# 2017 ANNUAL REPORT

WESTGOLD
RESOURCES LIMITED

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# CORPORATE DIRECTORY

## DIRECTORS
Peter Newton (Non-Executive Chairman)
Peter Cook (Managing Director)
Johannes Norregaard (Director of Operations)
Peter Schwann (Non-Executive Director)
Fiona Van Maanen (Non-Executive Director)

## COMPANY SECRETARY
David Okeby

## KEY MANAGEMENT
Scott Balloch (Chief Financial Officer)
Grant Brock (Chief Operating Officer – Murchison)
Paul Hucker (Chief Operating Officer – Eastern Goldfields)
Jake Russell (Chief Geologist)

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## POSTAL ADDRESS
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## SECURITIES EXCHANGE
Listed on the Australian Securities Exchange
**ASX Codes:** WGX, WGXO

## SHARE REGISTRY
Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
**Phone:** 61-8-9315 2333
**Fax:** 61-8-9315 2233
**E-mail:** registrar@securitytransfer.com.au

## DOMICILE AND COUNTRY OF INCORPORATION
Australia

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# CHAIRMAN'S LETTER

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Dear Shareholders

As many shareholders are aware, Westgold is an older company that was consolidated under Metals X by a scheme of arrangement in October 2012. Over the next four years, Metals X built Westgold as its gold division with a number of acquisitions to become a significant gold producer. Late in 2016, the Board of Metals X decided to demerge Westgold into a separately listed gold miner with a complete in-specie distribution to shareholders. Westgold began trading on the ASX on 6 December 2016 with founding Director of Metals X and architect of diversified metals and gold businesses, Peter Cook, becoming its inaugural and solely focussed Managing Director.

With this report, I present you the first Annual Report of the new Westgold Resources Limited for the year ended 30 June 2017.

Westgold has emerged as a substantial pure-play gold company and a top ten purely Australian gold producer. I can't stress to shareholders enough the significance of being a purely Australian, and in fact, West Australian focussed gold production base. This is a stable domicile, a mature and supportive mining-based economy, a first-world country without the sovereign risk, title risk, social and poitical disruption and stressed economic standing of many other gold producing countries.

Our operating team at Westgold are seasoned experts in their fields. In the last twelve months the group produced 266,906 ounces of gold at an average all-in sustaining cost of A$1,215 per ounce from three gold operations: South Kalgoorlie, Higginsville and the Central Murchison Gold Project (CMGP). The year was an exciting growth phase for Westgold with the CMGP completing its first full year of production and seeing its production output ramp up to produce 101,339 ounces for the full year. Importantly it was also the year when we completed the rebuild of our newly acquired Fortnum Gold Project. During the year we had it permitted, the plant refurbished and commissioned, an open-pit and underground mining plans established. The project transitioned to commercial production on 30 June 2017 and is set to become a significant contributor to gold output in the ensuing year.

Two new acquisitions completed at the end of the financial year are particularly important to our growth moving moving forward. The Tuckabianna acquisition adds an additional 1.2 mtpa of processing capacity in the southern part of the CMGP and enables us to re-work our development strategy for increased output. The other acquisition being our current underground mining contractor which provides us opportunity to lower costs by internalising contracts and provides us with the equipment, people and flexibility to manage our internal underground growth projects as planned in the future.

All in all it has been a big year for Westgold and all our shareholders. A year of large re-investment in the future and of growth. The Board has shown its intent to build wealth for its shareholders and reward them. In this our first full year and after only seven months of formally trading as Westgold, all eligible shareholders have received a one for five bonus option in lieu of a dividend with the equivalence of a very attractive yield. The year forward will be an exciting one as all our projects advance and the growth in our gold business continues.

On behalf of the Board, I congratulate and thank our executive directors and management teams on what has been an incredible year of growth and transformation of the Company.

To our shareholders, I thank you for your continued support and belief in the Company, its assets and its people.

Peter J Newton
Non-Executive Chairman

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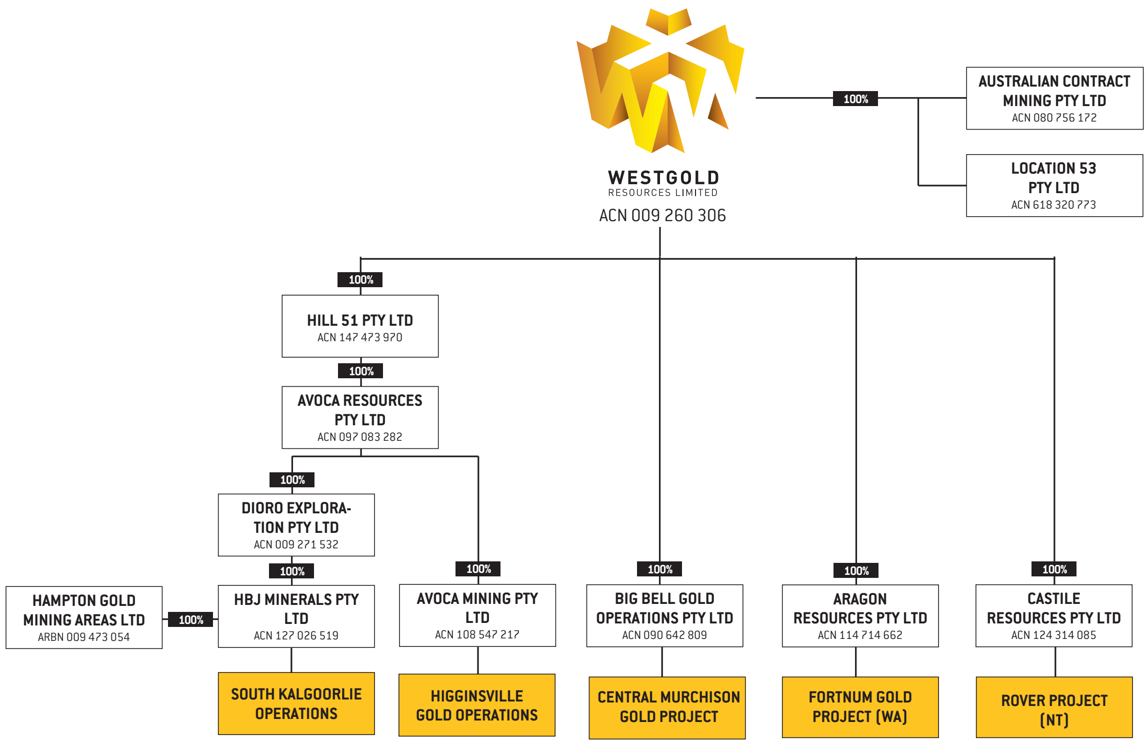
# CORPORATE STRUCTURE

The demerger of Westgold from Metals X Limited was completed with the listing of the Company on the Australian Securities exchange on 6 December 2016.

The Company operates such that each of its gold operations sits within a wholly owned subsidiary company. The new acquisition of the Tuckabianna Project completed in June 2017 was acquired by Big Bell Gold Operations Pty Ltd, the key subsidiary for the Central Murchison Gold Project (CMGP).

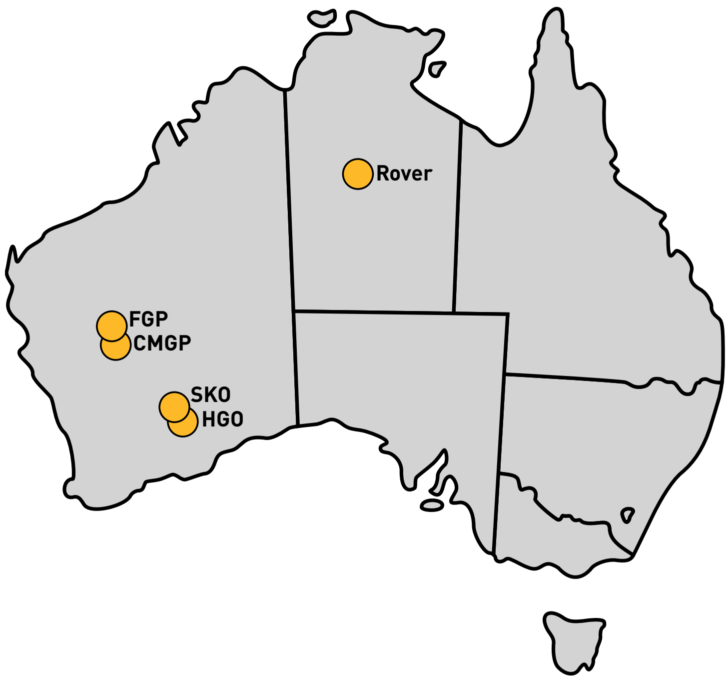
The exception is Australian Contract Mining Pty Ltd which sits as a wholly owned subsidiary of the parent Company and which offers services to all operations and some external parties.



# KEY PROJECTS

## OVERVIEW

Westgold Resources Limited holds substantial mining tenure positions in the two most prolific archaean gold provinces in Western Australia, namely the Eastern Goldfields (Kalgoorlie Region) and the Murchison Goldfields (Cue – Meekatharra Regions). Westhold holds numerous gold production assets in these regions. In addition, Westgold owns the Rover Project near Tennant Creek in the Northern Territory which has made numerous virgin polymetallic discoveries.




Westgold has an aggregatted total mineral resource estimate containing 15.94 million ounces of gold in its four Western Australian gold operations.

Westgold has an aggregated ore reserve containing 3.38 million ounces of gold at its four gold operations in Western Australia (Refer to page 100 for detail).

Within its four gold operations Westgold has carbon-in-pulp (CIP) process plants with an annual capacity of 5.3 million tonnes per annum. In addition, a fifth CIP Processing plant at Tuckabianna in the southern part of the Central Murchison Gold Project (CMGP) is under refurbishment and expected to start early in Calendar 2018 with an annualised capacity of 1.2 million tonnes per annum.

Westgold produced 266,906 ounces of gold in the 2017 financial year, an increase of 53.4% over the previous year. Westgold's key project, the CMGP remains in ramp-up mode with further output increases expected and additional gold production from the second (Tuckabianna) plant which is expected to be commissioned in early 2018. In addition, gold production from the Fortnum project only will contribute to group output in the ensuing year after the plant was successfully refurbished and achieved commercial gold production at the end of the 2017 financial year.

Group revenue from gold sales increased by 43.5% to $437.14 million for the 2017 financial year. Net profit before tax increase by 185% to $24.62 million and net profit after tax increased by 177% to $15.77 million for the 2017 financial year.

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Westgold re-invested $135 million in plant & equipment purchases, mine properties & development and exploration works during the 2017 financial year. The ensuing year remains in a growth phase with further capital investment and growth output expected to continue.

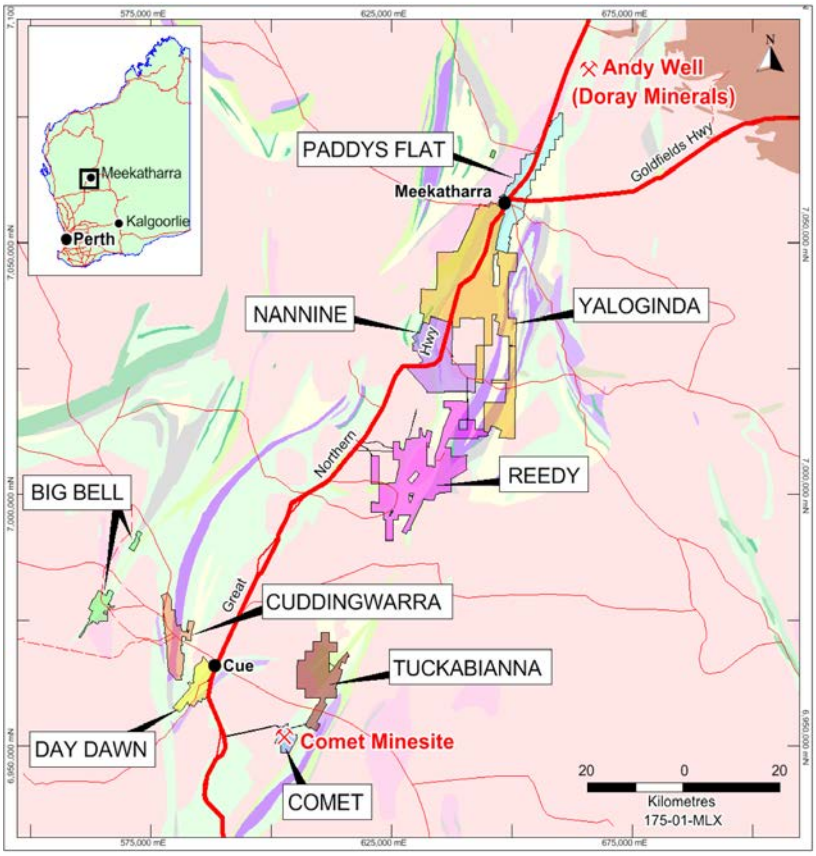
Included in the above re-investment was $23.9 million invested in exploration within the group's tenure. Whilst this added a number of potential longer term prospects, the majority was invested in brown-fields exploration and resulted in an increase in the group total resource base by nearl 1 million ounces (including Rover 1) after depletion from mining and pleasingly a 26% increase in ore reserves to 3.38 million ounces.

Key milestones for the 2017 financial year are expected to be the commissioning after refurbishment of the Tuckabianna Plant and the addition of gold output from it. The continued ramp-up of output from the Bluebird plant in the north of the CMGP, in particular with the addition of additional underground mining sources. Further, the first full year of gold production from the Fortnum Gold Project and its growth in gold output as open pit and underground mining replaces low-grade stocks.

## CENTRAL MURCHISON GOLD PROJECT (CMGP)

The CMGP is located in the Murchison Goldfields of Western Australia approximately 800 km northeast of Perth. The tenure covers geology of an Archaean Shield referred to regionally as the Yilgarn Craton. Local geology consists of layers of basaltic, komaatiitic, sedimentary and volcanoclastic rocks with intruded by granites, mafic rich dolerites and gabbroic, and felsic intrusives. The whole sequence has been metamorphosed to upper greenschist facies and undergone multiple phases of structural deformation with ore systems typically related to faulting and deeper crustal features which have acted as pathways for rising crustal fluids and gold deposition.

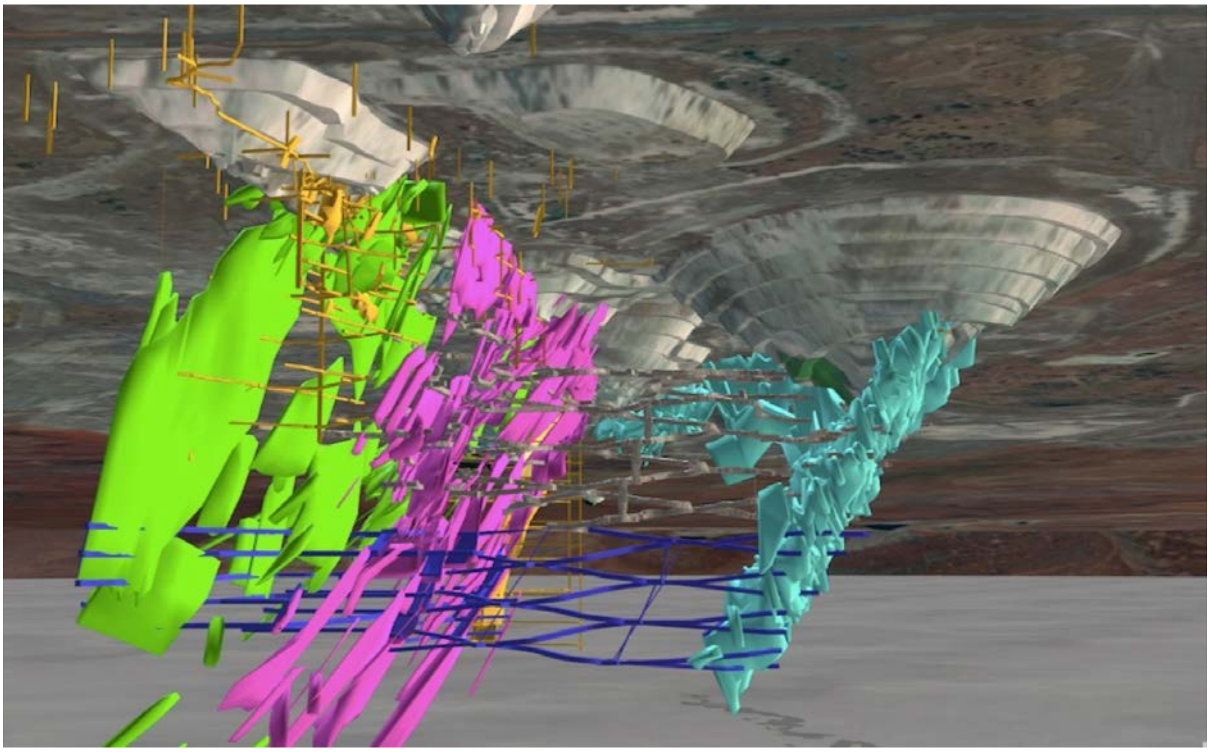
The Central Murchison Gold Project is a large aggregation play which has consolidated nearly all the historic gold production centres of the region.



## CENTRAL MURCHISON GOLD PROJECT (CMGP) (CONTINUED)

These old gold mining centres have an aggregated historic production of over 10 million ounces of gold from two key phases of mining: the late 1890's to 1930's; and the mid 1980's to current. The fortunes and activity within the fields have vacillated over the years with the gold price, disruption from the world wars and in more recent years the improved economics from technology and innovation such has cyanidation, carbon-in-pulp technology and mechanization of by larger mining fleets. A key feature of the aggregated production is the dominance of a hand-full of mines which were much larger underground mines, most of which closed without their full potential and gold inventory being fully exploited. These mines are a key feature of the groups development strategy for the CMGP region. Essentially the long term objective of Westgold at the CMGP is to bring these larger old mines back into production and in doing so create a path for sustainable production and comparatively long mine life by gold industry standards.

Westgold commissioned its Bluebird mill, a 1.6-1.8 mtpa CIP plant in October 2015 with a progressive ramp up of gold output driven initially by lower grade open pits and remnant stockpiles whilst it began the task of the progressive development of the its underground mines. The first of its underground mines to be started was the Paddy's Flat mine in an area where historic production (open pit and underground) had so far yielded 860,000 ounces of gold from the processing ores averaging approximately 8 g/t. In the past year the Paddy's Flat mine produced 503,300 tonnes @ 3.42 g/t and has now ramped its capacity to an annualised output of approximately 700,000 tonnes.



*Paddy's Flat Underground Mine*

The second mine to be developed was the Comet underground mine which commenced late in 2016 and has been in a development mode entirely during the year. The transition to production (ore stoping) will commence in the ensuing year. The Comet mine yielded 53,850 tonnes @ 4.38 g/t from ore driving during the year.

In the back-drop, a full year was spent establishing the substantial infrastructure and pipeline networks required to dewater the Big Bell mine and discharge its hypersaline water into the nearby salt lake systems. Big Bell is the largest and most prolific of the planned mine developments with an expected annual output of over 100,000 ounces per annum in its own right from a highly mechanized sub-level cave type mining operation. Big Bell when operational will become the core base-load feed to the Company's two plants in the region. Substantial progress in dewatering was made during the year and access to the mine for rehabilitation as the start of the new mining process is expected to commence before the end of calendar 2017.



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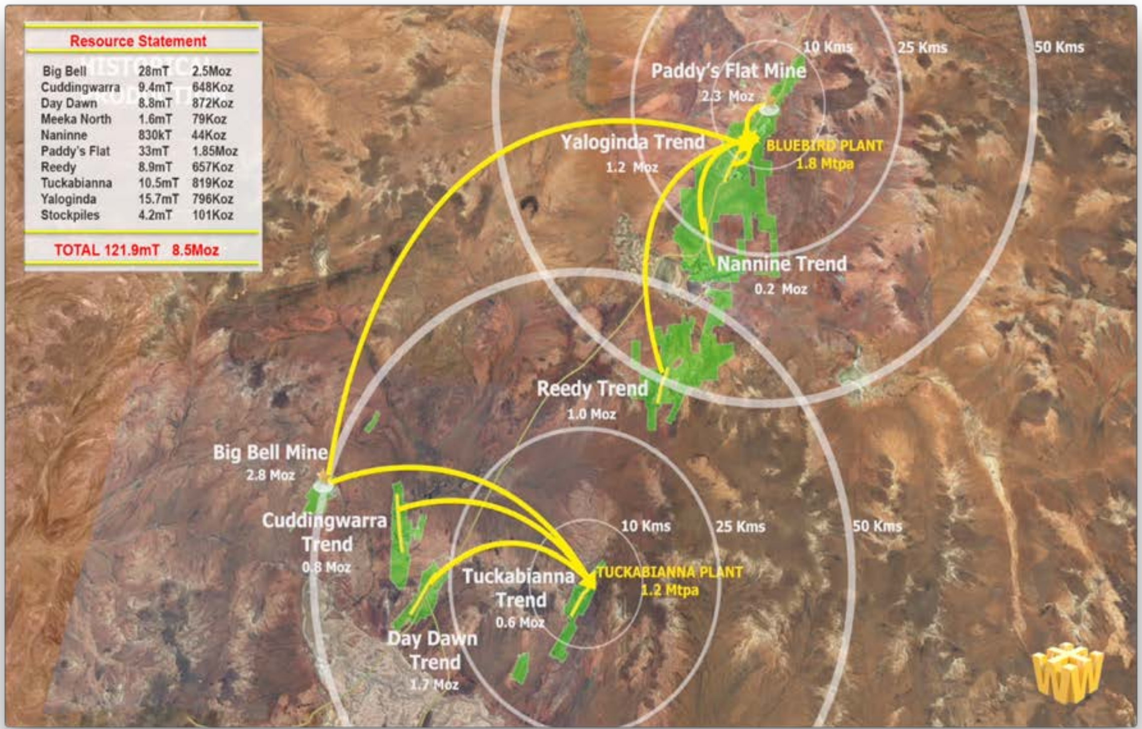
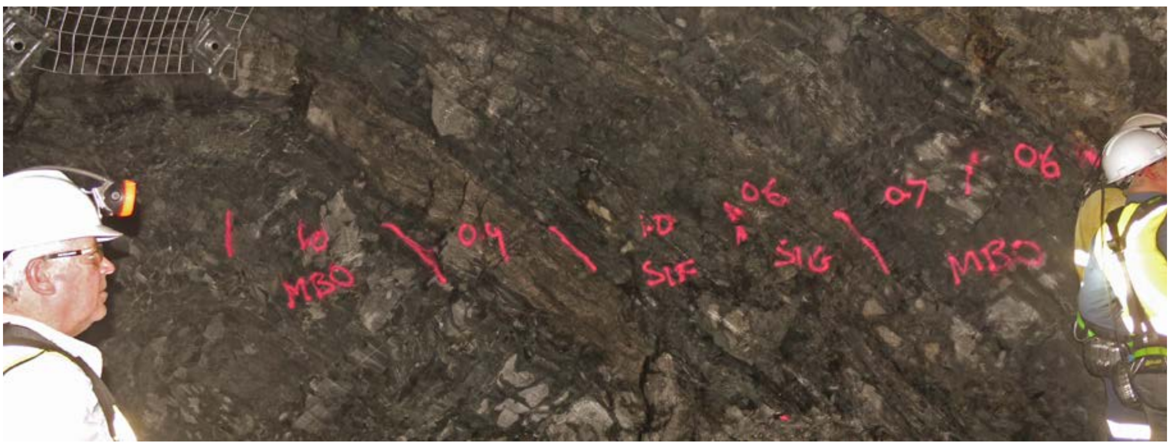
In the year past ore feed was supplemented form numerous open pit feeds and the CMGP produced 101,339 ounces of gold at an all-in-sustaining cost estimate of A$1,303 for the year through the Bluebird mill.

Only days before the end of the financial year the Company acquired the Tuckabianna Project and with it a 1.2 million tonne per annum CIP plant which requires refurbishing and repair. This acquisition strategically advanced the regional strategy for the CMGP. The maturing production base now has a plant in the south of the project (Tuckabiannna) to go with its Bluebird mill in the north of the project providing increased capacity and flexibility for ore processing in the project. It is expected that the Tuckabianna project will be operational before the end of the March quarter in 2018 and the CMGP will then have a combined 3 million tonnes of annual plant capacity to serve its increasing mine outputs.

Ores from each mining centre will be progressively mined and carted to the process plant that gives the group the best consolidated output.




*CMGP Production Centres*



*Comet Underground*

# FORTNUM GOLD PROJECT (FGP)

The FGP is located in the approximately 110 km northwest of Meekatharra in the Bryah Basin. The project area covers the Labouchere, Fortnum and Peak Hill goldfields which have historic production of from open pit and underground mines of nearly two million ounces.

Westgold's wholly owned subsidiary, Aragon Resources Pty Ltd acquired the project in 2015 and reworked the project through feasibility, permitting and a complete refurbishment of the one million tonne per annum plant which had been idle for ten years.

The plant was re-commissioned and achieved commercial production at the end of the financial year setting it up for its first full year of gold production in the 2017/2018 year.

There are three main components which make up the development strategy and ore feeds in the initial five year mine plan:

1. Existing low-grade stocks of
2. Planned cut-backs and extensions to five mines
3. The Starlight underground mine.

The low-grade stocks were used for commissioning and are the base load feed to the plant. Open pit mining commenced in parallel with plant commissioning and these will progressively replace up to half of the low grade feed over the year. The underground mine has been dewatered and rehabilitation of the previous decline has commenced with an objective of ramping its production rate up to approximately 360,000 tonnes per annum by year end.

*FGP Processing Facility*

*Starlight Underground Mine Portal*

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# HIGGINSVILLE GOLD OPERATIONS (HGO)

HGO is located approximately 130 km south of Kalgoorlie within archaean greenstone terrain of the Eastern Goldfields Region of Western Australia.

An extensive land package is complimented by a 1.3 million tonnes per annum process plant, a 300-person workers village and all associated infrastructure.

The HGO entered a transition year in 2017 when the long-serving Trident underground mine was closed and ore feeds transitioned to the larger open pit mines at Mt Henry (75 km south) and the smaller open pits within the Higginsville region.

HGO is now producing at a steady state rate from open pits of approximately 70,000 ounces per annum. HGO has studies the option to increase plant capacity and hence gold output back up to over 100,000 ounces per annum by a plant expansion and re-engineering of its crushing and grinding circuits, but is yet to commit to the capital expenditure to do the same.

The Higginsville operations will continue to be supplied with open pit ores from the Higginsville and Mt Henry areas in the ensuing years.

Exploration activity at Higginsville is focused on upgrading known prospect resources into reserves as well as exploring the extensive land holdings the Company has that covers the strike of known regional structures under salt lakes in proximity to the operations.

*HGO Processing Facility*

*Mt Henry Operations*

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## SOUTH KALGOORLIE OPERATIONS (SKO)

SKO is located approximately 30 km south of Kalgoorlie within archaean greenstone terrain of the Eastern Goldfields Region of Western Australia.

The centre-piece of the operations is the 1.2 million tonnes per annum Jubilee Process Plant. This plant has operated continuously for 30 years and continues to be the most efficient of the groups plants.

Mining at the SKO has been through many phases over the years with a small number of underground mines and over 60 open pits providing feed to the plant. Since its acquisition in October 2013, SKO has transitioned from imminent closure to again be a steady state producer and toll processor of third party ores.

SKO's main source of ore feed is the HBJ underground mine which produces approximately 400,000 tonnes per annum of ore which is blended with lower grade ores from open pit mining. Approximately half the plant capacity is taken up by campaign toll processing of third party ores. Expected attributed gold production for SKO is 60,000 ounces per annum.

SKO is typified by a substantial gold resource sitting primarily within a super-pit concept for the HBJ mine. However, the mismatch of plant capacity, scale and operating cost has led Westgold to continue to mine form underground the smaller high-grade resources from within this larger low-grade resource.

Unlike the other operations of Westgold, the SKO operations are not operated as a FIFO site and its workforce and support services are part of the overall Kalgoorlie-Boulder community.

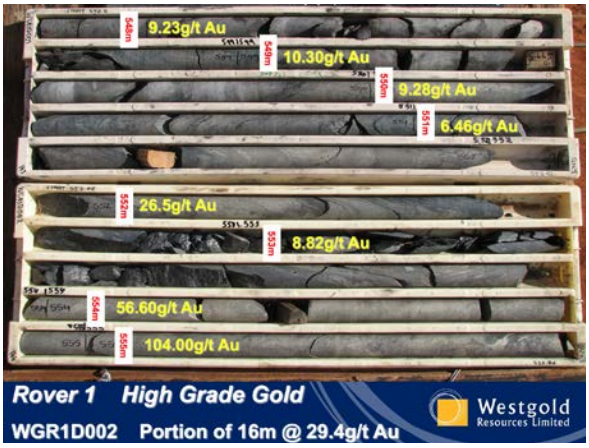
*SKO 'Jubilee' Processing Facility*

# ROVER PROJECT

The Rover Project is a postulated undercover repetition of the prolific Tennant Creek goldfield located 80 km to the north-east. The project area is proximal to a major infrastructure corridor adjacent to Central Australian Railway, gas pipeline and Stuart Highway.

Exploration to date has tested a small number of anomalies and significant mineralised IOCG (iron oxide copper-gold) systems have been discovered at the Rover 1 and Explorer 142 prospects. In addition, significant lead-zinc-silver discoveries have been made at Explorer 108 and recently at the Curiosity Prospect to the south.

The objective of Westgold is to bring the Rover 1 Project into commercial production when it has completed the ramp-up of its West Australian gold portfolio.





# MT MARION LITHIUM ROYALTY

By virtue of its full ownership of Hampton Gold Mining Areas Ltd, Westgold owns a large tract of freehold land between the Kalgoorlie, Kambalda and Coolgardie. The age of these land titles pre-dates the Mining Act in Western Australia and as a consequence the freehold land includes ownership of the minerals.

Westgold granted Reed Industrial Minerals (RIM) the lease of a 30-hectare portion of its Location 53 Lands which in turn covers a substantial extension of the Mt Marion Lithium Mine. The annual lease fee for the land is $3,000 per hectare and RIM is permitted to mine and process certain ores from the lands subject to normal operating procedures. Westgold is entitled to receive royalty payments of $2 per tonne for all ores mined and milled from the lease area plus a 1.5% NSR from products sold from the lands.

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# DIRECTORS' REPORT

The Directors submit their report together with the financial report of Westgold Resources Limited ("Westgold" or "the Company") and of the Consolidated Entity, being the Company and its controlled entities, for the year ended 30 June 2017.

## DIRECTORS

The names and details of the Company's Directors in office during the financial period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

**Names, qualifications, experience and special responsibilities**

**Peter Newton – Independent Non-Executive Chairman**
Mr Newton was a stockbroker for 25 years until 1994. Since then he has been a significant participant in the Australian resource industry as an investor and a director of a number of listed companies. In past years he has been the Chairman of both Hill 50 Limited and Abelle Limited. Mr Newton is also the Chairman of the Company's Remuneration & Nomination Committee and Audit Committee.

During the past three years he has served as a director of the following public listed companies:

- Metals X Limited *.

**Peter Cook – Chief Executive Officer and Executive Director**
Mr Cook is a Geologist (BSc (Applied Geology)) a Mineral Economist (MSc (Min. Econ) and member of AusIMM with over 30 years of experience in the fields of exploration, project, operational and corporate management of mining companies. Mr Cook was an Executive Director and CEO of Metals X Limited. Following approval of the demerger of Westgold, Mr Cook became the Managing Director of Westgold resigned as the CEO of Metals X Limited. Mr Cook remained a as a Non-Executive Director of Metals X Limited through transition and eventually resigned as a Non-Executive Director on 2 February 2017 to focus on Westgold.

During the past three years he has served as a director of the following public listed companies:

- Metals X Limited (Appointed 23 July 2004 – Resigned 2 February 2017).
- Pantoro Limited (Appointed 31 August 2009 – Resigned 5 October 2016) and:
- Brainchip Holdings Limited (Appointed 30 May 2011 – Resigned 10 September 2015).

**Warren Hallam – Non-Executive Director** (Appointed 18 March 2010 - Resigned 2 February 2017)
Mr Hallam is a Metallurgist (B. App Sci (Metallurgy)), a Mineral Economist (MSc (Min. Econ)), holds a Graduate Diploma in finance and has around 30 years of technical and commercial experience within the resources industry.

During the past three years he has served as a director of the following public listed companies:

- Metals X Limited *.

**Johannes Norregaard – Director of Operations** (Appointed 29 December 2016)
Mr Norregaard is a Mining Engineer (B.Eng WASM) with over 25 years corporate and mine management experience in base metal and gold operations across Australia, Canada and South East Asia. Key positions previously held by Mr Norregaard include general manager of Macmahon Holdings Limited's underground contracting division, Managing Director of Tectonic Resources NL, Chief Operating Officer of Trelawney Mining and Exploration Inc. and Managing Director RED 5 Limited.

Mr Norregaard has held no public company directorships in the past three years.

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# DIRECTORS' REPORT

**Peter B Schwann – Independent Non-Executive Director** (Appointed 2 February 2017)
Mr Schwann (Assoc. in Applied Geology, FAusIMM (28 years), FAIG, MSEG) is a highly experienced internationally recognised geologist and mining executive. Mr Schwann has broad experience across multiple commodities with extensive geological capability as well as significant operational management. Mr Schwann serves on the Company's Audit and Remuneration & Nomination Committee.

During the past three years he has served as a director of the following public listed companies:

- Aruma Resources Limited *.

**Fiona Van Maanen – Non-Executive Director** (Appointed 6 October 2016)
Mrs Van Maanen is a CPA, holds a Bachelor of Business (Accounting) degree and a Graduate Diploma in Company Secretarial Practice. Mrs Van Maanen has significant experience in accounting and financial management in the mining and resources industry. Mrs Van Maanen has been the long-term CFO and Company secretary of Metals X Limited and remained in that position after the demerger of Westgold. Her relevant knowledge and experience with the Westgold asset portfolio make a valuable member of the Board

Mrs Van Maanen has held no public company directorships in the past three years.

* Denotes current directorship.

## INTERESTS IN THE SHARES OF THE COMPANY

As at the date of this report, the interests of the Directors in the shares and options of Westgold Resources Limited were:

| Director | Fully Paid Ordinary Shares | Options |
|---|---|---|
| PG Cook | 9,529,066 | 2,250,000 |
| JS Norregaard | - | - |
| PJ Newton | 6,941,656 | - |
| PB Schwann | - | - |
| FJ Van Maanen | 435,521 | - |
| **Total** | **16,906,243** | **2,250,000** |

## COMPANY SECRETARY

**David Okeby** (Appointed 1 December 2016)
Mr Okeby has significant legal, contractual, administrative and corporate experience in the mining industry. Mr Okeby brings skills in governance, stakeholder relations and corporate activities including mergers, acquisitions and disposals.

**Fiona Van Maanen** (Resigned 1 December 2016)
Mrs Van Maanen is a CPA, holds a Bachelor of Business (Accounting) degree and a Graduate Diploma in Company Secretarial Practice. Mrs Van Maanen has significant experience in accounting and financial management in the mining and resources industry. Mrs Van Maanen resigned this position on demerger to become a Non-Executive Director.

## PRINCIPAL ACTIVITIES

The principal activities during the year of the Consolidated Entity were the exploration, development and operation of gold mines, primarily in Western Australia.

## EMPLOYEES

The Consolidated Entity had 371 employees at 30 June 2017 (2016: 251).

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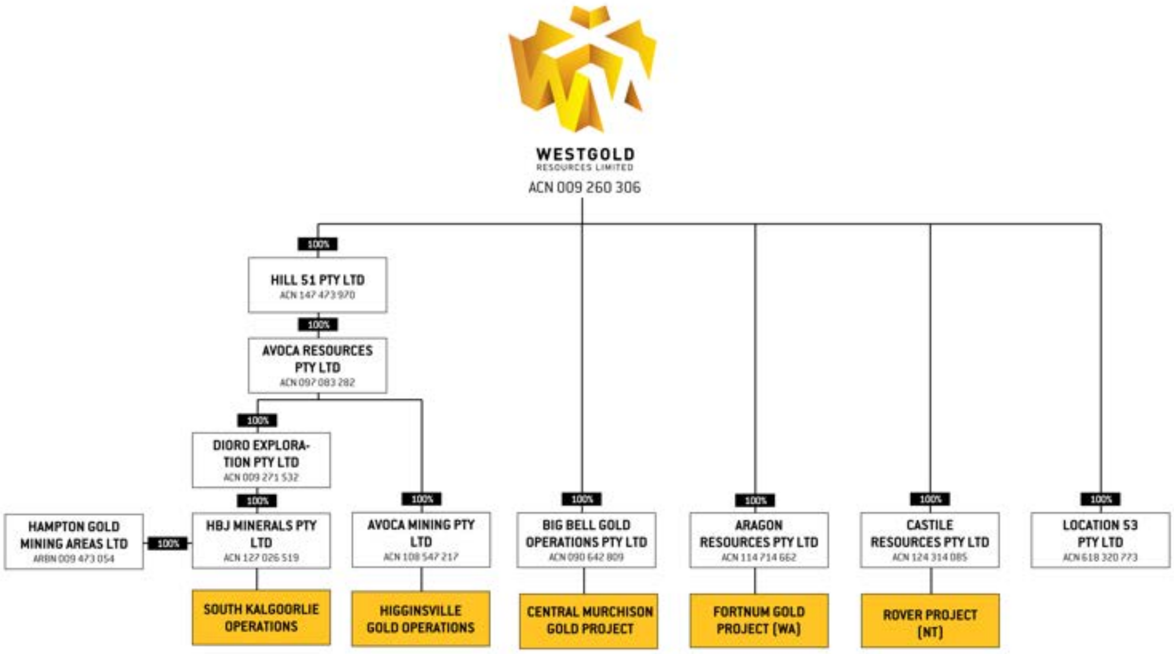
## CORPORATE STRUCTURE




# OPERATING AND FINANCIAL REVIEW

## OPERATING RESULTS

The Consolidated Entity's net profit after income tax for the period was $15,774,520 (2016: $20,569,647 loss), an increase of 177% compared to the previous financial year and reflects the expansions and maturing of the groups gold assets:

- Consolidated revenue: $437,140,795 (2016: $304,702,279);
- Consolidated total cost of sales: $405,682,984 (2016: $302,746,276);
- Impairment losses: $81,850 (2016: nil); and
- Exploration and evaluation expenditure write off: $1,166,966 (2016: $27,063,338).

The Central Murchison Gold Project ("CMGP") remained in a ramp-up phase during the year. Revenue increased to $167,631,025 (2016: $56,482,885) reflecting the ramp-up in production and a total output for the year of 101,339 ounces. This was the first full year of production following plant commissioning in mid-October 2015 and the project continues a ramp-up phase with a medium term switch to production from mainly higher grade underground mine sources. CMGP cost of sales were $161,041,896 (2016: $54,001,495).

The Higginsville Gold Operation ("HGO") revenue was $139,394,236 (2016: $151,350,329) resulting from lower production following the completion of the Trident underground mine during the first half of the year. HGO gold output dropped as expected due to the lower grade open pit ores. A plant expansion is currently planned to increase outputs from the project. For the 2017 year cost of sales were $128,813,454 (2016: $159,570,620).

The South Kalgoorlie Operation ("SKO") continued to operate with a mixture of owner ores, toll processing and mine profit share agreements. Directly attributable revenue was $130,115,535 (2016: $96,869,065) compared to directly attributable cost of sales of $115,610,876 (2016: $93,633,974).

The Fortnum Gold Project ("FGP") recorded no revenue during the period due to the refurbishment of the processing plant and subsequent commissioning period extending to 30 June 2017 when commercial production was declared.

Exploration and evaluation expenditure write off of $1,166,966 (2016: $27,063,338) due to a review of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to those areas of interest.

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# DIRECTORS' REPORT

## REVIEW OF FINANCIAL CONDITION

The consolidated statement of cash flows illustrates that there was a increase in cash and cash equivalents in the year ended 30 June 2017 of $66,659,051 (2016: $5,372,834 decrease).

- Cash flow from operating activities: $75,594,478 (2016: $49,627,766);
- Cash flows used in investing activities: $135,900,264 (2016: $119,056,979);
- Cash flows from financing activities: $126,964,837 (2016: $64,056,379).

**Operating Activities**

Cash flows used in operating activities across the group were higher than that of the previous corresponding period due to CMGP continuing its ramp-up and recording its first full year of production.

**Investing Activities**

Cash flows used in investing activities across the group were greater than that of the previous corresponding period, mainly due to the refurbishment of FGP and continued capital investment in the CMGP. Offsetting this was a reduction in mine development costs due to the closure of the Trident underground mine during the period.

Capital re-investment in mine properties and development, exploration and evaluation expenditure and property, plant and equipment during the period:

- CMGP $78,075,525 (2016: $70,554,400) including $6,000,000 for acquisition of the Tuckabianna processing plant;
- HGO $16,763,481 (2016: $18,672,735);
- SKO $20,939,749 (2016: $29,169,224);
- FGP $31,816,276 (2016: $1,814,964);
- Other exploration activities $619,221 (2016: $1,538,964).

Capital commitments of $2,561,288 (2016: $1,602,269) existed at the reporting date, principally relating to the purchase of plant and equipment.

**Financing Activities**

- The Consolidated Entity received $96,000,000 from Metals X Limited ("Metals X" or "MLX") prior to its demerger.
- The Consolidated Entity received $34,938,208 from intercompany loans with Metals X in the period from 1 July 2016 to 30 November 2016.
- The consolidated Entity's lease liabilities have increased by $3,118,072 (2016; $2,474,067) to $10,453,787 (2016: $7,335,715) over the period due to acquisition of additional open pit mining fleet for CMGP ($5,510,000) and other heavy mobile equipment.

## SHARE ISSUES DURING THE YEAR

**Acquisition of Tuckabianna Gold Processing Facility**

On 30 June 2017 the Company issued 1,250,000 shares as part of the settlement to acquire the Tuckabianna gold processing facility and underlying mining tenure from Silver Lake Resources Limited.

## DIVIDENDS

No dividends were paid to Members during the 2017 financial year.

The Directors do not propose to pay any dividend for financial year ended 30 June 2017.

# REVIEW OF OPERATIONS

Westgold continued to expand its gold business during the period. It was a period of significant growth with the highlights being the refurbishment and successful commissioning of the Fortnum process plant, the first full year of production from CMGP and the completion of the acquisition of the Tuckabianna Project as a capacity and output expansion of the CMGP. The key assets are:

1. The Higginsville Gold Operation;
2. The South Kalgoorlie Operation;
3. The Central Murchison Gold Project (including Tuckabianna);
4. The Fortnum Gold Project; and
5. The Rover Project.

Performance of the Gold Division for the period 30 June 2017 is summarised below:

| | Units | Higginsville | South Kalgoorlie (inc. Cannon)^ | CMGP | Fortnum | Group |
|---|---|---|---|---|---|---|
| **Physical Summary** | Units | | | | | |
| UG Ore Mined | t | 300,925 | 261,027 | 557,146 | - | 1,065,251 |
| UG Grade Mined | g/t | 3.99 | 2.97 | 3.51 | - | 3.47 |
| **OP BCM Mined** | BCM | 2,949,318 | 2,235,145 | 5,511,649 | 55,926 | 10,752,037 |
| OP Ore Mined | t | 651,651 | 568,049 | 992,894 | 47,931 | 2,260,525 |
| OP Grade Mined | g/t | 2.18 | 2.80 | 1.81 | 2.07 | 2.17 |
| Ore Processed | t | 1,232,184 | 987,666 | 1,516,658 | 70,505 | 3,852,013 |
| Head Grade | g/t | 2.37 | 2.75 | 2.34 | 0.98 | 2.43 |
| Recovery | % | 89.06% | 90.11% | 86.73% | 92.42% | 88.45% |
| Gold Produced | oz | 84,595 | 78,912 | 101,339 | 2,061 | 266,906 |
| Gold Sold | oz | 83,862 | 80,022 | 101,261 | 149 | 265,294 |
| Achieved Gold Price | A$/oz | 1,662 | 1,636 | 1,655 | 1,700 | 1,636 |
| **Cost Summary** | | | | | | |
| Mining | A$/oz | 583 | 700 | 820 | 504 | 707 |
| Processing | A$/oz | 386 | 198^^ | 335 | - | 308 |
| Admin | A$/oz | 113 | 52 | 154 | 15 | 109 |
| Stockpile Adj | A$/oz | (12) | 3 | (176) | (458) | (74) |
| C1 Cash Cost (produced oz) * | A$/oz | 1,069 | 953 | 1,133 | 60 | 1,051 |
| Royalties | A$/oz | 131 | 40 | 84 | - | 85 |
| Marketing/Cost of sales | A$/oz | 2 | 1 | 2 | - | 1 |
| Sustaining Capital | A$/oz | 35 | 99 | 82 | - | 71 |
| Corporate Costs | A$/oz | 7 | 7 | 3 | - | 5 |
| All-in Sustaining Costs ** | A$/oz | 1,243 | 1,100 | 1,303 | 60 | 1,215 |
| Project Startup Capital | A$/oz | 90 | 119 | 560 | 13,575 | 381 |
| Exploration Holding Cost | A$/oz | 69 | 47 | 53 | 1,315 | 66 |
| All-in Cost *** | A$/oz | 1,402 | 1,267 | 1,842 | 14,952 | 1,662 |

^ Westgold has a 50% profit share from cash surplus generated from Cannon Pit.

^^ South Kal processing costs are net of toll processing credits.

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# DIRECTORS' REPORT

## REVIEW OF OPERATIONS (CONTINUED)

Performance of the Gold Division for the previous corresponding period to 30 June 2016 is summarised below:

| | Units | Higginsville | South Kalgoorlie | CMGP | Group |
|---|---|---|---|---|---|
| **Physical Summary** | Units | 672,732 | 427,136 | 203,815 | 1,303,682 |
| UG Ore Mined | t | 3.35 | 2.35 | 2.25 | 2.85 |
| UG Grade Mined | g/t | 1,409,986 | 1,437,269 | 5,909,584 | 8,756,839 |
| **OP BCM Mined** | BCM | 342,727 | 261,072 | 892,848 | 1,496,648 |
| OP Ore Mined | t | 1.78 | 1.98 | 1.26 | 1.50 |
| OP Grade Mined | g/t | 1,114,145 | 884,854 | 925,069 | 2,924,068 |
| Ore Processed | t | 2.78 | 1.76 | 1.36 | 2.02 |
| Head Grade | g/t | 91.07% | 90.49% | 91.94% | 91.17% |
| Recovery | % | 91,371 | 45,403 | 37,182 | 173,956 |
| Gold Produced | oz | 95,461 | 44,520 | 33,757 | 173,738 |
| Gold Sold | oz | 1,614 | 1,614 | 1,614 | 1,614 |
| Achieved Gold Price | A$/oz | | | | |
| **Cost Summary** | | | | | |
| Mining | A$/oz | 700 | 877 | 746 | 756 |
| Processing | A$/oz | 310 | 288 | 390 | 322 |
| Admin | A$/oz | 114 | 57 | 187 | 114 |
| Stockpile Adj | A$/oz | 30 | (73) | (68) | (18) |
| C1 Cash Cost (produced oz) * | A$/oz | 1,154 | 1,149 | 1,255 | 1,174 |
| Royalties | A$/oz | 146 | 34 | 60 | 98 |
| Marketing/Cost of sales | A$/oz | 2 | 2 | 0 | 2 |
| Sustaining Capital | A$/oz | 53 | 98 | 109 | 77 |
| Corporate Costs | A$/oz | 8 | 18 | 12 | 12 |
| All-in Sustaining Costs ** | A$/oz | 1,363 | 1,301 | 1,436 | 1,363 |
| Project Startup Capital | A$/oz | 109 | 436 | 1,394 | 469 |
| Exploration Holding Cost | A$/oz | 42 | 105 | 324 | 119 |
| All-in Cost ** | A$/oz | 1,514 | 1,842 | 3,154 | 1,951 |

* C1 Cash Cost ("C1"): represents the cost for mining, processing and administration after accounting for movements in inventory (predominantly ore stockpiles). It includes net proceeds from by-product credits, but excludes the cost of royalties and capital costs for exploration, mine development and plant and equipment.

** All-in Sustaining Cost ("AISC"): is made up of the C1 cash cost plus royalty expense, sustaining capital expense and general corporate and administration expenses.

*** All-in Cost ("AIC"): is made up of the AISC plus growth (major project) capital and discovery expenditure.

C1, AISC and AIC are non-IFRS financial information and are not subject to audit.

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**The Central Murchison Gold Project**

For the financial year the CMGP continued its ramp up with open pit and underground (Paddy's Flat) feed sources supplying the Bluebird CIP plant. Throughput for the full year on a blend of primarily hard ores was 1.52 million tonnes and lower than anticipated.

The CMGP project is a consolidation of nine historic gold mining centres in the Central Murchison Region between the regional towns of Cue and Meekatharra. These include the Day Dawn, Cuddingwarra, Big Bell, Pinnacles, Reedy, Nannine, Yaloginda, Paddy's Flat and Meekatharra North gold mining centres which have historic production of over 10 million ounces, but with historic production being sourced from a handful of larger underground mines. The key objective of the CMGP is to re-establish steady state production from these key underground mines.

The first of these underground mines, Paddy's Flat is now in a steady-state and. produced 503,299 tonnes at 3.42 g/t Au for the full year and continues to increase. The second underground mine at CMGP, the Comet Mine, commenced late in December 2016 with the portal being established. The mine remained in a development phase during the quarter with two levels of development nearing completion over an approximate 800 metre strike. Comet produced 53,847 tonnes at 4.38 g/t Au for the year and is ready to transition to stoping with an expected production rate of 300,000 tonnes in the ensuing year.

Dewatering of the large Big Bell mine continues with good progress with this mine on a path to establish a sub-level caving operation with an annualized production rate of over 1 million tonnes per annum. In addition, smaller underground mines are planned for the South Emu – Triton, Boomerang, Bluebird, Great Fingall-Golden Crown and Caustons (Tuckabianna) ore bodies.

In the meantime, open pit mining continues to provide stepping-stone sources of plant feed with the Jack Ryan, Bluebird, Callisto, Surprise, Mickey Doolan and Culliculli mines.

Mine production significantly exceeded plant capability during the second half of the year. Planned throughput capacity on harder ores has proved difficult with temporary secondary crushing required to assist. An upgrade of the plant with a secondary crushing circuit is planned which should stabilize plant throughput on the harder ores at a rate of 1.8mtpa.

Having now advanced the CMGP project through its full year, the recent acquisition of the Tuckabianna Plant (1.2mtpa) in the southern part of the CMGP has added an immediate capacity upgrade and a re-jig of the development strategy for the CMGP to incorporate production in the southern and northern parts to feed both plants at full capacity is underway. Initial estimates are that the Tuckabianna Plant will require approximately $10,000,000 in refurbishment costs and should be operation early in 2018. In addition to the process plant, the Tuckabianna acquisition, the tenure holds an identified Mineral Resource estimate of 524,000 ounces (refer to WGX ASX announcement of 23 June 2017 for full details).

**The Higginsville Gold Operation ("HGO")**

Mining operations at HGO feed a 1.3Mtpa CIP plant which operates as a centralised milling facility with ores carted to it from various mines.

After many past years with the Trident underground mine being the key source of ores the mine closed early in the financial year and operations transition to the lower grade Mt Henry open pits as the long-term steady source of ore feedstock.

Open pit mining progressed as planned at Mt Henry with ores being carted approximately 75km north to the processing plant. Open pit mining also continued at Fairplay with the pit being completed during the year and the Fairplay East pit being commenced. Output decreased in-line with the lower grade feedstock from the open pits.

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# DIRECTORS' REPORT

## REVIEW OF OPERATIONS (CONTINUED)

**The Central Murchison Gold Project (Continued)**

A plant expansion study for HGO is nearing an end with engineering costs estimates nearly complete. A three-part upgrade is under contemplation with a change in the circuit looking to replace the existing four stage crushing circuit with a single phase of primary crushing and a SAG mill with closed circuit scats crushing upgrade to the front end of the circuit. It is anticipated that this with minimal downstream alterations will allow plant throughput to expand to over 2Mtpa. In parallel, considerations to placing the expanded plant onto grid power by adding a 12 km overhead line to the regional network. In a drive to lower the ore haulage costs, a shift to rail cartage is under consideration with significant long-term benefits for the project.

**The South Kalgoorlie Operation ("SKO")**

The SKO operations have a number of feedstocks servicing a 1.2Mtpa CIP plant. Numerous open pits and underground deposits have previously been mined within the tenement area since the late 1980's.

During the year, a number of owner (directly attributable) feedstocks were supplied to the plant. The primary feedstocks were the wholly owned HBJ underground mine, the George's Reward and Gunga open pits and existing low grade ore stocks. Additional plant capacity was taken up with toll processing feeds. Westgold also operates a mine financing and profit sharing agreement over the Cannon mine with its mine owner, Southern Gold Limited. All proceeds from the sale of the Cannon production goes first to repay all costs incurred by the project and SKO has the right to a 50% share of all surplus profits. Mining and processing from the Cannon open pit mine was completed by year end with the final ore being successfully extracted via a small underground adit. During the period 430,565 tonnes were processed at a grade of 3.22g/t to produce 40,522 ounces.

A toll processing agreement covering 50% of plant capacity for financial year 2017-2018 was reached with RNC Minerals (RNC). In addition RNC took an option to acquire the SKO operations. Subsequent to year-end, that option lapsed on 13 August 2017.

**The Fortnum Gold Project ("FGP")**

The refurbishment and permitting to re-start the Fortnum plant commenced early in the financial year.

After some delays and unfortunate time overruns, the dry commissioning of the plant commenced in May 2017. The successful wet commissioning followed and commercial production from the project was declared on 30 June 2017.

Open pit mining commenced in the last quarter of the financial year from the small Tom's Pit. A larger open pit contract for three years of open pit ore feed was awarded to a third-party contractor with works set to start early in the new financial year. Initially, the Starlight underground was not planned to start until two years into the plan, however, a re-work of the development plan delivered a compelling case to bring it forward and justify the upfront capital investment at this early stage and ensure a portion of higher grade underground feed on a consistent basis to the plant. Dewatering has rapidly progressed with access to the underground for refurbishment expected early in new financial year.

**The Rover Project**

north-east. Exploration to date has so far fully tested a small number of anomalies and significant mineralised IOCG ("Iron Oxide Copper Gold") systems have been discovered at the Rover 1 and Explorer 142 prospects. In addition, significant lead-zinc-silver discoveries have been made at Explorer 108 and recently at the Curiosity Prospect to its south.

The Rover 1 Prospect is a virgin IOCG discovery and has a Total Mineral Resource Estimate of 6.8Mt at 1.73g/t Au, 1.2% Cu, 0.14% Bi and 0.06% Co although drilling is continuing. The Explorer 108 prospect has a Total Mineral Resource Estimate of 11.9Mt at 3.24% Zn, 2.00 pb and 11.14g/t Ag[+].

The project area is proximal to a major infrastructure corridor being adjacent to the Central Australian Railway, gas pipeline and Stuart Highway.

Only field reconnaissance surveys to investigate areas of undrilled anomalies occurred during the year.

\+ For further details on Total Mineral Resource and Reserve Estimates refer to Metals X ASX announcement dated 18 August 2016.

## CORPORATE

**Demerger from Metals X Limited**

On 24 November 2016 at an Extraordinary General Meeting of Metals X Limited, shareholders approved the demerger of its gold assets via a capital reduction and an in specie distribution of all the shares in Westgold. On 6 December 2016 Westgold commenced trading on the ASX.

**Investments**

Westgold holds small investments in exploration companies which result from dealing in non-strategic mining titles. The current investment holdings are:

- Overland Resources Limited (ASX:OVR) 2.45% (2016: nil); and
- Auris Minerals Limited (ASX:AUR) 1.41% (2016: nil).

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity increased by 188% ($195,525,007) to $299,635,614 (2016: $104,110,607). The movement was largely as a result of the intercompany loan from Metals X that was written off during the period.

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 3 July 2017 the Company announced that it had completed the acquisition of privately owned specialist underground mining contractor, Australian Contract Mining Pty Ltd ("ACM"). Consideration for the acquisition was 14,000,000 fully paid ordinary shares.

On 11 July 2017 the Company announced that the Toll Processing and Purchase Option Agreements with RNC Minerals Corporation ("RNC"), previously announced on 13 February 2017, have been executed by both parties. The Toll Processing Agreement provides 50% of Westgold's SKO plant capacity to RNC from 1 July 2017 to 30 June 2018 with utilisation on an approximate three weeks on three weeks off basis. The Purchase Option Agreement provides RNC a six month option, expiring 13 August 2017, to outright purchase SKO for A$80M. Total consideration received for both agreements is approximately 23,400,000 fully paid ordinary shares in RNC.

On 15 August 2017 RNC advised that it would not elect to extend its purchase option for a further 6 months. The purchase option therefore lapses unexercised and the deposit paid in RNC shares will lapse.

On 29 August 2017 the Company extended its gold pre-pay facility with Citibank London. Under the extended agreement Citibank has advanced Westgold $36,150,750 in cash and Westgold will deliver 1,250 ounces per month to Citibank for 18 months from October 2017.

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# DIRECTORS' REPORT

## REVIEW OF OPERATIONS (CONTINUED)

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

It is expected that the Consolidated Entity will continue its exploration, mining, processing, production and marketing of gold bullion in Australia, and will continue the development of its gold exploration projects. These are described in more detail in the Review of Operations above.

### ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity's operations are subject to the relevant environmental protection legislation (Commonwealth and State legislation). The Consolidated Entity holds various environmental licenses issued under these laws, to regulate its mining and exploration activities in Australia. These licenses include conditions and regulations in relation to specifying limits on discharges into the air, surface water and groundwater, rehabilitation of areas disturbed during the course of mining and exploration activities and the storage of hazardous substances.

All environmental performance obligations are monitored by the board of directors and subjected from time to time to Government agency audits and site inspections. There have been no material breaches of the Consolidated Entity's licenses and all mining and exploration activities have been undertaken in compliance with the relevant environmental regulations.

### SHARE OPTIONS

**Unissued shares**

As at the date of this report, there were 11,000,000 unissued ordinary shares under option.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

**Shares issued as a result of exercising options**

There were no option conversions during the financial year.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company paid a premium in respect of a contract of insurance to insure Directors and officers of the Company and related bodies corporate against those liabilities for which insurance is permitted under section 199B of the Corporations Act 2001. Disclosure of the nature of the liabilities and the amount of the premium is prohibited under the conditions of the contract of insurance.

### INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

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## DIRECTORS' MEETINGS

The number of meetings of Directors' (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

| | Directors Meetings | Audit Committee | Remuneration & Nomination Committee |
|---|---|---|---|
| **No of meetings held:** | 9 | 1 | 1 |
| **No of meetings attended:** | | | |
| PG Cook | 9 | - | - |
| WS Hallam | 3 | - | - |
| PJ Newton | 9 | 1 | 1 |
| JS Norregaard | 8 | - | - |
| PB Schwann | 6 | 1 | 1 |
| FJ Van Maanen | 9 | 1 | 1 |

All Directors were eligible to attend all meetings held except Mr Newton, Mr Norregaard, Mr Schwann, Mrs Van Maanen and Mr Hallam who were appointed 6 October 2016, 29 December 2016, 2 February 2017, 6 October 2016 and resigned on 2 February 2017 respectively.

**Committee Membership**

As at the date of this report, the Company had an Audit Committee and a Remuneration and Nomination Committee of the Board of Directors.

Members acting on the committees of the Board during the year were:

| Audit Committee | Remuneration & Nomination Committee |
|---|---|
| PJ Newton * | PJ Newton * |
| PB Schwann | PB Schwann |
| FJ Van Maanen | FJ Van Maanen |

**Notes:**

* Designates the Chairman of the Committee.

## REMUNERATION REPORT (AUDITED)

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

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Non-executive Director remuneration arrangements
4. Executive remuneration arrangements
5. Company performance and the link to remuneration
6. Executive contractual arrangements
7. Additional statutory disclosures

### 1. INTRODUCTION

The remuneration report details the remuneration arrangements for Key Management Personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity.

For the purposes of this remuneration report, the term 'executive' includes the Managing Director (MD), executive directors, senior executives, general managers and secretary of the Consolidated Entity.

Details of KMP of the Consolidated Entity are set out below:

| Name | Position | Appointed | Resigned |
|---|---|---|---|
| **(i) Non-Executive Directors (NEDs)** | | | |
| WS Hallam | Non-Executive Director | 1/12/2016 | 2/2/2017 |
| PJ Newton | Non-Executive Chairman | 6/10/2016 | - |
| PB Schwann | Non-Executive Director | 2/2/2017 | - |
| FJ Van Maanen | Non-Executive Director | 6/10/2016 | - |
| **(ii) Executive Directors** | | | |
| PG Cook | Managing Director | 19/03/2007 | - |
| WS Hallam | Executive Director | 18/03/2010 | 30/11/2016 |
| PD Hucker | Director & Chief Operating Officer - SKO & HGO | 17/10/2012 | 3/10/2016 |
| JS Norregaard | Executive Director | 29/12/2016 | - |
| **(iii) Other Executives (KMPs)** | | | |
| SM Balloch | CFO | 1/12/2016 | - |
| JG Brock | Chief Operating Officer - CMGP & FGP | 21/03/2016 | - |
| PD Hucker | Chief Operating Officer - SKO & HGO | 17/10/2012 | - |
| DW Okeby | Company Secretary | 1/12/2016 | - |
| JW Russell | Chief Geologist | 1/12/2016 | - |

There are no other changes of the key management personnel after the reporting date and before the date the financial report was authorised for issue.



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## 2. REMUNERATION GOVERNANCE

**Remuneration and Nomination Committee**
The remuneration and nomination committee comprises three NEDs.

The remuneration and nomination committee is responsible for making recommendations to the Board on the remuneration arrangements for non-executive directors and executives.

The remuneration and nomination committee assesses the appropriateness of the nature and amount of remuneration of non-executive directors and executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and executive team.

**Remuneration approval process**
The Board approves the remuneration arrangements of the Managing Director (MD) and executives and all awards made under the long-term incentive plan, following recommendations from the remuneration and nomination committee. The Board also sets the aggregate remuneration of non-executive directors which is then subject to shareholder approval.

The remuneration and nomination committee approves, having regard to the recommendations made by the MD, the level of the Consolidated Entity's short-term incentive pool.

**Remuneration Strategy**
The Company's remuneration strategy is designed to attract, motivate and retain employees and non-executive directors by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Consolidated Entity.

To this end, the company embodies the following principles in its remuneration framework:

- retention and motivation of key executives;
- attraction of quality management to the Consolidated Entity; and
- performance incentives which allow executives to share the rewards of the success of the Consolidated Entity.

**Remuneration Structure**
In accordance with best practice corporate governance, the structure of non-executive director and senior executive remuneration is separate and distinct.

**Remuneration report at FY16 AGM**
There was no remuneration report and no FY16 AGM as Westgold was part of the Metals X group until its demerger on 1 December 2016.

## 3. NON-EXECUTIVE DIRECTOR REMUNERATION ARRANGEMENTS

**Remuneration Policy**
The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to non-executive directors of comparable companies. The Board may consider advice from external consultants, however none were engaged during the year. The board also considers fees paid to non-executive directors of comparable companies when undertaking the annual review process.

The Company's constitution and the ASX listing rules specify that the non-executive director fee pool shall be determined from time to time by a general meeting. The current aggregate fee pool of $500,000 was contained as part of the Metals X Explanatory Memorandum for the proposed gold demerger approved at an extraordinary general meeting of Metals X shareholders held on 24 November 2016.

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# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### 3. NON-EXECUTIVE DIRECTOR REMUNERATION ARRANGEMENTS

**Structure**
The remuneration of non-executive directors consists of director's fees. Non-executives are entitled to receive retirement benefits and to participate in any incentive programs. There are currently no specific incentive programs.

All non-executive directors receive a base fee of $80,000 for being a director of the Consolidated Entity. There are no additional fees for serving on any board committees.

Non-executive directors have been encouraged by the Board to hold shares in the Company and align their interests with the Company's shareholders. The shares are purchased by the directors at the prevailing market share price.

The remuneration report for the non-executive directors for the year ending 30 June 2017 and 30 June 2016 is detailed in Table 1 and Table 2 respectively of this report.

### 4. EXECUTIVE REMUNERATION ARRANGEMENTS

**Remuneration Policy**
The Company's executive remuneration strategy is designed to attract, motivate and retain high performing individuals and align the interests of executives and shareholders.

**Structure**
In determining the level and make-up of executive remuneration, the remuneration and nomination committee engages external consultants as needed to provide independent advice.

Remuneration consists of the following key elements:

- Fixed remuneration (base salary and superannuation); and
- Variable remuneration (share options, performance rights and cash bonus).

The proportion of fixed remuneration and variable remuneration for each executive for the period ending 30 June 2017 and 30 June 2016 are set out in Table 1 and Table 2.

**Fixed Remuneration**
Executive contracts of employment do not include any guaranteed base pay increase. Fixed remuneration is reviewed annually by the remuneration and nomination committee. The process consists of a review of the Company, individual performance, relevant comparative remuneration internally and externally and, where appropriate, external advice independent of management.

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The fixed remuneration component for executives for the period ending 30 June 2017 and 30 June 2016 are set out in Table 1 and Table 2.

**Variable Remuneration**

**Short Term Incentive ("STI") – cash bonus**

The objective of the STI is to link the increase in shareholder value over the year with the remuneration received by the executives responsible with achieving that increase. Executives may from time-to-time receive a discretionary cash bonus approved by the Board as a retrospective reward for exceptional performance in a specific matter of importance.

Annual STI payments granted to each executive depends on their performance over the year and are based on recommendations from the MD following collaboration with the Board. Typically included are measures such as contribution to strategic initiatives, risk management and leadership/team contribution.

The aggregate of annual STI payments for executives across the Consolidated Entity is subject to the approval of the Board. The Board has no pre-determined performance criteria against which the amount of a STI is assessed and there are no pre-determined maximum possible values of award under the STI scheme. In assessing the value of an STI award to be granted the Board will give consideration to the contribution of the action being rewarded to the success of the Consolidated Entity. Based on the performance of the individuals and the Consolidated Entity, no discretionary STI cash bonuses were awarded in respect of the 2017 financial year and no STI cash bonuses were paid in respect of the 2016 financial year. No discretionary STI cash bonuses relating to the 2017 or 2016 financial years will become payable in future financial years.

**Long Term Incentive ("LTI") – Share options and Performance Rights**

The objective of the LTI plan is to reward executives in a manner that aligns remuneration with the creation of shareholder wealth. As such LTI's are made to executives who are able to influence the generation of shareholder wealth and thus have an impact on the Consolidated Entity's performance.

*Post Demerger*

LTI awards to executives are made under the Westgold Limited Employee Share and Option Plan and are delivered in the form of options and performance rights over unissued ordinary shares of the Company. The number of options and performance rights issued are determined by the policy set by the remuneration and nomination committee and is based on each executive's role and position with the Consolidated Entity.

The share options will be issued with such conditions as determined by the Board of Directors. Executives are able to exercise the share options for periods as determined by the Board of Directors, being not less than two years after vesting, before the options lapse. Where a participant ceases employment prior to the vesting of their share options, the share options are forfeited. Where a participant ceases employment after the vesting of their share options, the share options automatically lapse after three months of ceasing employment. There are no performance conditions attached to the options, unless otherwise determined by the Board of Directors, as they are used as part of remuneration packages to attract and retain Executives.

The performance rights will be issued with such conditions as determined by the Board of Directors. Where a participant ceases employment prior to the vesting of their performance rights, the performance rights are forfeited. The performance rights will have performance hurdles as determined by the Board of Directors.

Table 3 provides details of LTI options granted, exercised and lapsed during the year. There are no performance rights on issue.

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## REMUNERATION REPORT (AUDITED) (CONTINUED)

### 4. EXECUTIVE REMUNERATION ARRANGEMENTS (CONTINUED)

*Pre Demerger (Metals X Limited)*

LTI awards to executives were made under the Metals X Limited Long Term Incentive Plan and were delivered in the form of options and performance rights over unissued ordinary shares of the Company. The number of options and performance rights issued are determined by the policy set by the Metals X remuneration and nomination committee and were based on each executive's role and position with the Metals X Consolidated Entity.

The share options vested after one year or as determined by the Metals X Board of Directors and Executives are able to exercise the share options for up to two years after vesting before the options lapse. Where a participant ceased employment prior to the vesting of their share options, the share options were forfeited. Where a participant ceases employment after the vesting of their share options, the share options automatically lapse after three months of ceasing employment.

The performance rights vest over a period of three years subject to meeting performance measures or as determined by the Metals X Board of Directors. Where a participant ceased employment prior to the vesting of their performance rights, the performance rights were forfeited. The performance rights had the following performance hurdles:

- The Absolute Total Shareholder Return (TSR) performance rights (50% of total performance rights) vest subject to the compound annual growth rate of Metals X's TSR being not less than 15% over the three year service period.
- The Relative TSR performance rights (50% of total performance rights) are measured against a defined peer group of companies over the service period of three years, which the Metals X Board considered to compete with Metals X for the same investment capital, both in Australia and overseas, and which by the nature of their business are influenced by commodity prices and other external factors similar to those that impact on the TSR performance of the Metals X.

**Long Term Incentive (LTI) – Share options and Performance Rights**

The comparator group of companies for FY15 Performance Rights comprises:

| | |
|---|---|
| Evolution Mining Limited | Oceana Gold Corporation |
| Independence Gold Limited | Ramelius Resources Limited |
| Kingsgate Consolidated Limited | Regis Resources Limited |
| Kingsrose Mining Limited | Saracen Mineral Holdings Limited |
| Medusa Mining Limited | Silver Lake Resources Limited |
| Northern Star Resources Ltd | Norton Goldfields Limited |

The comparator group of companies for FY16 Performance Rights comprises:

| | |
|---|---|
| Oz Minerals Limited | CuDeco Limited |
| Northern Star Resources Ltd | Orocobre Limited |
| Independence Group NL | Saracen Mineral Holdings Limited |
| Sirius Resources NL | Resolute Mining Limited |
| Alacer Gold Corp | Beadell Resources Limited |
| Western Areas Limited | Perseus Mining Limited |
| Sandfire Resources NL | Medusa Mining Ltd |
| Oceana Gold Corporation | Kingsgate Consolidated Limited |
| Regis Resources Limited | Tiger Resources Limited |
| Evolution Mining Limited | Silver Lake Resources Limited |

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The Metals X Board considered TSR is an appropriate performance hurdle because it ensures that a proportion of each participant's remuneration is explicitly linked to shareholder value and ensures that participants only receive a benefit where there is a corresponding direct benefit to shareholders.

The Absolute and Relative TSR's are monitored by an independent external advisor at 30 June each year, with the vesting outcomes ultimately determined at the end of the three year performance period.

Table 4 provides details of LTI performance rights granted, exercised and lapsed during the year.

## 5. COMPANY PERFORMANCE AND THE LINK TO REMUNERATION

STI remuneration is linked to the performance of the Company. In the current financial year no cash bonuses were awarded to executives.

LTI remuneration has been designed to motivate and incentivise executives to drive the Company's long term performance to deliver greater returns to shareholders. The granting of performance rights and/or share options is a performance incentive which allows executives to share in the rewards and success of the Company.

| | 30 June 2017 | 30 June 2016 | 30 June 2015 | 30 June 2014 |
|---|---|---|---|---|
| Closing share price | $1.84 | N/A | N/A | N/A |
| Profit/(loss) per share (cents) * | 5.18 | (6.75) | 4.49 | 7.82 |
| Net tangible assets per share * | $0.98 | $0.34 | $0.44 | $0.34 |
| Total Shareholder Return | N/A | N/A | N/A | N/A |
| Dividend paid per shares (cents) | - | - | - | - |

* In preparation for the demerger from Metals X Limited a share consolidation took place resulting the cancellation of 112,507,164 ordinary shares to allow a two for one in specie distribution of Westgold shares to Metals X Limited shareholders. For the purposes of this table the share consolidation has been treated as effective from 1 July 2013.

## 6. EXECUTIVE CONTRACTUAL ARRANGEMENTS

Remuneration arrangements for KMP are formalised in employment agreements. Details of these contracts are provided below:

**Managing Director**

The MD, Mr Cook is employed under an annual salary employment contract and receives a fixed remuneration of $635,100 (including superannuation) per annum.

The other terms of Managing Director's employment contracts are:

- The MD may resign from his position and thus terminate his contract by giving three months written notice. On resignation, any unvested options and performance rights will be forfeited.
- The Company may terminate the employment agreement by providing three months written notice or providing payment in lieu of notice period (based on the fixed component of the MD's remuneration). On termination on notice by the Company Mr Cook will still be entitled to any LTI options and performance rights that have vested or that will vest during the notice period. LTI options and performance rights that have not yet vested will be forfeited.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the MD is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause by the Company Mr Cook will still be entitled to any LTI options and performance rights that have vested. LTI options and performance rights that have not yet vested will be forfeited.

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# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### 6. EXECUTIVE CONTRACTUAL ARRANGEMENTS (CONTINUED)

**Executive Director**

Mr Norregaard is employed under an annual salary employment contract and receives a fixed remuneration of $459,900 (including superannuation) per annum.

The other terms of the Executive Director's employment contracts are:

- Executive Directors may resign from his position and thus terminate his contract by giving three months written notice. On resignation, any unvested options and performance rights will be forfeited.
- The Company may terminate the employment agreement by providing three months written notice or providing payment in lieu of notice period (based on the fixed component of the executive director's remuneration). On termination on notice by the Company Mr Norregaard will still be entitled to any LTI options and performance rights that have vested or that will vest during the notice period. LTI options and performance rights that have not yet vested will be forfeited.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the Executive Director is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause by the Company Mr Norregaard will still be entitled to any LTI options and performance rights that have vested. LTI options and performance rights that have not yet vested will be forfeited.

**Other KMP**

All other executives have standard employment contracts. The other terms of the employment contracts are:

- Executives may resign from their position and thus terminate their contract by giving one to three months written notice. On resignation, any unvested options and performance rights will be forfeited.
- The Company may terminate the employment agreement by providing one to three months written notice or providing payment in lieu of notice period (based on the fixed component of the executive's remuneration). On termination on notice by the Company other KMP will still be entitled to any LTI options and performance rights that have vested or that will vest during the notice period. LTI options and performance rights that have not yet vested will be forfeited.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause by the Company other KMP will still be entitled to any LTI options and performance rights that have vested. LTI options and performance rights that have not yet vested will be forfeited.

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## Table 1: Remuneration for the year ended 30 June 2017

| | Short Term | | | Post employment | Long term benefits | Share-based Payment | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Salary and Fees** | **Cash Bonus** | **Non monetary benefits** | **Superannuation** | **Long service leave** | **Performance Rights (Metals X pre-demerger)** | **Options** | **Total** | **% Performance related** | **% of remuneration that consists of performance rights** |
| **Non-executive Directors** | | | | | | | | | | |
| WS Hallam (1) | 13,333 | - | - | 1,267 | - | - | - | 14,600 | - | - |
| PJ Newton (2) | 46,667 | - | - | 4,433 | - | - | - | 51,100 | - | - |
| PB Schwann (2) | 33,333 | - | - | 3,167 | - | - | - | 36,500 | - | - |
| FJ Van Maanen (2) | 46,667 | - | - | 4,433 | - | - | - | 51,100 | - | - |
| | **140,000** | **-** | **-** | **13,300** | **-** | **-** | **-** | **153,300** | | |
| **Executive Directors** | | | | | | | | | | |
| PG Cook (5) | 400,858 | - | 2,453 | 22,542 | 33,828 | 165,387 | 670,275 | 1,295,343 | 13 | 13 |
| WS Hallam (1) (5) | 29,294 | - | 324 | 2,187 | 909 | 88,840 | - | 121,554 | 73 | 73 |
| JS Norregaard (2) | 210,000 | - | 1,463 | 19,950 | 1,078 | - | - | 232,491 | - | - |
| **Other key management personnel** | | | | | | | | | | |
| SM Balloch (3) | 196,086 | - | 2,494 | 18,628 | 19,246 | - | 357,480 | 593,934 | - | - |
| JG Brock | 352,207 | - | 1,164 | 13,563 | 822 | - | 268,110 | 635,866 | - | - |
| PD Hucker (4) | 319,635 | - | 5,486 | 30,365 | 16,030 | 341,421 | 268,110 | 981,047 | 35 | 35 |
| DW Okeby (3) | 115,897 | - | 2,428 | 11,010 | 24,929 | - | 268,110 | 422,374 | - | - |
| JW Russell (3) | 126,650 | - | 2,161 | 12,469 | 5,254 | - | 134,055 | 280,589 | - | - |
| | **1,750,627** | **-** | **17,973** | **130,714** | **102,096** | **595,648** | **1,966,140** | **4,563,198** | | |
| **Totals** | **1,890,627** | **-** | **17,973** | **144,014** | **102,096** | **595,648** | **1,966,140** | **4,716,498** | | |

1. WS Hallam changed from executive Director to a non-executive Director on 1 December 2016 and resigned 2 February 2017.
2. PJ Newton, PB Schwann, FJ Van Maanen and SJ Norregaard were appointed 6 October 2016, 2 February 2017, 6 October 2016 and 29 December 2016, respectively.
3. Amounts represent period from 1 December 2016 to 30 June 2017.
4. PD Hucker was a director of Westgold pre-demerger and resigned 3 October 2016.
5. For the period 1 July to 30 November 2016 an apportionment of the remuneration provided by Metals X has been included based upon an estimate of time spent on the Westgold operations. For Mr Cook this was 20% and Mr Hallam 15%.

# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### 6. EXECUTIVE CONTRACTUAL ARRANGEMENTS (CONTINUED)

**Table 1: Remuneration for the year ended 30 June 2016**

| | Short Term | | | Post employment | Long term benefits | Share-based Payment | | Total | % Perfor-mance related | % of remu-neration that consists of performance rights |
|---|---|---|---|---|---|---|---|---|---|---|
| | Salary and Fees | Cash Bonus | Non monetary benefits | Superannua-tion | Long service leave | Performance Rights | Options | | | |
| **Executive Directors** | | | | | | | | | | |
| PG Cook (1) | 119,961 | - | 1,107 | 5,988 | 4,788 | 24,968 | - | 156,812 | 16 | 16 |
| WS Hallam (1) | 70,305 | - | 940 | 5,250 | 2,249 | 13,316 | - | 92,060 | 14 | 14 |
| PD Hucker | 319,635 | - | 6,099 | 30,365 | 12,914 | 51,557 | - | 420,570 | 12 | 12 |
| **Other key management personnel** | | | | | | | | | | |
| JG Brock (2) | 108,000 | - | - | - | - | - | - | 108,000 | - | - |
| | **617,901** | **-** | **8,146** | **41,603** | **19,951** | **89,841** | **-** | **777,442** | | |
| **Totals** | **617,901** | **-** | **8,146** | **41,603** | **19,951** | **89,841** | **-** | **777,442** | | |

1. An apportionment of the remuneration provided by Metals X has been included based upon an estimate of time spent on the Westgold operations. For Mr Cook this was 20% and Mr Hallam 15%.
2. JG Brock was appointed on 21 March 2016.

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## 7. ADDITIONAL STATUTORY DISCLOSURES

This section sets out the additional disclosures required under the *Corporations Act 2001*.

**Table 3: Westgold options granted and vested during the year (Consolidated)**

| | Year | Options granted during the year (No.) | Grant date | Fair value per option at grant date | Value of options at grant date $ | Vesting date | Exercise price | Expiry date | Options vesting during the period | Options lapsed during the year |
|---|---|---|---|---|---|---|---|---|---|---|
| PG Cook | 2017 | 2,250,000 | 24/11/2016 | $0.60 | 1,340,550 | 11/1/2018 | $2.02 | 11/1/2020 | - | - |
| PG Cook | 2016 | - | - | | - | - | - | - | - | - |
| SM Balloch | 2017 | 1,200,000 | 11/1/2017 | $0.60 | 714,960 | 11/1/2018 | $2.02 | 11/1/2020 | - | - |
| SM Balloch | 2016 | - | - | | - | - | - | - | - | - |
| JG Brock | 2017 | 900,000 | 11/1/2017 | $0.60 | 536,220 | 11/1/2018 | $2.02 | 11/1/2020 | - | - |
| JG Brock | 2016 | - | - | | - | - | - | - | - | - |
| PD Hucker | 2017 | 900,000 | 11/1/2017 | $0.60 | 536,220 | 11/1/2018 | $2.02 | 11/1/2020 | - | - |
| PD Hucker | 2016 | - | - | | - | - | - | - | - | - |
| DW Okeby | 2017 | 900,000 | 11/1/2017 | $0.60 | 536,220 | 11/1/2018 | $2.02 | 11/1/2020 | - | - |
| DW Okeby | 2016 | - | - | | - | - | - | - | - | - |
| JW Russell | 2017 | 450,000 | 11/1/2017 | $0.60 | 268,110 | 11/1/2018 | $2.02 | 11/1/2020 | - | - |
| JW Russell | 2016 | - | - | | - | - | - | - | - | - |

For details on the valuation of the options, including models and assumptions used, please refer to note 29.

The value of the share based payments granted during the period is recognised in compensation over the vesting period of the grant.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### 6. EXECUTIVE CONTRACTUAL ARRANGEMENTS (CONTINUED)

**Performance Rights**

**Table 4: Metals X performance rights granted and vested during the year (granted pre-demerger)**

| | Year | Performance rights granted during the year (No.) | Grant date | Value of performance rights at grant date $ | Vesting date | Expiry date | Performance rights vested during the period ** | Performance rights lapsed during the year |
|---|---|---|---|---|---|---|---|---|
| PG Cook | 2017 | - | - | - | - | - | 709,092 | - |
| PG Cook (1) | 2016 | 324,476 | 23 November 2015 | 218,372 | 1 July 2018 | 1 July 2018 | - | - |
| WS Hallam | 2017 | - | - | - | - | - | 507,867 | - |
| WS Hallam (1) | 2016 | 225,175 | 23 November 2015 | 151,543 | 1 July 2018 | 1 July 2018 | - | - |
| PD Hucker | 2017 | - | - | - | - | - | 292,767 | - |
| PD Hucker | 2016 | 134,113 | 23 November 2015 | 90,258 | 1 July 2018 | 1 July 2018 | - | - |

1. Grant of performance rights was subject to Metals X shareholder approval at the Annual General Meeting, which occurred on 23 November 2015.
2. No consideration was paid by Metals X employees for the underlying shares upon vesting of the performance rights.

For details on the valuation of the performance rights, including models and assumptions used, please refer to note 29.

The value of the share based payments granted during the period is recognised in compensation over the vesting period of the grant

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## 7. ADDITIONAL STATUTORY DISCLOSURES (CONTINUED)

**Table 5: Shareholdings of key management personnel (including nominees)**
**Ordinary shares held in Westgold Resources Limited (number)**

| 30 June 2017 | Balance held at 1 July 2016 | On demerger from Metals X [1] | On exercise of options | Net change other [2] | Balance held at 30 June 2017 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| PG Cook | - | 9,539,475 | - | (10,409) | 9,529,066 |
| WS Hallam (3) | - | 806,671 | - | (806,671) | - |
| PJ Newton | - | 6,941,656 | - | - | 6,941,656 |
| SJ Norregaard | - | - | - | - | - |
| PB Schwann | - | - | - | - | - |
| FJ Van Maanen | - | 435,521 | - | - | 435,521 |
| **Executives** | | | | | |
| SM Balloch | - | 113,340 | - | - | 113,340 |
| JG Brock | - | - | - | - | - |
| PD Hucker | - | 160,379 | - | (13,995) | 146,384 |
| DW Okeby | - | 24,734 | - | - | 24,734 |
| JW Russell | - | 130,702 | - | - | 130,702 |
| **Total** | **-** | **18,152,478** | **-** | **(831,075)** | **17,321,403** |

1. Pursuant to the demerger of Westgold shareholders of Metals X received one share in Westgold for every two held in Metals X via in specie distribution.
2. Represents disposals of shares on market or via off market transfer or shareholding on resignation.
3. For Mr Hallam the net change other amount relates to shareholding on resignation.

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# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### 7. ADDITIONAL STATUTORY DISCLOSURES (CONTINUED)

**Table 6: Performance right and option holdings of key management personnel (including nominees)**

| 30 June 2017 | Options balance at beginning of period 1 July 2016 | MLX Performance rights balance at beginning of period 1 July 2016 | MLX Performance rights vested (1) | WGX Options granted as remuneration | Options balance at end of period 30 June 2017 | Performance rights balance at end of period 30 June 2017 | Options not vested and not exercisable | Options vested and exercisable |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| PG Cook | - | 709,092 | (709,092) | 2,250,000 | 2,250,000 | - | 2,250,000 | - |
| WS Hallam | - | 507,867 | (507,867) | - | - | - | - | - |
| PJ Newton | - | - | - | - | - | - | - | - |
| JS Norregaard | - | - | - | - | - | - | - | - |
| PB Schwann | - | - | - | - | - | - | - | - |
| FJ Van Maanen | - | - | - | - | - | - | - | - |
| **Executives** | | | | | | | | |
| SM Balloch | - | - | - | 1,200,000 | 1,200,000 | - | 1,200,000 | - |
| JG Brock | - | - | - | 900,000 | 900,000 | - | 900,000 | - |
| PD Hucker | - | 292,767 | (292,767) | 900,000 | 900,000 | - | 900,000 | - |
| DW Okeby | - | - | - | 900,000 | 900,000 | - | 900,000 | - |
| JW Russell | - | - | - | 450,000 | 450,000 | - | 450,000 | - |
| **Total** | **-** | **1,509,726** | **(1,509,726)** | **6,600,000** | **6,600,000** | **-** | **6,600,000** | **-** |

1. Pursuant to the demerger of Westgold the MLX Board determined that all performance rights on issue would vest and be exercisable prior to the Demerger. The performance rights vested and were converted into shares in MLX on 25 November 2016. The Metals X share price on the date of vesting was $1.51 per share. The cost of accelerating the vesting of the Performance Rights of $595,648 was included in the remuneration tables for 2017

## CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of Corporate Governance. The Company's corporate governance statement is available at the Company's website at www.westgold.com.au/corporate-information/corporate-governance/.

# AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

## AUDITOR INDEPENDENCE

The Directors' received the Independence Declaration, as set out on page 37, from Ernst & Young.

## NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services (refer to note 32):

| | $ |
|---|---|
| Tax compliance services | 170,800 |

Signed in accordance with a resolution of the Directors.

**PG Cook**
**Managing Director**
Perth, 31 August 2017



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# AUDITOR'S INDEPENDENCE DECLARATION

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

## Auditor's independence declaration to the Directors of Westgold Resources Limited

As lead auditor for the audit of Westgold Resources Limited for the financial year ended 30 June 2017, I declare 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.

This declaration is in respect of Westgold Resources Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

P Teale
Partner
Perth
31 August 2017

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

PT:RH:WESTGOLD:009

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# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 5 | 437,140,795 | 304,702,279 |
| Cost of sales | 7(a) | (405,682,984) | (302,746,276) |
| **Gross profit** | | **31,457,811** | **1,956,003** |
| Other income | 6 | 2,173,877 | 1,466,467 |
| Other expenses | 7(b) | (6,885,425) | (4,487,714) |
| Finance costs | 7(c) | (878,035) | (963,778) |
| Impairment loss on available-for-sale financial assets | 15 | (81,850) | - |
| Exploration and evaluation expenditure written off | 18 | (1,166,966) | (27,063,338) |
| **Profit/(loss) before income tax from continuing operations** | | **24,619,412** | **(29,092,360)** |
| Income tax (expense)/benefit | 8 | (8,884,892) | 8,522,713 |
| | | **15,774,520** | **(20,569,647)** |
| **Other comprehensive profit for the period, net of tax** | | **-** | **-** |
| **Total comprehensive profit/(loss) for the period** | | **15,774,520** | **(20,569,647)** |
| **Profit attributable to:** | | | |
| Members of the parent | | 15,774,520 | (20,569,647) |
| | | **15,774,520** | **(20,569,647)** |
| **Total comprehensive profit attributable to:** | | | |
| Members of the parent | | 15,774,520 | (20,569,647) |
| | | **15,774,520** | **(20,569,647)** |

**Profit/(loss) per share for the profit attributable to the ordinary equity holders of the parent (cents per share)**

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **Basic profit/(loss) per share** | | | |
| Continuing operations | 9 | 5.18 | (6.75) |
| **Diluted profit/(loss) per share** | | | |
| Continuing operations | 9 | 5.18 | (6.75) |

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# CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 10 | 67,137,367 | 478,316 |
| Trade and other receivables | 11 | 8,798,147 | 38,729,505 |
| Inventories | 12 | 47,956,628 | 35,881,733 |
| Prepayments | 13 | 796,293 | 309,810 |
| Other financial assets | 14 | 1,337,819 | - |
| **Total current assets** | | **126,026,254** | **75,399,364** |
| | | | |
| **NON-CURRENT ASSETS** | | | |
| Available-for-sale financial assets | 15 | 373,151 | - |
| Property, plant and equipment | 16 | 103,667,146 | 59,494,356 |
| Mine properties and development costs | 17 | 125,323,262 | 87,891,162 |
| Exploration and evaluation expenditure | 18 | 162,604,807 | 164,583,990 |
| **Total non-current assets** | | **391,968,366** | **311,969,508** |
| **TOTAL ASSETS** | | **517,994,620** | **387,368,872** |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 19 | 73,485,323 | 129,298,655 |
| Provisions | 20 | 4,765,939 | 3,021,268 |
| Interest bearing loans and borrowings | 22 | 5,259,259 | 3,130,282 |
| Unearned income | 24 | 5,812,500 | 22,493,125 |
| **Total current liabilities** | | **89,323,021** | **157,943,330** |
| | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Provisions | 21 | 91,808,450 | 83,147,893 |
| Interest bearing loans and borrowings | 23 | 5,194,528 | 4,205,433 |
| Unearned income | 25 | - | 5,812,500 |
| Deferred tax liabilities | 8 | 32,033,007 | 32,149,109 |
| **Total non-current liabilities** | | **129,035,985** | **125,314,935** |
| **TOTAL LIABILITIES** | | **218,359,006** | **283,258,265** |
| **NET ASSETS** | | **299,635,614** | **104,110,607** |
| | | | |
| **EQUITY** | | | |
| Issued capital | 26 | 173,944,902 | 171,644,902 |
| Accumulated losses | 27 | (64,743,994) | (80,518,514) |
| Share based payments reserve | 28 | 8,941,075 | 5,664,403 |
| Other reserves | 28 | 181,493,631 | 7,319,816 |
| **TOTAL EQUITY** | | **299,635,614** | **104,110,607** |

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Receipts from customers | | 414,647,671 | 260,094,831 |
| Interest received | | 764,812 | 1,238 |
| Other income | | 954,064 | 1,784,248 |
| Payments to suppliers and employees | | (340,278,788) | (212,018,299) |
| Interest paid | | (493,281) | (234,252) |
| **Net cash flows from operating activities** | 10 | **75,594,478** | **49,627,766** |
| | | | |
| **INVESTING ACTIVITIES** | | | |
| Payments for property, plant and equipment | | (47,307,664) | (11,990,644) |
| Payments for mine properties and development | | (63,782,674) | (79,100,887) |
| Payments for exploration and evaluation | | (23,906,069) | (28,339,756) |
| Proceeds from sale of property, plant and equipment | | 481,615 | 374,308 |
| Payments for performance bond facility | | (1,385,472) | - |
| **Net cash flows used in investing activities** | | **(135,900,264)** | **(119,056,979)** |
| | | | |
| **FINANCING ACTIVITIES** | | | |
| Payment of finance lease liabilities | | (3,973,371) | (2,555,428) |
| Proceeds from intercompany loans | | 34,938,208 | 43,361,807 |
| Proceeds from parent entity on demerger | | 96,000,000 | - |
| Proceeds from gold prepayment | | - | 23,250,000 |
| **Net cash flows from financing activities** | | **126,964,837** | **64,056,379** |
| | | | |
| Net (decrease)/increase in cash and cash equivalents | | 66,659,051 | (5,372,834) |
| Cash and cash equivalents at the beginning of the financial period | | 478,316 | 5,851,150 |
| **Cash and cash equivalents at the end of the period** | 10 | **67,137,367** | **478,316** |

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# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

| | Issued capital | Accumulated losses | Share based payments reserve | Equity reserve | Total Equity |
|---|---|---|---|---|---|
| **2017** | | | | | |
| **At 1 July 2016** | **171,644,902** | **(80,518,514)** | **5,664,403** | **7,319,816** | **104,110,607** |
| Loss for the year | - | 15,774,520 | - | - | 15,774,520 |
| Other comprehensive income, net of tax | - | - | - | - | - |
| **Total comprehensive (loss)/profit for the year net of tax** | **-** | **15,774,520** | **-** | **-** | **15,774,520** |
| Share Based Payments | - | - | 3,276,672 | - | 3,276,672 |
| Intercompany loans written off on demerger | - | - | - | 171,242,432 | 171,242,432 |
| Tax consolidation adjustments | - | - | - | 2,931,383 | 2,931,383 |
| Issue of share capital | 2,300,000 | - | - | - | 2,300,000 |
| **At 30 June 2017** | **173,944,902** | **(64,743,994)** | **8,941,075** | **181,493,631** | **299,635,614** |
| | | | | | |
| **2016** | | | | | |
| **At 1 July 2015** | **171,644,902** | **(59,948,867)** | **5,664,403** | **15,929,719** | **133,290,157** |
| Profit for the year | - | (20,569,647) | - | - | (20,569,647) |
| Other comprehensive income, net of tax | - | - | - | - | - |
| **Total comprehensive (loss)/profit for the year net of tax** | **-** | **(20,569,647)** | **-** | **-** | **(20,569,647)** |
| Tax consolidation adjustments | - | - | - | (8,609,903) | (8,609,903) |
| **At 30 June 2016** | **171,644,902** | **(80,518,514)** | **5,664,403** | **7,319,816** | **104,110,607** |

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## 1. CORPORATE INFORMATION

The financial report of Westgold Resources Limited for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 31 August 2017.

Westgold Resources Limited ("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 nature of the operations and principal activities of the Consolidated Entity are described in the Directors' Report.

The address of the registered office is Level 6, 197 St Georges Tce, Perth WA 6000.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (A) BASIS OF PREPARATION

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

The financial report has been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars.

### (B) STATEMENT OF COMPLIANCE

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

**Adoption of new accounting standards**
In the current year, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2016. Adoption of these Standards and Interpretations did not have any effect on the financial position or the performance of the Consolidated Entity.

**New and amended standards and interpretations issued but not yet effective**
The following standards and interpretations have been issued but are not yet effective for the year ending 30 June 2017. Standards impacting the Consolidated Entity in future periods are still currently being assessed.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

| Reference and Title | Summary | Expected impact on Westgold | Application date of standard* | Application date for Consolidated Entity* |
|---|---|---|---|---|
| AASB 9 Financial Instruments | AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.<br><br>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.<br><br>Classification and measurement<br><br>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.<br><br>The main changes are described below.<br><br>Financial assets<br><br>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.<br><br>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.<br><br>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. | The Company has determined that AASB 9 will have no material impact on the way the Consolidated Entity accounts for its financial instruments as it does not apply hedge accounting and does not believe that the credit risk associated with its receivables is material. The Company is still assessing whether there will be any material impact on classification. | 1 January 2018 | 1 July 2018 |

| Reference and Title | Summary | Expected impact on Westgold | Application date of standard* | Application date for Consolidated Entity* |
| --- | --- | --- | --- | --- |
| | Financial liabilities<br><br>Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option.<br><br>Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:<br><br>• The change attributable to changes in credit risk are presented in other comprehensive income (OCI)<br><br>• The remaining change is presented in profit or loss<br><br>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.<br><br>Impairment<br><br>The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. | | | |

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

| Reference and Title | Summary | Expected impact on Westgold | Application date of standard* | Application date for Consolidated Entity* |
|---|---|---|---|---|
| AASB 15 Revenue from Contracts with Customers | AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations. AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB).<br><br>AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:<br><br>a) Step 1: Identify the contract(s) with a customer<br><br>b) Step 2: Identify the performance obligations in the contract<br><br>c) Step 3: Determine the transaction price<br><br>d) Step 4: Allocate the transaction price to the performance obligations in the contract<br><br>e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation | The Company is currently evaluating all revenue streams to determine the potential impact related to the adoption of AASB 15, as well as potential disclosures required by the standard. Based on our analysis within the adoption plan completed to date, the Company preliminarily does not believe there will be significant change in the amount of revenue recognised under the new standard. | 1 January 2018 | 1 July 2018 |

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| Reference and Title | Summary | Expected impact on Westgold | Application date of standard* | Application date for Consolidated Entity* |
|---|---|---|---|---|
| AASB 16 Leases | The key features of AASB 16 are as follows:<br>Lessee accounting<br>• Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.<br>• Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.<br>• AASB 16 contains disclosure requirements for lessees.<br>Lessor accounting<br>• AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.<br>• AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.<br>AASB 16 supersedes:<br>a) AASB 117 Leases<br>b) Interpretation 4 Determining whether an Arrangement contains a Lease<br>c) SIC-15 Operating Leases—Incentives<br>d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease<br>The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16. | As at 30 June 2017, the Company has non-cancellable operating leases in relation to property leases on office rental and remote area residential accommodation, non-cancellable operating leases in relation to power generation facilities, commercial leases on office equipment and other non-cancellable leases. Management is continuing to determine the extent that these operating leases will be recognised as assets and liabilities on the Company's statement of financial position, the impact on profit and classification of the related cash flows. | 1 January 2019 | 1 July 2019 |

* Designates the beginning of the applicable annual reporting period unless otherwise stated.

## (C) CHANGES IN ACCOUNTING POLICY

The accounting policies used in the preparation of these financial statements are consistent with those used in previous years, except as stated in note 2(b).

## (D) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the parent entity and its subsidiaries ('the Consolidated Entity') as at 30 June each year. Control is achieved when the Consolidated Entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Consolidated Entity controls an investee if and only if the Consolidated Entity has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Consolidated Entity has less than a majority of the voting or similar rights of an investee, the Consolidated Entity considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Consolidated Entity's voting rights and potential voting rights

The Consolidated Entity re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Consolidated Entity obtains control over the subsidiary and ceases when the Consolidated Entity loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Consolidated Entity gains control until the date the Consolidated Entity ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Consolidated Entity's accounting policies. All intra-Consolidated Entity assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Consolidated Entity are eliminated in full on consolidation.

## (E) FOREIGN CURRENCY TRANSLATION

### (i) Functional and presentation currency

Both the functional and presentation currency of the Company and its Australian subsidiaries is Australian dollars (A$).

### (ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the reporting date.

All exchange differences in the consolidated financial report are taken to the profit or loss.

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## (F) OPERATING SEGMENTS

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team. The Consolidated Entity aggregates two or more operating segments when they have similar economic characteristics.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

## (G) CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## (H) TRADE AND OTHER RECEIVABLES

Trade and other receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment.

Collectability of trade and other receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment allowance is recognised when there is objective evidence that the Consolidated Entity will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

## (I) INVENTORIES

Inventories are valued at the lower of cost and net realisable value.

Cost includes expenditure incurred in acquiring and bringing the inventories to their existing condition and location and is determined using the weighted average cost method.

## (J) DERIVATIVE FINANCIAL INSTRUMENTS

The Consolidated Entity uses derivative financial instruments to manage commodity price exposures. Such derivative financial instruments are initially recorded at fair value on the date on which the derivative contract is entered into and are subsequently remeasured to fair value.

Certain derivative instruments are also held for trading for the purpose of making short term gains. None of the derivatives qualify for hedge accounting and changes in fair value are recognised immediately in profit or loss in other revenue and expenses.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. The Consolidated Entity did not enter into or hold any derivative financial instruments during the reporting period (2016: nil).

## (K) JOINT ARRANGEMENTS

Joint arrangements are arrangements over which two or more parties have joint control. Joint Control is the contractual agreed sharing of control of the arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as ether a joint operation or a joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

To the extent the joint arrangement provides the Consolidated Entity with rights to the individual assets and obligations arising from the joint arrangement, the arrangement is classified as a joint operation and as such, the Consolidated Entity recognises its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation;
- Share of revenue from the sale of the output by the joint operation; and
- Expenses, including its share of any expenses incurred jointly

To the extent the joint arrangement provides the Consolidated Entity with rights to the net assets of the arrangement, the investment is classified as a joint venture and accounted for using the equity method. Under the equity method, the cost of the investment is adjusted by the post-acquisition changes in the Consolidated Entity's share of the net assets of the joint venture.

## (L) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## (M) REHABILITATION COSTS

The Consolidated Entity is required to decommission and rehabilitate mines and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities.

The expected cost of any approved decommissioning or rehabilitation programme, discounted to its net present value, is provided when the related environmental disturbance occurs. The cost is capitalised when it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of closure. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included in financing expenses. Expected decommissioning and rehabilitation costs are based on the discounted value of the estimated future cost of detailed plans prepared for each site. Where there is a change in the expected decommissioning and restoration costs, the value of the provision and any related asset are adjusted and the effect is recognised in profit or loss on a prospective basis over the remaining life of the operation.



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The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by potential proceeds from the sale of assets or from plant clean up at closure.

## (N) AVAILABLE-FOR-SALE INVESTMENTS

All available-for-sale investments are initially recognised at fair value plus directly attributable transaction costs.

Available-for-sale investments are those non-derivative financial assets, principally equity securities that are designated as available-for-sale. Investments are designated as available-for-sale if they do not have fixed maturities and fixed and determinable payments and management intends to hold them for the medium to long term.

After initial recognition, available-for-sale investments are measured at fair value. Gains or losses are recognised in other comprehensive income and presented as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in profit or loss.

The fair value of investments that are actively traded in organised markets is determined by reference to quoted market bid prices at the close of business on the reporting date.

For investments with no active market, fair value is determined using valuation techniques. Such valuation techniques include using recent arm's length transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where fair value cannot be reliably measured for certain unquoted investments, these investments are measured at cost.

## (O) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the appropriate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Consolidated Entity acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Consolidated Entity's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in the host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

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## (O) BUSINESS COMBINATIONS (CONTINUED)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured and subsequent settlement is accounted for within equity. In instances, where the contingent consideration does not fall within the scope of AASB 139, it is measured in accordance with the appropriate AASB.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the fair value of the identifiable net assets acquired and liabilities assumed. If this consideration is lower than the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Consolidated Entity's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

## (P) PROPERTY, PLANT AND EQUIPMENT

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

Capital work-in-progress is stated at cost and comprises all costs directly attributable to bringing the assets under construction ready to their intended use. Capital work-in-progress is transferred to property, plant and equipment at cost on completion.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, or where appropriate, over the estimated life of the mine.

Major depreciation periods are:

- Mine specific plant and equipment is depreciated using – the shorter of life of mine and useful life. Useful life ranges from 2 to 25 years.
- Buildings – the shorter of life of mine and useful life. Useful life ranges from 5 to 40 years.
- Office Plant and equipment is depreciated at 33% per annum for computers and office machines and 20% per annum for other office equipment and furniture.

*Impairment*

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.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. Refer to note 2(t) for further discussion on impairment testing performed by the Consolidated Entity.

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*Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition 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.

## (Q) EXPLORATION AND EVALUATION EXPENDITURE

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward at cost where rights to tenure of the area of interest are current and;

i. it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale and/or;

ii. exploration and evaluation activities are continuing in an area of interest but at reporting date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where uncertainty exists as to the future viability of certain areas, the value of the area of interest is written off to the profit and loss or provided against.

*Impairment*

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment regularly and if after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely or that the Consolidated Entity no longer holds tenure, the relevant capitalised amount is written off to the profit or loss in the period when the new information becomes available.

## (R) MINE PROPERTIES AND DEVELOPMENT

Expenditure on the acquisition and development of mine properties within an area of interest are carried forward at cost separately for each area of interest. Accumulated expenditure is amortised over the life of the area of interest to which such costs relate on a production output basis.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

*Impairment*

The carrying value of capitalised mine properties and development expenditure is assessed for impairment whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

Recoverable amount 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. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Refer to note 2(t) for further discussion on impairment testing performed by the Consolidated Entity.

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## (S) NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but is not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised as the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income and the assets and liabilities are presented separately on the face of the statement of financial position.

## (T) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Consolidated Entity assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Consolidated Entity estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount 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. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Consolidated Entity bases its impairment calculation on detailed budgets and forecasts, which are prepared separately for each of the Consolidated Entity's CGUs to which the individual assets are allocated, based on the life-of-mine plans. The estimated cash flows are based on expected future production, metal selling prices, operating costs and forecast capital expenditure based on life-of-mine plans.

Value in use does not reflect future cash flows associated with improving or enhancing an asset's performance, whereas anticipated enhancements to assets are included in fair value less costs of disposal calculations.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit and loss. For such properties, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Consolidated Entity estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

## (U) TRADE AND OTHER PAYABLES

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

## (V) INTEREST-BEARING LOANS AND BORROWINGS

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

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

## (W) PROVISIONS

Provisions are recognised when the Consolidated Entity 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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

## (X) LEASES

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

(i) Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense in profit and loss on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

(ii) Finance Leases

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Consolidated Entity are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.



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## (X) LEASES

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit and loss.

Capitalised leased assets are depreciated over the estimated useful life of the asset or where appropriate, over the estimated life of the mine.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

## (Y) REVENUE

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

*Gold sales*

Revenue from gold production is recognised when the significant risks and rewards of ownership have passed to the buyer.

*Tolling revenue*

Tolling revenue is recognised as the tolling services are performed. Tolling revenue is earned per tonne of ore processed.

*Interest income*

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

## (Z) EARNINGS PER SHARE

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

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

- cost of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised; and
- other non-discriminatory 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.

## (AA) ISSUED CAPITAL

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated Entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in the proceeds received.

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## (AB) SHARE-BASED PAYMENT TRANSACTIONS

The Consolidated Entity provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The Consolidated Entity has one plan in place that provides these benefits. It is the Long Term Incentive Plan ("LTIP") which provides benefits to all employees including Directors.

In valuing equity-settled transactions, no account is taken of any vesting conditions (such as service conditions), other than conditions linked to the price of the shares of Westgold Resources Limited (market conditions) if applicable.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Black & Scholes model. Further details of which are given in note 29.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to profit and loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not the market condition is fulfilled, provided that all other conditions are satisfied.

If a non-vesting condition is within the control of the Consolidated Entity, Company or the employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Consolidated Entity, Company nor employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of dilutive earnings per share.

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## (AC) EMPLOYEE BENEFITS

*(i) Wages, salaries, sick leave and other short term benefits*

Liabilities for wages and salaries, including non-monetary benefits, accumulating sick leave and other short term benefits expected to be settled wholly within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

*(ii) Long service leave*

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date 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 high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

*(iii) Superannuation*

Contributions made by the Consolidated Entity to employee superannuation funds, which are defined contribution plans, are charged as an expense when incurred.

## (AD) ONEROUS OPERATING LEASE PROVISION

A provision for an onerous operating lease is recognised when the expected benefits to be derived from the lease are lower than the unavoidable cost of meeting the obligations under the lease. The provision is measured at the lessor of the present value of the expected net cost of continuing with the lease and the net cost to exit the lease.

## (AE) OTHER TAXES

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

- when 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, which 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 statement of financial position.

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

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

## (AF) INCOME TAX

*Post demerger*

Current income 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 at the reporting date in the countries where the Group operates and generates taxable income.

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Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

The tax rates and tax laws used to compute the amount of current and deferred tax assets and liabilities are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable profits.

Deferred tax liabilities are recognised for all taxable temporary differences except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill;
- 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 tax loss); and
- taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures when the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- the deferred 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 tax loss); and
- the deductible temporary difference is associated with investments in subsidiaries, associates and interests in joint ventures and it is not probable that the temporary difference will reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date 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 tax asset to be utilised.

Unrecognised deferred tax assets and deferred tax liabilities are reassessed at each reporting date and are recognised to the extent that they satisfy the requirements for recognition.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Income taxes relating to transactions recognised outside profit and loss (for example, directly in other comprehensive income or directly in equity) are also recognised outside profit and loss.

*Pre-demerger*

Prior to the demerger from Metals X, Westgold was a member of the Metals X tax consolidated group. Metals X was the head entity of the tax consolidated group. Metals X applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to each members of the tax consolidated group.

## (AF) INCOME TAX

Members of the Metals X tax consolidated group entered into a tax sharing agreement that determined the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. In accordance with the tax sharing agreement, Metals X was required to determine the contribution amount for each Member of the tax consolidated group on a stand-alone entity basis. However, the possibility of default by the head entity was considered remote.

Members of the Metals X tax consolidated group entered into a tax funding agreement that determined the amount payable by each Member for their portion of the group's current tax and deferred tax liability. The tax funding agreement determined that each Member's funding amount was calculated as if the Member was a stand-alone entity and not an entity of the tax consolidated group. Payment to the head entity was to be settled in cash or set-off against the Member's loan account

*Tax consolidation – post demerger*

Westgold Resources Limited and its wholly-owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 December 2016. The adoption of the tax consolidation system had not yet been formally notified to the Australian Tax Office (ATO). Members of the Tax Group will enter into a tax sharing agreement, applicable to the 30 June 2017 and subsequent income years, which provides for the allocation of income tax liabilities between members of the Tax Group should the parent, Westgold Resources Limited, default on its tax payments obligations.

Members of the Tax Group will also enter into a tax funding agreement, applicable to the 30 June 2017 and subsequent financial years, which will provide for the allocation of current and deferred tax amounts between members of the Tax Group using a group allocation approach.

# 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements have been made as well as the following key estimates and assumptions that have the most significant impact on the financial statements. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

## SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

**Determination of mineral resources and ore reserves**

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates and provisions for mine rehabilitation. The Consolidated Entity estimates its mineral resource and reserves in accordance with the Australian code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 (the "JORC code"). The information on mineral resources and ore reserves were prepared by or under the supervision of Competent Persons as defined in the JORC code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC code.



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There are numerous uncertainties inherent in estimating mineral resources and ore reserves and 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 costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

**Mine rehabilitation provision**

The Consolidated Entity assesses its mine rehabilitation provision on an annual basis in accordance with the accounting policy stated in note 2(m). In determining an appropriate level of provision, consideration is given to the expected future costs to be incurred, the timing of those future costs (largely dependent on the life of mine) and the estimated level of inflation. The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provisions established which would affect future financial result. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

**Impairment of capitalised exploration and evaluation expenditure**

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Consolidated Entity decides to exploit the related area interest itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

**Impairment of capitalised mine development expenditure**

The future recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of proved, probable and inferred mineral resources, future technological changes, which could impact the cost, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

The Consolidated Entity regularly reviews the carrying values of its mine development assets in the context of internal and external consensus forecasts for commodity prices and foreign exchange rates, with the application of appropriate discount rates for the assets concerned.

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, this will reduce profit in the period in which this determination is made. Capitalised mine development expenditure is assessed for recoverability in a manner consistent with property, plant and equipment as described below. Refer to note 2(r) for further discussion on the impairment assessment process undertaken by the Consolidated Entity.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

**Impairment of property, plant and equipment**

Property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of "value in use" (being net present value of expected future cash flows of the relevant cash generating unit) and "fair value less costs to sell".

In determining the value in use, future cash flows for each cash generating unit (CGU) (ie each mine site) are prepared utilising managements latest estimates of;

- the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- royalties and taxation;
- future production levels;
- future commodity prices;
- future cash costs of production and development expenditure; and
- other relevant cash inflows and outflows.

Cash flow scenarios for a range of commodity prices and foreign exchange rates are assessed using internal and external market forecasts, and the present value of the forecast cash flows is determined utilising a pre-tax discount rate.

The Consolidated Entity's cash flows are most sensitive to movements in commodity price, expected quantities of ore reserves and mineral resources and key operating costs. In particular the Higginsville and Central Murchison Gold Operations are most sensitive to expected quantities of ore reserves and mineral resources to be extracted and therefore the estimated future cash inflows resulting from the sale of product produced is dependent on these assumptions.

Variations to the expected cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which in turn could impact future financial results. Refer to Note 2(t) for further discussion on the impairment assessment process undertaken by the Consolidated Entity

**Life of mine method of amortisation and depreciation**

The Consolidated Entity recognises depreciation for certain assets using the units of production method. The units of production method requires the use of estimates and assumptions. Significant judgement is required in assessing the available reserves and the production capacity of the plants to be depreciated under this method. Factors that are considered in determining reserves and production capacity are the Consolidated Entity's history of converting resources to reserves and the relevant time frames, the complexity of metallurgy, markets and future developments. When these factors change or become known in the future, such differences will impact pre-tax profit and carrying values of assets.

**Share-based payment transactions**

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using an appropriate valuation, using the assumptions as discussed in note 29. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities in the next annual reporting period but may impact expenses and equity.

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# 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Consolidated Entity's principal financial instruments comprise receivables, payables, unsecured loans, finance lease and hire purchase contracts, cash and short-term deposits, and available-for-sale investments.

**Risk exposures and responses**

The Consolidated Entity manages its exposure to key financial risks in accordance with the Consolidated Entity's financial risk management policy. The objective of the policy is to support the delivery of the Consolidated Entity's financial targets while protecting future financial security.

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, commodity risk, credit risk, equity price risk and liquidity risk. The Consolidated Entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate, foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

## (A) INTEREST RATE RISK

The Consolidated Entity's exposure to risks of changes in market interest rates relate primarily to the Consolidated Entity's interest bearing liabilities and cash balances. The level of debt is disclosed in notes 22 and 23. The Consolidated Entity's policy is to manage its interest cost using fixed rate debt. Therefore, the Consolidated Entity does not have any variable interest rate risk on its debt. The Consolidated Entity constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. The sensitivity analysis is for variable rate instruments.

At 30 June 2017, if interest rates had moved by a reasonably possible 0.5%, as illustrated in the table below, with all other variables held constant, post tax profits and equity would have been affected as follows:

| | Post tax profit higher/(lower) | | Other Comprehensive Income higher/(lower) | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Judgements of reasonably possible movements: | | | | |
| + 0.5% (50 basis points) | 234,981 | 1,653 | - | - |
| - 0.5% (50 basis points) | (234,981) | (1,653) | - | - |

A sensitivity of +%0.5 or -0.5% has been selected as this is considered reasonable given the current level of short-term and long-term Australian dollar interest rates. The movements in profit are due to possible higher or lower interest income from variable rate cash balances. The sensitivity is higher in 2017 than 2016 due to an increase in the balance of cash and cash equivalents held in variable interest rate accounts in 2017.

## (A) INTEREST RATE RISK (CONTINUED)

At the reporting date the Consolidated Entity's exposure to interest rate risk for classes of financial assets and financial liabilities is set out below.

| 2017 | Floating interest rate | Fixed interest | Non-Interest bearing | Total carrying amount |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Cash and cash equivalents | 67,137,367 | - | - | 67,137,367 |
| Trade and other receivables | - | - | 8,798,147 | 8,798,147 |
| Other financial assets | - | 1,337,819 | - | 1,337,819 |
| | **67,137,367** | **1,337,819** | **8,798,147** | **77,273,333** |
| **Financial Liabilities** | | | | |
| Trade and other payables | - | - | (73,485,323) | (73,485,323) |
| Interest bearing liabilities | - | (10,453,787) | - | (10,453,787) |
| | **-** | **(10,453,787)** | **(73,485,323)** | **(83,939,110)** |
| **Net financial assets/ (liabilities)** | | | | **(6,665,777)** |

| 2016 | Floating interest rate | Fixed interest | Non-Interest bearing | Total carrying amount |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Cash and cash equivalents | 472,316 | 6,000 | - | 478,316 |
| Trade and other receivables | - | - | 38,729,505 | 38,729,505 |
| Other financial assets | - | - | - | - |
| | **472,316** | **6,000** | **38,729,505** | **39,207,821** |
| **Financial Liabilities** | | | | |
| Trade and other payables | - | - | (129,298,655) | (129,298,655) |
| Interest bearing liabilities | - | (7,335,715) | - | (7,335,715) |
| | **-** | **(7,335,715)** | **(129,298,655)** | **(136,634,370)** |
| **Net financial assets/ (liabilities)** | | | | **(97,426,549)** |

## (B) CREDIT RISK

Credit risk arises from the financial assets of the Consolidated Entity, which comprises cash and cash equivalents, trade and other receivables, other financial assets held as security and loans. Cash and cash equivalents are held with National Australia Bank which is an Australian Bank with an AA- credit rating (Standard & Poor's). The Consolidated Entity's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of the financial assets (as outlined in each applicable note).

The Consolidated Entity does not hold any credit derivatives to offset its credit exposure.

The Consolidated Entity trades only with recognised, creditworthy third parties and as such collateral is not requested nor is it the Consolidated Entity's policy to securitise its trade and other loans and receivables.

Receivable balances are monitored on an ongoing basis with the result that the Consolidated Entity does not have a significant exposure to bad debts.

Significant concentrations of credit risk are in relation to cash and cash equivalents with Australian banks.



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## (C) PRICE RISK

**Equity Security Price Risk**

The Consolidated Entity's revenues are exposed to equity security price fluctuations arising from investments in equity securities.

At 30 June 2017, if equity security prices had moved by a reasonably possible 20%, as illustrated in the table below, with all other variables held constant, post tax profits and equity would have been affected as follows:

| | Post tax profit higher/(lower) | | Other Comprehensive Income higher/(lower) | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Judgements of reasonably possible movements: | | | | |
| Price + 20% | - | - | 52,241 | - |
| Price - 20% * | (52,241) | - | - | - |

* Provided the decline is below cost and is significant or prolonged.

A sensitivity of +20% or -20% has been selected as this is considered reasonable given recent fluctuations in equity prices and management's expectations of future movements. The movements in other comprehensive income are due to possible higher or lower equity security prices from investments in equity securities that are classified as available-for-sale financial assets (refer to note 2(n)). The overall sensitivity for post-tax profits and equity in 2017 is higher due to the company owning no equity securities in the prior financial year (refer to note 15).

## (D) COMMODITY PRICE RISK

The Consolidated Entity's revenues are exposed to commodity price fluctuations. Periodically the Consolidated Entity enters into contracts to manage commodity price risk. At the end of the financial period the Consolidated Entity had unrecognised sales contracts for 123,914 ounces at an average price of $1,653.64 per ounce ending in November 2018, which the Consolidated Entity will deliver physical gold to settle.

## (E) LIQUIDITY RISK

Liquidity risk arises from the financial liabilities of the Consolidated Entity and the subsequent ability to meet the obligations to repay the financial liabilities as and when they fall due.

The Consolidated Entity's objective is to maintain a balance between continuity of funding and flexibility through the use of finance and hire purchase leases.

The table below reflects all contractually fixed payables for settlement, repayment and interest resulting from recognised financial liabilities as of 30 June 2017. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing as 30 June.

*The remaining contractual maturities of the Consolidated Entity's financial liabilities are:*

| | **2017** | **2016** |
|---|---|---|
| 6 months or less | (76,269,004) | (130,910,064) |
| 6 - 12 months | (2,690,092) | (1,647,513) |
| 1 - 5 years | (5,406,408) | (4,378,259) |
| Over 5 years | - | - |
| | **(84,365,504)** | **(136,935,836)** |

## (E) LIQUIDITY RISK (CONTINUED)

*Maturity analysis of financial assets and liabilities based on management's expectation.*

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments of working capital e.g. inventories and trade receivables. To monitor existing financial assets and liabilities as well as to enable effective controlling of future risks, management monitors its Consolidated Entity's expected settlement of financial assets and liabilities on an ongoing basis.

| **2017** | **<6 months** | **6-12 months** | **1-5 years** | **>5 years** | **Total** |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and equivalents | 68,344,719 | - | - | - | 68,344,719 |
| Trade and other receivables | 8,798,147 | - | - | - | 8,798,147 |
| Other financial assets | 1,337,819 | - | - | - | 1,337,819 |
| | **78,480,685** | **-** | **-** | **-** | **78,480,685** |
| **Financial liabilities** | | | | | |
| Trade and other payables | (73,485,323) | - | - | - | (73,485,323) |
| Interest bearing loans | (2,783,681) | (2,690,092) | (5,406,408) | - | (10,880,181) |
| | **(76,269,004)** | **(2,690,092)** | **(5,406,408)** | **-** | **(84,365,504)** |
| **Net inflow/(outflow)** | **2,211,681** | **(2,690,092)** | **(5,406,408)** | **-** | **(5,884,819)** |

| **2016** | **<6 months** | **6-12 months** | **1-5 years** | **>5 years** | **Total** |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and equivalents | 492,467 | - | - | - | 492,467 |
| Trade and other receivables | 38,729,505 | - | - | - | 38,729,505 |
| | 39,221,972 | - | - | - | 39,221,972 |
| **Financial liabilities** | | | | | |
| Trade and other payables | (129,298,655) | - | - | - | (129,298,655) |
| Interest bearing loans | (1,611,409) | (1,647,513) | (4,378,259) | - | (7,637,181) |
| | **(130,910,064)** | **(1,647,513)** | **(4,378,259)** | **-** | **(136,935,836)** |
| **Net inflow/(outflow)** | **(91,688,092)** | **(1,647,513)** | **(4,378,259)** | **-** | **(97,713,864)** |

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## (F) FAIR VALUES

For all financial assets and liabilities recognised in the statement of financial position, carrying amount approximates fair value unless otherwise stated in the applicable notes.

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

The Consolidated Entity uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 - the fair value is estimated using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from price).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

| **2017** | Quoted market price (Level 1) | Valuation technique market observable inputs (Level 2) | Valuation technique non market observable inputs (Level 3) | **Total** |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| *Available-for-sale financial assets* | | | | |
| Listed investments[1] | 373,151 | - | - | **373,151** |
| | **373,151** | **-** | **-** | **373,151** |

| **2016** | Quoted market price (Level 1) | Valuation technique market observable inputs (Level 2) | Valuation technique non market observable inputs (Level 3) | **Total** |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| *Available-for-sale financial assets* | | | | |
| Listed investments[1] | - | - | - | **-** |
| | **-** | **-** | **-** | **-** |

1. Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

**Transfer between categories**
There were no transfers between Level 1 and Level 2, and no transfers into and out of Level 3 fair value measurement.

# 5. REVENUE

| | **2017** | **2016** |
|---|---|---|
| Revenue from sale of gold | 374,077,186 | 280,317,331 |
| Share of gold revenue from joint operation | 46,346,502 | 17,783,910 |
| Revenue from toll treatment | 16,717,107 | 6,601,038 |
| **Total revenue** | **437,140,795** | **304,702,279** |

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# 6. OTHER INCOME

| | 2017 | 2016 |
|---|---|---|
| Interest received - other corporations | 764,812 | 1,238 |
| Other income | 1,409,065 | 1,465,229 |
| **Total other income** | **2,173,877** | **1,466,467** |

# 7. EXPENSES

**(a) Cost of sales**

| | 2017 | 2016 |
|---|---|---|
| Salaries, wages expense and other employee benefits | 31,683,025 | 29,204,614 |
| Superannuation expense | 3,009,887 | 2,774,438 |
| Other production costs | 270,158,348 | 196,528,610 |
| Write down in value of inventories to estimated net realisable value | 8,457,219 | 1,007,829 |
| Royalty expense | 21,249,040 | 17,548,052 |
| | | |
| **Depreciation and amortisation expense** | | |
| Depreciation of non-current assets | | |
| Property, plant and equipment | 9,001,677 | 7,856,411 |
| Buildings | 759,871 | 622,328 |
| Amortisation of non-current assets | | |
| Mine, properties and development costs | 61,363,917 | 47,203,994 |
| **Total cost of sales** | **405,682,984** | **302,746,276** |

**(b) Other expenses**

| | 2017 | 2016 |
|---|---|---|
| **Administration expenses** | | |
| **Employee benefits expense** | | |
| Salaries and wages expense | 1,584,021 | - |
| Directors' fees and other benefits | 140,000 | - |
| Superannuation expense | 180,975 | - |
| Other employee benefits | 15,580 | - |
| Share based payment | 3,276,672 | - |
| | 5,197,248 | - |
| **Other administration expenses** | | |
| Consulting expenses | 548,598 | - |
| Travel and accommodation expenses | 146,404 | - |
| Administration costs | 839,902 | 184,613 |
| | 1,534,904 | 184,613 |
| **Depreciation expense** | | |
| Depreciation of non-current assets | | |
| Property plant and equipment | 58,619 | 65,845 |
| **Total Administration expenses** | **6,790,771** | **250,458** |

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| | | |
|---|---|---|
| **Other expenses** | | |
| Care and maintenance costs | - | 440,346 |
| Loss on remeasurement of royalty obligations | - | 3,556,322 |
| Net loss on sale of assets | 94,654 | 240,588 |
| **Other expenses** | **94,654** | **4,237,256** |
| | | |
| **Total other expenses** | **6,885,425** | **4,487,714** |

**(c) Finance costs**

| | | |
|---|---|---|
| Interest | 500,073 | 238,284 |
| Unwinding of rehabilitation provision discount | 377,962 | 725,494 |
| **Total finance costs** | **878,035** | **963,778** |

# 8. INCOME TAX

| | **2017** | **2016** |
|---|---|---|
| **(a) Major components of income tax expense:** | | |
| | | |
| **Income Statement** | | |
| *Current income tax expense* | | |
| Current income tax (benefit)/expense | 8,961,062 | (18,973,547) |
| Adjustments in respect of current income tax of previous years | - | (3,787,888) |
| *Deferred income tax* | | |
| Relating to origination and reversal of temporary differences in current year | (510,644) | 10,710,167 |
| Impact of forming tax consolidated group | 394,474 | - |
| Adjustments in respect of current income tax of previous years | - | 3,528,555 |
| **Income tax reported in the income statement** | **8,844,892** | **(8,522,713)** |

(b) A reconciliation of income tax benefit and the product of accounting loss before income tax multiplied by the Consolidated Entity's applicable income tax rate is as follows:

| | | |
|---|---|---|
| **Total accounting profit before income tax** | **24,619,412** | **(29,092,360)** |
| | | |
| At statutory income tax rate of 30% (2016: 30%) | 7,385,824 | (8,727,708) |
| | | |
| Non-deductible items | 1,074,012 | 671,884 |
| Deductible items | (9,418) | (207,556) |
| Impact of forming tax consolidated group | 394,474 | - |
| Adjustments in respect of prior years | - | (259,333) |
| **Income tax benefit reported in income the statement** | **8,844,892** | **(8,522,713)** |

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# 8. INCOME TAX (CONTINUED)

**(c) Deferred income tax at 30 June relates to the following:**

| | Statement of financial position | | Statement of comprehensive income | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| **Deferred tax liabilities** | | | | |
| Exploration | (30,177,112) | (14,030,043) | 16,147,001 | 5,232,404 |
| Deferred mining | (20,661,697) | (21,100,042) | (438,345) | 6,944,730 |
| Mine properties & development | (4,018,337) | (4,523,408) | (505,071) | 3,717,705 |
| Inventories | - | (1,865,207) | (1,865,207) | 160,546 |
| Consumables | (3,257,853) | - | 3,257,853 | - |
| Reduced depreciation for tax base reset | (5,885,553) | - | 5,885,553 | - |
| Diesel rebate | (376,626) | (250,444) | 126,182 | 57,893 |
| **Gross deferred tax liabilities** | **(64,377,178)** | **(41,769,144)** | | |
| **Deferred tax assets** | | | | |
| Accelerated depreciation for tax purposes | - | 259,698 | 259,698 | 3,117,853 |
| Available-for-sale financial assets | - | - | - | - |
| Inventories | 3,298,075 | - | (3,298,075) | - |
| Accrued expenses | - | - | - | - |
| Provision for employee entitlements | 1,765,036 | 1,134,699 | (630,337) | (201,878) |
| Provision for fringe benefits tax | - | 1,218 | 1,218 | (9,569) |
| Provision for rehabilitation | 27,228,360 | 8,224,420 | (19,003,940) | (4,780,962) |
| Capital raising costs | 52,700 | - | (52,700) | - |
| Recognised tax losses | - | - | - | - |
| **Gross deferred tax assets** | **32,344,171** | **9,620,035** | | |
| **Net deferred tax liabilities** | **(32,033,007)** | **(32,149,109)** | | |
| Deferred tax income/(expense) | | | **(116,170)** | **14,238,722** |

**(d) Tax Consolidation**

The Company and its 100% owned subsidiaries will form a tax consolidated group with effect from 1 December 2016. Westgold Resources Limited will be the head entity of the tax consolidated group. Members of the group will enter into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payments obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

**(e) Tax effect accounting by members of the tax consolidated group**

Members of the tax consolidated group will enter into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. Deferred taxes are allocated to members of the tax consolidated group in accordance with a group allocation approach which is consistent with the principles of AASB 112 'Income Taxes'.

The allocation of taxes under the proposed tax funding agreement is recognised as an increase/decrease in the controlled entities intercompany accounts with the tax consolidated group head company, Westgold Resources Limited. The nature of the proposed tax funding agreement is such that no tax consolidation contributions by or distributions to equity participants are required.

**(f) Unrecognised Losses**

At 30 June 2017, there are no unrecognised losses of for the Consolidated Entity (2016: nil).

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# 9. EARNINGS PER SHARE

The following reflects the income used in the basic and diluted earnings per share computations.

| | | 2017 | 2016 |
|---|---|---|---|
| **(a)** | **Earnings used in calculating earnings per share** | | |
| | *For basic earnings per share:* | | |
| | Net profit/(loss) attributable to ordinary equity holders of the parent | 15,774,520 | (20,569,647) |
| | **Net profit/(loss) attributable to ordinary equity holders of the parent** | **15,774,520** | **(20,569,647)** |
| | Basic (loss)/earnings per share (cents) | 5.18 | (6.75) |
| | *For diluted earnings per share:* | | |
| | Net profit/(loss) attributable to ordinary equity holders of the parent (from basic EPS) | 15,774,520 | (20,569,647) |
| | **Net profit/(loss) attributable to ordinary equity holders of the parent** | **15,774,520** | **(20,569,647)** |
| | Fully (loss)/diluted earnings per share (cents) | 5.18 | (6.75) |
| **(b)** | **Weighted average number of shares** | | |
| | Weighted average number of ordinary shares for basic earnings per share * | 304,674,912 | 304,671,487 |
| | Effect of Dilution: | | |
| | Share Options | - | - |
| | **Weighted average number of ordinary shares adjusted for the effect of dilution** | **304,674,912** | **304,671,487** |

* In preparation for the demerger from Metals X Limited a share consolidation took place on 28 November 2016 resulting the cancellation of 112,507,164 ordinary shares to allow a two for one in specie distribution of Westgold shares to Metals X Limited shareholders. For the purposes of earnings per share calculations for the current and prior periods the share consolidation has been treated as effective from 1 July 2015.

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The Company had 11,000,000 (2016: nil) share options on issue that are excluded from the calculation of diluted earnings per share for the current financial period because they are considered non-dilutive.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

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# 10. CASH AND CASH EQUIVALENTS

| | 2017 | 2016 |
|---|---|---|
| Cash at bank and in hand | 67,137,367 | 472,316 |
| Short-term deposits | - | 6,000 |
| **Total** | **67,137,367** | **478,316** |

**CASH FLOWS RECONCILIATION**

**Reconciliation of net profit after income tax to net cash flows from operating activities**

| | 2017 | 2016 |
|---|---|---|
| **Profit after income tax** | **15,774,520** | **(20,569,647)** |
| Amortisation and depreciation | 71,184,084 | 55,748,578 |
| Gold prepayment physical deliveries | (22,493,125) | (20,222,500) |
| Income tax expense/(benefit) | 8,844,892 | (8,522,713) |
| Share based payments | 3,276,672 | - |
| Unwinding of rehabilitation provision discount | 377,962 | 725,494 |
| Exploration and evaluation expenditure written off | 1,166,966 | 27,063,338 |
| Fair value change in financial instruments | 81,850 | - |
| Tenement sold for financial instruments | (455,000) | - |
| Loss on disposal of property, plant and equipment | 94,654 | 240,588 |
| | **77,853,475** | **34,463,138** |
| **Changes in assets and liabilities** | | |
| (Increase)/decrease in inventories | (12,074,896) | (14,675,130) |
| (Increase)/decrease in trade and other receivables and prepayments | (2,921,294) | (2,613,249) |
| Increase/(decrease) in trade and other creditors | 4,845,515 | 31,783,946 |
| Increase/(decrease) in provisions | 7,891,678 | 669,061 |
| **Net cash flows from operating activities** | **75,594,478** | **49,627,766** |

# 11. TRADE AND OTHER RECEIVABLES (CURRENT)

| | 2017 | 2016 |
|---|---|---|
| Other debtors (a) | 8,798,147 | 6,315,677 |
| Intercompany loans (b) | - | 32,413,828 |
| | **8,798,147** | **38,729,505** |

(a) Other debtors are non-interest bearing and are generally on 30-90 day terms.

(b) Intercompany loans are non-interest bearing and repayable on demand.

The carrying amounts disclosed above approximate the fair value. Refer to note 4(b) on credit risk of trade receivables to understand how the Consolidated Entity manages and measures credit quality of trade receivables that are neither past due or impaired.

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# 12. INVENTORIES (CURRENT)

| | 2017 | 2016 |
|---|---|---|
| Ore stocks at net realisable value | 23,537,969 | 11,553,074 |
| Gold in circuit at cost | 15,824,503 | 13,504,552 |
| Gold metal at cost | 257,028 | 3,827,322 |
| Stores and spares at cost | 10,724,520 | 9,067,639 |
| Provision for obsolete stores and spares | (2,387,392) | (2,070,854) |
| **Total inventories at lower of cost and net realisable value** | **47,956,628** | **35,881,733** |

During the year there were write-downs of $8,457,219 (2016: $1,007,829 write-downs) for the Consolidated Entity. This is included in cost of sales refer to note 7(a).

# 13. PREPAYMENTS (CURRENT)

| | 2017 | 2016 |
|---|---|---|
| Prepayments | **796,293** | **309,810** |

# 14. OTHER FINANCIAL ASSETS (CURRENT)

| | 2017 | 2016 |
|---|---|---|
| **Cash on deposit - bank guarantee facility** | **1,337,819** | **-** |

The cash on deposit is interest bearing and is used as security for bank guarantees

# 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS (NON-CURRENT)

| | 2017 | 2016 |
|---|---|---|
| Shares - Australian listed | **373,151** | **-** |

**Listed shares**

The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

(a) The Company has a 2.45% (2016: nil) interest in Overland Resources Limited (Overland), which is involved in the exploration of gold in Australia. Overland is listed on the Australian Securities Exchange. At the end of the period the fair value of the Company's investment was $88,150 (2016: nil) which is based on Overland's quoted share price.

(b) The Company has a 1.41% (2016: nil) interest in Auris Minerals Limited (Auris) (formerly RNI NL), which is involved in the mining and exploration of base metals in Australia. Auris is listed on the Australian Securities Exchange. At the end of the period the fair value of the Company's investment was $285,000 (2016: nil) which is based on Auris' quoted share price.

At the end of the period the market value of the investments were lower than the cost, the Company recognised an impairment of $81,850 (2016: nil).

## 16. PROPERTY, PLANT & EQUIPMENT (NON-CURRENT)

| Plant and equipment | 2017 | 2016 |
|---|---|---|
| Gross carrying amount at cost | 115,625,394 | 103,189,369 |
| Accumulated depreciation | (66,999,508) | (59,986,563) |
| Net carrying amount | 48,625,886 | 43,202,806 |
| | | |
| **Land and buildings** | | |
| Gross carrying amount at cost | 29,397,191 | 27,584,066 |
| Accumulated depreciation | (16,380,790) | (15,624,969) |
| Net carrying amount | 13,016,401 | 11,959,097 |
| | | |
| Capital work in progress at cost | 42,024,859 | 4,332,453 |
| **Total property, plant and equipment** | **103,667,146** | **59,494,356** |
| | | |
| **Movement in property, plant and equipment** | | |
| | | |
| **Plant and equipment** | | |
| At 1 July net of accumulated depreciation | 43,202,806 | 43,543,354 |
| Additions | 15,027,695 | 8,196,603 |
| Disposals | (544,319) | (614,896) |
| Depreciation charge for the year | (9,060,296) | (7,922,255) |
| **At 30 June net of accumulated depreciation** | **48,625,886** | **43,202,806** |
| | | |
| **Land and buildings** | | |
| At 1 July net of accumulated depreciation | 11,959,097 | 7,306,943 |
| Additions | 1,849,125 | 5,274,483 |
| Disposals | (31,950) | - |
| Depreciation charge for the year | (759,871) | (622,329) |
| **At 30 June net of accumulated depreciation** | **13,016,401** | **11,959,097** |
| | | |
| **Capital work in progress** | | |
| At 1 July | 4,332,453 | 3,322,490 |
| Additions | 60,924,230 | 17,852,734 |
| Transfer to mine properties & development | (6,355,007) | (3,371,682) |
| Transfer to plant and equipment | (15,027,692) | (8,196,606) |
| Transfer to land and buildings | (1,849,125) | (5,274,483) |
| **At 30 June** | **42,024,859** | **4,332,453** |

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2017 is $10,865,790 (2016: $4,922,200). Value of plant and equipment leased under finance leases and acquired through hire purchase contracts during the 30 June 2017 financial year is $6,611,947 (2016: $4,550,000).

Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase lease liabilities (refer to notes 22 and 23).



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## 17. MINE PROPERTY AND DEVELOPMENT (NON-CURRENT)

| | 2017 | 2016 |
|---|---|---|
| **Development areas at cost** | | |
| Gross carrying amount at cost | 8,434,080 | 756,919 |
| Net carrying amount | 8,434,080 | 756,919 |
| **Mine properties** | | |
| Gross carrying amount at cost | 22,381,139 | 20,750,944 |
| Accumulated amortisation | (7,489,724) | (4,294,402) |
| Net carrying amount | 14,891,415 | 16,456,542 |
| **Mine capital development** | | |
| Gross carrying amount at cost | 305,328,787 | 215,840,127 |
| Accumulated amortisation | (203,331,020) | (145,162,426) |
| Net carrying amount | 101,997,767 | 70,677,701 |
| **Total mine properties and development** | **125,323,262** | **87,891,162** |
| **Movement in mine properties and development** | | |
| **Development areas at cost** | | |
| At 1 July | 756,919 | 5,050,255 |
| Additions | 7,677,161 | 12,057,681 |
| Transfer to mine site establishment | - | (16,351,017) |
| **At 30 June** | **8,434,080** | **756,919** |
| **Mine site establishment** | | |
| At 1 July net of accumulated amortisation | 16,456,542 | 387,961 |
| Additions | - | - |
| Transfer from capital work in progress (refer to note 16) | 1,630,195 | 2,138,379 |
| Transfer from development areas | - | 16,351,017 |
| Amortisation charge for the year | (3,195,322) | (2,420,815) |
| **At 30 June net of accumulated amortisation** | **14,891,415** | **16,456,542** |
| **Mine capital development** | | |
| At 1 July net of accumulated amortisation | 70,677,701 | 47,184,373 |
| Additions | 56,105,513 | 67,043,203 |
| Transfer from capital work in progress (refer to note 16) | 4,724,813 | 1,233,304 |
| Transfer from exploration and evaluation expenditure (refer to note 18) | 28,658,334 | - |
| Amortisation charge for the year | (58,168,594) | (44,783,179) |
| **At 30 June net of accumulated amortisation** | **101,997,767** | **70,677,701** |

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## 18. EXPLORATION EXPENDITURE (NON-CURRENT)

| | 2017 | 2016 |
|---|---|---|
| Exploration and evaluation costs carried forward in respect of mining areas of interest | | |
| **Pre-production areas** | | |
| At Cost | 162,604,807 | 164,583,990 |
| **Net carrying amount** | **162,604,807** | **164,583,990** |
| **Movement in deferred exploration and evaluation expenditure** | | |
| At 1 July net of accumulated impairment | 164,583,990 | 97,854,736 |
| Additions | 26,122,736 | 93,792,592 |
| Adjustment to rehabilitation liability (refer to note 21) | 1,723,381 | - |
| Transferred to mine capital development (refer to note 17) | (28,658,334) | - |
| Expenditure written off | (1,166,966) | (27,063,338) |
| **At 30 June net of accumulated impairment** | **162,604,807** | **164,583,990** |

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas. Amortisation of the costs carried forward for the development phase is not recognised pending the commencement of production.

During the year a review was undertaken for each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. In assessing the carrying value of all of the Consolidated Entity's projects certain expenditure on exploration and evaluation of mineral resources has not led to the discovery of commercially viable quantities of mineral resources. As a result exploration and evaluation expenditure of $1,166,966 (2016: $27,063,338) was written off to the profit and loss. The amount relates to tenements which were written down to nil as the expenditure did not result in the discovery of commercially viable quantities of mineral resources and as a result there is no future benefits expected.

## 19. TRADE AND OTHER PAYABLES (CURRENT)

| | 2017 | 2016 |
|---|---|---|
| Trade creditors (a) | 45,610,406 | 31,803,210 |
| Sundry creditors and accruals (b) | 27,874,917 | 30,807,008 |
| Intercompany loans (c) | - | 66,688,437 |
| | **73,485,323** | **129,298,655** |

(a) Trade creditors are non-interest bearing and generally on 30 day terms.

(b) Sundry creditors and accruals are non-interest bearing and generally on 30 day terms.

(c) Intercompany loans are non-interest bearing and repayable on demand.

The carrying value of trade and other payables approximates the fair value thereof.

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# 20. PROVISIONS (CURRENT)

| | 2017 | 2016 |
|---|---|---|
| Provision for annual leave | 3,151,155 | 2,135,089 |
| Provision for long service leave | 1,489,867 | 402,624 |
| Provision for fringe benefits tax payable | 5,043 | 4,059 |
| Provision for off-market lease agreement (a) | 119,874 | 479,496 |
| | **4,765,939** | **3,021,268** |

(a) The nature of the provisions are described below in note 21.

# 21. PROVISIONS (NON-CURRENT)

| | 2017 | 2016 |
|---|---|---|
| Provision for long service leave | 1,047,248 | 1,248,164 |
| Provision for off-market lease agreement (a) | - | 119,874 |
| Provision for rehabilitation (b) | 90,761,202 | 81,779,855 |
| | **91,808,450** | **83,147,893** |

**(a) Provision for off-market lease**

On the acquisition of Alacer in 2014, a provision was recognised for the fact that the lease rentals or payments on the operating lease were significantly higher than the market rate at acquisition. The provision has been calculated based on the difference between the market rate and the rate paid. The operating lease has a life of four years

**(b) Provision for rehabilitation**

Environmental obligations associated with the retirement or disposal of mining properties and/or of exploration activities are recognised when the disturbance occurs and are based on the extent of the damage incurred. The provision is measured as the present value of the future expenditure. The rehabilitation liability is remeasured at each reporting period in line with the change in the time value of money (recognised as an interest expense in the statement of comprehensive income and an increase in the provision), and additional disturbances/change in the rehabilitation cost are recognised as additions/changes to the corresponding asset and rehabilitation liability.

**(c)**

| **Current and non-current movements in provisions** | **Onerous operating lease** | **Rehabilitation** | **Total** |
|---|---|---|---|
| **At 1 July 2015** | **1,078,865** | **64,702,809** | **65,781,674** |
| Arising during the year | - | 11,659,907 | 11,659,907 |
| Utilised | (581,381) | - | (581,381) |
| Adjustment due to revised conditions | - | 4,755,016 | 4,755,016 |
| Rehabilitation expenditure | - | (63,371) | (63,371) |
| Unwind of discount | 101,886 | 725,494 | 827,380 |
| **At 30 June 2016** | **599,370** | **81,779,855** | **82,379,225** |
| | | | |
| **At 1 July 2016** | **599,370** | **81,779,855** | **82,379,225** |
| Arising during the year | - | 6,921,293 | 6,921,293 |
| Utilised | (581,382) | - | (581,382) |
| Adjustment due to revised conditions | - | 1,723,381 | 1,723,381 |
| Rehabilitation expenditure | - | (41,289) | (41,289) |
| Unwind of discount | 101,886 | 377,962 | 479,848 |
| **At 30 June 2017** | **119,874** | **90,761,202** | **90,881,076** |

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## 22. INTEREST BEARING LOANS AND BORROWINGS (CURRENT)

| | 2017 | 2016 |
|---|---|---|
| Lease liability | **5,259,259** | **3,130,282** |

Represents current portion of finance leases which have repayment terms of 36 months

## 23. INTEREST BEARING LOANS AND BORROWINGS (NON-CURRENT)

| | 2017 | 2016 |
|---|---|---|
| Lease liability | **5,194,528** | **4,205,433** |

Represents non-current portion of finance leases which have repayment terms of 36 months from inception.

The carrying amount of the Consolidated Entity's non-current loans and borrowings approximate their fair value. The weighted average interest rate is 4.08% per annum.

*Assets pledged as security:*

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

| | | |
|---|---|---|
| **Non-current** | | |
| *Finance lease* | | |
| Plant and equipment | 10,865,790 | 8,489,918 |
| **Total non-current assets pledged as security** | **10,865,790** | **8,489,918** |

Plant and equipment assets are pledged against lease liabilities for the term of the lease period.

## 24. UNEARNED INCOME (CURRENT)

| | 2017 | 2016 |
|---|---|---|
| Gold prepayment (refer to note 25) | 5,812,500 | 22,493,125 |
| | **5,812,500** | **22,493,125** |

## 25. UNEARNED INCOME (NON-CURRENT)

| | 2017 | 2016 |
|---|---|---|
| Gold prepayment | - | 5,812,500 |
| | **-** | **5,812,500** |

In September 2014, the Company drew down on a newly established $40,445,000 gold pre-pay facility with Citibank N.A ("Citi"). In January 2016 the Company extended the gold pre-pay facility with Citi for 12 months for $23,250,000. The draw down is repayable in gold ounces in equal instalments of 1,250 ounces per month between October 2014 and September 2017 inclusive. During the period 15,000 ounces were delivered to Citi.

The arrangement has been classified as unearned revenue on the Statement of Financial Position as Citi has prepaid the Company for a fixed quantity of gold ounces. The Company now has a legal obligation to deliver gold ounces, and will subsequently recognise revenue as and when it makes the repayment in gold ounces. The Company will measure revenue based on the allocation of the nominal amounts of the advance payments corresponding to the goods delivered.

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# 26. ISSUED CAPITAL

| | | 2017 | 2016 |
|---|---|---|---|
| (a) | **Ordinary Shares** | | |
| | Issued and fully paid | **173,944,902** | **171,644,902** |

| | | Number | $ |
|---|---|---|---|
| (b) | **Movements in ordinary shares on issue** | | |
| | **At 1 July 2015** | 417,178,651 | 171,644,902 |
| | Issue share capital | - | |
| | At 30 June 2016 | 417,178,651 | 171,644,902 |
| | Issue share capital (refer to note 29) | 1,250,000 | 2,300,000 |
| | Share consolidation* | (112,507,164) | |
| | **At 30 June 2017** | **305,921,487** | **173,944,902** |

* In preparation for the demerger from Metals X Limited a share consolidation took place on 28 November 2016 resulting the cancellation of 112,507,164 ordinary shares to allow a two for one in specie distribution of Westgold shares to Metals X Limited shareholders. For the purposes of the earnings per share calculation the share consolidation has been treated as effective from 1 July 2015.

**(c) Terms and conditions of contributed equity**

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings. In the event of winding up the Company the holders are entitled to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par share values. Accordingly, the Parent does not have authorised capital nor par value in respect of its issued shares.

**(d) Escrow Restrictions**

There are no current escrow restrictions on the issued capital of the Company.

**(e) Options on issue**

There were 11,000,000 shares of the Company under option as the date of this report (2016: nil).

**(f) Option conversions**

There were no option conversions during the financial year (2016: nil).

# 27. ACCUMULATED LOSSES

| | 2017 | 2016 |
|---|---|---|
| At 1 July | (80,518,514) | (59,948,867) |
| Net profit in current period attributable to members of the parent entity | 15,774,520 | (20,569,647) |
| **At 30 June** | **(64,743,994)** | **(80,518,514)** |

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# 28. RESERVES

| | Share based payments reserve | Equity | Total |
|---|---|---|---|
| | $ | $ | $ |
| **At 30 June 2015** | **5,664,403** | **15,929,719** | **21,594,122** |
| Share based payments | - | - | - |
| Income tax losses contributed to parent entity | - | (8,609,903) | (8,609,903) |
| **At 30 June 2016** | **5,664,403** | **7,319,816** | **12,984,219** |
| Share based payments | 3,276,672 | - | 3,276,672 |
| Tax consolidated group accounting | - | 2,931,383 | 2,931,383 |
| Intercompany loans written off on demerger | - | 171,242,432 | 171,242,432 |
| **At 30 June 2017** | **8,941,075** | **181,493,631** | **190,434,706** |

**Nature and purpose of reserves**

*Equity reserve*

This reserve relates to the intercompany loans with Metals X Ltd written off on demerger of the Consolidated Entity and includes tax consolidated adjustments.

*Share based payments reserve*

This reserve is used to recognise the fair value of rights and options issued to employees in relation to equity-settled share based payments.

# 29. SHARE-BASED PAYMENTS

| | 2017 | 2016 |
|---|---|---|
| **(a) Recognised share-based payment expense** | | |
| The expense recognised for services received during the year is shown in the table below: | | |
| **Expense arising from equity-settled share-based payments** | **3,276,672** | **-** |

The share-based payment plan is described below. There have been no cancellations or modifications to the plan during 2017 and 2016.

**(b) Transactions settled using shares**

On 30 June 2017 the Company issued 1,250,000 shares as part of the settlement to acquire the Tuckabianna gold processing facility and underlying mining tenure from Silver Lake Resources Limited. The fair value of the of the assets were determined by reference to comparable transactions.

The acquisition of the Tuckabianna gold processing facility and underlying mining tenures were accounted for as asset acquisition and were recognised in note 17 and note 18 respectively.

**(c) Employee Share and Option Plan**

Under the Employee Share and Option Plan (ESOP), grants are made to senior executives and other staff members who have made an impact on the Consolidated Entity's performance. ESOP grants are delivered in the form of share options or performance rights which vest over periods as determined by the Board of Directors.

**(d) Performance Rights**

Performance rights are issued for nil consideration. Performance rights are subject to vesting conditions as determined by the Board of Directors. Any performance rights that do not vest by their expiry date will lapse. Upon vesting, these performance rights will be settled in ordinary fully paid shares of the Company.

No performance rights have been issued under the ESOP.

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### (ii) Share options

Share options are issued for nil consideration. The exercise price, vesting conditions and expiry date are determined by the Board of Directors. The expiry date share not be less than two years from issue date. Any options that are not exercised by the expiry date will lapse. Upon exercise, these options will be settled in ordinary fully paid shares of the Company.

**Summary of options granted under the Employee Share and Option Plan**

| | 2017 Number | 2017 WAEP | 2016 Number | 2016 WAEP |
|---|---|---|---|---|
| Outstanding at the beginning of the year | - | - | - | - |
| Granted during the year | 11,000,000 | 2.02 | - | - |
| Exercised during the year | - | - | - | - |
| Lapsed/cancelled during the year | - | - | - | - |
| **Outstanding at the year end** | **11,000,000** | **2.02** | **-** | **-** |
| **Exercisable at the year end** | **-** | **-** | **-** | **-** |

| Grant Date | Vesting date | Expiry date | Exercise Price | Options granted | Options lapsed / cancelled | Options exercised | Number of options at end of period On issue | Vested |
|---|---|---|---|---|---|---|---|---|
| 24/11/2016 | 11/1/2018 | 11/1/2020 | $2.02 | 2,250,000 | - | - | 2,250,000 | - |
| 11/1/2017 | 11/1/2018 | 11/1/2020 | $2.02 | 8,750,000 | - | - | 8,750,000 | - |
| **Total** | | | | **11,000,000** | | | **11,000,000** | **-** |

**Weighted average remaining contractual life of share options**

The weighted average remaining contractual life for the share options outstanding as at 30 June 2017 is 2.53 (2016: nil).

**Range of exercise price of share options**

The exercise price for options outstanding at the end of the year is $2.02 (2016: nil).

**Weighted average fair value of share options**

The weighted average fair value of options granted during the year was $0.60 (2016: nil).

**Share option valuation**

The fair value of the equity-settled share options granted under the ESOP is estimated at the date of grant using a Black & Scholes model, which takes into account factors including the options exercise price, the volatility of the underlying share price, the risk-free interest rate, the market price of the underlying share at grant date, historical and expected dividends and the expected life of the option.

The following table gives the assumptions made in determining the fair value of the options granted:

| Grant date | 24 November 2016 | 11 January 2017 |
|---|---|---|
| Expected volatility (%) | 50% | 50% |
| Risk-free interest rate (%) | 1.98% | 1.98% |
| Expected life of options (yrs) | 2.5 | 2.5 |
| Options exercise price ($) | $2.02 | $2.02 |
| Share price at grant date ($) | $1.93 | $1.93 |
| Fair value at grant date ($) | $0.60 | $0.60 |

The effects of early exercise have been incorporated into the calculations by using an expected life for the option that is shorter than the contractual life based on historical exercise behaviour, which is not necessarily indicative of exercise patterns that may occur in the future. The expected volatility was determined using a historical sample of the Company's share price over a two month period. The resulting expected volatility therefore reflects the assumptions that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

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# 30. COMMITMENTS

**(a) Capital commitments**

At 30 June 2017 the Consolidated Entity has capital commitments that relate principally to the purchase and maintenance of plant and equipment for its mining operations.

Capital expenditure commitments

Estimated capital expenditure contracted for at reporting date, but not recognised as liabilities for the Consolidated Entity:

| | 2017 | 2016 |
|---|---|---|
| **- Within one year** | **2,561,288** | **1,602,269** |

**(b) Operating lease commitments - Company as lessee**

The Company has entered into a commercial property lease on office rental. The Company has entered into commercial leases on power generation facilities and office equipment. These operating leases have an average life of between one month and five years with renewal options included in the contracts. The Company also has commercial leases over the tenements in which the mining operations are located. These tenement leases have a life of between six months and twenty one years. In order to maintain current rights to explore and mine the tenements the Consolidated Entity is required to perform minimum exploration work to meet the expenditure requirements specified by the relevant state governing body. There are no restrictions placed on the lessee by entering into these contracts.

**Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:**

| | 2017 | 2016 |
|---|---|---|
| **(i) Operating leases – company as lessee** | | |
| - Within one year | 2,781,797 | 3,102,162 |
| - After one year but not more than five years | 4,189,484 | 2,348,929 |
| | **6,971,281** | **5,451,091** |
| **(ii) Mineral tenement leases:** | | |
| - Within one year | 5,301,969 | 5,775,736 |
| - After one year but not more than five years | 20,238,505 | 21,527,161 |
| - After more than five years | 50,260,776 | 61,856,425 |
| | **75,801,250** | **89,159,322** |

### (c) Finance lease and hire purchase commitments

The Company has finance leases and hire purchase contracts for various items of plant and machinery. The leases do have terms of renewal but no escalation clauses. Renewals are at the option of the specific entity that holds the lease. The finance and hire purchase contracts have an average term of 36 months with the right to purchase the asset at the completion of the lease term for a pre-agreed amount.

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

| | 2017 | |
|---|---|---|
| | **Minimum lease payments** | **Present value of lease payments** |
| Within one year | 5,591,325 | 5,259,259 |
| After one year but not more than five years | 5,378,182 | 5,194,528 |
| Total minimum lease payments | 10,969,507 | 10,453,787 |
| Less amounts representing finance charges | (515,720) | - |
| Present value of minimum lease payments | **10,453,787** | **10,453,787** |

| | 2016 | |
|---|---|---|
| | **Minimum lease payments** | **Present value of lease payments** |
| Within one year | 3,392,654 | 3,130,282 |
| After one year but not more than five years | 4,328,252 | 4,205,433 |
| Total minimum lease payments | 7,720,906 | 7,335,715 |
| Less amounts representing finance charges | (385,191) | - |
| Present value of minimum lease payments | **7,335,715** | **7,335,715** |

The weighted average interest rate of leases for the Company is 4.08% (2016: 4.11%).

### (d) Other commitments

The Consolidated Entity has obligations for various expenditures such as royalties, production based payments and exploration expenditure. Such expenditures are predominantly related to the earning of revenue in the ordinary course of business.

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# 31. CONTINGENT ASSETS AND LIABILITIES

**(i) Bank guarantees**

The Consolidated Entity has a number of bank guarantees in favour of various government authorities and service providers. The bank guarantees primarily relate to office leases and environmental and rehabilitation bonds at the various projects. The total amount of these guarantees at the reporting date is $1,337,819 (2016: nil). These bank guarantees are fully secured by term deposits (refer to note 14).

**(ii) Clawback agreement**

AngloGold Ashanti holds the right to earn back a 75% interest in any individual resource defined within the tenements acquired from AngloGold by Westgold (with the exception of Rover 1 and Explorer 108), under specific terms, conditions, specified payments and performance hurdles.

# 32. AUDITOR'S REMUNERATION

| | 2017 | 2016 |
|---|---|---|
| **Amounts received or due and receivable by Ernst & Young (Australia) for:** | | |
| An audit or review of financial reports of the entity and any other entity within the Consolidated Entity | 305,390 | - * |
| Other services in relation to the entity and any other entity in the Consolidated Entity: | | |
| - tax compliance | 170,800 | - |
| **Total auditor remuneration** | **476,190** | **-** |

* Prior year audit fees were paid by the parent.

# 33. INTERESTS IN JOINT OPERATIONS

The Consolidated Entity's interest in the assets and liabilities of joint operations are included in the consolidated statement of financial position.

**CANNON GOLD PROJECT**

The Company has a mine financing and profit sharing agreement with Southern Gold Limited ("SAU") for the development of the Cannon Gold Project. Under the agreement, the Consolidated Entity operates and manages the mine. Ore is batch processed in parcels of approximately 40,000 tonnes through the SKO process plant. All proceeds from the sale of the Cannon production goes first to repay all costs incurred by the project and SKO has the right to a 50% share of all surplus profits. In line with the agreement the Company is liable for all mining associated costs as it is the operator of the joint arrangement. At 30 June 2017 there are no commitments relating to the joint operation.

**Impairment**

During the year no inventory write-downs recognised in the joint operation (2016: $361,865).

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# 34. OPERATING SEGMENTS

For management purposes, the Consolidated entity is organised into operating segments determined by the similarity of the mineral being mined or explored, as these are the sources of the Consolidated Entity's major risks and have the most effect on rates of return

The Consolidated Entity comprises the following reportable segments:

| | |
|---|---|
| - Higginsville Gold Operations | Mining, treatment, exploration and development of gold assets. |
| - South Kal Gold Operations | Mining, treatment, exploration and development of gold assets. |
| - Central Murchison Gold Project | Mining, treatment, exploration and development of gold assets. |
| - Fortnum Gold Project | Mining, treatment, exploration and development of gold assets. |
| - Northern Territory Projects | Exploration and development of gold assets. |

Executive management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, financing (including finance costs and finance income) and income taxes are managed on a consolidated basis and are not allocated to operating segments. All other adjustments and eliminations are part of the detailed reconciliations presented further below.

The following table presents revenue and profit information for reportable segments for the years ended 30 June 2017 and 30 June 2016.

| Year ended 30 June 2017 | Higginsville Gold Project | South Kal Gold Project | Central Murchison Gold Project | Fortnum Gold Project | Northern Territory Projects | Adjustments and eliminations | Total |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| External customers | 139,394,236 | 130,115,535 | 167,631,024 | - | - | - | 437,140,795 |
| **Total revenue** | **139,394,236** | **130,115,535** | **167,631,024** | **-** | **-** | **-** | **437,140,795** |
| **Results** | | | | | | | |
| Depreciation and amortisation | (26,074,751) | (14,465,295) | (29,694,297) | (866,519) | (24,603) | (58,619) | (71,184,084) |
| Exploration and evaluation expenditure written off | (304,063) | (258,237) | (552,692) | (20,499) | (31,475) | - | (1,166,966) |
| Impairment of assets | - | - | - | - | - | - | - |
| **Segment profit/(loss)** | **10,276,719** | **14,246,371** | **6,036,437** | **(212,602)** | **(56,077)** | **(878,035)** | **29,412,813** |
| **Total assets** | **69,282,146** | **52,754,594** | **238,453,539** | **70,987,275** | **17,977,478** | **-** | **449,455,032** |
| **Total liabilities** | **(41,524,845)** | **(36,807,445)** | **(74,798,626)** | **(18,455,389)** | **(1,195)** | **-** | **(171,587,500)** |
| **Other disclosures** | | | | | | | |
| Capital expenditure | (16,763,481) | (20,939,749) | (80,375,525) | (31,816,276) | (619,221) | - | (150,514,252) |

## 34. OPERATING SEGMENTS (CONTINUED)

| Year ended 30 June 2016 | Higginsville Gold Project | South Kal Gold Project | Central Murchison Gold Project | Fortnum Gold Project | Northern Territory Projects | Adjustments and eliminations | Total |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| External customers | 151,350,329 | 96,869,065 | 56,482,885 | - | - | - | 304,702,279 |
| Total segment revenue | **151,350,329** | **96,869,065** | **56,482,885** | **-** | **-** | **-** | **304,702,279** |
| **Results** | | | | | | | |
| Depreciation and amortisation | (34,029,491) | (13,896,094) | (7,700,893) | (21,758) | (34,497) | (65,845) | (55,748,578) |
| Exploration and evaluation expenditure written off | (1,798,344) | (3,807,396) | (10,060,284) | (439,377) | (8,726,938) | - | (24,832,339) |
| Impairment of assets | - | - | - | - | - | - | - |
| **Segment profit** | **(9,845,917)** | **495,049** | **(6,944,702)** | **(3,132,481)** | **(8,761,435)** | **(1,878,295)** | **(30,067,781)** |
| **Total assets** | **75,473,457** | **48,966,587** | **176,474,827** | **36,584,245** | **17,424,394** | **-** | **354,923,510** |
| **Total liabilities** | **(45,883,925)** | **(39,060,748)** | **(58,685,165)** | **(11,873,262)** | **(1,435)** | **-** | **(155,504,535)** |
| **Other disclosures** | | | | | | | |
| Capital expenditure | (45,622,735) | (29,169,224) | (75,104,400) | (36,874,871) | (1,538,964) | - | (188,310,194) |

1. To allow for appropriate comparison, the 2016 tolling and contract mining, and the respective cost of sales, have been reclassified from other income to be shown on a gross basis in Revenue and Cost of Sales.

*Adjustments and eliminations*

Finance income and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a Consolidated Entity basis.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a Consolidated Entity basis.

Capital expenditure consists of additions of property, plant and equipment, mine properties and development and exploration and evaluation expenditure including assets from the acquisition of subsidiaries.

Corporate charges comprise non-segmental expenses such as head office expenses and interest costs. Corporate charges are not allocated to operating segments.



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**(a) Reconciliation of profit/(loss)**

| | 2017 | 2016 |
|---|---|---|
| **Segment profit** | **29,412,813** | **(30,067,781)** |
| Corporate administration expenses | (6,790,771) | (250,458) |
| Corporate interest income | 764,812 | 1,238 |
| Corporate other income | 1,409,062 | 1,465,229 |
| Impairment loss on available-for-sale financial assets | (81,850) | - |
| Net gain on disposal of assets | (94,654) | (240,588) |
| **Total consolidated profit/(loss) before income tax** | **24,619,412** | **(29,092,360)** |

**(b) Reconciliation of assets**

| | | |
|---|---|---|
| **Segment operating assets** | **449,455,032** | **354,923,510** |
| *Unallocated corporate assets* | | |
| Cash and cash equivalents | 65,983,151 | 14,113 |
| Trade and other receivables | 282,508 | - |
| Intercompany loans | - | 32,413,829 |
| Prepayments | 289,005 | - |
| Other financial assets | 1,337,819 | - |
| Available-for-sale financial assets | 373,150 | - |
| Property, plant and equipment | 273,955 | 17,420 |
| **Total consolidated assets** | **517,994,620** | **387,368,872** |

**(c) Reconciliation of liabilities**

| | | |
|---|---|---|
| **Segment operating liabilities** | **171,587,500** | **155,504,535** |
| *Unallocated corporate liabilities* | | |
| Trade and other payables | 13,291,703 | 22,504,316 |
| Intercompany loans | - | 66,688,436 |
| Provision for employee benefits | 1,326,922 | - |
| Interest bearing loans and borrowings | 119,874 | 6,411,869 |
| Deferred tax liability | 32,033,007 | 32,149,109 |
| **Total consolidated liabilities** | **218,359,006** | **283,258,265** |

**(d) Segment revenue from external customers**

| | | |
|---|---|---|
| Segment revenue | 437,140,795 | 304,702,279 |
| **Total revenue** | **437,140,795** | **304,702,279** |

Revenue from external customers by geographical locations is detailed below. Revenue is attributable to geographical location based on the location of the customers. The Company does not have external revenues from external customers that are attributable to any foreign country other than as shown.

| | | |
|---|---|---|
| Australia | 437,140,795 | 304,702,279 |
| Total revenue | **437,140,795** | **304,702,279** |

The Consolidated Entity has two customers to which it provides gold. The Consolidated Entity sells its gold to two Australian customers that each accounts for 44% and 56% of external revenue respectively (2016: 33% and 67%).

**(e)** Segment non-current assets, excluding financial assets, are all located in Australia.

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# 35. KEY MANAGEMENT PERSONNEL

### (a) Details of Key Management Personnel

#### (i) Non-Executive Directors

| | | Appointed | Resigned |
|---|---|---|---|
| WS Hallam | Non-Executive Director | 1 December 2016 | 2 February 2017 |
| PJ Newton | Non-Executive Chairman | 6 October 2016 | - |
| PB Schwann | Non-Executive Director | 2 February 2017 | - |
| FJ Van Maanen | Non-Executive Director | 6 October 2016 | - |

#### (ii) Executive Directors

| | | | |
|---|---|---|---|
| PG Cook | Managing Director | 19 March 2007 | - |
| WS Hallam | Executive Director | 18 March 2010 | 30 November 2016 |
| PD Hucker | Director & Chief Operating Officer - SKO & HGO | 17 October 2012 | 3 October 2016 |
| JS Norregaard | Executive Director | 29 December 2016 | - |

#### (iii) Other Executives (KMPs)

| | | | |
|---|---|---|---|
| SM Balloch | CFO | 1 December 2016 | - |
| JG Brock | Chief Operating Officer - CMGP & FGP | 21 March 2016 | - |
| PD Hucker | Chief Operating Officer - SKO & HGO | 17 October 2012 | - |
| DW Okeby | Company Secretary | 1 December 2016 | - |
| JW Russell | Chief Geologist | 1 December 2016 | - |

There are no other changes of the key management personnel after the reporting date and before the date the financial report was authorised for issue.

### (b) Compensation of Key Management Personnel

| | 2017 | 2016 |
|---|---|---|
| Short-term employee benefits | 1,908,600 | 626,047 |
| Post employment benefits | 144,014 | 41,603 |
| Other long-term benefits | 102,096 | 19,950 |
| Share-based payment | 2,561,788 | 89,841 |
| | **4,716,498** | **777,441** |

The amounts disclosed in the table related to key management personnel were recognised as expenses by Metals X up to 30 November 2016. From 1 December 2016 amounts were for the account of Westgold.

### (c) Loans to Key Management Personnel

There were no loans to key management personnel during the current or previous financial year.

### (d) Interest held by Key Management Personnel under the Long Term Incentive Plan

| Grant date | Expiry date | Exercise price $ | 2017 | 2016 |
|---|---|---|---|---|
| 24/11/2016 | 11/1/2020 | 2.02 | 2,250,000 | - |
| 11/1/2017 | 11/1/2020 | 2.02 | 4,350,000 | - |
| **Total** | | | **6,600,000** | **-** |

# 36. RELATED PARTY DISCLOSURES

**(a) Subsidiaries**

The consolidated financial statements include the financial statements of Westgold Resources Limited and the subsidiaries listed in the following table:

| Name | Country of incorporation | Ownership Interest 2017 | Ownership Interest 2016 |
|---|---|---|---|
| Castile Resources Pty Ltd | Australia | 100% | 100% |
| Aragon Resources Pty Ltd | Australia | 100% | 100% |
| Big Bell Gold Operations Pty Ltd | Australia | 100% | 100% |
| Hill 51 Pty Ltd | Australia | 100% | 100% |
| Avoca Resources Pty Ltd | Australia | 100% | 100% |
| Avoca Mining Pty Ltd | Australia | 100% | 100% |
| HBJ Minerals Pty Ltd | Australia | 100% | 100% |
| Dioro Exploration NL | Australia | 100% | 100% |
| Location 53 Pty Ltd [1] | Australia | 100% | 0% |
| Hampton Gold Mining Areas Limited | United Kingdom | 100% | 100% |

1. Incorporated during the year.

**(b) Ultimate Parent**

Westgold Resources Limited is the ultimate parent entity.

**(c) Key Management Personnel**

Details relating to key management personnel, including remuneration paid, are included in note 36.

**(d) Transactions with related parties**

| | 2017 | 2016 |
|---|---|---|
| **Amounts attributable to transactions with entities in the Metals X wholly-owned group prior to and at the date of demerger** | | |
| Loans repayment between Metals X Limited | (152,603,469) | (111,974,171) |
| Loans drawn down between Bluestone Australia Pty Ltd | 17,866,649 | 32,413,828 |
| Loans forgiven with Metals X Limited on demerger | 221,522,908 | - |
| Loans written off with Bluestone Australia Pty Ltd on demerger | (50,280,476) | - |

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# 37. INFORMATION RELATING TO WESTGOLD RESOURCES LIMITED ("THE PARENT ENTITY")

| | 2017 | 2016 |
|---|---|---|
| Current assets | 67,872,602 | 3,078 |
| Total assets | 217,877,960 | 134,583,134 |
| Current Liabilities | 14,616,114 | 22,493,125 |
| Total Liabilities | 14,616,114 | 28,307,837 |
| | | |
| Issued capital | 173,944,903 | 171,644,903 |
| Accumulated losses | 15,819,086 | (72,659,408) |
| Option premium reserve | 8,941,075 | 5,664,403 |
| Other reserves | 4,556,783 | 1,625,400 |
| **Total Equity** | **203,261,847** | **106,275,298** |
| | | |
| Profit/(loss) of the parent entity | 88,478,494 | 52,983 |
| Total comprehensive profit/(loss) of the parent entity | 91,409,877 | 52,983 |

**Guarantees entered into by the parent entity in relation to the debts of its subsidiaries.**

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, Westgold and its wholly owned subsidiaries (except Location 53 Pty Ltd) entered into a deed of cross guarantee on 28 November 2016 (the Guarantee). The effect of the Guarantee is that Westgold has guaranteed to pay any deficiency in the event of winding up of any controlled entity which is a party to the Guarantee or if they do not meet their obligations under the terms of any debt subject to the Guarantee. The controlled entities which are parties to the Guarantee have given a similar guarantee in the event that Westgold is wound up or if it does not meet its obligations under the terms of any debt subject to the Guarantee.

The statement of financial position and statement of comprehensive income for the closed group is not different to the Consolidated Entity's statement of financial position and statement of comprehensive income.

**Contingent liabilities of the parent entity.** Nil

**Contractual commitments by the parent entity for the acquisition of property, plant or equipment.** Nil

## 38. EVENTS AFTER THE BALANCE SHEET DATE

On 11 July 2017 the Company announced that the Toll Processing and Purchase Option Agreements with RNC Minerals Corporation ("RNC"), previously announced on 13 February 2017, have been executed by both parties. The Toll Processing Agreement provides 50% of Westgold's SKO plant capacity to RNC from 1 July 2017 to 30 June 2018 with utilisation on an approximate three weeks on three weeks off basis. The Purchase Option Agreement provides RNC a six-month option, expiring 13 August 2017, to outright purchase SKO for A$80M. Total consideration received for both agreements is approximately 23.4 million fully paid ordinary shares in RNC.

On 15 August 2017 RNC advised that it would not elect to extend its purchase option for a further 6 months. The purchase option therefore lapses unexercised and the deposit paid in RNC shares will lapse.

On 29 August 2017 the Company extended its gold pre-pay facility with Citibank London. Under the extended agreement Citibank has advanced Westgold $36,150,750 in cash and Westgold will deliver 1,250 ounces per month to Citibank for 18 months from October 2017.

**Acquisition of Australian Contract Mining Pty Ltd**

On 3 July 2017 the Company announced that it had completed the 100% acquisition of privately owned specialist underground mining contractor, Australian Contract Mining Pty Ltd (ACM), a service provider to Westgold. Consideration for the acquisition was 14,000,000 fully paid ordinary shares.

**Assets acquired and liabilities assumed**

At the date of this report, the fair value of assets and liabilities have been provisionally determined based on the directors' best estimate of their likely fair value. These amounts may be amended when further information to support these values is obtained. The provisional fair values of the identifiable assets and liabilities as at the date of acquisition are:

| | Provisional fair value recognised on acquisition |
|---|---|
| **Assets** | |
| Cash and cash equivalents | 1,488,778 |
| Trade and other receivables | 3,681,276 |
| Other assets | 24,085 |
| Inventories | 5,810,728 |
| Property, plant and equipment | 55,454,870 |
| | **66,459,737** |
| **Liabilities** | |
| Trade and other payables | 17,991,247 |
| Interest bearing loans and borrowings | 20,401,829 |
| Related Party Loan | 2,500,000 |
| Provisions | 226,661 |
| | 41,119,737 |
| Total identifiable net assets as fair value | 25,340,000 |
| Fair value of Westgold shares (14,000,000 ordinary shares) | 25,340,000 |
| **Purchase consideration transferred** | **25,340,000** |
| **Analysis of cash flows on acquisition:** | |
| Cash acquired with the subsidiary | 1,488,778 |
| **Net cash flow** | **1,488,778** |

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# DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Westgold Resources Limited, I state that:

In the opinion of the Directors:

a. the financial statements and notes of the Company and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2017 and of their performance for the year ended on that date; and

   ii. complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and

b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b) and;

c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

d. this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

As at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 36 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board.

**PG Cook**
**Managing Director**
Perth, 31 August 2017

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# Independent Auditor's Report to the Members of Westgold Resources Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Westgold Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, 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 consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial 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 auditor 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.

### Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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1. Recoverability of non-current assets

| Why significant | How our audit addressed the key audit matter |
|---|---|
| The Group's assessment of the recoverable amount of mining assets requires estimation and judgment about assumptions used, including reserves and resources and related production profiles, future operating and capital expenditure, commodity prices, discount rates and exchange rates.<br><br>Changes to key assumptions could lead to material changes in the estimated recoverable amounts of mine properties and development costs, property, plant and equipment and capitalised exploration and evaluation expenditure (refer to notes 17, 16 and 18). | We assessed the Group's identification of indicators of impairment. Where we identified triggers, we assessed the methodology used by the Group to estimate the recoverable value of the relevant cash generating unit (CGU) and whether this was consistent with the requirements of Australian Accounting Standards.<br><br>We assessed and tested the design and operating effectiveness of the relevant controls in place in relation to the impairment assessment process.<br><br>We assessed the appropriateness of each key assumption used in the Group's impairment assessment model used to calculate recoverable values, in particular:<br><br>► we gained an understanding of the changes in reserves and resources estimates in the year;<br><br>► we assessed whether the reserves and resource estimates were appropriately applied to relevant areas of the Group's financial report including the recoverable value of mining assets and calculation of depletion, depreciation and amortisation;<br><br>► we assessed the qualifications and experience of management's internal specialists whose work formed the basis of the Group's estimation of mineral reserves and resources quantities;<br><br>► we assessed operating and capital costs included in the board-approved cash flow forecasts for consistency with current operating costs, capital costs and forecast mine production;<br><br>► involving our valuation specialists we assessed the Group's assumptions relating to future metals prices and discount rates, comparing these to market data and also for consistency with other estimates used in the financial report;<br><br>► we performed sensitivity analysis on the Group's calculated recoverable values for alternative assumptions around gold forecast pricing, foreign exchange rates, the discount rate applied, capital costs, operating costs and production; and<br><br>► we assessed the Group's historical cash flow forecasting accuracy. |

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# INDEPENDENT AUDIT REPORT

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2. Rehabilitation and restoration provisions

| Why significant | How our audit addressed the key audit matter |
|---|---|
| As a consequence of its operations the Group incurs obligations to restore and rehabilitate the environment. Rehabilitation activities are governed by a combination of legislative requirements and Group policies. As at 30 June 2017 the Group's statement of financial position includes provisions of \$90.76 million in respect of such obligations.<br><br>Estimating the costs associated with these future activities requires considerable judgment in relation to factors such as timing of the rehabilitation, the costs associated with the rehabilitation activities and economic assumptions such as discount rates and inflation rates. | In performing our audit procedures, we:<br>► assessed the design and operating effectiveness of relevant controls over the valuation of rehabilitation and restoration provisions;<br>► considered the rehabilitation plans, to assess whether the cost estimates were reasonable and complied with Group policies and relevant legislative requirements. This included assessing costs against other external data such as actual costs incurred to date to consider the appropriateness of data used in the Group's cost estimates and an assessment of the Group's historical forecasting accuracy;<br>► assessed the adequacy of the Group's disclosures relating to rehabilitation obligations;<br>► evaluated the Group's treatment of changes in the rehabilitation provision from the prior year; and<br>► assessed the qualifications and experience of the Group's internal specialists that formed the basis of the cost estimates. |

### 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 Company's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report and the Corporate Governance Statement that are to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will 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 on the other information obtained prior to the date of this auditor's report, 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.

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## 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 relating 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.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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# INDEPENDENT AUDIT REPORT

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

## Report on the Audit of 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 Westgold 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.

Ernst & Young

Ernst & Young

P Teale
Partner
Perth
31 August 2017

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# SECURITY HOLDER INFORMATION AS AT 9 OCTOBER 2017

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**(a) Top 20 Quoted Shareholders**

| | % | Number of shares |
|---|---|---|
| HSBC CUSTODY NOM AUST LTD | 33.64% | 107,911,507 |
| J P MORGAN NOM AUST LTD | 17.31% | 55,527,078 |
| SUN HUNG KAI INV SVCS LTD | 8.71% | 27,953,786 |
| NATIONAL NOM LTD | 4.86% | 15,605,266 |
| CITICORP NOM PL | 4.11% | 13,196,657 |
| REDLAND PLAINS PL | 3.91% | 12,543,500 |
| ALL-STATES FINANCE PL | 2.16% | 6,941,656 |
| AJAVA HLDGS PL | 1.72% | 5,518,881 |
| FARLEIGH RICHARD | 1.55% | 4,957,376 |
| CS THIRD NOM PL | 0.93% | 2,972,350 |
| COOK PETER GERARD | 0.84% | 2,693,750 |
| BUTTONWOOD NOM PL | 0.68% | 2,168,934 |
| CITICORP NOM PL | 0.63% | 2,036,671 |
| WESTERN BRIDGE PL | 0.60% | 1,937,991 |
| BNP PARIBAS NOMS PL | 0.57% | 1,833,882 |
| BNP PARIBAS NOM PL | 0.53% | 1,690,424 |
| SILVER LAKE RES LTD | 0.39% | 1,250,000 |
| DEBORTOLI WINES PL | 0.36% | 1,158,631 |
| OAKSOUTH PL | 0.32% | 1,033,125 |
| COOK JOAN CHRISTINE | 0.29% | 941,617 |
| **Total** | **84.11%** | **269,873,082** |

**(b) Distribution of quoted ordinary shares**

| Size of parcel | Number of share holders | Number of shares |
|---|---|---|
| 1 - 1,000 | 1,828 | 880,482 |
| 1,001 - 5,000 | 2,301 | 5,718,672 |
| 5,001 - 10,000 | 685 | 5,001,710 |
| 10,001 - 100,000 | 791 | 20,363,184 |
| 100,000 + | 93 | 288,846,972 |
| **Total** | **5,698** | **320,811,020** |

**(c) Number of holders with less than a marketable parcel of ordinary shares**

| | | |
|---|---|---|
| Total Unmarketable parcel \$500 Basis price \$1.895000 | **479** | **54,074** |

**(d) Substantial Shareholders**

| | % | Number of shares |
|---|---|---|
| Blackrock Group | 11.72% | 37,603,911 |
| APAC Group | 8.71% | 27,953,786 |
| Ruffer LLP | 6.79% | 21,780,185 |
| JP Morgan Chase & Co | 6.36% | 20,402,205 |

## (e) Top 20 Quoted Optionholders (expiry 30/06/2019, exercise price $2.00)

| | % | Number of shares |
|---|---|---|
| HSBC CUSTODY NOM AUST LTD | 28.72% | 18,411,124 |
| J P MORGAN NOM AUST LTD | 15.32% | 9,817,485 |
| SUN HUNG KAI INV SVCS LTD | 8.72% | 5,590,758 |
| NATIONAL NOM LTD | 5.23% | 3,352,817 |
| REDLAND PLAINS PL | 4.23% | 2,708,700 |
| CITICORP NOM PL | 3.01% | 1,927,026 |
| ALL-STATES FINANCE PL | 2.17% | 1,388,332 |
| CS THIRD NOM PL | 1.85% | 1,185,515 |
| WOODROSS NOM PL | 1.73% | 1,107,486 |
| AJAVA HLDGS PL | 1.72% | 1,103,777 |
| FARLEIGH RICHARD | 1.55% | 991,476 |
| GOLDMAN SACHS AUST PL | 0.90% | 579,863 |
| COOK PETER GERARD | 0.84% | 538,750 |
| COOK JOAN CHRISTINE | 0.80% | 511,744 |
| HSBC CUSTODY NOM AUST LIM | 0.76% | 486,243 |
| HSBC CUSTODY NOM AUST LTD | 0.70% | 451,005 |
| CITICORP NOM PL | 0.68% | 433,221 |
| WESTERN BRIDGE PL | 0.60% | 387,599 |
| BNP PARIBAS NOM PL | 0.59% | 376,284 |
| BNP PARIBAS NOMS PL | 0.58% | 371,007 |
| **Total** | **80.70%** | **51,720,212** |

## (f) Distribution of quoted options

| Size of parcel | Number of option holders | Number of options |
|---|---|---|
| 1 - 1,000 | 4,059 | 1,310,976 |
| 1,001 - 5,000 | 1,201 | 2,630,515 |
| 5,001 - 10,000 | 188 | 1,322,324 |
| 10,001 - 100,000 | 155 | 4,415,176 |
| 100,000 + | 35 | 54,420,442 |
| **Total** | **5,638** | **64,099,433** |

## (g) Voting Rights

The voting rights for each class of security on issue are:

*Ordinary fully paid shares*

Each ordinary shareholder is entitled to one vote for each share held.

*Options Expiring 30/06/2017 - Exercise Price 2.00*

The holders of options have no rights to vote at a general meeting of the company.

*Unquoted Employee Options*

The holders of options have no rights to vote at a general meeting of the company.

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### (h) Unquoted Equity Securities

| Number of Employee Options | Exercise Price | Expiry Date | Number holders |
|---|---|---|---|
| 11,000,000 | $2.00 | 11/01/2020 | 14 |

Unquoted employee options are issued under an employee incentive scheme.

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# TABLES OF MINERAL RESOURCES & ORE RESERVES

## MINERAL RESOURCES ESTIMATES CONSOLIDATED SUMMARY

(Calculated as at 30 June 2017)

| | Mineral Resources | | |
|---|---|---|---|
| **Project** | **Tonnes kt** | **Grade (g/t Au)** | **Au Metal Koz** |
| **Measured** | | | |
| CMGP | 613 | 2.02 | 40 |
| FGP | - | - | - |
| HGO | 1,891 | 2.88 | 175 |
| SKO | 1,173 | 3.43 | 130 |
| | **3,677** | **2.91** | **344** |
| **Indicated** | | | |
| CMGP | 68,187 | 2.21 | 4,851 |
| FGP | 17,138 | 1.68 | 924 |
| HGO | 20,283 | 1.90 | 1,240 |
| SKO | 30,428 | 2.13 | 2,086 |
| | **136,036** | **2.08** | **9,101** |
| **Inferred** | | | |
| CMGP | 53,077 | 2.09 | 3,569 |
| FGP | 7,192 | 2.05 | 473 |
| HGO | 10,805 | 1.93 | 669 |
| SKO | 26,409 | 2.12 | 1,801 |
| | **97,483** | **2.08** | **6,512** |
| **Total** | | | |
| CMGP | 121,877 | 2.16 | 8,460 |
| FGP | 24,330 | 1.79 | 1,398 |
| HGO | 32,978 | 1.97 | 2,084 |
| SKO | 58,011 | 2.15 | 4,016 |
| | **237,196** | **2.09** | **15,957** |

Note: The geographic region for Gold Resources and Reserves is Australia.

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# MINERAL RESOURCES ESTIMATES ANNUAL COMPARISON

(Calculated as at 30 June 2017, change since 30 June 2016)

| | Mineral Resources | | |
|---|---|---|---|
| **Project** | **Tonnes kt** | **Grade (g/t Au)** | **Au Metal Koz** |
| **Measured** | | | |
| CMGP | 321 | 0.28 | 23 |
| FGP | -9 | -2.22 | -1 |
| HGO | 383 | -0.74 | -0 |
| SKO | 11 | 0.10 | 5 |
| | **705** | **-0.41** | **27** |
| **Indicated** | | | |
| CMGP | 7,465 | -0.16 | 228 |
| FGP | -4,639 | -0.09 | -314 |
| HGO | -1,528 | -0.10 | -161 |
| SKO | 4,602 | -0.22 | 132 |
| | **5,901** | **-0.12** | **-115** |
| **Inferred** | | | |
| CMGP | 5,366 | 0.07 | 467 |
| FGP | -717 | 0.02 | -42 |
| HGO | 522 | 0.03 | 41 |
| SKO | 2,516 | -0.01 | 164 |
| | **7,686** | **0.04** | **631** |
| **Total** | | | |
| CMGP | 13,151 | -0.06 | 718 |
| FGP | -5,365 | -0.05 | -356 |
| HGO | -623 | -0.08 | -120 |
| SKO | 7,129 | -0.12 | 301 |
| | **14,292** | **-0.06** | **543** |

Note: The geographic region for Gold Resources and Reserves is Australia.

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# GOLD DIVISION
# MINERALS RESERVES ESTIMATES
# CONSOLIDATED SUMMARY

Mining Reserves are a subset of the Mineral Resource Estimate

| | Ore Reserves | | |
|---|---|---|---|
| Project | Tonnes kt | Grade (g/t Au) | Au Metal Koz |
| **Proven** | | | |
| CMGP | 211 | 2.00 | 14 |
| FGP | - | - | - |
| HGO | 70 | 3.33 | 7 |
| SKO | 962 | 2.58 | 80 |
| | **1,242** | **2.53** | **101** |
| **Probable** | | | |
| CMGP | 27,172 | 2.62 | 2,292 |
| FGP | 5,674 | 1.76 | 321 |
| HGO | 9,004 | 1.66 | 479 |
| SKO | 2,681 | 1.99 | 172 |
| | **44,531** | **2.28** | **3,264** |
| **Total** | | | |
| CMGP | 27,383 | 2.62 | 2,306 |
| FGP | 5,674 | 1.76 | 321 |
| HGO | 9,074 | 1.67 | 487 |
| SKO | 3,643 | 2.15 | 252 |
| | **45,773** | **2.29** | **3,365** |

Note: The geographic region for Gold Resources and Reserves is Australia.

# GOLD DIVISION
# MINERALS RESERVES ESTIMATES
# ANNUAL COMPARISON

(Calculated as at 30 June 2017, change since 30 June 2016)

| | Ore Reserves | | |
|---|---|---|---|
| **Project** | **Tonnes kt** | **Grade (g/t Au)** | **Au Metal Koz** |
| **Proven** | | | |
| CMGP | 70 | 0.30 | 6 |
| FGP | - | - | - |
| HGO | -499 | -0.25 | -58 |
| SKO | 527 | -0.13 | 42 |
| | **97** | **-0.49** | **-10** |
| **Probable** | | | |
| CMGP | 4,505 | -0.02 | 371 |
| FGP | 282 | -0.20 | -18 |
| HGO | 2,004 | 0.02 | 112 |
| SKO | 822 | -0.59 | 18 |
| | **7,613** | **-0.06** | **482** |
| **Total** | | | |
| CMGP | 4,574 | -0.01 | 377 |
| FGP | 282 | -0.20 | -18 |
| HGO | 1,505 | -0.11 | 54 |
| SKO | 1,349 | -0.46 | 60 |
| | **7,710** | **-0.07** | **472** |

Note: The geographic region for Gold Resources and Reserves is Australia.

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# TENNANT CREEK – POLYMETALLIC PROJECTS
# MINERAL RESOURCES ESTIMATE
# CONSOLIDATED SUMMARY

(Calculated as at 30 June 2017, No Change since 30 June 2016)

| Project | Gold | | | Silver | | | Copper | | | Bismuth | | | Cobalt | | | Lead | | | Zinc | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kt | Grade % | Koz Metal | Kt | Grade % | Koz Metal | Kt | Grade % | Kt Metal | Kt | Grade % | Kt Metal | Kt | Grade % | Kt Metal | Kt | Grade % | Kt Metal | Kt | Grade % | Kt Metal |
| **Indicated** | | | | | | | | | | | | | | | | | | | | | |
| Explorer 108 | - | - | - | 8,438 | 14.32 | 3,886 | 5,689 | 0.36% | 20 | - | - | - | - | - | - | 8,438 | 2.05% | 173 | 8,438 | 3.41% | 288 |
| Explorer 142 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Rover 1 | 2,741 | 2.42 | 213 | 2,741 | 2.33 | 205 | 2,741 | 1.42% | 39 | 2,741 | 0.18% | 5 | 2,741 | 0.04% | 1 | - | - | - | - | - | - |
| | **2,741** | **2.42** | **213** | **11,179** | **11.38** | **4,091** | **8,430** | **0.70%** | **59** | **2,741** | **0.18%** | **5** | **2,741** | **0.04%** | **1** | **8,438** | **2.05%** | **173** | **8,438** | **3.41%** | **288** |
| **Inferred** | | | | | | | | | | | | | | | | | | | | | |
| Explorer 108 | - | - | - | 3,430 | 3.32 | 366 | - | - | - | - | - | - | - | - | - | 3,430 | 1.88% | 64 | 3,430 | 2.81% | 96 |
| Explorer 142 | 176 | 0.21 | 1 | - | - | - | 176 | 5.21% | 9 | - | - | - | - | - | - | 176 | - | - | - | - | - |
| Rover 1 | 4,073 | 1.27 | 166 | 4,073 | 1.90 | 249 | 4,073 | 1.06% | 43 | 4,073 | 0.11% | 4 | 4,073 | 0.08% | 3 | - | - | - | - | - | - |
| | **4,249** | **1.23** | **168** | **7,503** | **2.55** | **614** | **4,249** | **1.23%** | **52** | **4,073** | **0.11%** | **4** | **4,073** | **0.08%** | **3** | **3,606** | **1.78%** | **64** | **3,430** | **2.81%** | **96** |
| **Total** | | | | | | | | | | | | | | | | | | | | | |
| Explorer 108 | - | - | - | 11,868 | 11.14 | 4,252 | 5,689 | 0.36% | 20 | - | - | - | - | - | - | 11,868 | 2.00% | 237 | 11,868 | 3.24% | 385 |
| Explorer 142 | 176 | 0.21 | 1 | - | - | - | 176 | 5.21% | 9 | - | - | - | - | - | - | 176 | - | - | - | - | - |
| Rover 1 | 6,814 | 1.73 | 380 | 6,814 | 2.07 | 454 | 6,814 | 1.20% | 82 | 6,814 | 0.14% | 9 | 6,814 | 0.06% | 4 | - | - | - | - | - | - |
| | **6,990** | **1.69** | **381** | **18,682** | **7.83** | **4,706** | **12,679** | **0.88%** | **112** | **6,814** | **0.14%** | **9** | **6,814** | **0.06%** | **4** | **12,044** | **1.97%** | **237** | **11,868** | **3.24%** | **385** |

Notes: 2.5% Pb + Zn cut-off.
There were no additions or depletions during the year.
The geographic region for Polymetallic Resources and Reserves is Australia.

## FURTHER INFORMATION

Refer to the Westgold Resources Limited ASX Announcement dated 4 September 2017 for detailed infomation relating to Mineral Resources & Reserves Estimates.

## COMPETENT PERSONS STATEMENTS

The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled Mr Jake Russell B.Sc. (Hons) MAIG, Mr Paul Hucker B. Eng (Hons) MAusIMM and Mr Anthony Buckingham B.Eng (Mining Engineering) MAusIMM. All have sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activities which they are undertaking to qualify as a Competent Person as defined in the 2012 Editions of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC 2012)". All consent to the inclusion in this report of the matters based on his information in the form and context in which it appears. All are full time senior executives of the Company and are eligible to, and may participate in short-term and long-term incentive plans of the Company as disclosed in its annual reports and disclosure documents.

The information in this report that relates to the Tuckabianna Project is extracted from the report created by Silver Lake Resources Limited entitled 'Annual Report to shareholders' created on 14 October 2016 and is available to view on Silver Lake's website (www.silverlakeresources.com.au) and the ASX (www.asx.com.au). The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modifed from the original market announcement.

## STATEMENT OF GOVERNANCE ARRANGEMENTS AND INTERNAL CONTROLS

Governance of Westgold's mineral resources and ore reserves development and management activities is a key responsibility of the Executive Management of the Company.

The Group Chief Geologist and Principal Mining Engineer of Westgold oversee reviews and technical evaluations of the estimates and evaluate these with reference to actual physical and cost and performance measures. The evaluation process also draws upon internal skill sets in operational and project management, ore processing and commercial/financial areas of the business.

The Group Chief Geologist is responsible for monitoring the planning, prioritisation and progress of exploratory and resource definition drilling programs across the company and the estimation and reporting of resources and reserves. These definition activities are conducted within a framework of quality assurance and quality control protocols covering aspects including drill hole siting, sample collection, sample preparation and analysis as well as sample and data security.

A three-level compliance process guides the control and assurance activities:

- Provision of internal policies, standards, procedures and guidelines;
- Resources and reserves reporting based on well-founded assumptions and compliance with external standards such as the Australasian Joint Ore Reserves Committee (JORC) Codes;
- Internal assessment of compliance and data veracity.

The objectives of the estimation process are to promote the maximum conversion of identified mineralisation into JORC compliant Mineral Resources and Ore Reserves.

Westgold reports its Mineral Resources and Ore Reserves on an annual basis, in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC code) 2012 Edition.

Mineral Resources are quoted inclusive of Ore Reserves. Competent Persons named by Westgold are members of the Australasian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists, and qualify as Competent Persons as defined in the JORC Code.



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