

ASX Announcement

29 September 2023

ASX: WMC



APPENDIX 4E

COMPANY DETAILS

Name of entity:	Wiluna Mining Corporation Limited 18 119 887 606
Reporting period:	Year ended 30 June 2022
Previous period:	Year ended 30 June 2021

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Summary financial results	Year ended	Year ended	Change (%)
	June 2022	June 2021	
	(\$'000)	(\$'000)	
Revenue from gold & silver sales	44,937	131,467	-66%
Total comprehensive profit / (loss), net of tax	(272,718)	20,404	-1437%
Profit / (loss) after tax attributable to members	(272,718)	20,404	-1437%

NET TANGIBLE ASSETS PER SHARE

	30 June 2022	30 June 2021
	\$	\$
Net tangible assets per share	0.120	1.363

DIVIDENDS/DISTRIBUTIONS

No dividend was paid or declared for the year 30 June 2022.

DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE YEAR

There was no change in controlled entities in the year ended 30 June 2022.

DETAILS OF ASSOCIATED AND JOINT VENTURE ENTITIES

The Group has no associated or joint venture entities.

STATUS OF AUDIT

This report is based on the financial statements which are in the process of being audited by RSM Australia Partners. The Company anticipates that the audit report will include a Material Uncertainty Related to Going Concern paragraph.

EXPLANATION OF RESULTS

For the year ended 30 June 2022 ("FY22"), the Company generated a net loss after tax of A\$272.7m, which includes an impairment charge of \$236.0m (comprising \$197.0m against mine properties, \$37.6m against plant and equipment and \$1.4m against exploration and evaluation expenditure) and treasury losses of \$31.2m (comprising unrealised loss on forward contracts of \$26.7m and FX losses of \$4.5m). Gross loss from operations was A\$2.7m, which was derived from total gold production of 41,986oz, with 26,239ozs gold produced from areas in pre-production (with the associated costs and revenue capitalised to mine development prior to the impairment charge).

At the beginning of FY22, Wiluna was in development stage seeking to implement its Stage 1 Expansion Plan with targeted gold production of 120kozpa. More specifically, Stage 1 involved completing construction and commissioning of the Concentrate Plant, implementing tailings retreatment from historical tailings dams (Wiltails Plant) and progressing underground mine development. The Company was also targeting completion of a Stage 2 Feasibility Study in the December 2021 quarter, which originally envisaged doubling production to circa 250kozpa.

The Company's business plan was funded by several capital raisings supported by international and Australian investors, which together with debt and working capital, was invested to grow and develop the mining properties. During FY22, this involved a \$53m (before costs) capital raising at a placement price of \$1.00 per share, which was completed in two tranches. Tranche 1 was completed on 30 November 2021 for a total of approximately \$35m, and Tranche 2 was completed for a total of approximately \$18m on 6 January 2022.

The capital raising funds received were used to continue to progress the Stage 1 expansion, with over \$40m invested during FY22 in plant and equipment, including approximately \$33m used for Capital WIP, being primarily the development of the Concentrate Plant and Wiltails Plant. The Concentrate Plant was successfully commissioned in December 2021; however the Wiltails Plant remained incomplete at end FY22 (construction completed in September 2023 and commissioning is underway). In excess of \$100m was also invested in mine properties during FY22, which included pre-production and underground development costs, and represented more than 10,000 meters of underground development achieved during the year.

Working capital during FY22 was impacted by ramp-up issues and delays in achieving Stage 1 commercial production (originally targeted for June 2022, but ultimately never achieved), underground mine production being constrained due to labour shortages caused by the COVID-19 pandemic, additional rehabilitation activity to improve mine area access, the impact of increasing cost pressures in a high inflationary environment, gold grade mined being lower than planned (i.e. underground ore reserve gold grade as of April 2022 declined by approximately 14% which materially impacted Wiluna's revenue) and trading difficulties including worldwide shipping constraints on delivering gold concentrate to off-takers.

In May 2022, Wiluna conducted a capital raise to address the working capital deficiency and to facilitate completion of Stage 1, including the Wiltails Plant. Per the prospectus filed with the ASX in May 2022, the Company sought to raise a minimum of \$50m and up to approximately \$85m (before costs). However, insufficient funds were raised to adequately address the working capital issues, with only approximately \$50m received under the raising which included approximately \$16.8m of supplier debt-to-equity conversion. As at 30 June 2022, Wiluna had a working capital deficiency of \$31.6m (being current assets minus current liabilities).

Although Wiluna investigated options to address the working capital and cashflow shortfall, through obtaining funding and financial accommodation from creditors and shareholders, it became apparent those options would not successfully address the cashflow shortfall in the time available. Shortly after the end of FY22, the Directors of Wiluna Mining Corporation Limited and its subsidiaries resolved on 20 July 2022 to appoint Michael Ryan, Kathryn Warwick, Daniel Woodhouse and Ian Francis as Voluntary Administrators.

Recognising the existence of impairment triggers as at 30 June 2022, the Company has performed an impairment test to assess the recoverable amount of the Wiluna Gold Mine against the carrying values of its mine properties and plant & equipment. The outcome of this testing determined that an impairment charge of approximately \$234.6 million was appropriate to record against these assets, which is reflected in this Appendix 4E filing. An additional \$1.4m charge was recorded against exploration and evaluation expenditure to impair costs associated with the Scadden coal project.

Since the appointment of FTI as Voluntary Administrators, significant work has been undertaken and significant progress made with the support of multiple key stakeholders towards stabilising Wiluna's business, refocusing its business to be cash-flow positive, restructuring Wiluna's financial obligations and providing a basis for a Capital Raising and effectuation of a Deed of Company Arrangement ("DOCA") so that Wiluna can be returned to the control of Directors in a sound financial position. Notwithstanding being in external administration, Wiluna has been maintaining a sufficient level of operations and has been improving its financial condition. Having achieved execution of the DOCA means that the Administrators now have a certain level of confidence that Wiluna may be able to exit external administration and come under the control of Directors on a solvent basis again.

ATTACHMENTS

Appendix 1 – Unaudited Statement of Profit or Loss and Other Comprehensive Income
Appendix 2 – Unaudited Statement of Financial Position
Appendix 3 – Unaudited Statement of Changes in Equity
Appendix 4 – Unaudited Statement of Cash Flows
Appendix 5 – Unaudited Notes to the Financial Statement

FURTHER INFORMATION

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The release of this announcement has been approved by the Deed Administrators*

*Michael Ryan, Kathryn Warwick, Daniel Woodhouse and Ian Francis, all Senior Managing Directors of FTI Consulting, were appointed as Deed Administrators on 28 July 2023.

Appendix 1 – Unaudited Statement of Profit or Loss and Other Comprehensive Income

	Note	Consolidated	
		2022 \$'000	2021 \$'000
Continuing operations			
Revenue from gold and silver sales		44,937	131,467
Cost of production relating to gold and silver sales		(41,810)	(80,267)
Toll treatment revenue		6,905	-
Gross profit before depreciation and amortisation		10,032	51,200
Depreciation and amortisation relating to gold and silver sales		(12,348)	(30,577)
Gross profit/(loss) from operations		(2,316)	20,623
Other income		40	3,162
Administration expenses		3,382	(5,094)
Non-capital exploration expenditure		-	(384)
Depreciation of non-mine site assets		-	(95)
Share-based payments		-	(145)
Finance costs		(2,819)	(3,395)
Treasury – realised loss		(111)	(117)
Treasury – unrealised gain/(loss)		(31,187)	6,576
Impairment expense	5	(235,999)	-
Loss on disposal of assets		(3,139)	-
Other expenses		(569)	(727)
Profit/(loss) before income tax expense for the year from continuing operations		(272,718)	20,404
Income tax expense			-
Profit/(loss) after income tax expense for the year from continuing operations		(272,718)	20,404
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the year, net of tax		(272,718)	20,404
		Cents	Cents
Basic earnings per share		(141.88)	17.72
Diluted earnings per share		(141.88)	17.51

Appendix 2 – Unaudited Statement of Financial Position

	Note	Consolidated	
		2022 \$'000	2021 \$'000
Current assets			
Cash and cash equivalents		17,217	54,077
Gold bullion awaiting settlement		712	55
Trade and other receivables		7,811	3,503
Inventories		14,476	26,118
Financial assets		18	2,549
Total current assets		40,234	86,302
Non-current assets			
Other receivables		-	656
Right of use assets		12,866	4,442
Plant and equipment	1	85,644	85,691
Mine properties – areas in production	2	-	72,965
Mine properties – areas in development	3	49,359	61,927
Exploration and evaluation expenditure		47,524	34,242
Financial assets		-	3,416
Total non-current assets		195,393	263,339
Total assets		235,627	349,641
Current liabilities			
Trade and other payables		47,278	30,289
Provisions		2,337	2,050
Financial liabilities		1,621	-
Interest-bearing liabilities		17,221	9,895
Lease liabilities		1,964	2,294
Gold hedge held at market		1,385	-
Total current liabilities		71,806	44,528
Non-current liabilities			
Interest-bearing liabilities		42,343	48,352
Provisions		47,909	34,270
Lease liabilities		11,184	2,339
Gold hedge held at market		19,063	-
Total non-current liabilities		120,499	84,961
Total liabilities		192,305	129,489
Net assets		43,322	220,152
Equity			
Issued capital	4	393,403	297,760
Reserves		6,738	6,493
Accumulated losses		(356,819)	(84,101)
Total equity		43,322	220,152

Appendix 3 – Unaudited Statement of Changes in Equity

	Issued capital \$'000	Consolidated		Total \$'000
		Reserves \$'000	Accumulated losses \$'000	
At 1 July 2020	236,865	6,177	(104,505)	138,537
Profit after income tax for the year	-	-	20,404	20,404
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive profit for the year	-	-	20,404	20,404
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments expense	-	316	-	316
Shares issued, net of transactions costs	60,895	-	-	60,895
At 30 June 2021	297,760	6,493	(84,101)	220,152
At 1 July 2021	297,760	6,493	(84,101)	220,152
Loss after income tax for the year	-	-	(272,718)	(272,718)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive profit for the year	-	-	(272,718)	(272,718)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments expense	-	245	-	245
Shares issued, net of transactions costs	95,643	-	-	95,643
At 30 June 2022	393,403	6,738	(356,819)	43,322

Appendix 4 – Unaudited Statement of Cash Flows

	Note	Consolidated	
		2022 \$'000	2021 \$'000
Cash flows from operating activities			
Proceeds from gold and silver sales		47,464	133,299
Payments to suppliers and employees		(34,128)	(99,849)
Interest received		40	36
Interest paid		(2,475)	(2,422)
Other		-	2,881
Net cash flows from operating activities	16	10,901	33,945
Cash flows from investing activities			
Purchase of plant and equipment		(40,363)	(27,998)
(Loss)/proceeds from sale of non-core assets, net of costs		-	(175)
Payments for geology		(18,971)	(26,133)
Payments for mine properties		(77,993)	(46,382)
Proceeds from pre-production gold sales		-	1,436
Net cash flows used in investing activities		(137,327)	(99,252)
Cash flows from financing activities			
Proceeds from issue of equities		101,813	64,218
Payment of share issue costs		(5,925)	(3,583)
Proceeds from loan, net of fees		-	75,100
Repayment of loans		(4,173)	(19,250)
Net proceeds/(repayment) from finance leases		(21)	2,047
Change in bank guarantees		-	(86)
Repayment of lease liabilities		(2,128)	(7,966)
Net cash flows from financing activities		89,566	110,480
Net increase/(decrease) in cash held		(36,860)	45,173
Cash and cash equivalents at beginning of the year		54,077	8,904
Cash and cash equivalents at end of the year		17,217	54,077

Appendix 5 – Unaudited Notes to the Financial Statement

1. PLANT AND EQUIPMENT

	Consolidated						
	Plant & Equipment	Motor Vehicles	Furniture & Equipment	Buildings & Infrastructure	Tails Dam	Capital WIP	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Net carrying amount at 1 July 2021</i>	26,833	2,768	1,036	7,695	25,180	22,179	85,691
Additions	2,710	4,167	218	1,635	-	33,274	42,004
Depreciation expense	(1,344)	(952)	(424)	(586)	(1,025)	-	(4,331)
Transfers between classes	1,319	79	-	46	-	(1,444)	-
Transfers to mine properties	-	-	-	-	-	(33)	(33)
Impairment	-	-	-	-	(24,155)	(13,475)	(37,630)
Disposals	-	(57)	-	-	-	-	(57)
Net carrying amount at 30 June 2022	29,518	6,005	830	8,790	-	40,501	85,644
At 30 June 2022							
Cost	51,436	7,952	2,841	14,202	30,927	53,976	161,334
Accumulated depreciation and impairment	(21,918)	(1,947)	(2,011)	(5,412)	(30,927)	(13,475)	(75,690)
Net carrying amount	29,518	6,005	830	8,790	-	40,501	85,644
<i>Net carrying amount at 1 July 2020</i>	25,920	606	617	6,907	9,185	20,348	63,583
Additions	2,877	2,358	480	332	(220)	22,179	28,006
Depreciation expense	(2,829)	(306)	(563)	(542)	(1,030)	-	(5,270)
Transfers between classes	865	110	502	998	17,245	(19,719)	1
Transfers to mine properties	-	-	-	-	-	(629)	(629)
Disposals	-	-	-	-	-	-	-
Net carrying amount at 30 June 2021	26,833	2,768	1,036	7,695	25,180	22,179	85,691
At 30 June 2021							
Cost	47,100	3,776	2,623	12,521	30,927	22,179	119,126
Accumulated depreciation and impairment	(20,267)	(1,008)	(1,587)	(4,826)	(5,747)	-	(33,435)
Net carrying amount	26,833	2,768	1,036	7,695	25,180	22,179	85,691

2. MINE PROPERTIES – AREAS IN PRODUCTION

	Consolidated		
	Mine Properties \$'000	Stripping Activity Asset \$'000	Total \$'000
2022	-	-	-
Balance at 1 July	72,965	-	72,965
Transferred to mine properties – areas in development	11,162	-	11,162
Impaired during the year	(91,509)	-	(91,509)
Rehabilitation provision adjustment	13,179	-	13,179
Amortisation during production	(5,797)	-	(5,797)
Balance at 30 June	-	-	-

	Consolidated		
	Mine Properties \$'000	Stripping Activity Asset \$'000	Total \$'000
2021	72,965	-	72,965
Balance at 1 July	90,114	1,528	91,642
Transferred to mine properties – areas in development	(8,224)	-	(8,224)
Additions	4,570	-	4,570
Transferred from exploration and evaluation expenditure	4,481	-	4,481
Rehabilitation provision adjustment	2,813	-	2,813
Amortisation charged to costs of production	-	(1,528)	(1,528)
Amortisation during production	(20,789)	-	(20,789)
Balance at 30 June	72,965	-	72,965

3. MINE PROPERTIES – AREAS IN DEVELOPMENT

	Consolidated	
	2022	2021
	\$'000	\$'000
Balance at 1 July	61,927	4,677
Pre-production expenditure capitalised, net of gold sales	104,100	45,781
Transferred from/(to) mine properties – areas in production	(11,162)	8,224
Impaired during the year	(105,506)	-
Transferred from/(to) plant and equipment	-	629
Expansion study expenses	-	2,616
Balance at 30 June	49,359	61,927

4. ISSUED CAPITAL

	Consolidated	
	2022	2021
	\$'000	\$'000
Ordinary shares – issued and fully paid	393,403	297,760

	Number	\$'000
	('000s)	
<i>Movement in ordinary shares on issue</i>		
At 1 July 2020	100,284	236,865
Issued on exercise of options	22	3
Placement	56,191	63,638
Issued in lieu of payment	1,781	837
Transaction costs	-	(3,583)
On issue at 30 June 2021	158,278	297,760
At 1 July 2021	158,278	297,760
Issued on exercise of options	36	-
Placement	53,000	53,000
Issue of shares ¹	135,644	47,257
Issue shortfall	7,504	3,002
Transaction costs	-	(7,616)
On issue at 30 June 2022²	354,462	393,403

Note 1: Includes 17.65m shares issued in June 2022, but no funds received. These shares will be cancelled pending recovery proceedings.

Note 2: Shares on issue agrees to the Company's share registry as at 30 June 2022; updated announcement to be provided to the ASX.

5. IMPAIRMENT EXPENSES

	Consolidated	
	2022	2021
	\$'000	\$'000
Plant and equipment	(37,630)	-
Exploration and evaluation expenditure	(1,354)	-
Mine properties – areas in production	(91,509)	-
Mine properties – areas in development	(105,506)	-
Total	(235,999)	-