

ASX and Media Release

WPG releases its Half Year Results to 31 December 2017

WPG Resources Ltd (ASX: WPG) has today released its financial results for the half year ended 31 December 2017.

Highlights

- ❖ Gold production 22,389 oz;
- ❖ Revenue \$36.6 m;
- ❖ EBITDA¹ -\$3.1 m;
- ❖ Loss after tax from continuing operations of \$12.9 m after non cash depreciation and amortisation charge of \$9.8 m; and
- ❖ Cash at bank at 31 December 2017 of \$23.3 m and interest-bearing borrowings (excluding trade creditors) of \$19.0 m.

Summary

WPG continued its gold mining activities at both the Challenger underground mine and the Tarcoola open pit mine in South Australia during the half year.

Total gold production for the half year was 22,839 ounces from the treatment of 324,645 tonnes, which included 171,112 tonnes of underground stoping and development ore, 69,085 tonnes of low grade stockpiles and 84,448 tonnes of open pit ore. The average head grade of all material treated was 2.27 g/t Au.

Underground mining at Challenger was impacted by underperformance by the then contractor, Pybar. The underperformance frustrated the Company's ability to mine virgin areas of the deposit which led to the need for more remnant mining of lower grade material than was planned. This impacted production and drove up unit costs. As a result, Pybar's mining contract was terminated effective 3 August 2017.

A new underground mining contract was awarded to Byrnegut, who has carriage of all underground mining at Challenger since 5 August 2017.

At Tarcoola, mining advanced in accordance with the business plan. At the end of the period access to the high grade parts of the deposit had been achieved.

16 March 2018



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In December 2017 WPG's wholly owned subsidiary Challenger Gold Operations Pty Ltd (CGO) entered into a \$20 million debt facility with the Byrnecut Group.

The two-year facility has been made available for general working capital purposes and CGO will work with the lender and its affiliated mining consulting arm Mining Plus to deliver an optimised mine plan that puts increased emphasis on the Challenger Deeps area, along with an renewed focus on bringing forward gold production at Tarcoola.

A pushback was completed at Tarcoola during the half year with mining of ore progressing through a high proportion of oxide material. During the second quarter 29,000 tonnes of high grade (3.32 g/t) ore was mined as access to the main ore body increased.

During the half year Phase 2 of underground diamond drilling at Challenger Deeps continued with three fans completed. Encouraging gold assays were received from all three fans and drilling has continued into the New Year, and this remains a high priority activity.

The AISC² of gold produced during the half year was \$1,713 per ounce.

Outlook

Guidance for the combined Challenger and Tarcoola mining operations for the year to 30 June 2018 remains 60,000 ounces.

WPG, Byrnecut and Byrnecut's affiliate Mining Plus have worked together since December 2017 to optimise the production strategy at Challenger, and to integrate Tarcoola into a new Business Plan. This study, which will be finalised during the March 2018 quarter, will de-emphasise short term production from high cost remnant mining in the older parts of the Challenger mine, and focus more on developing into the virgin Challenger Deeps area, along with optimising production from Tarcoola

Further Information

For further information please contact WPG's CEO Wayne Rossiter on (02) 9251 1044.

Forward-Looking Statements

This document may include forward-looking statements. Forward-looking statements include, but are not limited to statements concerning WPG's planned activities, including but not limited to mining and exploration programs, and other statements that are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements. In addition, summaries of Exploration Results and estimates of Mineral Resources and Ore Reserves could also be forward looking statements. Although WPG believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

¹ EBITDA is earnings before interest, tax, depreciation and amortisation. EBITDA is a financial metric which is not defined by the International Financial Reporting Standards ("IFRS") and is the profit adjusted for specific significant items. The reported EBITDA has not been reviewed by the auditor and has been extracted by WPG from the Company's financial statements.

² AISC is the all-in sustaining cost. In relation to underground mining costs it includes all lateral development costs and fixed asset additions other than those costs associated with permanent infrastructure. AISC in relation to open pit mining activities excludes capitalised waste mining costs. AISC includes an appropriate allocation of head office costs.



WPG Resources Ltd

ABN 51 109 426 502

Half year Financial Report

31 DECEMBER 2017

CORPORATE DIRECTORY

WPG Resources Ltd

ABN 51 109 426 502

DIRECTORS

Bob Duffin
Helen Wiseman
Lim See Yong
Cornel Parshotam

SECRETARY

Larissa Brown
Ian White

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AUDITORS

Grant Thornton Audit Pty Ltd

BANKERS

Westpac Banking Corporation

SECURITIES EXCHANGE LISTING

Listed on Australian Securities Exchange Limited
ASX Code: WPG

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DIRECTORS' REPORT

Your directors submit their report for the half year ended 31 December 2017.

DIRECTORS

The names of the Company's directors in office during the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Bob Duffin (Chairman)	BSc (Hons), MSc (Hons), Grad Dip Mgt, FAusIMM	
Gary J Jones (Non-Executive Director)	BSc, FAusIMM, MASEG	Retired 28 November 2017
Lim See Yong (Non-Executive Director)	BBA (Singapore)	
Helen Wiseman (Lead Independent Non-Executive Director)	BSc (Hons), CA, GAICD, MIOD	
Cornel Parshotam * (Non-Executive Director)	Dip Mining, GCC	

* Cornel Parshotam was Alternate Director to Gary Jones and was appointed Technical Director on 18 October 2017. Cornel became a Non-Executive Director on 1 January 2018.

REVIEW AND RESULTS OF OPERATIONS

Operations in detail

The net result of operations after applicable income tax expense for the half year was a loss of \$12,903,000 (2016 – loss of \$4,145,000).

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.

Throughout the half year, the Challenger and Tarcoola gold mines were in production. The Group also continued with the evaluation of its third major gold project in South Australia, Tunkillia.

WPG holds tenure over 6,450 square kilometres in the Gawler Craton, South Australia.

DIRECTORS' REPORT (CONTINUED)

HIGHLIGHTS

Results

- 22,839 oz gold recovered at AISC of \$1,713/oz for the half-year
- Release of Challenger and Tarcoola 30 June 2017 Mineral Resource and Ore Reserve Estimate
- Guidance for combined Challenger and Tarcoola mining operations for year to 30 June 2018 **60,000 oz**

Production

- Termination of mining contract with Pybar in July, departed site in August
- Completion of tender and mobilisation of Byrnecut in August
- July and August production impacted during contractor changeover, once Byrnecut had mobilised a number of repair of underground infrastructure by Byrnecut
- Development to access Challenger Deeps ("Deeps") became a priority during the December half year and will continue to be a focus in the current quarter. Although production will be lower in the short-term as the focus shifts to accessing the Deeps, the mine development will enable the Deeps to become the major ore source.
- Pushback at Tarcoola undertaken and completed in quarter to December

Exploration

- Phase 2 drilling of Challenger Deeps commenced, encouraging gold assays received with results very similar to those seen on levels above which were successfully mined at grade in excess of 5g/t
- Tarcoola near pit and pit extension in-fill drilling commenced
- Exploration continued in the high priority West Gawler Craton joint venture properties (Tyranna ~74%, WPG ~26%)
- Strategic alliance created with Marmota Limited for the development of Marmota's Aurora Tank Gold Project

Corporate

- \$20m debt financing agreements executed with Byrnecut Group in December
- Pybar submitted a claim of \$9.6m (inc GST) with the Supreme Court of SA for unpaid invoices, the full amount of which are disputed by the Group by reason of failures by Pybar to perform works in accordance with the contract
- The Group has lodged a counter claim against Pybar amounting to \$10.2m (inc GST), the claim sets out the arguments as to how Pybar's various breaches of contract gave rise to Challenger suffering significant loss and damage in its operations

DIRECTORS' REPORT (CONTINUED)

OPERATING RESULTS AT A GLANCE

Sales and Processing (Challenger Processing Hub)	Units	For the Half Year To 31 December 2017
Total Ore Processed	Tonnes	324,645
Grade Processed	g/t Au	2.27
Recovery	%	94.4
Gold Recovered	Ounces	22,389
All-in Sustaining Cost*	\$/Ounce	1,713
Gold Sold	Ounces	22,247
Average Gold Price Received	\$/Ounce	1,642
Sales Revenue Realised	A\$000's	36,589

Challenger Gold Mine Operations Summary	Units	For the Half Year To 31 December 2017
Underground Capital Development	m	984
Total Underground Development	m	2,341
Underground Ore Mined	Tonnes	229,061
Underground Ore Grade**	g/t Au	2.34

Tarcoola Gold Mine Operations Summary	Units	For the Half Year To 31 December 2017
Open Pit Waste Mined	bcm	1,037,804
Open Pit Ore Mined	Tonnes	129,119
Grade	g/t Au	2.11
Ore Hauled to Processing Facility	Tonnes	81,939

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.

** Includes stoping ore, development ore and low-grade development ore.

DIRECTORS' REPORT (CONTINUED)

OPERATIONS

Overview

Ore mined from underground at Challenger for the half year was 229,061 tonnes @ 2.34g/t Au (5,803 tonnes from development and 223,258 tonnes from stoping). Total ore mined from Tarcoola for the half year was 129,119 tonnes @ 2.11g/t Au, of this, 81,939 tonnes were hauled to the Challenger Processing Facility.

Total milled tonnes for the half year were 324,645 @ 2.27 g/t Au. Average recovery was 94.4%, with 22,389 ounces of gold recovered and 22,247 ounces of fine gold sold during the period.

Total revenue from bullion sales was \$36.6 million at an average gold price of \$1,642 per ounce.

All-In-Sustaining Costs (AISC) in the half year were \$1,713 per ounce recovered.

Challenger Gold Mine

The Challenger mine continued operations throughout the half-year with a change of contractor in early August 2017.

Change of mining contractor

At Challenger, despite the introduction of an additional jumbo in January 2017 to address multiple failures which resulted in the mine not achieving the required development metres. The performance of Pybar continued to be unacceptable and well below industry standard. This underperformance was across all aspects of performance and resulted in all key physicals including development, production drilling and haulage and also included significant breaches in safety regulations. In particular, the failure to achieve the required development metres has continued to hamper the ability to mine virgin areas of the mine resulting in remnant mining of lower grade material which has impacted on production and driven up unit costs. This resulted in the termination of the mining contract effective 3 August 2017.

A number of mining contractors were invited to tender for a new mining contract at Challenger in a competitive process and in July a Letter of Intent was issued to Byrncut. Byrncut commenced mobilisation activities and assumed responsibility for all underground mining at Challenger on 5 August 2017.

Byrncut were the underground mining contractor at Challenger under its previous ownership, are very familiar with site and have a demonstrable ability to perform. The new mining contract is an alliance style contract with a higher variable weighting than that the Pybar contract. This means that the contractor has a higher financial incentive to perform and allows performance metrics to be adapted to suit changes in the mine planning as stoping operations shifted to Challenger Deeps in the New Year.

Byrncut mobilised on short notice and underground activities in August were focused on road and drainage repairs in the Jumbuck decline, along with repairs to the underground water reticulation system, both of which were left in a poor state by Pybar. Excessive waste rock was also required to be moved to surface by Byrncut which had previously been stockpiled underground and was impeding mining operations.

Optimisation study to de-emphasise high cost remnant mining in older parts of mine and access Challenger Deeps as quickly as possible

WPG, Byrncut and Byrncut's mining consulting arm Mining Plus worked together during December 2017 to optimise the longer-term production strategy at Challenger. This optimisation study, which will be finalised during the March 2018 quarter, will de-emphasise short term production from high cost remnant mining in the older parts of the mine, and focus more on developing into the virgin Challenger Deeps area, where stoping commenced in February 2018.

Challenger Mineral Resources and Ore Reserve Estimate

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.

DIRECTORS' REPORT (CONTINUED)

In the March 2018 quarter work commenced on developing a block model for the upper portions of Challenger Deeps to assist in mine planning with an updated resourced schedule for completion in April 2018.

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.

Tarcoola Gold Mine

The Tarcoola gold mine operated throughout the half year.

The Tarcoola pushback was completed during the half year with mining progressing through a high proportion of oxide waste strip. During the second quarter 29,000 tonnes of high grade (3.32 g/t) ore was mined as access to the main ore body increased.

As of 31 December 2017, a total of 1,166,923 bcm was mined from the pit, including 428 tonnes of ore at a grade estimate of 2.91 g/t which was stockpiled at Tarcoola. Mining at Tarcoola until June 2018 will be focused on the high grade gold intersections identified at the Perseverance Pit where grades as high as 73.31 g/t Au have been identified in drill samples. These sources of ore will form the basis for a sustained increase in both tonnages and grade of Tarcoola ore to be processed.

Tarcoola Mineral Resource and Ore Reserve Estimate

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.

EXPLORATION

Challenger Near Mine Exploration

During the half year Phase 2 of Challenger Deeps diamond drilling continued with three fans completed. Encouraging gold assays were received from all three fans with drilling continuing into the new year. This program was completed in the March 2018 quarter. Drilling was also undertaken on resource definition work on M3, SEZ and Challenger West.

The focus of exploration activities at Challenger for the remainder of the financial year will focus on Challenger Deeps with additional drilling resources to be deployed as drill locations become available along with resource definition drilling in Challenger West and M3/SEZ.

Tarcoola Near Mine Exploration

During the half year, following the identification of a large induced polarisation target, a reverse circulation drill programs was completed at the Warrigal Prospects. This program identified significant sulphides with narrow sub-economice gold intersections generally related to NW narrow structures and veins (similar to the historical surface workings).

Pit expansion drilling targeting the continuation of in-pit mineralisation along strike was undertaken during the half year. In addition, near pit drilling was also undertaken on a number of prospects. Results from these Reverse Circulation drilling campaigns were encouraging and further follow up work is currently being undertaken in conjunction with the current grade control drilling campaign.

DIRECTORS' REPORT (CONTINUED)

Western Gawler Craton JV (WGCJV)

As of 31 December, the interests of the parties to the WGCJV were approximately WPG 26%, and Tyranna Resources Ltd 74%. As of the date of this report the WPG interest is approximately 23%. Parts of the project area are also subject to a 10% carried interest held by a private company.

Tyranna's strategy is to target the more advanced gold prospects which are situated within 50kms of the Challenger gold processing operations and increase the economic scale of these prospects via focused and extensive exploration drilling.

During the half year, Tyranna received results from the program of Reverse Circulation drilling at the Typhoon Prospect, 35km SSW of Challenger Gold Mine, and commenced a program of Diamond drilling at the Greenwood Prospect, 37km NNE of Challenger Gold Mine. WPG encourage Tyranna to continue exploring in the WGCJV project area for potential eventual treatment of ore through the Challenger Processing Hub.

Tunkillia Exploration

WPG has 100% of all minerals over an area of 1,362km² on EL 5670, 5901 and 5790 and is reviewing exploration targets with potential for further discoveries. No formal work has commenced on the Definitive Feasibility Study however it is envisaged that in-house resources will be deployed later in the year.

Muckanippie, Robins Rise, Lake Woorong and Perfection Well Exploration

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 half year, however, a review of these projects and previously proposed programs is underway, in the effort to generate a priority ranking and new targets.

CORPORATE

\$20m secured debt facility executed with Byrnecut Group

In December 2017 WPG's wholly owned subsidiary Challenger Gold Operations Pty Ltd (CGO) entered into a \$20 million secured debt facility with the Byrnecut Group. The two year facility carries an interest rate of 20% per annum and the principal plus interest is repayable monthly. The facility was subject to customary financial, legal and operational due diligence.

The loan has been made available for general working capital purposes and was fully drawn as of 31 December 2017. CGO will work with the lender and its affiliated mining consulting arm Mining Plus to deliver an optimised mine plan that puts increased emphasis on near term development into the Challenger Deeps area. This updated mining plan is expected to be completed in April 2018 following finalization of block modelling work in Challenger Deeps.

Pybar dispute

On 28 September 2017 WPG's wholly owned subsidiary, Challenger Gold Operations Pty Ltd (CGO), received formal notices of dispute from Pybar under the surviving dispute resolution provisions of the Mining Contract with respect to \$9.6 million (inc GST) of unpaid claims. These claims are fully disputed by CGO as they relate to work which was not performed in accordance with contract requirements and were not in accordance with the mining contract or any agreed variations thereto. Further CGO has advised Pybar that these claims are also subject to a right of set-off, as set out in the Mining Contract, in an amount of \$10.2 million (inc GST) as a result of losses caused by failure by Pybar to properly perform the Mining Services to an acceptable industry standard. The claims and counterclaims are now being litigated in the Supreme Court of South Australia.

The \$9.6 million has been fully accrued by the Group with no receivable recognised at the date of these accounts.

Financial Position

As at 31 December 2017 the Company had cash at bank of \$23.3 million following the drawdown of the \$20 million Byrnecut facility.

The results of operations are shown above and in the accompanying financial statements.

DIRECTORS' REPORT (CONTINUED)

Hedging

At 31 December 2017 the Company had forward sales of 11,723 ounces out to the end of September 2018 with prices averaging \$1,668 per ounce. Since the half year end the Company has entered into further hedging transactions to take advantage of the increased gold price.

Subsequent Events

The Directors are not aware of any significant changes in the state of affairs of the Group occurring since the end of the half year other than outlined below.

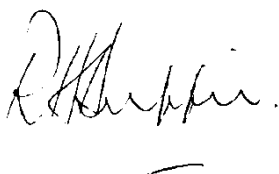
As part of the dispute resolution process with Pybar, the parties were ordered to attend a mediation meeting on 23 February 2018, no resolution was reached at the mediation. The next court date, which is a review, is scheduled for 20 March 2018.

On 8 February 2018 it was announced that 1,332,220 fully paid ordinary shares had been issued under the Incentive Rights Plan.

AUDITOR'S INDEPENDENCE DECLARATION

The independence declaration of our auditor is on page 22 and forms part of this report.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Bob Duffin

Chairman

Sydney

16 March 2018

Forward-Looking Statements

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning WPG's planned activities, including but not limited to mining and exploration programs, and other statements that are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements. In addition, summaries of Exploration Results and estimates of Mineral Resources and Ore Reserves could also be forward looking statements. Although WPG believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

DIRECTORS' REPORT (CONTINUED)

Competent Person Statements

CHALLENGER

Mineral Resources: The information that relates to Challenger Mineral Resources contained in this report is based on, and fairly represents, information and supporting documentation prepared by Mr Kurt Crameri.

Kurt Crameri is a Member of the Australasian Institute of Mining and Metallurgy. He is a Senior Project Geologist and Mining Engineer and a full time employee of WPG Resources Ltd. He has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code & Guidelines).

Kurt Crameri has consented in writing to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Ore Reserves: The information that relates to Ore Reserves contained in this report is based on, and fairly represents, information and supporting documentation prepared by Mr Luke Phelps.

Luke Phelps is a Member of the Australasian Institute of Mining and Metallurgy. He is a full time employee of Challenger Gold Operations Pty Ltd, a wholly owned subsidiary of WPG Resources Ltd, who previously compiled information concerning the Ore Reserve estimates for the Challenger gold mine and has worked at Challenger for over 8 years. He qualifies as a Competent Person as defined in the December 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code) and has sufficient experience relevant to the style of mineralisation being reported herein.

Luke Phelps has consented in writing to the inclusion in this report of the matters based on his information in the form and context in which it appears.

TARCOOLA

Mineral Resources: The information in this report that relates to Tarcoola Mineral Resources is based on information compiled by Mr Aaron Meakin.

Aaron Meakin is a full-time employee of CSA Global Pty Ltd and is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

Aaron Meakin consents to the disclosure of the information in this report in the form and context in which it appears.

Ore Reserves: The information in this report that relates to Ore Reserves is based on, and fairly represents, information and supporting documentation compiled by Mr John Wyche.

John Wyche is employed full-time by Australian Mine Design and Development Pty Ltd, an independent consultant mining engineering company and is a member of the Australasian Institute of Mining and Metallurgy and has 33 years of experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

John Wyche consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2017

	Note	Consolidated Entity	
		2017	2016
		\$'000	\$'000
Revenue			
Sales revenue		36,589	37,626
Other income		50	71
Total Revenue	4	36,639	37,697
Production Costs (including depreciation and amortisation)	4	(46,838)	(39,932)
Gross Loss		(10,199)	(2,235)
Expenses			
Administrative expenses		(2,402)	(1,238)
Occupancy costs		(178)	(196)
Share based payments		(121)	(334)
Other expenses		(3)	(142)
Total Expenses		(2,704)	(1,910)
Loss Before Tax		(12,903)	(4,145)
Income tax expense		-	-
Loss After Tax		(12,903)	(4,145)
Other Comprehensive Income		-	-
Total Comprehensive Income Attributable to Owners		(12,903)	(4,145)
Earnings Per Share from Profit / (Loss) Attributable to the Owners of WPG Resources Ltd			
Basic earnings / loss per share (¢ per share)		(1.42)	(0.65)
Diluted earnings / loss per share (¢ per share)		(1.42)	(0.65)

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

As at 31 December 2017

	Note	Consolidated Entity	
		31 Dec 2017 \$'000	30 Jun 2017 \$'000
Current Assets			
Cash and cash equivalents	5	23,255	9,929
Trade and other receivables	6	1,316	1,916
Inventories	7	5,865	5,209
Other		245	523
Total Current Assets		30,681	17,577
Non-Current Assets			
Other financial assets		2,137	2,137
Property, plant and equipment	8	14,750	16,466
Development assets	9	28,813	15,131
Exploration and evaluation expenditure	10	6,020	4,640
Total Non-Current Assets		51,720	38,374
Total Assets		82,401	55,951
Current Liabilities			
Trade and other payables	11	41,367	21,376
Hedging liability		10	-
Borrowings	12	9,500	-
Provisions	13	2,116	1,903
Total Current Liabilities		52,993	23,279
Non-Current Liabilities			
Borrowings	12	9,500	-
Provisions	13	11,287	11,269
Total Non-Current Liabilities		20,787	11,269
Total Liabilities		73,780	34,548
Net Assets		8,621	21,403
Equity			
Contributed equity	14	54,640	54,640
Reserves	15	1,351	1,230
Accumulated losses		(47,370)	(34,467)
Total Equity		8,621	21,403

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2017

	Consolidated			
	Contributed Equity \$'000	Accumulated Losses \$'000	Share Based Payment Reserve \$'000	Total Equity \$'000
At 1 July 2017	54,640	(34,467)	1,230	21,403
Total Comprehensive Income for the Half year				
Loss for the period	-	(12,903)	-	(12,903)
Other comprehensive income	-	-	-	-
	-	(12,903)	-	(12,903)
Transactions with Owners in their Capacity as Owners				
Share based payments expense	-	-	121	121
	-	-	121	121
At 31 December 2017	54,640	(47,370)	1,351	8,621
At 1 July 2016	31,330	(25,411)	455	6,374
Total Comprehensive Income for the Half year				
Loss for the period	-	(4,145)	-	(4,145)
Other comprehensive income	-	-	-	-
	-	(4,145)	-	(4,145)
Transactions with Owners in their Capacity as Owners				
Issue of new shares	16,412	-	-	16,412
Vested options transferred to share capital	166	-	(166)	-
Share based payments expense	-	-	759	759
	16,478	-	593	17,071
At 31 December 2016	47,808	(29,556)	1,048	19,300

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2017

Note	Consolidated Entity	
	2017 \$'000	2016 \$'000
Cash Flows from Operating Activities		
Receipts from customers	36,813	36,646
Payments to suppliers and employees	(29,145)	(29,179)
Interest received	50	34
Cash In/(Out)flows from Operating Activities	7,718	7,501
Cash Flows from Investing Activities		
Payment for property, plant and equipment	(2,117)	(2,152)
Payments for development expenditure on mining interests	(9,796)	(4,690)
Payments for exploration expenditure	(1,480)	(1,055)
Payment of tenement security deposits	-	(551)
Payment for acquisition of DMPL's 50% JV interest	-	(9,625)
Payments for investment in financial assets	-	(299)
Net Cash Outflows from Investing Activities	(13,394)	(18,372)
Cash Flows from Financing Activities		
Receipts for issue of shares / exercise of options	-	15,967
Proceeds from borrowings	20,000	-
Payment of transaction costs on debt	(1,000)	-
Net Cash Inflows from Financing Activities	19,000	15,967
Net Increase in Cash and Cash Equivalents	13,326	5,096
Cash and cash equivalents at beginning of period	9,929	4,613
Cash and Cash Equivalents at End of Period	23,255	9,709

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

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

1. Corporate Information

These financial statements of WPG Resources Ltd (the Company or WPG) for the half year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 16 March 2018. WPG Resources Ltd is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

2. Summary of Significant Accounting Policies

These half year financial statements do not include all notes of the type normally included in the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial statements.

These half year financial statements should be read in conjunction with the annual financial statements of WPG for the year ended 30 June 2017.

It is also recommended that these half year financial statements be considered together with any public announcements made by WPG during the half year ended 31 December 2017 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of Preparation

These general purpose financial statements for the half year reporting period ending 31 December 2017 have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134 Interim Financial Reporting. The historical cost basis has been used except for available-for-sale financial assets which have been measured at fair value.

For the purpose of preparing these half year financial statements, the half year has been treated as a discrete report period.

(b) 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 \$12.9 million for the half year ended 31 December 2017 (2016: \$4.1 million), generated net cash outflows from operating and investing activities of \$5.7 million and, as of that date, the Group's current liabilities exceeded its current assets by \$22.3 million (2017: \$5.7 million).

In order for the Group to continue as a going concern, the Group must raise 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, on 28 September 2017 WPG's wholly owned subsidiary, Challenger Gold Operations Pty Ltd (CGO), received formal notices of dispute from Pybar under the surviving dispute resolution provisions of the Mining Contract with respect to \$9.6 million (inc GST) of unpaid claims. These claims are fully disputed by CGO as they relate to work which was not performed in accordance with contract requirements are not in accordance with the mining contract or any agreed variations thereto. Further CGO has advised Pybar that these claims are also subject to a right of set-off, as set out in the Mining Contract, in an amount of \$10.2 million (inc GST) as a result of failure by Pybar to properly perform the Mining Services to an acceptable industry standard. The claims and counterclaims are now being litigated in the Supreme Court of South Australia.

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

(c) Significant Accounting Policies

The half year financial statements have been prepared in accordance with the accounting policies adopted in WPG's last annual financial statements for the year ended 30 June 2017, except for the additional new accounting policy adopted below:

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

Finance Costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

(d) Rounding of Amounts

The Company is of a kind referred to in Instrument 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) unless otherwise stated.

(e) Significant Accounting Judgments, Estimates and Assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Company's last annual financial statements for the year ended 30 June 2017.

There are numerous uncertainties inherent in estimating Mineral Resources and Ore Reserves. Assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production rates and costs, diluted mining grades or recovery rates may change the economic status of Reserves and may, ultimately, result in the Reserves being restated. Such changes may impact asset carrying values, depreciation and amortisation rates, deferred development costs and provisions for restoration.

3. Segment Information

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

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

	Exploration \$'000	Production \$'000	Consolidated \$'000
31 December 2017			
Revenue	-	36,589	36,589
Cost of production	-	(46,838)	(46,838)
Other expenses	(2)	(44)	(46)
Segment profit/loss before tax	(2)	(10,293)	(10,295)
Other income			50
Other expenses			(2,658)
Profit/loss before income tax from continuing operations			(12,903)
Segment assets			
Segment assets from continuing operations	2,980	55,739	58,719
Corporate unallocated assets			
Cash and cash equivalents			23,255
Trade and other receivables			61
Other financial assets			366
Total consolidated assets			82,401

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

	Exploration \$'000	Production \$'000	Consolidated \$'000
Segment liabilities			
Segment liabilities from continuing operations	(148)	(71,358)	(71,506)
Corporate unallocated liabilities			
Trade and other payables			(389)
Provisions			(372)
Deferred acquisition costs			(1,513)
Total consolidated liabilities			(73,780)
31 December 2016			
Revenue	-	37,626	37,626
Cost of production	-	(39,932)	(39,973)
Segment profit/loss before tax	-	(2,306)	(2,347)
Other income			71
Other expenses			(1,869)
Profit/loss before income tax from continuing operations			(4,145)
30 June 2017			
Segment assets			
Segment assets from continuing operations	3,252	42,282	45,534
Corporate unallocated assets			
Cash and cash equivalents			9,929
Trade and other receivables			179
Other financial assets			309
Total consolidated assets			55,951
Segment liabilities			
Segment liabilities from continuing operations	(148)	(32,270)	(32,418)
Corporate unallocated liabilities			
Trade and other payables			(380)
Provisions			(253)
Deferred acquisition costs			(1,497)
Total consolidated liabilities			(34,548)
Segments Assets by Geographical Location			
Segment assets of WPG are geographically located in Australia.			

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

4. Revenue and Expenses

Sales Revenue

Revenue from gold sales	36,589	37,626
Interest received – other persons / corporations	50	67
Rent received	-	4

Total Revenue

36,639 **37,697**

Production Costs

Mining and milling costs	(29,522)	(27,875)
Mine administration and royalty costs	(8,150)	(5,721)
Inventory movement	657	(1,638)
Depreciation and amortisation	(9,823)	(4,698)

Total Production Costs

(46,838) **(39,932)**

5. Cash and Cash Equivalents

Cash at bank	23,255	8,495
Money market securities – term deposits	-	1,434

Cash and Cash Equivalents

23,255 **9,929**

6. Trade and Other Receivables

Current

Trade receivables	92	315
GST and diesel fuel rebate receivable	989	1,472
Other receivables	235	129

Trade and Other Receivables

1,316 **1,916**

7. Inventories

Store and consumables	2,269	2,261
Run of mine ore	841	1,088
Gold doré	1,921	1,420
Gold in circuit	834	440

Inventories

5,865 **5,209**

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

8. Property, Plant, Equipment

Plant and equipment

Plant and equipment at cost

Accumulated depreciation

Carrying amount at end of financial year

Reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the current and previous financial year

Carrying amount at beginning of financial year

Acquisitions- refer to note 18

Additions

Depreciation expense

Carrying Amount at End of Period

Carrying Amount of Property, Plant, Equipment at End of Period

Consolidated	
31 Dec 2017	30 Jun 2017
\$'000	\$'000
22,835	19,658
(8,085)	(3,192)
14,750	16,466
16,466	396
-	13,449
3,177	5,499
(4,893)	(2,878)
14,750	16,466
14,750	16,466

9. Development Assets

Development asset at cost

Accumulated amortisation

Development asset at cost

Development asset reconciliation

Balance at beginning of financial year

Acquisitions – refer to note 18

Additions

Transfer from exploration and evaluation expenditure

Amortisation

Carrying amount at end of financial year

41,369	22,757
(12,556)	(7,626)
28,813	15,131
15,131	821
-	1,377
18,612	16,616
-	3,824
(4,930)	(7,507)
28,813	15,131

10. Exploration and Evaluation Expenditure

Costs brought forward

Additions

Transferred to development assets

Exploration and Evaluation Expenditure

4,640	6,246
1,380	2,218
-	(3,824)
6,020	4,640

11. Trade and Other Payables

Current

Trade creditors and accruals

Other creditors

Trade and other payables

40,134	20,336
1,233	1,040
41,367	21,376

Trade creditors include a provision of \$9.46 million in relation to the claim by PYBAR Mining Services Pty Ltd in relation to its claims. Refer Note 17

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

12. Borrowings

Current

Borrowings

Unamortised transaction costs

Current Borrowings

Non-current

Borrowings

Unamortised transaction costs

Non-current Borrowings

Consolidated	
31 Dec 2017	30 Jun 2017
\$'000	\$'000
10,000	-
(500)	-
9,500	-
10,000	-
(500)	-
9,500	-

WPG Resources Ltd's wholly owned subsidiary Challenger Gold Operations Pty Ltd (CGO) has completed a \$20 million secured debt facility with the Byrnes Group on 27 December 2017.

The two year facility carries an interest rate of 20% per annum and the principal plus interest is repayable monthly. Funds from the debt facility are used to fund working capital requirements.

13. Provisions

Current

Employee entitlements

Deferred acquisition cost

Current Provisions

Non-current

Rehabilitation and restoration costs

Deferred acquisition cost

Employee entitlements

Non-current Provisions

1,016	853
1,100	1,050
2,116	1,903
10,662	10,617
561	595
64	57
11,287	11,269

14. Contributed Equity

Share Capital

As at 1 July 2017

Shares issued during the period

Issued on exercise of options

Issued on vesting of incentive rights

Share issue costs

Contributed Equity

54,640	31,330
-	21,270
-	3,407
-	166
-	(1,533)
54,640	54,640

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

Movements in Ordinary Share Capital

	Consolidated	
	31 December 2017 No.	30 June 2017 No.
As at 1 July	905,957,997	447,340,108
Shares issued during the year	-	365,120,241
Issued on exercise of options	-	88,681,748
Issued on vesting of incentive rights	-	4,815,900
At End of Reporting Period	905,957,997	905,957,997

15. Reserves

Share Based Payments Reserve

Opening balance	1,230	455
Transferred to share	-	(166)
Expensed	121	516
Acquisitions	-	425
Reserves	1,351	1,230

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

16. Subsequent Events

The Directors are not aware of any significant changes in the state of affairs of the Group occurring since the end of the half year other than outlined below.

As part of the dispute resolution process with Pybar, the parties were ordered to attend a mediation meeting on 23 February 2018, no resolution was reached at the mediation. The next court date, which is a review, is scheduled for 20 March 2018.

On 8 February 2018 it was announced that 1,332,220 fully paid ordinary shares had been issued under the Incentive Rights Plan.

17. Contingencies

During the year ended 30 June 2017, 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 released 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.

During the half year ended 31 December 2017, 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.

On 28 September 2017 WPG's wholly owned subsidiary, Challenger Gold Operations Pty Ltd (CGO), received formal notices of dispute from Pybar under the surviving dispute resolution provisions of the Mining Contract with respect to \$9.6 million (inc GST) of unpaid claims. These claims are fully disputed by CGO as they relate to work which was not performed in accordance with contract requirements are not in accordance with the mining contract or any agreed variations thereto. Further CGO has advised Pybar that these claims are also subject to a right of set-off, as set out in the Mining Contract, in an amount of \$10.2 million (inc GST) as a result of failure by Pybar to properly perform the Mining Services to an acceptable industry standard. The claims and counterclaims are now being litigated in the Supreme Court of South Australia.

Trade creditors include \$9.6 million in relation to these claims by PYBAR Mining Services Pty Ltd.

NOTES TO THE HALF–YEAR FINANCIAL STATEMENTS

18. 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.

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

	50% acquisition \$'000
Assets	
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
Total Assets	21,109
Liabilities	
Trade creditors	4,417
Accruals	311
Provisions	365
Rehabilitation provision	6,216
Total Liabilities	11,309
Net Assets / (Liabilities) Acquired at WDV	(9,800)
Cash Flow	
Payment for DMPL's 50% joint venture interest	(9,000)
Cash acquired	733
Net Cash Flow*	(8,267)

* As at 31 December 2016 and for the purposes of the interim financial statements, the acquisition was accounted for on a provisional basis which was finalised in the 30 June 2017 financial statements. Reconciliation of the difference in net cash flows from the 31 December 2016 half year provisional accounting to the 30 June 2017 finalised accounting:

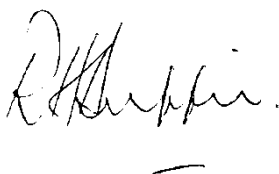
Cash flow as per 31 December 2016	(9,625)
Cash acquired	733
Amounts not received from DMPL	(125)
Deferred consideration	750
Cash flow as per 30 June 2017	(8,267)

DIRECTORS' DECLARATION

The Directors of WPG Resources Ltd declare that:

1. the financial statements comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - i) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date;
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.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Bob Duffin
Chairman

Sydney

16 March 2018



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Auditor's Independence Declaration To the Directors of WPG Resources Ltd

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of WPG Resources Ltd for the half-year ended 31 December 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 16 March 2018

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Independent Auditor's Review Report To the Members of WPG Resources Ltd

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of WPG Resources Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of WPG Resources Ltd does not give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) in the financial report, which indicates that the Group incurred a net loss of \$12.9 million during the half year ended 31 December 2017 and, as of that date, the Group's current liabilities exceeded its total assets by \$22.3 million. As stated in Note 2(b), these events or conditions, along with other matters as set forth in Note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half Year Financial Report

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

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Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of WPG Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 16 March 2018



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