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Western Gold Resources Pty Ltd

ABN 54 139 627 446

**Half Year Financial Report
31 December 2020**

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Corporate Directory

Board of Directors:

Gary Lyons (Non-executive Chairman)
Michael Wilson (Non-executive Director)
Kong Leng (Jimmy) Lee (Non-executive Director)

Company Secretaries:

Mark Pitts
Simon Borck (resigned 23 July 2020)

Principal and registered office:

97 Outram Street
West Perth WA 6005

Auditors:

Stantons International
Level 2, 1 Walker Avenue
West Perth, WA 6005
Telephone: +61 8 9481 3188
Facsimile: +61 8 9321 1204

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2020.

Directors

The following persons were Directors of the Company during the half-year and up to the date of this report. Directors were in office for this entire period unless otherwise stated.

Gary Lyons	Non-executive Chairman
Michael Wilson	Non-executive Director
Kong Leng (Jimmy) Lee	Non-executive Director

Company Secretaries

Mark Pitts
Simon Borck (resigned 23 July 2020)

Dividends

No amounts have been paid or declared by way of dividend by the Company during the half-year or in the period to the date of this report.

Principal activities

The principal activities of the Company and its subsidiaries during the course of the half-year continued to be the exploration, evaluation and development of its mining projects in Australia.

Operating results

The net profit of the Group for the half-year ended 31 December 2020 was \$3,535,619 (half-year ended 31 December 2019: loss of \$201,520).

Financial Position

The Company's net assets at the end of the half-year totalled \$509,903 (30 June 2020: net liabilities of \$3,025,716).

Review of Operations

The Group continued its primary operation during the half year, being the exploration and evaluation of mineral resources at the Wiluna West Gold project.

After balance date events

In February 2021, the Board of GWR Group Limited commenced a corporate action to complete an initial public offering of the shares of Western Gold Resources Limited, with the intention to seek quotation on the Australian Securities Exchange.

Other than the above, there has been no matter or circumstances that has arisen since balance date to the date of this report, which has significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group subsequent to the reporting date.

This report is signed in accordance with a resolution of the Directors.



Gary Lyons
Chairman

Dated at Perth this 9th day of March 2021

Consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2020

	Note	Consolidated	
		December 2020	December 2019
		\$	\$
Gain on forgiveness of loan from ultimate parent	5	(3,612,121)	-
Compliance expenses	3	20,273	881
Exploration and evaluation expenditure	3	56,229	200,639
(Profit)/Loss before income tax		(3,535,619)	201,520
Income tax expense		-	-
(Profit)/Loss for the period		(3,535,619)	201,520
Other comprehensive income		-	-
Other comprehensive (income)/loss for the period		(3,535,619)	201,520
Total comprehensive (income)/loss for the period		(3,535,619)	201,520

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 31 December 2020

	Note	Consolidated	
		December 2020	June 2020
		\$	\$
Non-current assets			
Exploration and evaluation expenditure	4	549,000	549,000
Total non-current assets		549,000	549,000
Total assets		549,000	549,000
Current liabilities			
Trade and other payables		20,000	-
Loan from ultimate parent entity	5	-	3,555,619
Total current liabilities		20,000	3,555,619
Non-current liabilities			
Rehabilitation provision		19,097	19,097
Total non-current liabilities		19,097	19,097
Total liabilities		39,097	3,574,716
Net assets/(liabilities)		509,903	(3,025,716)
Equity			
Contributed equity	6	10,400,000	10,400,000
Accumulated losses		(9,890,097)	(13,425,716)
Total equity		509,903	(3,025,716)

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the half-year ended 31 December 2020

	Contributed equity	Accumulated losses	Total Equity
	\$	\$	\$
Balance as at 1 July 2019	10,400,000	(13,112,708)	(2,712,708)
Loss for the period	-	(201,520)	(201,520)
Other comprehensive income	-	-	-
Total comprehensive loss for the period	-	(201,520)	(201,520)
Balance as at 31 December 2019	10,400,000	(13,314,228)	(2,914,228)
Balance as at 1 July 2020	10,400,000	(13,425,716)	(3,025,716)
Profit for the period	-	3,535,619	3,535,619
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	3,535,619	3,535,619
Balance as at 31 December 2020	10,400,000	(9,890,097)	509,903

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the half-year ended 31 December 2020

	Note	Consolidated	
		December 2020	December 2019
		\$	\$
Cash flows from operating activities		-	-
Net cash used in operating activities		-	-
Cash flows from investing activities		-	-
Net cash from / (used in) investing activities		-	-
Cash flows from financing activities		-	-
Net cash used in financing activities		-	-
Net decrease in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the period		-	-
Cash and cash equivalents at the end of the period		-	-

The Group's operations are funded by its Ultimate Parent Company, GWR Group Limited, and therefore has no cash flows of its own.

The above statement should be read in conjunction with the accompanying notes.

Condensed notes to the financial statements

For the half-year ended 31 December 2020

Note 1: Corporate information

The financial report of Western Gold Resources Pty Ltd and its subsidiaries ('the consolidated entity' or 'the Group') for the half-year ended 31 December 2020 was authorized for issue in accordance with a resolution of the directors on 9th March 2021.

Western Gold Resources Pty Ltd is a company limited by shares, incorporated in Australia, and is a wholly-owned subsidiary of GWR Group Limited.

Note 2: Basis of preparation and accounting policies

a. Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2020 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Group. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2020, together with any public announcements made during the following half-year.

b. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

c. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Group and Entities (including special purpose entities) controlled by the Group (its subsidiaries). The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit or losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the group controls another entity.

Unrealised gains or transactions between the group and its associates are eliminated to the extent of the group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group. When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss.

d. Going Concern

The financial statements have been prepared on a going concern basis which assumes the settlement of liabilities and the realisation of assets in the normal course of business.

At 31 December 2020 there was a net asset position of \$509,903 (30 June 2020: net liabilities of \$3,025,716). The Group recorded a profit for the half-year of \$3,535,619 (2019: loss of \$201,520), which is predominately due to the forgiveness of the intercompany loan owed to the ultimate parent entity, GWR Group Limited, totalling \$3,612,121.

Condensed notes to the financial statements

For the half-year ended 31 December 2020

Note 2: Basis of preparation and accounting policies (cont'd)

The Group also has a deficiency of working capital at 31 December 2020 of \$20,000 (30 June 2020: \$3,555,619), and the Group requires the ongoing support of its ultimate parent entity to fund its operations. The Directors of GWR have confirmed their commitment to continue providing financial support to the Group, if required. These undertakings of support are in place for the period of at least 12 months from the date of which the Western Gold Resources Pty Ltd interim financial report for the half-year ended 31 December 2020 are signed by the directors. Finally, subsequent to the end of the financial year, the Directors of GWR have commenced the process of an initial public offering of shares in Western Gold Resources and the proposed quotation of its securities on the official list of the Australian Securities Exchange.

e. Exploration, evaluation and development expenditure

Exploration and evaluation costs are expensed in the period they are incurred apart from mineral acquisition costs, which are capitalised and carried forward where right to tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated mineral acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and capitalised costs written off to the extent it is deemed that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

Note 3: Expenses

	Consolidated	
	December 2020	December 2019
	\$	\$
Compliance expenses	20,273	881
Exploration expensed	56,229	200,639
	<u>76,502</u>	<u>201,520</u>

Note 4: Exploration and evaluation expenditure

	Consolidated	
	December 2020	June 2020
	\$	\$
Exploration & evaluation expenditure	<u>549,000</u>	<u>549,000</u>

During the half-year, the Group incurred \$56,229 (half-year ended 31 December 2019: \$200,639) of exploration and evaluation expenditure which, in accordance with the Group's accounting policies described in Note 2, was expensed as incurred.

The ultimate recoupment of exploration and evaluation expenditure relating to the Group's projects carried forward is dependent on the successful development for commercial exploitation or sale of the respective mining projects.

Condensed notes to the financial statements

For the half-year ended 31 December 2020

Note 5: Loan from ultimate parent

	Consolidated	
	December 2020	June 2020
	\$	\$
Reconciliation:		
Balance at the beginning of the period	3,555,619	3,195,608
Loans forwarded from Ultimate Parent Entity (GWR Group Limited)	56,502	360,011
Forgiveness of loan	(3,612,121)	-
Balance at the end of the year	-	3,555,619

GWR Group Limited, the ultimate parent entity of the Group, has made payments on behalf of the Group totalling \$56,502 during the half-year ended 31 December 2020 (year ended 30 June 2020: \$360,011). On 31 December 2020, the loan from the ultimate parent company was forgiven and a gain has been recorded in the consolidated statement of profit or loss.

Note 6: Contributed equity

	Consolidated	
	December 2020	June 2020
	\$	\$
Issued capital		
52,000,000 (June 2020: 52,000,000) Ordinary fully paid shares	10,400,000	10,400,000
	Number	\$
Movement in ordinary shares on issue		
Balance at beginning of the period	52,000,000	10,400,000
<i>No movements during the period</i>	-	-
Balance at end of the period	52,000,000	10,400,000

Note 7: Contingent liabilities

The Group is not aware of any significant contingencies arising since the last annual reporting date.

Note 8: Events subsequent to reporting date

In February 2021, the Board of GWR Group Limited commenced a corporate action to complete an initial public offering of the shares of Western Gold Resources Limited, with the intention to seek quotation on the Australian Securities Exchange.

Other than the above, there were no matters or circumstances that have arisen since the balance sheet date to the date of this report, which have significantly affected, or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the Group subsequent to the reporting date.

Directors' declaration

In accordance with a resolution of the directors of Western Gold Resources Pty Ltd, I state that:

In the opinion of the Directors:

- (a) The financial statements and notes of the Group are in accordance with the Corporations Act 2001, including:
 - i. Giving a true and fair view of the financial position as at 31 December 2020 and the performance for the half-year ended on that date of the Group; and
 - ii. Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



Gary Lyons
Chairman

Dated at Perth, this 9th day of March 2021

9 March 2021

Board of Directors
Western Gold Resources Pty Ltd
97 Outram Street
West Perth WA 6095

Dear Directors

RE: Western Gold Resources Pty Ltd

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Western Gold Resources Pty Ltd.

As the Audit Director for the review of the financial statements of Western Gold Resources Pty Ltd for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD

Martin Michalik
Director

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO MEMBERS OF
WESTERN GOLD RESOURCES PTY LTD**

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Western Gold Resources Pty Ltd, which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Western Gold Resources Pty Ltd does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Western Gold Resources Pty Ltd's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* has been given to the directors of the Company on 9 March 2021.

Emphasis of Matter - Material Uncertainty Regarding Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter:

As referred to in Note 2(d) to the financial statements, the financial statements have been prepared on a going concern basis. At 30 June 2019, the Group had a net assets of \$509,903 and Nil cash and cash equivalents.

The ability of the Group to continue as a going concern and to meet the planned and committed expenditure requirements is subject to the Group receiving continued financial support from its Parent, GWR Group

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Limited, generating sufficient profitability and cash flows from its existing businesses and/or raising further equity or loan funds to meet the Group's liabilities and commitments as they fall due.

In the event the Group does receive financial support from its Parent, GWR Group Limited, or is not successful in generating sufficient profitability and cash flows and/or raising further equity or loan funds, the Group may not be able to continue as a going concern and the realisable value of the Group's assets may be significantly less than their current carrying values.

Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd



Martin Michalik
Director

West Perth, Western Australia
9 March 2021

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