL was granted security over the shares held in CGO and the assets of CGO.

Subsequent to year end this security granted to DMPL was discharged. In lieu of posting a replacement rehabilitation bond in respect of the Challenger gold mine, the Company has granted security over the assets of WPG Resources Ltd, Challenger Gold Operations Pty Ltd, Tarcoola Gold Pty Ltd and WPG Gawler Pty Ltd to the Minister for Mineral Resources and Energy in South Australia. The security will be released when a replacement rehabilitation bond is provided by the Company.

<b>Deferred acquisition cost</b>		
Carrying amount at start of year	2,191	324
Paid during the year	(629)	-
Provision recognised – charged to profit and loss	83	1,867
<b>Deferred acquisition cost refers to the probability weighted discounted valuation of the contingent milestone payments that may become due under the acquisitions in respect of the Tarcoola gold project and the Tunkillia gold project.</b>	<b>1,645</b>	<b>2,191</b>

# Notes to the Financial Statements

as at 30 June 2017

	Consolidated	
	2017	2016
	\$'000	\$'000
<b>13. Provisions (continued)</b>		
<b>Rehabilitation and restoration</b>		
Carrying amount at start of year	3,767	-
Provision recognised on acquisition of Challenger Gold Operations	-	3,767
Provision recognised in business combination – refer to note 25	6,216	-
Revision of provision*	(1,422)	-
Provision recognised on commencement of mining at Tarcoola	1,488	-
Discount unwind	558	-
<b>Total provision for rehabilitation and restoration</b>	<b>10,607</b>	<b>3,767</b>

\* Represents amendments to future restoration and rehabilitation liabilities resulting from changes to the approved mine plan in the financial year, initial recognition of new rehabilitation provisions as well as a change in provision assumptions. Key provision assumption changes include reassessment of costs and timing of expenditure.

The rehabilitation provision is based on estimates for the Tarcoola and Challenger mine sites and refers to the measures and actions required to remediate land disturbed by exploration and mining activities. Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs based on the net present value of estimated future costs.

The costs are estimated on the basis of a closure plan. The cost amortisation or 'unwinding' of the discount applied in establishing the net present value of provision is charged to the statement of profit or loss. The rehabilitation expenditure for the Tarcoola mine is expected to be \$1.7 million and occur in 2020. The rehabilitation expenditure for the Challenger mine is expected to be \$9.3 million and is expected to occur in 2021. The cost estimates are calculated annually during the life of the operation to reflect known developments and are subject to formal review at regular intervals.

	Consolidated	
	2017	2016
	\$'000	\$'000
<b>14. Contributed equity</b>		
<b>Share capital</b>		
At the beginning of the financial year	31,330	25,628
Shares issued during the period	21,270	5,515
Issued on exercise of options	3,407	203
Issued on vesting of incentive rights	166	143
Share issue costs	(1,533)	(159)
<b>Contributed equity</b>	<b>54,640</b>	<b>31,330</b>

	Consolidated	
	2017	2016
	No.	No.
<b>Movements in ordinary share capital</b>		
As at 1 July	447,340,108	278,994,920
Shares issued during the year	365,120,241	161,003,355
Issued on exercise of options	88,681,748	5,072,877
Issued on vesting of incentive rights	4,815,900	2,268,956
<b>At the end of the reporting period</b>	<b>905,957,997</b>	<b>447,340,108</b>

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

# Notes to the Financial Statements

as at 30 June 2017

## 14. Contributed equity (continued)

### Terms and conditions of contributed equity

#### Ordinary Shares

Ordinary shares have no par value; have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a general meeting of the Company. Option holders have no voting rights until the options are exercised.

#### Rights

4,815,900 shares were issued during the reporting period by virtue of the vesting of rights (2016: 2,268,956). As at 30 June 2017, the Company had on issue:

Rights	Exercise price	Vesting date
4,415,957 *	\$0.00	1 July 2017
4,931,769	\$0.00	1 July 2018
7,471,079	\$0.00	1 July 2019

\* At the date of this report, 2,816,098 rights have vested but the shares associated with these rights have not yet been issued. 1,599,859 performance rights will be re-tested at 1 July 2018.

#### Options

88,681,748 shares were issued during the reporting period by virtue of the exercise of options (2016: 5,063,956). As at 30 June 2017, the Company had on issue:

Options*	Exercise price	Expiry date
37,500,000	\$0.11	30 September 2018

\* Subject to shareholder approval, 79,166,667 options with an exercise price of \$0.08 expiring on 30 June 2019 will be issued to sophisticated and professional investors who participated in the June 2017 Placement and the Corporate Adviser to the June 2017 capital raising.

## 15. Reserves

### Share based payments reserve

	Consolidated	
	2017 \$'000	2016 \$'000
Opening balance	455	399
Transferred to share capital	(166)	(143)
Expensed	516	199
Acquisitions- refer to note 25	425	-
<b>Reserves</b>	<b>1,230</b>	<b>455</b>

The share based payments reserve represents a valuation of incentive rights and options. Incentives issued to employees and officers under the Incentive Rights Plan have been expensed.

## 16. Share based payments

### Share based payment expense recognised during the financial year

Incentives issued to employees and officers under the Incentive Rights Plan	516	199
<b>Share based payments</b>	<b>516</b>	<b>199</b>

The incentive rights plan is described in the Directors' Report.

## 16. Share-based payments (continued)

Inputs into the model	2017	2016	2015	2014
Spot price of underlying security	\$0.075	\$0.034	\$0.041	\$0.032
Risk free interest rate	2.12%	2.15%	3.34%	4.41%
Dividend yield	0.00%	0.00%	0.0%	0.0%
Probability of vesting	100%	100%	100%	100%
Exercise price	\$0.00	\$0.00	\$0.00	\$0.00
Standard deviation / volatility	35.89%	73.67%	80.83%	59.30%
Fair value per right	\$0.075	\$0.034	\$0.041	\$0.032

The following share based payment incentive rights were granted and/or exercised during the current year and where applicable, comparative reporting period.

Grant date	Vesting Date	Exercise Price	Balance beginning of year	Granted during the year	Exercised during the year	Cancelled during the year	Balance at end of year	Exercisable at end of year
<b>2017 Incentive Rights</b>								
1-Jul-12	01.07.15	\$0.00	1,304,048	-	-	(1,304,048)	-	-
Weighted average exercise price		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
1-Jul-13	01.07.16	\$0.00	5,295,590	-	(5,189,705)	(105,885)	-	-
Weighted average exercise price		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
1-Jul-14	01.07.17	\$0.00	4,917,178	-	-	(501,221)	4,415,957	-
Weighted average exercise price			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
1-Jul-15	01.07.18	\$0.00	6,620,123	-	-	(1,688,354)	4,931,769	-
Weighted average exercise price			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
1-Jul-16	01.07.19	\$0.00	-	10,369,256	-	(2,898,447)	7,471,079	-
Weighted average exercise price			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total</b>			<b>18,136,939</b>	<b>10,369,526</b>	<b>(5,189,705)</b>	<b>(6,497,955)</b>	<b>16,818,805</b>	<b>-</b>

Grant date	Vesting Date	Exercise Price	Balance beginning of year	Granted during the year	Exercised during the year	Cancelled during the year	Balance at end of year	Exercisable at end of year
<b>2016 Incentive Rights</b>								
1-Jul-12	01.07.15	\$0.00	3,536,907	-	(2,001,398)	(231,461)	1,304,048	-
Weighted average exercise price		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
1-Jul-13	01.07.16	\$0.00	5,511,082	-	(129,297)	(86,195)	5,295,590	-
Weighted average exercise price			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
1-Jul-14	01.07.17	\$0.00	5,307,301	-	(167,197)	(222,926)	4,917,178	-
Weighted average exercise price			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
1-Jul-15	01.07.18	\$0.00	-	6,620,123	-	-	6,620,123	-
Weighted average exercise price			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total</b>			<b>14,355,290</b>	<b>6,620,123</b>	<b>(2,297,892)</b>	<b>(540,582)</b>	<b>18,136,939</b>	<b>-</b>

# Notes to the Financial Statements

as at 30 June 2017

## 16. Share-based payments (continued)

### Performance and Retention Incentives

A Long-Term Incentive (LTI) reward will be made in the form of Rights to shares which will have a vesting period of 3 years. The number of Rights that ultimately vest (that is, convert to shares) will be based on the Company's performance over the same 3 years. These rewards take the form of Performance Rights and Retention Rights (refer below).

An LTI reward will be made by way of the grant of "Performance Rights" as soon as practicable after each financial year end. The number of Performance Rights to be granted annually to each eligible employee or Executive Director is calculated by the following formula:

$$\text{Participant's Base Package} \times \text{Target Performance LTI\%} \div \text{Adjusted Right Value}$$

The performance measurement period is three years, and performance is based on average absolute Total Shareholder Return (TSR) and the relative TSR of sixty ASX listed companies. The sixty listed companies for the purposes of the calculation are peer companies nominated by Godfrey Remuneration Group, and those companies have a spread of size and level of operations such as to represent, in the Board's view, an appropriate benchmark group.

An LTI reward will also be made by way of grant of "Retention Rights", which will be issued to eligible employees and Executive Directors pursuant to the terms of the Plan upon or as soon as practicable after commencement of employment and annually thereafter. These Retention Rights are granted annually and on a pro rata basis to the employees' period of tenure, with the full amount vesting if the employee were to remain employed by the Company for 3 years.

	Consolidated	
	2017	2015
<b>17. Loss per share</b>		
Basic earnings / (loss) per share (cents)	(1.29)	(2.31)
Diluted earnings / (loss) per share (cents)	(1.29)	(2.31)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted EPS	700,911,784	357,805,147
Earnings / (Loss) after tax used in calculating basic and diluted EPS	(9,055,975)	(8,281,305)

	Consolidated	
	2017	2016
	\$	\$
<b>18. Related party disclosures</b>		
<b>Key management personnel compensation</b>		
The aggregate compensation made to KMP of the Company and the Group is set out below:		
Short-term employee benefits	1,673,746	1,091,782
Post-employment benefits	124,651	106,996
Non-monetary benefits	-	-
Share-based benefits	449,146	188,348
<b>Key management personnel compensation</b>	<b>2,247,543</b>	<b>1,387,126</b>

Detailed disclosures for remuneration and other transactions with key management personnel have been included in the directors' report.

## 19. Group entities

The consolidated financial statements include the financial statements of WPG Resources Ltd and the Group entities listed below:

Name	Country of incorporation	Equity interest		Investment	
		2017	2016	2017	2016
		%	%	\$	\$
Challenger Gold Operations Pty Ltd	Australia	100	100	10,300,000	500,000
Southern Coal Holdings Pty Ltd	Australia	100	100	1	1
Tarcoola Gold Pty Ltd	Australia	100	100	1	1
Tunkillia Gold Pty Ltd	Australia	100	100	1,842,304	1,842,304
WPG Gawler Pty Ltd	Australia	100	100	1	1
WPG Securities Pty Ltd	Australia	100	100	1	1
<b>Total</b>				<b>12,142,308</b>	<b>2,342,308</b>

## 20. Financial instruments

### Fair value of financial assets and liabilities

The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Group approximates their carrying value. Credit risk is minimal at the end of the reporting period.

### Capital risk management

The Group considers its capital to comprise its ordinary share capital, options reserves and accumulated losses.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions when applicable. In order to achieve this objective, the Group seeks to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

### Financial risk management

#### (a) General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Examples of the principal financial instruments from which financial instrument risk arises are trade receivables, cash at bank and trade and other payables.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The Groups' risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material.

The Board receives regular reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these risks are set out below.



# Notes to the Financial Statements

as at 30 June 2017

## 20. Financial instruments (continued)

### (b) Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss.

The maximum exposure to credit risk at the reporting date is as follows:

	Consolidated	
	2017	2016
	\$'000	\$'000
Cash and cash equivalents	9,929	4,613
Other receivables	1,916	811
Tenement security deposit	2,020	1,531
Lease rental deposit	102	74
<b>Total</b>	<b>13,967</b>	<b>7,029</b>

All cash and cash equivalent funds are held with the Westpac Banking Corporation Limited.

### (c) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments. It is the policy of the Board of Directors that management maintains adequate cash reserves or committed credit facilities and the ability to close-out market positions.

### (d) Interest rate risk

At the end of the reporting period, the Group was exposed to a floating weighted average interest rate as follows:

	Consolidated	
	2017	2016
Weighted average rate of cash balances	0.00%	0.00%
Cash balances	\$8,494,993	\$2,895,412
Weighted average rate of term deposits	1.61%	0.72%
Term deposits	\$1,434,411	\$1,717,417

Term deposits are normally invested between 30 to 120 days and other cash at bank balances are at call. All other financial assets and liabilities are non-interest bearing.

The Group monitors its interest rate risk exposure continuously with a view to obtaining the highest practical level of interest income.

The Group invests surplus cash in interest bearing term deposits with financial institutions and in doing so it exposes itself to the fluctuations in interest rates that are inherent in such a market.

The Group's exposure to interest rate risk is set out in the tables below:

### Sensitivity analysis

	Carrying Amount \$'000	+1.0% of AUD IR Profit \$'000	Other Equity \$'000	-1.0% of AUD IR Profit \$'000	Other Equity \$'000
<b>Consolidated – 2017</b>					
Cash and cash equivalents	9,929	99	-	(99)	-
Tax charge of 30%	-	(30)	-	30	-
<b>After tax increase / (decrease)</b>	<b>9,929</b>	<b>69</b>	<b>-</b>	<b>(69)</b>	<b>-</b>
<b>Consolidated – 2016</b>					
Cash and cash equivalents	4,613	46	-	(46)	-
Tax charge of 30%	-	(14)	-	14	-
<b>After tax increase / (decrease)</b>	<b>4,613</b>	<b>32</b>	<b>-</b>	<b>(32)</b>	<b>-</b>

The above analysis assumes all other variables remain constant.

## 20. Financial instruments (continued)

### Financing arrangements

The following financing facilities were available at the reporting date:

	Carrying Amount	Contractual Cash flows	< 6 mths	6-12 mths	1-3 years	> 3 years
Maturity analysis	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated – 2017</b>						
<b>Financial liabilities</b>						
Trade creditors and other payables	21,376	21,376	21,376	-	-	-
Deferred consideration	1,645	2,413	550	500	50	1,313
<b>Total</b>	<b>23,021</b>	<b>23,789</b>	<b>21,926</b>	<b>500</b>	<b>50</b>	<b>1,313</b>
<b>Financial assets (loans and receivables including cash and cash equivalents)</b>						
Cash at bank and deposits at call	9,929	9,929	9,929	-	-	-
Other receivables	128	128	128	-	-	-
Tenement security deposit	2,035	2,035	-	-	1,910	125
Lease rental deposit	-	-	-	-	-	102
<b>Total</b>	<b>12,092</b>	<b>12,092</b>	<b>10,057</b>	<b>-</b>	<b>1,910</b>	<b>227</b>

	Carrying Amount	Contractual Cash flows	< 6 mths	6-12 mths	1-3 years	> 3 years
Maturity analysis	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated – 2016</b>						
<b>Financial liabilities</b>						
Trade creditors and other payables	5,474	5,474	5,474	-	-	-
Deferred consideration	2,191	3,010	1,150	550	313	998
<b>Total</b>	<b>7,665</b>	<b>8,484</b>	<b>6,624</b>	<b>550</b>	<b>313</b>	<b>998</b>
<b>Financial assets (loans and receivables including cash and cash equivalents)</b>						
Cash at bank and deposits at call	4,613	4,613	4,613	-	-	-
Other receivables	399	399	399	-	-	-
Tenement security deposit	1,531	1,531	1,531	-	-	-
Lease rental deposit	74	74	-	-	-	74
<b>Total</b>	<b>6,617</b>	<b>6,617</b>	<b>6,543</b>	<b>-</b>	<b>-</b>	<b>74</b>

The Group holds sufficient deposits at banks to meet liquidity needs.

(e) *Market risk*

### Commodity price risk

The Group's revenue is exposed to commodity price fluctuations, in particular to gold prices. Price risk relates to the risk that the fair value of the future cash flows of gold sales will fluctuate because of changes in market prices largely due to the demand and supply factors for commodities. The Group is exposed to commodity price risk to the sale of gold on physical delivery at prices determined by market at the time of sale. The Group manages commodity price risk as follows:

#### Forward sales contracts

Gold price risk is managed through the use of forward sales contracts which effectively fix the Australian dollar gold price and thus provide cash flow certainty. Gold forward contracts are marked to market at fair value through profit and loss.

Gold prices, cash flows and economic conditions are constantly monitored to determine whether to implement a hedging program. At 30 June 2017, the Group had 9,250 ounces in forward sales contracts at an average price of \$1,654. Refer to note 8 for further details.

# Notes to the Financial Statements

as at 30 June 2017

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## 20. Financial instruments (continued)

### *Gold price sensitivity analysis*

The Group has performed a sensitivity analysis relating to its exposure to gold price risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result in a change in these risks. Any impacts from such hedging would be in relation to revenue from gold sales.

Based on gold sales of 34,451 (50,951 less forward sales of 16,500) during the year ended 30 June 2017, if the gold price in Australian dollars changed by +/- \$100 with all other variables remaining constant, the estimated realised impact on pre-tax profit (loss) and equity would have been +/- \$3,445 thousand impact on pre-tax profit (loss) and equity.

### (f) *Fair value measurement*

The financial assets and liabilities of the Group are recognised on the Consolidated Balance Sheet at their value in accordance with the accounting policies in Note 1. Measurement of fair value is group into levels based on the degree to which fair value is observable in accordance with AASB 7 Financial Instruments: Disclosure.

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – fair value measurements are those derived from valuation techniques that includes inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### **Fair value measurement of financial instruments**

The Group carries derivative financial instruments (gold forward contracts) at fair value. The fair values of derivative financial instruments were determined to be of Level 2 on the fair value hierarchy above. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair values of available-for-sale financial assets are measured at fair value using the closing price on the reporting date as listed on the Australian Securities Exchange Limited (ASX). Available-for-sale financial assets are recognised as a Level 1 in the fair value hierarchy above. The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

## 21. Contingencies

There were no known contingencies at the date of this report.

The Group has provided a number of bank guarantees in favour of government authorities and service providers in relation to environmental and rehabilitation bonds for the Tarcoola gold mine totalling \$1,925,000 (2016: \$150,000). These bank guarantees are fully secured by cash on term deposit.

During the year, CGO entered into an agreement with Diversified Minerals Pty Ltd whereby DMPL procured a bank guarantee to be issued to replace the \$2.6 million cash-backed bond and these release funds were utilised as working capital at the Challenger gold mine. DMPL was granted security over the shares held in CGO and the assets of CGO.

Subsequent to year end this security granted to DMPL was discharged. In lieu of posting a replacement rehabilitation bond in respect of the Challenger gold mine, the Company has granted security over the assets of WPG Resources Ltd, Challenger Gold Operations Pty Ltd, Tarcoola Gold Pty Ltd and WPG Gawler Pty Ltd to the Minister for Mineral Resources and Energy in South Australia. The security will be released when a replacement rehabilitation bond is provided by the Company.

## 22. Commitments

### Exploration licence expenditure requirements

In order to maintain the Group's tenements in good standing with the various mines departments, the group will be required to incur exploration expenditure under the terms of each licence. These expenditure requirements will diminish if the Group joint ventures projects to third parties.

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Commitments</b>		
Payable not later than one year	3,240	2,053
Payable later than one year but not later than two years	-	2,525
<b>Total</b>	<b>3,240</b>	<b>4,578</b>
<b>Operating leases</b>		
Office lease and equipment		
Not later than one year	291	419
Later than one year but not later than five years	99	110
Later than five years	-	83
<b>Total</b>	<b>390</b>	<b>612</b>

It is likely that the granting of new licences and changes in licence areas at renewal or expiry will change the expenditure commitment to the Group from time to time.

## 23. Cash flow information

Reconciliation of net cash outflow from operating activities to operating profit/(loss) after income tax

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Operating profit/(loss) after income tax</b>	(9,056)	(8,282)
Depreciation and amortisation	9,862	47
Exploration and evaluation expenditure impaired	-	2,372
Share-based payments	516	199
Fair value loss/(gain) on investment	104	14
Unrealised hedging gain	332	
Deferred acquisition price expense	83	1,817
Accretion expense on rehabilitation	553	-
Loss on sale of assets	-	39
<b>Change in assets and liabilities</b>		
Increase in receivables	(713)	(714)
Increase in inventories	(1,966)	(1,132)
Increase in provisions	6,226	335
Increase in trade and other creditors	15,152	4,097
<b>Net cash outflow from operating activities</b>	<b>21,093</b>	<b>(1,208)</b>

For the purpose of the Statement of Cash Flows, cash includes cash on hand, at bank, deposits and bank bills used as part of the cash management function. Apart from a company credit card, the Company does not have any unused credit facilities.

### The balance at 30 June comprised:

Cash assets	8,495	2,895
Term deposits	1,434	1,718
<b>Cash on hand</b>	<b>9,929</b>	<b>4,613</b>

# Notes to the Financial Statements

as at 30 June 2017

## 24. Interest in joint operations

In the comparative year, the Group has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. Effective 1 August 2016 the Company acquired the interests of Diversified Minerals (Challenger) Pty Ltd in the Challenger Joint Venture and the joint ventures were dissolved. Details of this transaction are shown in Note 25 Acquisition of Challenger Gold Operations Pty Ltd. These have been incorporated in the financial statements under the appropriate classifications. Information relating to joint operations that are material to the consolidated entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017 %	2016 %
Challenger Gold Operations Pty Ltd	Exploration, mining and production of gold and silver in South Australia	100%	50%

## 25. Acquisition of Challenger Gold Operations Pty Ltd

Effective from 1 August 2016, WPG completed the acquisition of its former joint venture partner Diversified Minerals Pty Ltd (DMPL) 50% interest in the Challenger mining and exploration joint ventures (CJVs), to increase its interest to 100% of the Challenger gold operations.

The purchase price was \$9 million, assumption of \$375,000 debt for its joint venture interest and the issue of 25 million WPG options to DMPL with a fair value of \$425,000. The unlisted vendor options will expire on 30 September 2018 and the exercise price is \$0.11 per option exercised. The issue of vendor options was approved at a general meeting of shareholders held on 13 October 2016.

In accordance with AASB108 - Accounting Policies, Changes in Accounting Estimates and Errors and in the absence of an Australian Accounting Standard that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy. The Directors have elected to account for the increased interest in the CJV's (from joint control to full 100% control) at cost as the assets and liabilities had previously been recognised at the time of obtaining joint control. In the opinion of management and the directors the accounting policy adopted reflects the economic substance of the transaction and is prudent

If the acquisition had occurred on 1 July 2016, management estimates that consolidated revenue would have been \$84.8 million, and consolidated loss for the year would have been \$8.3 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2016.

## 25. Acquisition of Challenger Gold Operations Pty Ltd (continued)

The fair value of the assets and liabilities of Challenger Gold Operations Pty Ltd acquired as at the date of acquisition were as follows:

	50% acquisition \$'000
<b>Assets</b>	
Cash	733
Cash bonds	635
GST receivable	659
Diesel fuel rebate receivable	470
Run of mine inventory	731
Gold-In-Circuit	404
Finished goods	1,597
Stores	1,014
Prepayments	40
Plant and equipment	13,449
Mine development	1,377
<b>Total Assets</b>	<b>21,109</b>
<b>Liabilities</b>	
Trade creditors	4,417
Accruals	311
Provisions	365
Rehabilitation provision	6,216
<b>Total Liabilities</b>	<b>11,309</b>
<b>Net Assets / (Liabilities) acquired at written down value</b>	<b>9,800</b>
<b>Purchase Price</b>	
Payment for DMPL's 50% joint venture interest	9,000
Assumption of DMPL JV debt	375
Issuance of options	425
<b>Total Purchase Price</b>	<b>9,800</b>
<b>Cash Flow</b>	
Payment for DMPL's 50% joint venture interest	(9,000)
Cash acquired	733
<b>Net Cash Flow</b>	<b>(8,267)</b>

## 26. Segment reporting

Management has determined the operating segment based on internal reports about components of the group that are regularly reviewed by the Managing Director in order to make strategic decisions. Reportable operating segments are production, exploration and other costs with a main focus on gold.

The Managing Director monitors performance in these areas separately. Unless stated otherwise, all amounts reported to the Managing Director are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the group.

# Notes to the Financial Statements

as at 30 June 2017

## 26. Segment reporting (continued)

	Exploration \$'000	Production \$'000	Consolidated \$'000
<b>2017</b>			
Revenue	-	81,422	81,422
Cost of production	-	(85,590)	(85,590)
Other expenses	(33)	(608)	(642)
<b>Segment profit/loss before tax</b>	<b>(33)</b>	<b>(4,775)</b>	<b>(4,808)</b>
Other income			109
Other expenses			(4,357)
<b>Profit/loss before income tax from continuing operations</b>			<b>(9,056)</b>
<b>Segment assets</b>			
Segment assets from continuing operations	3,252	42,282	45,534
<b>Corporate unallocated assets</b>			
Cash and cash equivalents			9,929
Trade and other receivables			179
Other financial assets			309
<b>Total consolidated assets</b>			<b>55,951</b>
<b>Segment liabilities</b>			
Segment liabilities from continuing operations	(148)	(32,270)	(32,418)
<b>Corporate unallocated liabilities</b>			
Trade and other payables			(380)
Provisions			(253)
Deferred acquisition costs			(1,497)
<b>Total consolidated liabilities</b>			<b>(34,548)</b>
	Exploration \$'000	Production \$'000	Consolidated \$'000
<b>2016</b>			
Revenue	-	1,515	1,515
Cost of production	-	(3,642)	(3,642)
Other expenses	(2,372)	-	(2,372)
<b>Segment profit/loss before tax</b>	<b>(2,372)</b>	<b>(2,127)</b>	<b>(4,499)</b>
Other income			176
Other expenses			(3,959)
<b>Profit/loss before income tax from continuing operations</b>			<b>(8,282)</b>
<b>Segment assets</b>			
Segment assets from continuing operations	6,535	7,443	13,978
<b>Corporate unallocated assets</b>			
Cash and cash equivalents			3,623
Trade and other receivables			446
Other financial assets			154
<b>Total consolidated assets</b>			<b>18,201</b>



## 26. Segment reporting (continued)

	Exploration \$'000	Production \$'000	Consolidated \$'000
<b>Segment liabilities</b>			
Segment liabilities from continuing operations	(127)	(9,096)	(9,223)
<b>Corporate unallocated liabilities</b>			
Trade and other payables			(58)
Provisions			(355)
Deferred acquisition costs			(2,191)
<b>Total consolidated liabilities</b>			<b>(11,827)</b>

### Segments assets by geographical location

Segment assets of WPG are geographically located in Australia.

## 27. Corporate information

The financial statements of WPG Resources Ltd for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 29 September 2017 and cover the Consolidated Entity consisting of WPG Resources Ltd and its subsidiaries as required by the Corporations Act 2001. Separate financial statements for WPG Resources Ltd as an individual entity are no longer presented as a consequence of a change to the Corporations Act 2001.

WPG Resources Ltd is a company limited by shares and incorporated in Australia. It is a for-profit company and its shares are publicly traded on the Australian Securities Exchange under the ASX code "WPG".

The nature of the operations and principal activities of the Company are described in the Review of Operations.

The financial statements are presented in Australian currency.

## 28. Parent entity information

The following information relates to the parent entity, WPG Resources Ltd. The information presented has been prepared using accounting policies that are consistent with those presented in Note 1, other than investment in subsidiaries which are recorded at cost, less provision for impairment.

	Parent Entity	
	2017 \$'000	2016 \$'000
Current assets	9,962	7,222
Non-current assets	2,673	2,725
<b>Total assets</b>	<b>12,635</b>	<b>9,947</b>
Current liabilities	1,737	1,387
Non-current liabilities	504	2,186
<b>Total liabilities</b>	<b>2,241</b>	<b>3,573</b>
Contributed equity	54,640	31,329
Accumulated losses	(29,658)	(25,410)
Share-based payment reserve	1,230	455
<b>Total equity</b>	<b>21,403</b>	<b>6,374</b>
Loss for the year	(4,248)	(8,282)
Other comprehensive income for the year	-	-
<b>Total comprehensive income attributable to members of WPG Resources Ltd</b>	<b>(4,248)</b>	<b>(8,282)</b>

# Notes to the Financial Statements

as at 30 June 2017

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## 29. Subsequent events

Other than noted below no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years except as follows:

On 19 June 2017 WPG launched a \$5.4 million 1 for 8 pro rata non-renounceable Entitlement Issue to eligible shareholders. Due to unfavourable market conditions, the offer was withdrawn on 15 August 2017 and all application moneys refunded.

In July 2017, WPG invited a number of mining contractors to tender for a new mining contract at Challenger in a competitive process and issued a Letter of Intent to Byrnecut Australia Pty Ltd who commenced mobilisation activities and assumed responsibility for all underground mining at Challenger as of 5 August 2017.

On 21 September and 29 September 2017, WPG released the 30 June 2017 Mineral Resource and Ore Reserve Estimates for Tarcoola and Challenger respectively.

The combined 30 June 2017 Mineral Resource estimate was a total of 3,221,000 tonnes at an average grade of 4.36 g/t Au containing 451,000 ounces of gold.

The 30 June 2017 Ore Reserves estimate was 1,104,000 tonnes at an average grade of 4.25 g/t Au containing 151,000 ounces of gold.

WPG confirms that it is not aware of any new information or data that materially affects the information included in the 21 September and 29 September 2017 market announcements and above in relation to the mineral resource estimate, and confirms that to the best of its knowledge and belief all material assumptions and technical parameters underpinning the mineral resource and ore reserve estimates in the 21 September and 29 September 2017 market announcements continue to apply and have not materially changed except to the extent of production.

During the year, CGO entered into an agreement with Diversified Minerals Pty Ltd whereby DMPL procured a bank guarantee to be issued to replace the \$2.6 million cash-backed bond and these release funds were utilised as working capital at the Challenger gold mine. DMPL was granted security over the shares held in CGO and the assets of CGO.

Subsequent to year end this security granted to DMPL was discharged. In lieu of posting a replacement rehabilitation bond in respect of the Challenger gold mine, the Company has granted security over the assets of WPG Resources Ltd, Challenger Gold Operations Pty Ltd, Tarcoola Gold Pty Ltd and WPG Gawler Pty Ltd to the Minister for Mineral Resources and Energy in South Australia. The security will be released when a replacement rehabilitation bond is provided by the Company.

The mining contract with Pybar Mining Services Pty Ltd was terminated in August 2017 with unpaid claims as of that date totalling \$9.6 million (including GST). On 28 September 2017 Pybar Mining Services Pty Ltd initiated a dispute under the dispute resolution clauses of the mining contract with respect to each of these unpaid claims. Challenger Gold Operations Pty Ltd has denied these claims and has notified Pybar of an off-setting claim for failure to properly perform services in accordance with the mining contract. Challenger Gold Operations Pty Ltd is presently assessing its off-setting claims.

In accordance with a resolution of the Directors of WPG Resources Ltd, I state that:

- (1) The Directors of the Company declare that:
  - (a) financial statements comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are in accordance with the *Corporations Act 2001*, and:
    - (i) give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of the performance for the year ended on that date; and
    - (ii) comply with Accounting Standards and the Corporations Regulations 2001.
  - (b) The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
- (2) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (3) The remuneration disclosures set out on pages 16 to 22 of the Directors' Report (as part of the Audited Remuneration Report) for the year ended 30 June 2017, comply with Section 300A of the Corporations Regulations 2001.
- (4) The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001*.

On behalf of the Board



Bob Duffin  
Executive Chairman

29 September 2017



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## Independent Auditor's Report To the Members of WPG Resources Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of WPG Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated statement of financial position, including a summary of significant accounting policies, and the directors' declaration.

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

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

#### Basis for Opinion

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

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

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#### Material Uncertainty Related to Going Concern

We draw attention to Note 1(d) in the financial statements, which indicates that the Group incurred a net loss of \$9.1 million during the year ended 30 June 2017 and had total net cash outflows from operating and investing activities totaling \$17.4 million. These conditions, along with other matters as set forth in Note 1(d), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Key Audit Matters

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

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<b>Acquisition of Challenger Gold Operations Joint Venture</b> <b>Notes 1(e), (u), 25</b> <p>During the year, the Group acquired an additional 50% share of Challenger Gold Joint Venture to bring its ownership interest to 100%.</p> <p>This area is a key audit matter due to judgements and estimates required in determining the appropriate accounting, including estimating fair values of net assets acquired and estimating the fair value of the purchase consideration.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Reading the relevant purchase agreements in relation to the acquisition to identify the purchase consideration and details of the assets and liabilities acquired as part of the transaction to determine whether the accounting for the acquisition is consistent with the requirements of AASB 3 – <i>Business Combinations</i>;</li> <li>• Testing the identification and valuation of identifiable assets and liabilities against available supporting documentation;</li> <li>• Assessing the judgements and estimates made by management;</li> <li>• Testing the methodology and mathematical accuracy of the calculations performed by management; and</li> <li>• Assessing the adequacy of Group's disclosures within the financial statements.</li> </ul>

# Independent Auditor's Report

as at 30 June 2017



Key audit matter	How our audit addressed the key audit matter
<b>Provision for Rehabilitation and Restoration Note 1(g), (u), 13</b>  <p>As at 30 June 2017, the Group has a liability of \$10.6 million relating to the estimated cost of rehabilitation, decommissioning and restoration for areas disturbed during operation of the Challenger and Tarcoola mine area but not yet rehabilitated.</p> <p>The provision is based upon current cost estimates and has been determined on a discounted basis with reference to current legal requirements and technology. At each reporting date the rehabilitation liability is reviewed and re-measured in line with changes in observable assumptions, timing and the latest estimates of the costs to be incurred based on area of disturbance at reporting date.</p> <p>The area is a key audit matter as the determination of the restoration liability involves a level of complex calculations and significant management judgement.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining the restoration provision calculation prepared by management and agreeing to the general ledger;</li> <li>• Undertaking an evaluation of managements experts used in the assessment of the provision and its assumptions;</li> <li>• Testing the additions to the provision against our understanding of the business including new mining operation which commenced during the year;</li> <li>• Recalculating the implied interest charges associated with the time value of money;</li> <li>• Obtaining an understanding of any restoration undertaken during the year for appropriate accounting treatment;</li> <li>• Considering the inputs into the calculation including the discount and inflation rates for comparison to external sources as well as the expected timing of cash flows; and</li> <li>• Reviewing the appropriateness of the related disclosures within the financial statements.</li> </ul>
<b>Inventories Notes 1(j), 7</b>  <p>At 30 June 2017, the Group has recognised inventory in the form of store and consumables of \$2.2 million, run of mine ore of \$2.5 million and gold ore on hand of \$0.4 million.</p> <p>The determination of the carrying value and existence of ore stockpiles, gold in circuit and ore mined are significant areas of judgement. This includes consideration of production through the application of IFRIC 20 – <i>Stripping Costs in the Production Phase of a Surface Mine</i>.</p> <p>This is a key audit matter due to the estimates utilised in determining the quantities and valuing the inventory from the various mines.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Documenting the processes and assessing the internal controls relating to the costing of inventory;</li> <li>• Reconciling the costs of production to the inventory costing schedules prepared by management;</li> <li>• Testing a sample of production costs to supporting documentation to determine if allocated appropriately;</li> <li>• Attending the stocktake at the Challenger site where a sample of stores and consumable items were selected and physically verified;</li> <li>• Attended the Challenger site and physically verifying the ore stockpiles around year end for consistency with supporting survey data;</li> <li>• Testing the reasonability of the costs absorbed into run of mine ore, gold in circuit and bullion on hand;</li> <li>• Testing management's methodology and assumptions used in quantifying stock obsolescence and net realisable value; and</li> <li>• Reviewing the appropriateness of the related disclosures within the financial statements.</li> </ul>





Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of development and production assets, made up of:</b></p> <ul style="list-style-type: none"> <li>- Development assets – Notes 1(g), (u), 10</li> <li>- Property, plant and equipment – Notes 1(f), (u), 9</li> </ul>	
<p>The Group has total assets attributable to the Challenger cash generating unit of \$42.3 million and incurred \$24.3 million during the year associated with stripping of the Tarcoola pit and the continued development of the decline at the Challenger underground mine.</p> <p>In addition, \$3.8 million of Tarcoola exploration assets were transferred to development assets during the year to commence stripping which occurred during the reporting period.</p> <p>Amortisation of development and production assets represents an area of significant judgement within the financial statements as the Group applies a units of production amortisation policy which involves management judgement in determining the rates of amortisation based on the depletion of the ore reserves.</p> <p>In addition, the evaluation of the recoverable amount of the assets requires significant judgement in determining key assumptions supporting the expected future cash flows and the utilisation of the relevant assets.</p> <p>This area is a key audit matter due to the level of judgement and estimation used in the determination of amortisation rates and the discounted cashflow models supporting the asset recoverable values.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Documenting the processes and assessing the internal controls relating to management's assessment of impairment, calculation of deferred stripping costs and amortisation;</li> <li>• Obtaining management's reconciliation of capital and development assets and agreeing to the general ledger;</li> <li>• Assessing whether the determination of cash generating unit's for consistency with our understanding of how the Chief Operating Decision Maker monitors the Group's operations and makes decisions about groups of assets that generate independent cash flows;</li> <li>• Obtaining management's value in use model for the Challenger cash generating unit over its life of mine and analysed for appropriateness against AASB 136, including: <ul style="list-style-type: none"> <li>- Understanding management's assumptions;</li> <li>- Performing sensitivity analysis on assumptions; and</li> <li>- Reviewing forecast production against available reserves and resources;</li> </ul> </li> <li>• Evaluating management's experts in relation to compilation of reserves and resources used in the model prepared by management;</li> <li>• Evaluation of management's experts used in the computation of the stripping ratio applied to the Tarcoola pit;</li> <li>• Analysing the stripping ratio against management's experts estimates and for compliance against IFRIC 20;</li> <li>• Comparing amortisation calculations to production data;</li> <li>• Comparing the market capitalisation of the company at 30 June 2017 against the carrying value of assets; and</li> <li>• Reviewing the appropriateness of the related disclosures within the financial statements.</li> </ul>

## Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.





## **Responsibilities of the Directors' for the Financial Report**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

## **Report on the Remuneration Report**

### **Opinion on the Remuneration Report**

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 WPG Resources 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.

A stylized, handwritten signature in purple ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A stylized, handwritten signature in purple ink that reads "J L Humphrey".

J L Humphrey  
Partner - Audit & Assurance

Adelaide, 29 September 2017