

Wilton Resources Corporation Limited and its subsidiaries

Independent auditor's report For the financial year ended 31 December 2023

Independent auditor's report to the members of Wilton Resources Corporation Limited

Disclaimer of Opinion

We were engaged to audit the financial statements of Wilton Resources Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statement of financial position of the Group and the Company as at 31 December 2023, the statements of changes in equity of the Group and the Company, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including material accounting policy information.

We do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1) Going concern assumption

For the year ended 31 December 2023, the Group incurred net loss of Rp 53,232 million and net operating cash outflow of Rp 47,436 million. As at 31 December 2023, the Group's and the Company's current liabilities exceeded its current assets by Rp 112,176 million and Rp 53,781 million respectively. As disclosed in Note 27 to the financial statements, the Group and the Company have external borrowings of Rp 291,094 million due for repayment by February 2025. These conditions, including the operational challenges faced by the Group as disclosed in Note 2.1, indicate the existence of material uncertainties on the ability of Group and Company to continue as going concern.

The financial statements have been prepared on a going concern basis based on the assumptions as disclosed in Note 2.1 to the financial statements. However, based on the information available to us, we have not been able to obtain sufficient audit evidence to satisfy ourselves as to the appropriateness of the use of the going concern assumption in the preparation of the financial statements.

The carrying values of the assets as recorded on the balance sheets of the Group and Company as at 31 December 2023 have been determined based on the Group and Company continuation as a going concern and recovery in the normal course of business. If the going concern assumption is not appropriate and the financial statements were presented on a realisation basis, the carrying value of assets and liabilities may be materially different from that currently recorded in the balance sheets. If the Group and Company were unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

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Basis for Disclaimer of Opinion (cont'd)

- 2) Impairment of Group's mine properties, property, plant and equipment and right-of-use assets
Impairment of Company's investment in subsidiaries and amounts due from subsidiaries

As disclosed in Notes 12, 13 and 15 to the financial statements, the carrying amounts of the Group's mine properties, property, plant and equipment and right-of-use assets ("non-current assets") as at 31 December 2023 mainly attributable to the Group's mining operations amounted to Rp 280,215 million, Rp 313,802 million and Rp 35,957 million, respectively. Management has estimated their recoverable amounts assuming the Group continues as a going concern and is able to resolve challenges in achieving production targets as planned, and determined that no impairment loss is required for the year ended at 31 December 2023. Based on information available to us, we are unable to conclude on the reasonableness of the recoverable amounts estimated by management.

Since the aforementioned non-current assets of the Group are held by certain subsidiaries of the Company's, we are also unable to obtain sufficient appropriate audit evidence to determine the recoverable amounts of the Company's cost of investment in subsidiaries amounting to Rp 1,217,860 million (Note 16 to the financial statements) and amounts due from subsidiaries of Rp 113,503 million (Note 20 to the financial statements) as at 31 December 2023.

Consequently, we are unable to determine whether any adjustments might be necessary in respect of the carrying amounts of these assets as at 31 December 2023.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and Singapore Financial Reporting Standards (International), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

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**Independent auditor's report
For the financial year ended 31 December 2023**

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Report on other legal and regulatory requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by a subsidiary corporation incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Low Bek Teng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
20 September 2024

Wilton Resources Corporation Limited and its subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

1. Corporate information

1.1 *The Company*

Wilton Resources Corporation Limited (the "Company" or "WRC") is a limited liability company incorporated and domiciled in Singapore. The Company is a sponsored company listed on Catalist Board ("Catalist") of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and principal place of business of the Company is located at 62 Ubi Road 1, #09-14 Oxley Bizhub 2, Singapore 408734.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 16.

2. Material accounting policy information

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below. The financial statements are presented in Indonesian Rupiah ("IDR" or "Rp") and all values are rounded to the nearest million ("Rp Million") except when otherwise indicated.

Going concern assumption

For the year ended 31 December 2023, the Group incurred net loss of Rp 53,232 million (2022: Rp 154,941 million) and net cashflows used in its operating activities amounted to Rp 47,436 million (2022: Rp 25,143 million). As at 31 December 2023, the Group's current liabilities exceeded its current assets by Rp 112,176 million (31 December 2022: Rp 98,131 million). Subsequent to year-end, the Group faced a country-wide cyanide unavailability. Cyanide is essentially required in the gold mining industry. Consequently, from March 2024, the Group had to slow down its mining and production activities until the pricing and supply of cyanide have returned to normalisation. Notwithstanding the above, the Directors are of the view that the Group is able to continue as a going concern for the following reasons:

- The Group will be able to generate cash flows from its gold mining operations and since August 2024, the Group has resumed its mining and production activities as the pricing and supply of cyanide have started to normalise.
- The Group has entered into two sale and re-purchase agreements dated 22 June 2024 with a Purchaser whereby the Group will sell ordinary shares in the capital of its Indonesian subsidiary, PT. Wilton Makmur Indonesia Tbk ("PT WMI").

Under the first sale and re-purchase agreement, the Group sold 300 million PT WMI shares ("First Sale Shares") to the Purchaser for a cash consideration of S\$1 million. In addition, the Group transferred an additional 400 million PT WMI shares ("First Additional Shares", together with the First Sale Shares, known as "First Aggregate Shares"), in exchange of the Purchaser to grant the Company and WRH options to (individually or collectively) re-purchase up to the First Aggregate Shares:

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Notes to the financial statements For the financial year ended 31 December 2023

2. Material accounting policy information (cont'd)

2.1 Basis of preparation (cont'd)

- a. 700 million shares from the Purchaser for S\$1 million, within one month from 26 June 2024, and only after the Company and/or WRH provides the Purchaser with written confirmation from a qualified and certified third-party independent laboratory in Indonesia certifying that the Group has produced at least 7 kg of gold bullion with at least 90% purity ("1 Month Option"); and
- b. 300 million shares from the Purchaser for S\$1 million within six months from 26 June 2024, provided that the 1 Month Option has not been exercised.

The Company and WRH did not meet the requirement to exercise the option to re-purchase 700 million shares from the Purchaser for S\$1 million.

Under the second sale and re-purchase agreement, the Group will sell 300 million PT WMI shares ("Second Sale Shares") to the Purchaser for a cash consideration of S\$1 million. The Second Sale Shares is subject to the fulfilment of one of the following conditions:

- a. The Company and/or WRH (i) providing the Purchaser with a written confirmation from a qualified and certified third-party independent laboratory in Indonesia certifying that the Group has produced at least 15kg of gold with at least 90% purity, and (ii) giving written notice to the Purchaser to require the sale and purchase of the Second Sale Shares ("Gold Standard Written Notice"), within two (2) months from the date of the Second Sale & Re-Purchase Agreement; or
- b. The Purchase giving written notice to the Company and/or WRH to require the Second Sale Shares ("Purchaser's Written Notice"), within four (4) months of the date of the Second Sale & Re-Purchase Agreement.

In addition, the Group will transfer an additional 300 million PT WMI shares ("Second Additional Shares", together with the Second Sale Shares, known as "Second Aggregate Shares"), in exchange of the Purchaser to grant the Company and WRH options to (individually or collectively) re-purchase up to the Second Aggregate Shares:

- a. 600 million shares from the Purchaser for S\$1 million, within one month from the Completion Date. The Completion Date is defined as three (3) days from the date of the Gold Standard Written Notice or the Purchaser's Written Notice; and
 - b. 300 million shares from the Purchaser for S\$1 million within six months from the Completion Date, provided that the 1 Month Option has not been exercised.
- The Group has entered into a Working Capital Loan agreement with an individual on 1 April 2024. The facility is for a loan amount of IDR 36.0 billion for a period of 24 months. The facility has a drawdown limit per month of up to IDR 1.5 billion. Each drawdown will bear an interest rate of 10% per annum and shall be repayable 30 days from the date of the lender's written notice.
 - The Group negotiated and agreed with its primary vendors on favorable credit terms to settle its current liabilities amounting to Rp 40.7 billion as at 31 December 2023.
 - The Group has entered into an Offtake agreement on 5 June 2024 whereby the counterparty had agreed to provide prepayments amounting to US\$30,000,000 and can be drawdown upon the request of the Group within one (1) year from the date of agreement.

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Notes to the financial statements
For the financial year ended 31 December 2023

12. Mine properties

	Group	
	2023	2022
	Rp million	Rp million
<i>Mines under construction</i>		
At 1 January	280,128	280,128
Transfer to producing mines	(280,128)	–
	–	–
At 31 December	–	280,128
<i>Producing mines</i>		
At 1 January	–	–
Transfer from mines under construction	280,128	–
Stripping cost	1,572	–
Depletion	(1,485)	–
	280,215	–
At 31 December	280,215	–
	280,215	280,128

Impairment of non-financial assets pertaining to mining operation

During the current financial year, the recoverable amount of the Group's non-financial assets pertaining to mining operation, comprising mine properties, property, plant and equipment, intangible assets and right-of-use assets have been determined based on their value in use. The key assumptions used in value in use calculation are disclosed in Note 3.2(a).

Management has assessed that the recoverable amount exceeds the carrying amount and no impairment was recorded.

Wilton Resources Corporation Limited and its subsidiaries

Notes to the financial statements
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13. Property, plant and equipment

Group	Motor vehicles Rp million	Electrical and office equipment Rp million	Furniture and fittings Rp million	Renovations Rp million	Electrical installations Rp million	Heavy equipment Rp million	Civil and supporting infrastructure Rp million	Production Facilities Rp million	Construction in progress Rp million	Total Rp million
Cost										
At 1 January 2022	8,022	3,310	1,502	7,741	82	2,365	339	–	237,635	260,996
Reclassification	–	428	–	–	–	–	80,624	–	(81,052)	–
Additions	–	2,769	–	51	573	–	–	–	31,089	34,482
Disposals	–	(17)	(1,207)	–	–	–	–	–	–	(1,224)
At 31 December 2022 and 1 January 2023	8,022	6,490	295	7,792	655	2,365	80,963	–	187,672	294,254
Reclassification	–	–	–	–	–	–	–	187,672	(187,672)	–
Additions	–	1,430	–	41	114	–	263	38,832	–	40,680
At 31 December 2023	8,022	7,920	295	7,833	769	2,365	81,226	226,504	–	334,934
Accumulated depreciation										
At 1 January 2022	6,224	2,414	1,502	5,521	63	693	11	–	–	16,428
Charge for the year	739	735	–	1,455	28	148	34	–	–	3,139
Disposals	–	(17)	(1,207)	–	–	–	–	–	–	(1,224)
At 31 December 2022 and 1 January 2023	6,963	3,132	295	6,976	91	841	45	–	–	18,343
Charge for the year	467	323	–	780	562	148	217	292	–	2,789
At 31 December 2023	7,430	3,455	295	7,756	653	989	262	292	–	21,132
Net carrying amount										
At 31 December 2022	1,059	3,358	–	816	564	1,524	80,918	–	187,672	275,911
At 31 December 2023	592	4,465	–	77	116	1,376	80,964	226,212	–	313,802

Wilton Resources Corporation Limited and its subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2023

13. Property, plant and equipment (cont'd)

Company	Electrical and office equipment Rp million	Furniture and fittings Rp million	Total Rp million
Cost			
At 1 January 2022	92	1,331	1,423
Additions	39	–	39
Disposals	(17)	(1,207)	(1,224)
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At 31 December 2022, 1 January 2023 and 31 December 2023	114	124	238
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Accumulated depreciation			
At 1 January 2022	92	1,331	1,423
Charge for the year	13	–	13
Disposals	(17)	(1,207)	(1,224)
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At 31 December 2022 and 1 January 2023	88	124	212
Charge for the year	13	–	13
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At 31 December 2023	101	124	225
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Net carrying amount			
At 31 December 2022	26	–	26
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At 31 December 2023	13	–	13
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Wilton Resources Corporation Limited and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2023**

14. Intangible assets

	Software Rp million
Group	
Cost	
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	1,443
Accumulated amortisation	
At 1 January 2022	1,237
Charge for the year	155
At 31 December 2022 and 1 January 2023	1,392
Charge for the year	34
At 31 December 2023	1,426
Net carrying amount	
At 31 December 2022	51
At 31 December 2023	17

The intangible assets have an average remaining amortisation period of 6 months (2022: 1 year). The amortisation of software is included in the “General and administrative expenses” line item in profit or loss.

15. Right-of-use assets

	Office leases Rp million	Prepaid leases Rp million	Vehicle Rp million	Total Rp million
Group				
At 1 January 2022	1,281	43,327	978	45,586
Depreciation expense	(845)	(4,985)	(658)	(6,488)
Disposals	(31)	–	(168)	(199)
At 31 December 2022 and 1 January 2023	405	38,342	152	38,899
Depreciation expense	(924)	(4,985)	(593)	(6,502)
Additions	2,971	–	589	3,560
At 31 December 2023	2,452	33,357	148	35,957

Wilton Resources Corporation Limited and its subsidiaries

**Notes to the financial statements
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15. Right-of-use assets (cont'd)

Company	Office leases Rp million
At 1 January 2022	470
Disposals	(31)
Depreciation expense	(439)
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At 31 December 2022 and 1 January 2023	–
Additions	1,036
Depreciation expense	(518)
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At 31 December 2023	518
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16. Investment in subsidiaries

	Company	
	2023	2022
	Rp million	Rp million
Shares, at cost	2,232,811	2,232,811
Amounts due from subsidiaries	633,049	633,049
Impairment losses	(1,648,000)	(1,648,000)
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	1,217,860	1,217,860
	<hr/>	<hr/>

During FY2019, the Company entered into an arrangement with its subsidiaries whereby the repayment of amounts due from subsidiaries amounting to Rp 633,049 million is at the sole discretion of the subsidiaries. Accordingly, these amounts are classified as a part of the Company's net investment in subsidiaries. These amounts are denominated in Singapore Dollar ("SGD") and United States Dollar ("USD").

Movements in allowance for impairment are as follows:

	Company	
	2023	2022
	Rp million	Rp million
At 1 January and 31 December	1,648,000	1,648,000
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During the current financial year, management performed an impairment test for the investment in Wilton Resources Holdings Pte. Ltd. ("WRH"), a wholly-owned subsidiary of the Company. No impairment loss was recognised for the current financial year and the previous financial year.

Wilton Resources Corporation Limited and its subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

16. Investment in subsidiaries (cont'd)

The Group has the following investment in subsidiaries:

Name (Country of incorporation and place of business)	Principal activities	Proportion (%) of ownership interest	
		2023 %	2022 %
Held by the Company			
Wilton Resources Holdings Pte. Ltd. [#] (Singapore) ("WRH")	Investment holding	100	100
Subsidiaries held by Wilton Resources Holdings Pte. Ltd.			
Wilton Assets Management Ltd ^{##} (Malaysia) ("WAM")	Investment holding	100	100
PT. Wilton Makmur Indonesia Tbk (formerly known as PT. Renuka Coalindo Tbk) ^{###} (Indonesia) ("PT WMI")	Investment holding	69.69	83.00
Subsidiary held by PT. Wilton Makmur Indonesia Tbk			
PT. Wilton Investment ^{###} (Indonesia) ("PT WI")	Gold mining	69.99	83.17 ⁽¹⁾
Subsidiary held by PT. Wilton Investment			
PT. Wilton Wahana Indonesia ^{###} (Indonesia) ("PT WWI")	Mining, general trading, transportation, industry, construction, real estate, logging, farming, plantation, forestry, electrical, mechanical, computer, workshop, printing and services	69.99	83.17 ⁽²⁾
Subsidiary held by PT. Wilton Wahana Indonesia			
PT. Liektucha Ciemas ^{###} (Indonesia) ("PT LTC")	Mining, general trading, transportation, industry, construction, real estate, logging, farming, plantation, forestry, electrical, mechanical, computer, workshop, printing and services	69.99	83.17 ⁽³⁾

(1) 1% shareholding of PT WI is held by Wijaya Lawrence ("WL"), in compliance with Indonesian law which requires a minimum of 2 shareholders in a limited liability company. WL has executed a power of attorney in favour of WRH for the assignment to WRH of dividends and voting rights in respect of his 1% shareholding interests in PT WI.

(2) 1% shareholding of PT WWI is held by WL, in compliance with Indonesian law which requires a minimum of 2 shareholders in a limited liability company. WL has executed a power of attorney in favour of PT WI for the assignment to PT WI of dividends and voting rights in respect of his 1% shareholding interests in PT WWI.

(3) 1% shareholding of PT LTC is held by WL, in compliance with Indonesian law which requires a minimum of 2 shareholders in a limited liability company. WL has executed a power of attorney in favour of PT WWI for the assignment to PT WWI of dividends and voting rights in respect of his 1% shareholding interests in PT LTC.

[#] Audited by Ernst & Young LLP, Singapore

^{##} Audited by Ernst & Young PLT, Malaysia

^{###} Audited by Purwantono, Sungkoro & Surja, member firm of Ernst & Young Global in Indonesia

Wilton Resources Corporation Limited and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2023**

16. Investment in subsidiaries (cont'd)

Disposal of ownership interest in subsidiary, without loss of control

During the current financial year and previous financial year, the Group disposed of equity interest in PT WMI. The transactions have been accounted for as an equity transaction with non-controlling interests, resulting in:

	Group	
	2023	2022
	Rp million	Rp million
Consideration from sales of ownership interest:		
Proceeds received	51,320	74,200
Non-cash consideration (settlement of liability arising from share sale and repurchase)	44,081	–
	<hr/>	<hr/>
	95,401	74,200
Increase in equity attributable to non-controlling interest	36,191	17,028
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Increase in equity attributable to parent	131,592	91,228
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<i>Represented by</i>		
Increase in capital reserve	131,592	91,228
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For the current and previous financial year, the Group has entered into a Shares Management Service Agreement to market and sell PT WMI shares to meet the Group's funding requirements.

17. Long term fixed deposits

Long term fixed deposits are pledged as collateral to the Ministry of Energy and Mineral Resources of the Republic of Indonesia on the estimated provision for reclamation and rehabilitation costs of Rp 420 million (2022: Rp 420 million). Long term fixed deposits bear interest ranging between 1.9% - 4.0% (2022: 2.5% - 2.75%) per annum.

18. Trade and other receivables

	Group		Company	
	2023	2022	2023	2022
	Rp million	Rp million	Rp million	Rp million
<i>Non-current</i>				
Deposits	1,104	1,104	92	92
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Current</i>				
Trade receivables	1,054	–	–	–
Deposits	445	28	432	25
Other debtors	683	555	193	15
	<hr/>	<hr/>	<hr/>	<hr/>
	2,182	583	625	40
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Wilton Resources Corporation Limited and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2023**

18. Trade and other receivables (cont'd)

Trade receivables are non-interest bearing and on 30 days' term.

Other debtors of the Group and the Company are non-trade related, unsecured and non-interest bearing.

19. Prepayments

	Group		Company	
	2023 Rp million	2022 Rp million	2023 Rp million	2022 Rp million
Current	672	503	152	213
	<u>672</u>	<u>503</u>	<u>152</u>	<u>213</u>

20. Amounts due from subsidiaries

Amounts due from subsidiaries are non-trade in nature, unsecured, non-interest bearing, repayable on demand, denominated in SGD and USD and are expected to be settled in cash.

21. Inventories

	Group	
	2023 Rp million	2022 Rp million
Statement of financial position		
Gold dore	1,028	1,387
Ore in stock piles	779	–
Work-in-progress	7,814	–
Supplies	1,108	5,471
	<u>10,729</u>	<u>6,858</u>
Statement of comprehensive income		
Inventories recognised as an expense in cost of sales	3,559	4,006

22. Cash and cash equivalents

	Group		Company	
	2023 Rp million	2022 Rp million	2023 Rp million	2022 Rp million
Cash at banks and on hand	4,420	18,248	1,621	3,365

Cash at banks earns interest at floating rates based on daily bank deposit rates.

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**Notes to the financial statements
For the financial year ended 31 December 2023**

25. Other payables and accruals (cont'd)

Other payables are non-interest bearing, unsecured and are to be settled in cash.

Other payables and accruals denominated in foreign currencies at 31 December 2023 and 2022 are as follows:

	Group		Company	
	2023 Rp million	2022 Rp million	2023 Rp million	2022 Rp million
Singapore Dollar	36,262	25,366	35,890	25,060
Malaysia Ringgit	118	–	118	–
United States Dollar	27,907	28,985	–	–

**26. Amounts due to a related party
Amounts due to subsidiaries**

Amounts due to a related party relate to an advance from a director of the Company and is unsecured, non-interest bearing, repayable on demand, denominated in USD and expected to be settled in cash.

Amounts due to subsidiaries are non-trade in nature, unsecured, non-interest bearing, repayable on demand, denominated in SGD and USD and are expected to be settled in cash.

27. Loans and borrowings

	Maturity	Group		Company	
		2023 Rp million	2022 Rp million	2023 Rp million	2022 Rp million
Current					
Bank overdrafts, secured	On demand	21,904	21,666	–	–
Short term borrowing, secured	Matured	–	41,000	–	–
		21,904	62,666	–	–
Non-current					
Project financing liability	February 2025	291,094	319,097	291,094	319,097
Total loans and borrowings		312,998	381,763	291,094	319,097

Bank overdrafts, secured

Bank overdrafts are denominated in IDR, bear interest at 1.0% above the restricted time deposits used as collateral and are secured by restricted time deposits of Rp 25,000 million (2022: Rp 25,000 million) (Note 23).

27. Loans and borrowings (cont'd)

Short term borrowing, secured

During FY2021, the Group entered into a sale of shares and repurchase agreement, with a third party ("Counterparty") whereby a short-term loan of Rp 41 billion was drawn and secured against an aggregate of 922,556,643 shares of PT Wilton Makmur Indonesia Tbk ("PT WMI") (a subsidiary of the Company) ("Repurchase Shares") to be repurchased at a later date. The short-term borrowings are denominated in IDR and bear interest of 18% per annum.

Extension

On the date of repurchase, the Counterparty was unable to deliver the Repurchase Shares to the Group. In FY2023, a supplemental deed to the sale of shares and repurchase agreement was entered into to provide a one year extension to the Counterparty on the date of the repurchase of the Repurchase Shares ("Extended Repurchase Date"). Based on the supplemental deed, the Counterparty would have to compensate the Group based on the total repurchase value amounting to Rp 44,081 million (comprising the loan amount and the interest) at 5% per annum.

Write off

On the Extended Repurchase Date, the Counterparty was unable to deliver the Repurchase Shares to the Group. As such, the total principal and interest amount outstanding of Rp 41 billion due to the Counterparty by the Group was settled against the Repurchase Shares.

Project Financing Liability

On 26 October 2017, the Group secured a project financing arrangement of US\$13.5 million with Karl Hoffmann Mineral Pte. Ltd. ("KHM") to build a 500 tonnes per day flotation and carbon-in-leach mineral processing facility ("the Facility") at the Group's Ciemas Gold Project located in West Java, Indonesia ("the Project Financing Liability"). The Project Financing Liability was recorded at amortised cost.

Repayment

The repayment amount for the project financing over the tenure of the arrangement is variable as it was dependent on the future profitability of the Group's mining facility ("Facility"). The repayments were repayable on a semi-annual basis until maturity and were denominated in USD. The repayment of the Project Financing Liability would commence, for a period of 10 years once the Facility had operated at the designed capacity and processed no less than 500 tonnes per day of gold ore for a continuous period of no less than 7 days.

The fixed repayment of the project financing was US\$1.6 million per annum. The variable repayment of the project financing was dependent on the profitability of the Facility. If there were subsequent changes to the forecasted future payments, the carrying amount of the Project Financing Liability would be adjusted to reflect the present value of the revised estimated future payments at the Project Financing Liability's original effective interest rate. Any consequent adjustment would be recognised as finance expense or finance income in profit or loss.

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**Notes to the financial statements
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27. Loans and borrowings (cont'd)

In FY2023, interest expenses amounting to Rp 135,269 million (2022: Rp 68,189 million) was recognised as finance costs in relation to the Project Financing Liability.

Modification

During the year, a substantial loan modification occurred whereby the Project Financing Liability repayable was agreed to be US\$21.15 million for which US\$150,000 was repaid during the year with the remaining US\$21 million repayable by 10 February 2025. As a result of the modification, a corresponding gain from the modification of Rp 159,021 million (Note 5) was recognised within "Other income" in the consolidated statement of comprehensive income.

A reconciliation of liabilities arising from financing activities is as follows:

	31 December 2022 Rp million	Proceeds/ (repayments) Rp million	Non-cash changes			31 December 2023 Rp million
			Modification/ settlement Rp million	Accretion of interests Rp million	Foreign exchange movement Rp million	
Bank overdraft, secured	21,666	238	–	–	–	21,904
Short term borrowing, secured	41,000	–	(41,000)	–	–	–
Project Financing Liability	319,097	(2,356)	(159,021)	135,269	(1,895)	291,094
Proceeds from a related party	–	2,489	–	–	(177)	2,312
	381,763	371	(200,021)	135,269	(2,072)	315,310

	31 December 2021 Rp million	Repayments Rp million	Reclassification* Rp million	Non-cash changes		31 December 2022 Rp million
				Accretion of interests Rp million	Foreign exchange movement Rp million	
Bank overdraft, secured	21,820	(154)	–	–	–	21,666
Short term borrowing, secured	41,000	–	(5,075)	5,075	–	41,000
Project Financing Liability	224,667	–	–	68,189	26,241	319,097
	287,487	(154)	(5,075)	73,264	26,241	381,763

* Interest payable on short term borrowings of Rp 5,075 million is classified under Other payables and accruals.