



# BATTERY MINERALS

**and its Controlled Entities**

(Formerly Metals of Africa Limited)

ABN 75 152 071 095

**Financial Report  
31 December 2016**

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## Corporate Information

This financial report includes the consolidated financial statements and notes of Battery Minerals Limited and its controlled entities ("the Group"). The Group's presentation currency is AUD (\$).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Directors' report on pages [4 to 20]. The Directors' report is not part of the financial report.

### Directors

David Flanagan  
Non-Executive Chairman

Cherie Leeden  
Managing Director

Gilbert George  
Non-Executive Director

Brett Smith  
Non-Executive Director

### Company Secretary

Steven Wood  
Tony Walsh

### Registered Office

945 Wellington Street  
West Perth WA 6005

### Website

<https://www.batteryminerals.com/>

### Share Registry

Automic Registry Services  
Level 1, 7 Ventnor Avenue  
West Perth WA 6005  
T: 08 9324 2099

### Auditors

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

### Bankers

Westpac Banking Corporation  
Level 13, 109 St Georges Tce  
Perth WA 6000

### Solicitors

GTP Legal  
Level 1, 28 Ord Street  
West Perth WA 6005

### Stock Exchange

Australian Securities Exchange Limited  
Level 40, Central Park  
152-158 St George's Terrace  
Perth WA 6000

ASX Code: **BAT**

## Letter to Shareholders

Dear Shareholder,

Since the early 2000's energy storage solutions using lithium ion batteries have delivered remarkable advancements in electric vehicles and appliances as well as the previously unimaginable power of hand-held smartphones. While our achievements as a society here are amazing it is perhaps even more important that we also now have a stationary stored power option capable of delivering modest but quickly growing base load power solutions. Collectively these innovations have the potential to deliver enormous community benefits globally and very strong returns for well positioned companies.

The value of the global battery market is expected to grow from \$USD 10 Billion to \$USD 60 Billion over the next 10 years. The size of the lithium battery materials market is expected to grow from \$USD 4 Billion to \$USD 30 Billion over that same period.

It is simply not possible to manufacture a lithium ion battery without an anode made of purified spherical graphite (PSG).

Throughout the world, society is being both drawn and pushed toward to the potential of lithium ion batteries, firstly through the sheer commercial returns and cost benefits available and secondly by the need to reduce and reverse the growing reliance on fossil fuels.

Battery Minerals has a large landholding and one of the largest resource and reserve positions in the East African Graphite Province (EAGP), the world's most important source of graphite. The EAGP currently is home to the largest known graphite deposits and more than 75% of the known graphite resources.

The Company's mineral deposits have been subjected to the most rigorous testing and assessment and they have been demonstrated as suitable to produce the highest of quality Purified Spherical Graphite (PSG), essential in the assembly of a lithium ion battery.

During 2016, your company achieved a number of significant milestones in the advancement of the Company's projects. On behalf of the Board I would like to acknowledge the outstanding efforts of our Managing Director, Cherie Leeden, and her entire team who completed large high quality work programmes as part of detailed economic assessment of our graphite projects.

Following on from defining a significant resource base, the Company started work to complete definitive and pre-feasibility studies to support production of 100,000 tonnes per annum of graphite concentrate including 20,000 tonnes per annum of high value anode material, PSG that is essential for lithium ion battery assembly. The studies were subsequently concluded in early 2017.

A large range of working batteries have since been manufactured using the Company's spherical graphite pilot plant to generate material that has been supplied to world leading battery manufacturers for confirmatory test work and ongoing detailed due diligence. The Company is well advanced in the anode material qualification process that is mandatory in prequalification for all customer agreements.

The studies concluded the feasibility of the processing equipment and the suitability of our ores to produce the highest quality batteries together with an attractive rate of return for shareholders. Using conservative assumptions of price at roughly half of the recently reported spot prices (supported by reputable long term forecasters), the project generated a Net Present Value (NPV) in excess of USD\$500 Million, over an operating life of project of 30 years. A truly outstanding project.

As the Company now moves into the pre-execution phase we have already identified further opportunities to reduce operating and capital costs while also reducing the timeline to deliver the project.

As a result of an over-subscribed capital raising completed in late 2016 the Company is presently fully funded to the deliver a commercial demonstration facility during 2017.

Your company is executing a plan to become a global leader in the supply of high quality, fully traceable and environmentally friendly minerals for all lithium ion battery products. We have demonstrated our ability to do this from a globally competitive cost base which we believe will deliver highly attractive returns to shareholders.

As a fully integrated battery mineral company engaged in exploration, definition, development, mining and processing through to delivery into the battery assembly, your company is uniquely positioned to grow a substantial company and benefits to the local and global communities where we operate.

It is quickly becoming widely accepted that energy storage in stationary batteries is a viable option to reduce the world's reliance on fossil fuels. Battery Minerals intends to be a leading supplier of the essential graphite required in their assembly therefore simultaneously delivering competitive returns to shareholders and helping to resolve the world's environmental problems.

Thank you for your ongoing support and we look forward to a very rewarding 2017.

Yours faithfully

A handwritten signature in black ink, appearing to read 'David Flanagan', with a long horizontal stroke extending to the right.

David Flanagan  
Chairman

## Directors' Report

The Board of Directors present the following report on Battery Minerals Limited and its controlled entities (referred to hereafter as "the Group") for the year ended 31 December 2016.

### Directors

The names of the Directors in office during the financial year and until the date of this report are as follows. All Directors were in office for the entire period unless otherwise stated:

Director	Position	Appointed	Resigned
David Flanagan	Non-Executive Chairman	11 October 2016	-
Cherie Leeden	Managing Director	19 July 2013	-
Gilbert George*	Non-Executive Director	1 August 2012	-
Brett Smith	Non-Executive Director	1 August 2012	-

\*Gilbert George served as the Company's Non-executive Chairman from 1 August 2012 to 11 October 2016.

### Principal Activities

Battery Minerals Limited ("Battery", ASX:BAT) is an Australian listed public company which aims to be a major producer of purified spherical graphite ("PSG") for use as anode material in lithium-ion batteries ("LIBs").

LIBs are common in home electronics and are also growing in popularity for military, aerospace applications, and electric vehicles. They are a common replacement for lead-acid batteries in motor vehicles. The market for LIBs is forecasted to grow exponentially.

BAT has two graphite projects located in the Cabo Delgado province of Mozambique in East Africa that it is rapidly developing, and is targeting the integration of downstream processing via studying the feasibility of producing purified spherical graphite from its projects.

## **Directors' Report (continued)**

### **Dividends**

No dividends were paid during the year (31 December 2015: Nil).

### **Review of Operations and Financial Results**

The Consolidated Statement of Profit or Loss and other Comprehensive Income shows a net loss attributable to members of \$7,523,947 for the year ended 31 December 2016 (31 December 2015: \$8,522,394).

The Company has undergone a transformational year in respect to development of the Company's key focus commodity, Graphite. This was highlighted with the Company's name change to Battery Minerals Limited ("BAT").

Rapid progress during the year enabled the Company to complete a robust Definitive Feasibility Study ("DFS") and supporting Pre-Feasibility Study ("PFS"), which were released to the ASX subsequent to the year end on 15 February 2017. These DFS and PFS results had originated from a set of highly successful drilling campaigns that commenced in late 2015 and continued throughout the 2016 year. The underlying resources and subsequent definitional drilling initially supported a positive concept study released to the ASX on 10 February 2016 and culminated in the DFS and PFS released approximately 12 months later.

The progression from initial drilling at the Montepuez Project to resource definition to a robust DFS was accomplished by the Company in just over 2 years.

Throughout the year, the Company has also progressed a strategic objective to enable it to upgrade its primary graphite concentrate to anode ready graphite (purified/coated spherical graphite) material. This objective was achieved via a number of activities include the joint purchase of pilot scale spherical graphite plant in the US, bulk sampling and assessment of purification techniques and continuous supply of graphite for testing by a variety of prospective enterprises, with a view to securing future offtake contracts.

The Company has been rewarded with a number of significant milestone results and the ongoing confirmation of the quality of its graphite concentrates and spherical graphite. The Company has independently confirmed its ability to concentrate graphite without the need for harmful acid treatment, with the resultant product still capable of exhibiting exceptional metallurgical recovery and performance characteristics required for battery end users. The additional ability of the Company to be able to produce a verifiable source of origin and environmentally responsible processing methods are intended to support the emerging prerequisite of pending legislature and end user requirements.

To further expand its capabilities, the Company secured the services of key personnel, including Mr David Flanagan as Non-Executive Chairman, and completed two fund raising programs securing \$14.6m to progress development.

The Company also successfully executed a farm-in agreement for its Zinc project in Gabon during the year, ensuring its focus on the development of its battery minerals projects.

### **Significant Changes in State Of Affairs**

Other than as outlined above, there were no significant changes in the state of affairs of the Company during the year ended 31 December 2016.

### **Likely Developments and Expected Results of Operations**

The Company will continue to refine its feasibility study outcomes as it continues to assess a variety of funding options and engineering and commercial optimisation outcomes.

## **Directors' Report (continued)**

The objective and likely developments will be to progress expanded demonstration scale processing capabilities that will assist with the execution of supporting offtake agreements, for natural flake graphite and purified/coated spherical graphite.

The Company will continue to build its executive team and skillsets within the Company and its Board.

The Group will continue to promote the development of its projects and ensure all activities are carried out in a transparent and responsible way, which contributes to the well-being of local communities in addition to increasing Shareholder value.

### **After Reporting Date Events**

As outlined, the Company completed a maiden ore reserve and mineral resource that supported the Battery anode PFS and Montepuez graphite project DFS as announced to the ASX on 15 February 2017. This was a significant milestone set of events for the Company.

On 30 March 2017 the Company announced that David Flanagan was appointed as Executive Chairman and Cherie Leeden was appointed as Executive Director, Technology and Business Development.

With the exception of the above, there are no material events that have occurred that would require disclosure.



## Directors' Report (continued)

### Environmental regulation

The Group is subject to significant environmental regulation in respect of mineral exploration activities. The Group operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of the shareholders, employees and suppliers. The Group's exploration activities are currently regulated by significant environmental regulation under laws of the Commonwealth and states and territories of Australia, Mozambique & Gabon. The Group aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Company is in compliance with the National Greenhouse and Energy Reporting Act 2007.

The Directors are mindful of the regulatory regime in relation to the impact of the organisational activities on the environment.

There have been no known breaches by the Group during the year.

### Information on Directors

<b>David Flanagan</b> (appointed 11 October 2016)	Non-Executive Chairman
Qualifications	BSc, WASM, MAusIMM, FAICD
Experience	Mr Flanagan is a geologist with more than 25 years' experience in the mining and mineral exploration industry in Australia, Indonesia and West Africa. Mr Flanagan was the founding Managing Director at Atlas Iron. During his tenure at Atlas Iron he oversaw its growth from a junior exploration company, to an ASX top 200 listed iron ore exporter, and the operator of three iron mines producing at a rate of 12Mtpa. Mr Flanagan is the Chancellor of Murdoch University, and during 2014 was named Western Australian of the Year.
Current Directorships	Northern Star Resources Limited – Non-Executive Director – appointed 1 September 2016
Former directorships in last 3 years	Atlas Iron Limited – Managing Director – Appointed 11 June 2015, Resigned 28 June 2016 Atlas Iron Limited – Non-executive Chairman – Appointed 1 September 2012, resigned 11 June 2015
Special Responsibilities	None
Number of shares held	1,111,111 (as at 31 <sup>st</sup> December 2016)
Number of options held	5,000,000 unlisted options (0.10, 23/12/2021) 5,000,000 unlisted options (0.15, 23/12/2021) 5,000,000 unlisted options (0.20, 23/12/2021) 5,000,000 unlisted options (0.25, 23/12/2021)

<b>Cherie Leeden</b> (appointed 19 July 2013)	Managing Director
Qualifications	BSc Applied Geology (Hons)
Experience	Ms Leeden is a member of the Australian Institute of Geoscientists. Ms Leeden has been involved in mining and exploration for the past 15 years, and for the past six years has been based in Mozambique developing the Company's core projects. Ms Leeden has developed significant knowledge in the last two years in the battery minerals space.
Current Directorships	Nil
Former directorships in last 3 years	Select Exploration Ltd (renamed Rent.com.au): Non-Executive Director appointed 10 January 2011, resigned 18 September 2014
Special Responsibilities	None
Number of shares held	4,658,964 (as at 31 <sup>st</sup> December 2016)
Number of options held	1,000,000 unlisted (\$0.26, 4/02/2018). 10,000,000 unlisted (\$0.15, 23/12/2021). 3,500,000 performance rights

## Directors' Report (continued)

### Information on Directors (cont'd)

<b>Gilbert George</b> (appointed 1 August 2012)	Non-Executive Director (previously Non-Executive Chairman up to 11 October 2016)
Qualifications	BSc (Hons) MEd
Experience	<p>With a Masters Degree in Economics from a prestigious Japanese university, Gilbert has a wide range of experience in international business development and management. In addition to exceptional business credentials he has worked hard for the charities sector and also has his hand in script and film development in the Indie sector that fosters up-and-coming new talent.</p> <p>Formerly a senior bilingual Australian embassy official in Tokyo, he established his own business development consultancy in 1988. He is the principal of Gilbert George &amp; Associates Pty Ltd which has provided strategic advice to companies in Australia, Africa, Japan, the US and Europe and been involved in over \$950 million of new investment in Australia, in the resource, IT, food processing and service sectors. Resource experience includes Iron, Gold, Manganese, oil and heavy mineral sands.</p> <p>In October 2009 he was appointed as an independent member on Japan's most innovative wave energy body, the Tokyo Wave Power Initiative, a committee including the city of Tokyo, regional governments and national agencies involved in the promotion of Japan's new energy sources.</p>
Current directorships	Nil
Former directorships in last 3 years	Mindax Ltd – Director appointed 2004, resigned 31 May 2014 Governor Holdings Pty Ltd – company de-registered 26 September 2014
Special Responsibilities	None
Number of shares held	6,698,656
Number of options held	3,000,000 unlisted (0.15, 23/12/2021) 1,000,000 unlisted (0.092, 30/05/2020)

<b>Brett Smith</b> (appointed 1 August 2012)	Non-Executive Director
Qualifications	BSc (Hons), MAUSIMM MAIG
Experience	<p>Brett Smith has acquired over 20+ years of experience in the mining and exploration industry as a geologist, manager, consultant and director. His industry experience is broad, dominated by exploration and resource definition.</p>
Current Directorships	Managing Director - Corazon Mining Limited Non-Executive Director – Iron Mountain Mining Limited
Former directorships in last 3 years	Non-Executive Director – Jacka Resources Limited – resigned 20 May 2014 Executive Director - Cauldron Energy Limited – resigned 23 June 2015
Special Responsibilities	None
Number of shares held	492,922 (as at 31 <sup>st</sup> December 2016)
Number of options held	3,000,000 unlisted (0.15, 23/12/2021) 1,000,000 unlisted (0.092, 30/05/2020)

## Directors' Report (continued)

### Information on Directors (cont'd)

#### Director Meetings

The number of directors' meetings and number of meetings attended by each of the Directors of the Group during the year are:

	Number of Meetings Eligible to Attend	Number of Meetings directors' attended
<b>Director</b>		
Mr David Flanagan	2	2
Mr Gilbert George	6	6
Ms Cherie Leeden	6	6
Mr Brett Smith	6	6

#### Retirement, election and continuation in office of directors

In accordance with the Constitution, the appropriate directors will retire at the annual general meeting and, being eligible, offer themselves for re-election.

#### Company Secretary

Mr Steven Wood, BCom. CA, was appointed to the position of Company Secretary on 18 January 2012. Mr Wood is an employee of Grange Consulting Group Pty Ltd which provides a unique range of corporate & financial services to listed and unlisted companies.

Mr Tony Walsh was appointed as Joint Company Secretary on 17 February 2017. Tony Walsh has over 30 years' experience in dealing with listed companies, ASX, ASIC and corporate transactions including 14 years with the ASX in Perth where he acted as ASX liaison with the JORC committee, four years as Chairman of an ASX listed mining explorer and as a director of a London AIM listed explorer. Tony is also currently Company Secretary of Atlas Iron Limited (ASX: AGO), Legend Mining Ltd (ASX: LEG) and S2 Resources Limited (ASX: S2R). Tony is a member of the Australian Institute of Company Directors, a Fellow of the Governance Institute of Australia, the Institute of Chartered Secretaries and the Institute of Chartered Accountants in Australia.

## Directors' Report (continued)

### Financial Position

The net assets of the Group have increased from \$8,403,223 as at 31 December 2015 to \$15,108,275 as at 31 December 2016. The Group's working capital, being current assets less current liabilities, has increased from \$1,413,610 as at 31 December 2015 to \$9,028,054 as at 31 December 2016.

### Shares under Option

Unissued ordinary shares of Battery Minerals Limited under option at the date of this report are as follows:

Date Options Granted	Expiry Date	Exercise Price	Number Under Option
31 March 2014	31 March 2017	\$0.093	2,500,000
16 January 2015	4 February 2018	\$0.26	1,000,000
2 April 2015	31 December 2017	\$0.15	2,450,000
30 May 2016	30 May 2020	\$0.092	2,500,000
21 December 2016	21 December 2021	\$0.10	5,000,000
21 December 2016	21 December 2021	\$0.15	27,400,000
21 December 2016	21 December 2021	\$0.20	5,000,000
21 December 2016	21 December 2021	\$0.25	5,000,000

## Directors' Report (continued)

### Shares Issued on the Exercise of Options

There were no options exercised during the financial year.

### Insurance of Officers

The Group has executed a policy with an appropriate level of Directors and Officers Liability Insurance and paid a premium of \$12,150 during the year.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Group.

### Proceedings on Behalf of the Group

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the Corporations Act 2001.

### Non-Audit Services

The Group may decide to employ its auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group is important.

During the year the following fees were paid or payable for services provided by BDO:

	Consolidated 31 December 2016 \$	Consolidated 31 December 2015 \$
<b>Audit Services</b>		
Amounts received or accrued, due and receivable by BDO Audit (WA) Pty Ltd		
- An audit or review of the financial reports of the consolidated entity	56,760	51,796
<b>Total remuneration for audit services</b>	<b>56,760</b>	<b>51,796</b>

No non-audit services were provided by the auditor during the year.

## Directors' Report (continued)

### Audited Remuneration Report

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Director share and option holdings
- F Additional information

The names of the Directors in office during the period are as follows:

Director	Position	Appointed	Resigned
David Flanagan	Non-Executive Chairman	11 October 2016	-
Cherie Leeden	Managing Director	19 July 2013	-
Gilbert George	Non-Executive Director	1 August 2012	-
Brett Smith	Non-Executive Director	1 August 2012	-

#### A Principles used to determine the nature and amount of remuneration

The Board has elected not to establish a remuneration committee based on the size of the organisation and has instead agreed to meet as deemed necessary and allocate the appropriate time at its board meetings.

The following items are considered and discussed as deemed necessary at the board meetings:

- make specific recommendations to the Board on remuneration of directors and senior officers;
- recommend the terms and conditions of employment for the Executive Director;
- undertake a review of the Executive Director's performance, at least annually, including setting with the Executive Director goals for the coming year and reviewing progress in achieving those goals;
- consider and report to the Board on the recommendations of the Executive Director on the remuneration of all direct reports; and
- develop and facilitate a process for Board and Director evaluation.

## **Directors' Report (continued)**

### **Remuneration Report (cont'd)**

#### **A Principles used to determine the nature and amount of remuneration (cont'd)**

##### **Non-Executive Directors**

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Chair's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market.

Non-executive directors do not receive performance-based pay.

##### **Directors' Fees**

The current base fees were last reviewed with effect from 6 February 2015. Prior to this they were based on rates set at the listing of the Company on the ASX, being 24 October 2012. No remuneration is performance based, albeit the directors' share and option holdings ensure that their goals are aligned with the Company's share price.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders.

The maximum currently stands at \$300,000 per annum and was approved by shareholders via the adoption of a revised constitution at a general meeting of shareholders on 6 July 2012.

##### **Additional fees**

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

##### **Retirement allowances for directors**

Superannuation contributions required under the Australian Superannuation Guarantee Legislation will be made as part of the directors' overall fee entitlements where applicable.

## **Directors' Report (continued)**

### **Remuneration Report (cont'd)**

#### **A Principles used to determine the nature and amount of remuneration (cont'd)**

##### **Executive pay**

In determining executive remuneration, the Board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain key talent;
- aligned to the Company's strategic and business objectives and the creation of shareholder value;
- transparent; and
- acceptable to shareholders.

The executive remuneration framework has two components:

- Base pay and benefits, including superannuation; and
- Long-term incentives through participation in the Battery Minerals Limited Employee Share Option Plan.

##### **Benefits**

No benefits other than noted above are paid to Directors or Management except as incurred in normal operations of the business.

##### **Remuneration consultants**

Remuneration consultants have not been used in determining the remuneration paid.

##### **Remuneration Policy**

The Company's current remuneration policy is based on its status as a junior exploration company. The entity's performance is dependent upon exploration success, and as such remuneration is maintained at a reasonable level to enable the attraction of key employees whilst ensuring the maximum amount of the Company's capital where possible is directed toward exploration.



## Directors' Report (continued)

### Remuneration Report (cont'd)

#### B Details of remuneration

##### Amounts of remuneration

Details of the remuneration of the directors and the key management personnel of the Group are found below:

31 December 2016	Fixed Remuneration				Variable Remuneration			Total	Percentage of variable remuneration
	Short- term employee benefits			Post-employment benefits	Share-based payments				
	Cash salary & fees	Other	Non monetary benefits	Super-annuation pensions	Options	Shares	Rights		
Directors	\$	\$	\$	\$	\$	\$	\$	\$	%
<i>Non-executive directors</i>									
Gilbert George	55,000	-	-	-	41,360	-	-	96,360	43
David Flanagan	12,226	-	-	-	35,524	-	-	47,750	74
Brett Smith	46,042	-	-	-	41,360	-	-	87,402	47
Sub-total	113,268	-	-	-	118,244	-	-	231,512	51
<i>Executive directors</i>									
Cherie Leeden	267,459	-	-	-	4,629	50,000	59,788	381,876	30
Sub-total	267,459	-	-	-	4,629	50,000	59,788	381,876	30
Total key management personnel compensation (Group)	380,727	-	-	-	122,873	50,000	59,788	613,388	38

(i) The above table includes values for share based payments (options & performance rights) at their fair value.

31 December 2015	Fixed Remuneration				Fixed Remuneration		Total	Percentage of variable remuneration
	Short- term employee benefits			Post-employment benefits	Share-based payments			
	Cash salary & fees	Other	Non monetary benefits	Super-annuation pensions	Options	Shares		
Directors	\$	\$	\$	\$	\$	\$	\$	%
<i>Non-executive directors</i>								
Gilbert George	55,000	-	-	-	-	-	55,000	-
Brett Smith	40,208	-	-	-	-	8,751	48,959	18
Andrew McKee	19,981	-	-	-	-	-	19,981	0
Sub-total	115,189	-	-	-	-	8,751	123,940	7
<i>Executive directors</i>								
Cherie Leeden	268,655	17,691	-	-	6,923	58,333	351,602	19
Sub-total	268,655	17,691	-	-	6,923	58,333	351,602	19
Total key management personnel compensation (Group)	383,844	17,691	-	-	6,923	67,084	475,542	16

## Directors' Report (continued)

## Remuneration Report (cont'd)

- (ii) The above table includes values for share based payments (shares) at their fair value, being the value of the shares at the point in time the shareholders approved the directors' election to take equity in lieu of cash payments for their director fees from October – December 2015. According to the AASB 2, the fair value of the shares issued is measured at the date of the shareholders meeting approving the equity issue (grant date) to the directors. Refer to section D of the remuneration report for further information.

## C Service agreements

### Executive Directors

Name	Term of Agreement	Base Salary including Superannuation	Termination Benefit
<b>Executive</b>			
Cherie Leeden	Open	USD \$230,000 (equivalent of AUD\$318,366 at 31 December 2016)	Relevant notice periods apply, being 1 months' notice with reason or 3 months without reason.

### Non-executive Directors

On appointment to the Board, all non-executive directors enter into a service agreement with the Group in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the director.

	Term of Agreement	Base Salary including Superannuation	Termination Benefit
<b>Name</b>			
<b>Non-Executive</b>			
Director – Gilbert George	Open	\$55,000*	Nil. Subject to re-election by shareholders.
Director – Brett Smith	Open	\$45,000	Nil. Subject to re-election by shareholders.
Chair – David Flanagan	Open	\$60,000	Nil. Subject to re-election by shareholders.

\* Up to 31 December 2016. Salary revised to \$45,000 from 1 January 2017.

Non-executive directors are subject to standard terms and conditions including duties to the Group, confidentiality and disclosure.

## Directors' Report (continued)

### Remuneration Report (cont'd)

#### D Share-based compensation

##### Options

The following options were issued to Directors as remuneration during the year:

	Date Options Granted	Number of Options Granted	Expiry Date	Exercise Price	Value per option at grant date	Total Fair Value	% vested
Ms Cherie Leeden	21 Dec 16	10,000,000	21 Dec 2021	\$0.15	\$0.0861	\$861,040	0%
Mr David Flanagan	21 Dec 16	5,000,000	21 Dec 2021	\$0.10	\$0.0929	\$464,387	0%
Mr David Flanagan	21 Dec 16	5,000,000	21 Dec 2021	\$0.15	\$0.0866	\$433,199	0%
Mr David Flanagan	21 Dec 16	5,000,000	21 Dec 2021	\$0.20	\$0.0818	\$408,961	0%
Mr David Flanagan	21 Dec 16	5,000,000	21 Dec 2021	\$0.25	\$0.0778	\$389,108	0%
Mr Brett Smith	21 Dec 16	1,500,000	21 Dec 2021	\$0.15	\$0.0861	\$129,156	0%
Mr Brett Smith	21 Dec 16	1,500,000	21 Dec 2021	\$0.15	\$0.0861	\$129,156	0%
Mr Gilbert George	21 Dec 16	1,500,000	21 Dec 2021	\$0.15	\$0.0861	\$129,156	0%
Mr Gilbert George	21 Dec 16	1,500,000	21 Dec 2021	\$0.15	\$0.0861	\$129,156	0%
Mr Brett Smith	30 May 16	1,000,000	30 May 2020	\$0.092	\$0.0361	\$36,052	100%
Mr Gilbert George	30 May 16	1,000,000	30 May 2020	\$0.092	\$0.0361	\$36,052	100%
	<b>Total</b>	<b>38,000,000</b>					

10,000,000 unlisted options exercisable at \$0.15 on or before 21 December 2021 were issued to the Company's Managing Director Ms Cherie Leeden as approved by shareholders at a General Meeting of the Company held on 21 December 2016.

The options are only exercisable following satisfaction of the following vesting conditions –

- On and subject to the first commercial scale production and shipment of graphite ore from either of the Company's Mozambique graphite projects.

20,000,000 unlisted options exercisable at \$0.10, \$0.15, \$0.20 & \$0.25 on or before 21 December 2021 were issued to the Company's Non-Executive Chairman Mr David Flanagan as approved by shareholders at a General Meeting of the Company held on 21 December 2016.

The options are only exercisable following satisfaction of the following vesting conditions –

- On completion of 12 months continuous service as a non-executive director
- On completion of 24 months continuous service as a non-executive director.

3,000,000 unlisted options exercisable at \$0.15 on or before 21 December 2021 were issued to the Company's Non-Executive Director Mr Gilbert George as approved by shareholders at a General Meeting of the Company held on 21 December 2016.

The options are only exercisable following satisfaction of the following vesting conditions –

- On completion of 12 months continuous service as a non-executive director
- On completion of 24 months continuous service as a non-executive director.

Additionally, 1,000,000 incentive options exercisable at \$0.092 on or before 30 May 2020 were issued. The options had no vesting conditions attached.

## Directors' Report (continued)

### Remuneration Report (cont'd)

3,000,000 unlisted options exercisable at \$0.15 on or before 21 December 2021 were issued to the Company's Non-Executive Director Mr Brett Smith as approved by shareholders at a General Meeting of the Company held on 21 December 2016.

The options are only exercisable following satisfaction of the following vesting conditions –

- On completion of 12 months continuous service as a non-executive director
- On completion of 24 months continuous service as a non-executive director.

Additionally, 1,000,000 incentive options exercisable at \$0.092 on or before 30 May 2020 were issued. The options had no vesting conditions attached.

Options granted carry no dividend or voting rights.

No shares were provided on the exercise of remuneration options for the year. When exercised each option is convertible into one ordinary share of Battery Minerals Limited.

### Shares

During the prior year & current year shares were issued to Directors in lieu of fees and salary and were measured at fair value on the grant date (date shareholder approval was obtained). The following shares were issued in lieu of director fees and salary during the year:

	Date Shares Issued	Number of Shares Issued/Granted	Fair Value per share at grant date (13/11/2015)	Total fair value
Mr Brett Smith	19 November 2015	41,667	0.070	2,917
		41,667	0.070	2,917
		41,667	0.070	2,917
		41,667 <sup>1</sup>	0.070	2,917 <sup>1</sup>
Ms Cherie Leeden	19 November 2015	277,778	0.070	19,444
		277,778	0.070	19,444
		277,778	0.070	19,444
		277,778 <sup>1</sup>	0.070	19,444 <sup>1</sup>
Ms Cherie Leeden	22 July 2016	909,091	0.055	50,000
	<b>Total</b>	<b>2,561,075</b>		<b>165,698</b>

1. Shares issued in advance for fees and salary for the month of January 2016

No such arrangement occurred in the current financial year.

## Directors' Report (continued)

### Remuneration Report (cont'd)

#### E Director Share and Option Holdings

##### Shareholdings

The numbers of shares in the Group held during the financial period by each director of Battery Minerals Limited and other key management personnel of the Group, including their personally related parties are set out below.

31 December 2016 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes <sup>1</sup>	Balance at the end of the year
<b>Directors</b>				
Gilbert George	4,009,236	-	2,689,420	6,698,656
Cherie Leeden	3,749,873	-	909,091	4,658,964
Brett Smith	492,922	-	-	492,922
David Flanagan	-	-	1,111,111	1,111,111
<b>Total</b>	<b>8,252,031</b>	<b>-</b>	<b>4,709,622</b>	<b>12,961,653</b>

1. Shares acquired during the financial year.

##### Option holdings

The numbers of options over ordinary shares in the Group held during the financial period by each director of Battery Minerals Limited and other key management personnel of the Group, including their personally related parties are set out below.

31 December 2016 Name	Balance at the start of the year	Granted as Remuneration	Exercised	Expired	Balance at the end of the year	Vested and exercisable	Unvested
<b>Directors</b>							
Gilbert George	1,644,208	4,000,000	-	-	5,644,208	1,644,208	4,000,000
Cherie Leeden	3,686,911	10,000,000	-	(1,000,000)	12,686,911	2,686,911	10,000,000
Brett Smith	124,513	4,000,000	-	-	4,124,513	124,513	4,000,000
David Flanagan	-	20,000,000	-	-	20,000,000	-	20,000,000
<b>Total</b>	<b>5,455,632</b>	<b>38,000,000</b>	<b>-</b>	<b>(1,000,000)</b>	<b>42,455,632</b>	<b>4,455,632</b>	<b>38,000,000</b>

## Directors' Report (continued)

### Remuneration Report (cont'd)

#### F Additional Information

Voting and comments made at the Group's 2016 Annual General Meeting:

In accordance with Listing Rule 3.13.2, it is confirmed that the following resolutions put to the AGM of Battery Minerals Limited shareholders, held on 30 May 2016, were unanimously passed on a show of hands:

- Resolution 1: Adoption of Remuneration Report
- Resolution 2: Re-election of Mr Gilbert George as a Director
- Resolution 3: Approval of the issue of the Dombeya Consideration Shares
- Resolution 4: Approval of 10% Placement Facility
- Resolution 5: Approval of grant of Performance Rights to Cherie Leeden
- Resolution 6: Approval of grant of Incentive Options to Gilbert George
- Resolution 7: Approval of grant of Incentive Options to Brett Smith
- Resolution 8: Approval of grant of Incentive Options to Steven Wood

#### Loans to Key Management Personnel

There were no loans made to Directors of the Company or other key management personnel during the year ended 31 December 2016.

There were no other transactions with key management personnel during the year ended 31 December 2016.

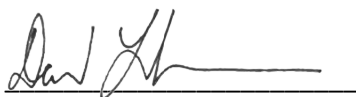
#### This is the end of the Audited Remuneration Report

This report of Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of Directors.

#### Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001.

The lead auditor's independence declaration is set out on page 21 for the year ended 31 December 2016.

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



**David Flanagan**  
Non-executive Chairman

Perth, Western Australia, 31 March 2017

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF BATTERY MINERALS LIMITED

As lead auditor of Battery Minerals Limited for the year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Battery Minerals Limited and the entities it controlled during the period.



Jarrad Prue  
Director

BDO Audit (WA) Pty Ltd  
Perth, 31 March 2017

## INDEPENDENT AUDITOR'S REPORT

To the members of Battery Minerals Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Battery Minerals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, 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:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year ended on that date; and
- (ii) 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 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 confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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 judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## Carrying Value of Exploration and Evaluation Assets

Key audit matter	How the matter was addressed in our audit
<p>At 31 December 2016 the carrying value of Exploration and Evaluation Assets was \$5,854,955 (2015: \$6,697,811) as disclosed in Note 9. The Group's accounting policy with respect to Exploration and Evaluation assets is disclosed in note 9.</p> <p>The carrying value of exploration and evaluation expenditure represents a significant asset of the Group and judgment is applied in considering whether facts and circumstances indicate that the exploration expenditure should be tested for impairment. As a result, the asset was required to be assessed for impairment indicators in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources.</p>	<p>We have evaluated the entity's assessment of each impairment trigger per AASB 6 Exploration and Evaluation of Mineral Resources, including but not limited to:</p> <ul style="list-style-type: none"> <li>➤ Obtaining from management a schedule of areas of interest held by the Group and assessed whether the Group had rights to tenure over those areas of interest by comparing the schedule to supporting documentation including licence agreements;</li> <li>➤ held discussions with management with respect to the status of ongoing exploration programmes in the respective areas of interest and assessed the Group's cashflow budget for the level of budgeted spend on exploration projects;</li> <li>➤ considered whether any areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; and</li> <li>➤ considered whether there are any other facts or circumstances that existed to indicate impairment testing was required.</li> </ul> <p>We have also assessed the adequacy of the related disclosures in note 9 to the financial statements.</p>

## Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do 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, 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.

#### 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 ability of the group to continue as a going concern, disclosing, as applicable, matters related 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 has 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf)

This description forms part of our auditor's report.

## Report on the Remuneration Report

#### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 20 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Battery Minerals Limited, for the year ended 31 December 2016, 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.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, consisting of the letters 'BDO' above a stylized signature that appears to read 'J Prue'.

Jarrad Prue

Director

Perth, 31 March 2017

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Note	Consolidated 31-Dec-16 \$	Consolidated 31-Dec-15 \$
Revenue and other income		40,137	106,746
Accounting and audit fees		(94,905)	(96,335)
Consulting and company secretarial fees	2	(974,023)	(463,153)
Corporate advisory		(45,500)	(61,500)
Salaries and wages		(106,369)	(156,312)
Share based payment expense	22	(465,936)	(74,981)
Travel and entertainment		(221,890)	(300,360)
Compliance fees		(177,152)	(84,587)
Directors' fees		(377,501)	(467,428)
Equipment hire		(16,497)	(1,979)
Legal fees		(49,217)	(30,167)
Office costs		(45,055)	(24,670)
Loss on disposal of subsidiary	25	-	(131,443)
Rent		(12,000)	(11,000)
Exploration expenditure	26	(1,245,103)	(176,221)
Other expenses		(199,228)	(325,207)
Exploration and Evaluation write off	9	(3,533,708)	(6,223,797)
<b>Loss before income tax</b>		<b>(7,523,947)</b>	<b>(8,522,394)</b>
Income tax expense	3	-	-
<b>Net Loss after Income Tax or the year attributable to the owners of Battery Minerals Limited</b>		<b>(7,523,947)</b>	<b>(8,522,394)</b>
<b>Other Comprehensive Income/(Loss): Items that will be reclassified to profit or loss</b>			
Exchange differences on translation of disposed subsidiaries		-	64,937
Exchange difference on translation of foreign operations		(640,420)	(1,527,864)
Other Comprehensive Income net of tax		(640,420)	(1,462,927)
<b>Total Comprehensive Loss for the year attributable to the owners of Battery Minerals Limited</b>		<b>(8,164,367)</b>	<b>(9,985,321)</b>
Loss per share attributable to ordinary shareholders of the Group			
Basic and diluted loss (cents per share)	4	(2.66)	(5.90)

The above consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

## Consolidated Statement of Financial Position

### As at 31 December 2016

	Note	Consolidated 31-Dec-16 \$	Consolidated 31-Dec-15 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	9,755,258	1,479,605
Trade and other receivables	7	582,084	554,549
<b>Total Current Assets</b>		<b>10,337,342</b>	<b>2,034,154</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		225,266	291,802
Exploration & Evaluation Expenditure	9	5,854,955	6,697,811
<b>Total Non-Current Assets</b>		<b>6,080,221</b>	<b>6,989,613</b>
<b>Total Assets</b>		<b>16,417,563</b>	<b>9,023,767</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	10	1,309,288	620,544
<b>Total Current Liabilities</b>		<b>1,309,288</b>	<b>620,544</b>
<b>Total Liabilities</b>		<b>1,309,288</b>	<b>620,544</b>
<b>NET ASSETS</b>		<b>15,108,275</b>	<b>8,403,223</b>
<b>EQUITY</b>			
Issued Capital	11	35,545,134	21,073,643
Reserves	13	1,884,969	2,127,462
Accumulated Losses		(22,321,828)	(14,797,882)
<b>TOTAL EQUITY</b>		<b>15,108,275</b>	<b>8,403,223</b>

The above consolidated statement of financial position is to be read in conjunction with the accompanying notes.

## Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	Consolidated 31-Dec-16 \$	Consolidated 31-Dec-15 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(2,836,695)	(2,580,173)
Net interest received		28,113	22,033
<b>Net cash (outflow) from operating activities</b>	14	<b>(2,808,582)</b>	<b>(2,558,140)</b>
<b>Cash flows from investing activities</b>			
Payments made for property, plant and equipment		-	(30,640)
Payments for exploration expenditure		(2,826,493)	(2,672,846)
Research and development rebate		-	109,923
<b>Net cash (outflow) from investing activities</b>		<b>(2,826,493)</b>	<b>(2,593,563)</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issue		14,636,459	3,007,600
Capital raising costs		(737,747)	(175,162)
<b>Net cash inflow from financing activities</b>		<b>13,898,712</b>	<b>2,832,438</b>
Net increase/(decrease) in cash and cash equivalents		8,263,637	(2,319,265)
Cash and cash equivalents at beginning of year		1,479,605	3,862,065
Effect of FX on cash held		12,016	(63,195)
<b>Cash and cash equivalents at end of year</b>		<b>9,755,258</b>	<b>1,479,605</b>

The above consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

## Consolidated Statement of Changes in Equity

### For the year ended 31 December 2016

Consolidated 31-Dec-15	Issued Capital	Share based payment reserve	Foreign currency translation reserve	Accumulated Losses	Total
	\$		\$	\$	\$
<b>Balance at 1 Jan 2015</b>	17,649,755	2,052,389	1,483,019	(6,275,488)	14,909,675
Loss for the year	-	-	-	(8,522,394)	(8,522,394)
Other Comprehensive Income	-	-	(1,462,927)	-	(1,462,927)
<b>Total comprehensive income/loss for the year</b>	-	-	<b>(1,462,927)</b>	<b>(8,522,394)</b>	<b>(9,985,321)</b>
Transactions with owners directly recorded in equity					
Shares issued net of transaction costs	2,832,438	-	-	-	2,832,438
Share based payments	591,450	54,981	-	-	646,431
<b>Balance at 31 December 2015</b>	<b>21,073,643</b>	<b>2,107,370</b>	<b>20,092</b>	<b>(14,797,882)</b>	<b>8,403,223</b>

Consolidated 31-Dec-16	Issued Capital	Share based payment reserve	Foreign currency translation reserve	Accumulated Losses	Total
	\$		\$	\$	\$
<b>Balance at 1 Jan 2016</b>	21,073,643	2,107,370	20,092	(14,797,882)	8,403,223
Loss for the year	-	-	-	(7,523,947)	(7,523,947)
Other Comprehensive Income	-	-	(640,420)	-	(640,420)
<b>Total comprehensive income/loss for the year</b>	-	-	<b>(640,420)</b>	<b>(7,523,947)</b>	<b>(8,164,367)</b>
Transactions with owners directly recorded in equity					
Shares issued net of transaction costs	13,898,712	-	-	-	13,898,712
Share based payments	572,779	397,927	-	-	970,706
<b>Balance at 31 December 2016</b>	<b>35,545,134</b>	<b>2,505,297</b>	<b>(620,328)</b>	<b>(22,321,829)</b>	<b>15,108,275</b>

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

## Notes to the Consolidated Financial Statements

### 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Battery Minerals Limited and its subsidiaries.

#### (a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Battery Minerals Limited is an ASX listed public company, incorporated and domiciled in Australia. Battery Minerals is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. The financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### Changes in accounting policy

In the year ended 31 December 2016, the Group has reviewed all the new and revised standards and interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current year. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and, therefore no change is necessary to the Group's accounting policies.



## Notes to the Consolidated Financial Statements (continued)

### 1. Summary of significant accounting policies (cont'd)

#### (b) Principles of consolidation

##### *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Battery Minerals Limited ("**Company**" or "**Parent Entity**") as at 31 December 2016 and the results of all subsidiaries for the year then ended. Battery Minerals Limited and its subsidiaries together are referred to in this financial report as "**the Group**" or "**the consolidated entity**".

Subsidiaries are all those entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balance and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction proves evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries and joint venture entities are accounted for at cost in the financial statements of Battery Minerals Limited. Dividends received from associates are recognised in the parent entity's statement of profit or loss and other comprehensive income, rather than being deducted from the carrying amount of these investments.

#### (c) Foreign Currency Translation

##### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Battery Minerals Limited's functional and presentation currency.

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss and other comprehensive income, within finance costs. All other foreign exchange gains and

losses are presented in the statement of profit or loss and other comprehensive income on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

#### (d) Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definitions, seldom equal the related actual results.

##### *Share Based Payment Transactions*

The Group 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. If the share based payment is subject to an approval process, grant date is the date when that approval is obtained. The fair value of listed options and shares is determined by the market price of those instruments and the fair value of unlisted options is determined by an internal valuation using Black-Scholes or binomial option pricing model.

##### *Exploration and Evaluation Expenditure*

The Group capitalises expenditure in relation to exploration and evaluation where the group has current tenure and it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. During the year, a write off of \$3,533,708 was recognised in relation to capitalised exploration and evaluation expenditure. Refer to note 9 for details.

#### (e) Standards issued not yet effective

Title of standard	Nature of change	Impact	Mandatory application date/ Date adopted by company
IFRS 15 (issued June 2014)  Revenue from contracts with customers	An entity will recognise 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. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue.	Based on an initial impact assessment, the new standard is not expected to have a material impact on the group.	Must be applied for annual reporting periods beginning on or after 1 January 2018. Therefore application date for the Company will be 31 December 2017.

<p>AASB 9 Financial Instruments</p>	<p>AASB 9 (2009), (2010) &amp; (2013) Addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting. AASB 9 (2014) Introduces a third measurement category of financial assets (fair value through other comprehensive income) and adds additional application guidance to the contractual cash flows characteristics test and the business model assessment. Includes the requirements for accounting for expected credit losses on financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised. Credit losses will be recognised from initial recognition and updated at the each of each reporting period.</p>	<p>Adoption of AASB 9 is only mandatory for the year ending 31 December 2018. Based on an initial impact assessment, the new standard is not expected to have a material impact on the group.</p>	<p>Annual reporting periods beginning on or after 1 January 2018</p>
<p>AASB 16 (issued February 2016) Leases</p>	<p>AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases.  Lessor accounting remains largely unchanged from AASB 117.</p>	<p>To the extent that the entity, as lessee, has significant operating leases outstanding at the date of initial application, 1 January 2019, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments. Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation</p>	<p>Annual reporting periods beginning on or after 1 January 2019.</p>

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		and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years. There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis.	
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All other pending Standards issued between the previous financial report and the current reporting dates have no application to the Group.

The financial report was authorised for issue on 31 March 2017 by the Board of Directors.

## Notes to the consolidated Financial Statements (continued)

### 2. Consulting and Company Secretarial Fees

	Consolidated 31 Dec 2016 \$	Consolidated 31 Dec 2015 \$
<b>Expenditure</b>		
Company Secretarial	131,000	163,500
Consulting fees	843,023	326,653
	<u>974,023</u>	<u>463,153</u>

### 3. Income Tax

#### (a) Income tax expense

Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>

#### (b) Reconciliation of income tax expense to prima facie tax payable:

Loss before income tax	(7,523,947)	(8,522,394)
Prima facie income tax at 30%	(2,257,184)	(2,556,718)
Tax effect of amounts not deductible in calculating taxable income (share based payments)	850,663	747,750
Temporary differences not recognised	1,406,521	1,808,978
Income tax expense/ (benefit)	<u>-</u>	<u>-</u>

#### (c) Unrecognised deferred tax assets arising on timing difference and losses

Timing differences relating to foreign operations	3,240,808	2,302,882
Tax Losses	1,015,962	726,040
Other	142,801	23,133
Total	<u>4,399,571</u>	<u>3,052,055</u>

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

## Notes to the consolidated Financial Statements (continued)

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well unused tax losses. Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

## Notes to the consolidated Financial Statements (continued)

### 4. Earnings per Share

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	Consolidated 31 Dec 2016	Consolidated 31 Dec 2015
Loss after income tax (\$)	(7,523,947)	(8,522,394)
Basic loss per share attributable to equity holders (cents)	(2.66)	(5.90)
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	283,018,154	144,504,589

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

As the Group is loss making there is no diluted EPS calculated.

Basic earnings per share is calculated by dividing:

- the profit (loss) attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares (note 4).

### 5. Dividends Paid or Proposed

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

### 6. Cash and Cash Equivalents

	Consolidated 31 Dec 2016 \$	Consolidated 31 Dec 2015 \$
<b>Current</b>		
Cash at bank and in hand	9,755,258	1,479,605
	<b>9,755,258</b>	<b>1,479,605</b>

Cash at bank and in hand earns interest at floating rates based on daily bank rates. Refer note 16 for Financial Risk Management.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

## Notes to the consolidated Financial Statements (continued)

### 7. Trade and Other Receivables

	Consolidated 31 Dec 2016 \$	Consolidated 31 Dec 2015 \$
<b>Current</b>		
Trade Debtors	25,829	39,885
GST Receivable	183,343	45,078
Other receivable	372,912	469,586
	<b>582,084</b>	<b>554,549</b>

There is no impairment of trade and other receivables that are past due but not impaired. Refer note 16 for Financial Risk Management. Other receivable relates to VAT amounts in Mozambique.

### 8. Fair Value

Due to their short term nature, the carrying amounts of current receivables, trade and other payables are assumed to approximate their fair value.

### 9. Exploration and evaluation expenditure

	Note	Consolidated 31 Dec 2016 \$	Consolidated 31 Dec 2015 \$
<b>Non-Current</b>			
Exploration and Evaluation at cost		<b>5,854,955</b>	<b>6,697,811</b>
<b>Movement</b>			
Opening balance		6,697,811	10,849,557
EE&E attributable to asset acquisition	12	-	311,249
Net exploration expenditure capitalised during the year		3,517,783	2,943,737
Exploration expenditure written off during the year		(3,533,708)	(6,223,797)
Refund Received		(47,928)	-
Foreign exchange difference		(779,003)	(1,182,935)
		<b>5,854,955</b>	<b>6,697,811</b>

For further information for the acquisitions during the prior year, refer to note 12.

The value of the Group's interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

During the year, a write off of \$3,533,708 was recognised in relation to certain tenements held in Mozambique following a decision to relinquish these tenements as the economic viability of the licences was questionable.



## Notes to the consolidated Financial Statements (continued)

The Group capitalises expenditure in relation to exploration and evaluation where the group has current tenure and it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.

### 10. Trade and Other Payables

	Consolidated 31 Dec 2016 \$	Consolidated 31 Dec 2015 \$
<b>Current</b>		
Trade and other payables	513,034	223,886
Accruals	796,254	396,658
	<b>1,309,288</b>	<b>620,544</b>

Trade payables are non-interest bearing and are normally settled on 60-day terms. Information about the Group's exposure to foreign exchange risk is provided in note 16.

## Notes to the consolidated Financial Statements (continued)

### 11. Issued Capital

#### (a) Ordinary Shares

	Note	Consolidated 31 Dec 2016 \$	Consolidated 31 Dec 2015 \$
Ordinary shares fully paid		35,545,134	21,073,643
		<b>35,545,134</b>	<b>21,073,643</b>

#### (a) Shares

Date	Details	No. of Shares	Issue Price	\$
1 January 2015	Opening Balance	129,378,027		17,649,755
23 June 2015	Stocks Digital issue	285,715	\$0.07	20,000
7 September 2015	Shares issued to Mitchell Drilling <sup>1</sup>	5,477,548	\$0.063	-
30 September 2015	Placement	32,780,395	\$0.045	1,475,118
19 November 2015	Placement	34,055,153	\$0.045	1,532,482
19 November 2015	Shares issued in lieu of director fees	1,277,777	\$0.045	89,444
19 November 2015	Shares issued to Mitchell Drilling <sup>1</sup>	7,661,894	\$0.045	358,728
31 December 2015	Unissued shares to Mitchell Drilling <sup>1</sup>	-	-	123,279
31 December 2015	Less: Share Issue Costs			(175,163)
		<b>210,916,509</b>		<b>21,073,643</b>

Date	Details	No. of Shares	Issue Price	\$
1 January 2016	Opening Balance	210,916,509		21,073,643
18 April 2016	Shares issued to Mitchell Drilling <sup>1</sup>	1,938,352	-	-
16 May 2016	Placement – Tranche 1	53,213,714	\$0.055	2,926,754
27 June 2016	SPP	29,424,528	\$0.055	1,618,349
22 July 2016	Placement – Tranche 2	19,513,558	\$0.055	1,073,246
22 July 2016	Shares issued in lieu of directors fees	909,091	\$0.055	50,000
22 July 2016	Shares issued in lieu of salary	327,273	\$0.055	18,000
19 October 2016	Shares issued to Minnovo & Mitchell Drilling <sup>1</sup>	9,177,798	\$0.055	504,779
11 November 2016	Placement – Tranche 1	78,512,778	\$0.09	7,066,150
23 December 2016	Placement – Tranche 2	21,688,889	\$0.09	1,952,000
31 December 2016	Less: Share Issue Costs			(737,787)
		<b>425,622,490</b>		<b>35,545,134</b>

1. The Company entered into an agreement, subsequently approved by shareholders, whereby Mitchell Drilling agreed to subscribe for up to A\$1.5 million of shares in the Company, with BAT and Mitchell having the option in 2015, to settle monthly drilling charges; 50% by way of a cash payment and 50% by way of the issue of shares, with the relevant share price to be calculated via the 5 day volume weighted average price (VWAP) as at the date of invoicing. On 12 April 2016, shareholders approval was obtained for the issue of shares to Mitchell drilling which was recognised in equity at 31 December 2015 amounting to \$123,279. Further, in 2016 an additional 9,177,798 shares were placed to Minnovo & Mitchell Drilling to settle charges.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## Notes to the consolidated Financial Statements (continued)

### 11. Issued Capital (cont'd)

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

#### (b) Options

Information relating to the options over ordinary shares on issue, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period is set out in note 13 and note 22.

#### Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's capital includes ordinary share capital, partly paid shares and financial liabilities, supported by financial assets.

The Group's capital includes mainly ordinary share capital and financial liabilities supported by financial assets.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The net working capital position of the Group at 31 December 2016 was \$9,028,054 (31 December 2015: \$1,413,610). The Group as at 31 December 2016 had \$9,755,258 (31 December 2015: \$1,479,605) of cash and cash equivalents and no debt which will be sufficient working capital to fund its basic operational and exploration commitments in the short term.

### 12. Asset Acquisition

#### 2016

There were no asset acquisitions during the 2016 financial year.

#### 2015

##### **Balama Central Project**

On 22 August 2014 the Group entered into a binding licence sale agreement to acquire 100% of exploration Licence 4118 named the Balama Central Graphite Project ("Balama") in Mozambique, subject to completion of due diligence and other conditions precedent. The Balama project is located along strike and immediately adjacent to the Syrah Resources (ASX: SYR) major Balama graphite project. The Balama Project was acquired from Mozambican company Dombeya Mineracao Lda.

## Notes to the consolidated Financial Statements (continued)

### 12. Asset Acquisition (cont'd)

#### Purchase consideration comprises:

	Note	Number	Value per Share	Total value \$
First cash payment (paid \$US \$50,000)				53,845
Second cash payment (paid \$US 200,000)				257,404
<b>Total consideration paid to date</b>				<b>311,249</b>
Shares to be issued (\$US 200,000)				273,980
<b>Total consideration</b>				<b>585,229</b>

The Company announced to the ASX on 5 February 2015 that it had completed the acquisition of the Balama Central Project by making payment of the first and second cash consideration components of the acquisition. The Company has a power of attorney over the licence to allow it to complete exploration and development activities. The vendor consideration shares to a value of US\$200,000 have not yet been issued due to the relevant Mozambican regulatory authorities not yet providing final clearance for the transaction.

Upon receipt of this final clearance, the vendor consideration shares will be issued and the Licence 4118 will be issued in the Company's name. Shareholder approval has previously been received for the issue of the vendor consideration shares, however as this approval has now expired without the shares being issued, the Company will again seek shareholder approval at the Company's 2016 AGM for the issue of these shares (subject to receipt of regulatory approval). The quantum of shares to be issued will be calculated as would have a market value of US\$200,000 using the lower of the volume-weighted average mid-market share price for the period of 10 trading days prior to the Signature Date (22 August 2014) and 10 trading days prior to the Completion Date (5 February 2015), and using the US\$/AUD\$ exchange rate on the Signature Date and Completion Date as appropriate, such issuance being the second part payment for transfer of the Licence.

#### Net assets acquired:

	\$
Cash and cash equivalents	-
Trade and other receivables	-
Property, plant and equipment	-
Exploration and evaluation assets	585,229
Trade and other payables	-
<b>Net assets acquired</b>	<b>585,229</b>

## Notes to the consolidated Financial Statements (continued)

### 13. Reserves

	Note	Consolidated 31 Dec 2016 \$	Consolidated 31 Dec 2015 \$
<b>a) Reserves</b>			
Foreign currency translation reserve		(620,328)	20,092
Share based payment reserve	22	2,505,297	2,107,370
		<b>1,884,969</b>	<b>2,127,462</b>

#### *Foreign currency reserves*

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(c) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Date	Details	No. of Options	\$
1 January 2015	Opening Balance	77,109,562	2,052,389
5 February 2015	Incentive option issue	333,333	265
5 February 2015	Incentive option issue	666,667	6,798
1 April 2015	Incentive option issue	2,450,000	47,918
31 December 2015	Expiry of options for the year	(14,733,332)	-
<b>31 December 2015</b>		<b>66,359,563</b>	<b>2,107,370</b>

Date	Details	No. of Options	\$
1 January 2016	Opening Balance	66,359,563	2,107,370
31 May 2016	Issue of options	2,500,000	90,131
21 December 2016	Director options	36,000,000	50,769
23 December 2016	Employee options	6,400,000	184,081
31 December 2016	Existing options vesting expense	-	13,158
31 December 2016	Performance rights vesting expense	3,500,000	59,788
31 December 2016	Expired options for the year	(2,805,167)	-
<b>31 December 2016</b>		<b>111,954,396</b>	<b>2,505,297</b>

*\*Note 57,854,396 listed options expired on 7 January 2017, subsequent to the end of the period.*

#### *Options reserve*

The option reserve recognises options issued as share based payments. Refer to note 22 for details of share based payments.

## 14. Operating Cash Flow Reconciliation

	Consolidated 31 Dec 2016 \$	Consolidated 31 Dec 2015 \$
<b>Reconciliation of operating cash flows to profit/(loss)</b>		
Loss from ordinary activities after income tax	(7,523,947)	(8,522,394)
Add/(less) non-cash items:		
Depreciation	66,536	77,658
Other	-	3,367
Non-cash employee/consultants benefits expense	-	89,444
Share based payments	465,936	74,981
Exploration and evaluation expenditure written off	3,533,708	6,223,797
Loss on disposal of subsidiary	-	131,443
<b>Net cash provided by operating activities before change in assets and liabilities (carried forward)</b>	<b>(3,457,767)</b>	<b>(1,921,704)</b>
<b>Changes in assets and liabilities during the financial year:</b>		
(Increase)/decrease in trade and other receivables	(27,535)	(424,722)
Increase/(decrease) in trade and other payables	676,720	(211,714)
<b>Net cash outflow from operating activities</b>	<b>(2,808,582)</b>	<b>(2,558,140)</b>

## Notes to the consolidated Financial Statements (continued)

### 15. Non-cash Investing and Financing Activities

	Note	Consolidated 31 Dec 2016 \$	Consolidated 31 Dec 2015 \$
Issue of vendor shares	11	504,779	591,433
<b>Total</b>		<b>504,779</b>	<b>591,433</b>

### 16. Financial Instruments

#### Financial Risk Management

The Group's activities expose it to a variety of financial risks including foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not use derivative financial instruments; however the Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks and ageing analysis for credit risk.

Risk management is carried out by the Board of Directors with assistance from suitably qualified external and internal advisors. The Board provides written principles for overall risk management and further policies will evolve commensurate with the evolution and growth of the Group.

#### (a) Foreign exchange risk

The Group is exposed to minimal currency risks that are denominated in currency other than the respective functional currency of the Group entities. Transactions are pre-dominantly denominated in AUD, USD and MZN.

The Group's exposure to foreign currency risk at the end of the reporting period was as follows:

	2016		2015	
	USD\$	MZN	USD\$	MZN
Cash & equivalents	12,251	3,041,179	4,179	1,007,485
Trade & other receivables	-	18,958,859	154,570	7,412,041
Trade & other payables	2,247	50,517,515	2,623	13,153,506

#### Sensitivity

Based on the financial instruments held at 31 December 2016, had the Australian dollar weakened/strengthened by 10% against the MZN with all other variables held constant, the Group's post-tax loss for the year would have been \$56,290 higher/\$56,290 lower (2015 - \$10,708 higher/\$13,088 lower), the effect on equity would have been \$56,290 lower/\$56,290 higher (2015 - \$10,708/\$13,088 higher). This is mainly as a result of foreign exchange gains/losses on translation of Mozambique New Meticals (MZN) denominated financial instruments as detailed in the above table. The loss is more sensitive to movements in the AUD/MZN exchange rates in 2016 than 2015 because of the increased amount of MZN denominated financial assets. The Group's exposure to other foreign exchange movements is not material

**(b) Interest rate risk**

The Group is not exposed to cash flow and fair value interest rate risk as at the reporting date. Cash and cash equivalents held at reporting date are subject to floating interest rates and carried at amortised cost.

**(c) Credit risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis. The Group does not have any significant credit risk exposure to a single counterparty or any Group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings:

	<b>Consolidated 31 Dec 2016</b>	<b>Consolidated 31 Dec 2015</b>
	<b>\$</b>	<b>\$</b>
Westpac Bank AA-	9,760,879	1,423,799
Unrated	(5,621)	55,806
<b>Total</b>	<b>9,755,258</b>	<b>1,479,605</b>

**(d) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As at reporting date the Group had sufficient cash reserves to meet its requirements. The Group therefore had no credit standby facilities or arrangements for further funding in place.

The financial liabilities of the Group at reporting date were trade payables incurred in the normal course of the business. These were non-interest bearing and were due within the normal 30-60 days terms of creditor payments.

At the end of the reporting period, the Group has \$1,309,288 (31 December 2015: \$620,544) due within 30-60 days.



## Notes to the consolidated Financial Statements (continued)

### 16. Financial Instruments (cont'd)

#### (e) Market risk

As at the end of the financial year, the Group had the following variable rate financial assets:

Consolidated	Weighted average Interest rate	31 December 2016 Carrying Amount \$	31 December 2015 Carrying Amount \$
<b>Financial assets</b>			
Cash	2.25%	9,755,258	1,479,605
<b>Total</b>		<b>9,755,258</b>	<b>1,479,605</b>

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact of how profit at reporting date would have been affected by changes in the interest rate that management considers being reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Change in profit/ (loss) \$	
	Consolidated 31 Dec 2016 \$	Consolidated 31 Dec 2015 \$
Increase in interest rate by 100 basis points	97,552	14,796
Decrease in interest rate by 100 basis points	(97,552)	(14,796)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

#### (f) Fair value

There were no financial assets or liabilities at 31 December 2016 (31 December 2015: Nil) requiring fair value estimation and disclosure.

### 17. Commitments and Contingent Liabilities

In order to maintain mining tenement licences, the economic entity is committed to meet the prescribed conditions under which tenement licences were granted. These commitments may be met in the normal course of operations by future capital raisings and/or farm-out and under certain circumstances are subject to the possibility of adjustment to the amount and timing of such obligations or by tenement relinquishment. In respect of the Company's Kroussou licence in Gabon there is a US\$4.5m expenditure commitment in the licence to be met prior to 30 June 2018. There is currently expenditure being spent on the licence by the Company's JV partner, and it is understood the Gabonese mines ministry will consider this current expenditure and historical expenditure when reviewing this historical commitment.

Rental commitments for the year relating to tenements held and current are US\$34,553 (A\$47,334).

## Notes to the consolidated Financial Statements (continued)

### 18. Related Party Disclosure

#### (a) Parent entities and subsidiaries

Battery Minerals Limited is the ultimate Australian parent entity.

#### (b) Subsidiaries

Interests in subsidiaries are set out below:

	Country of Incorporation	% Equity Interest 31 December 2016	% Equity Interest 31 December 2015
Rio Mazowe Limited	Mauritius	100	100
Afriminas Minerais Limitada	Mozambique	90 <sup>1</sup>	90 <sup>1</sup>
Express Resources Pty Ltd	Australia	100	100
Index Resources Pty Ltd	Australia	100	100
Action Resources Pty Ltd	Australia	100	100
Jackal Resources Pty Ltd	Australia	100	100
Au Resources Pty Ltd	Australia	100	100
Skype Resources Pty Ltd	Australia	100	100
Select Exploration Limited (Previously Cobra Resources Limited)	Mauritius	100	100
Tanga Resources Limited	Mauritius	100	100
Rovuma Resources Limited	Mauritius	100	100
Jorc Resources Limited	Mauritius	100	100
Assain Investments Limited	Mauritius	100	100
Greenstone Resources Limited	Mauritius	100	100
Niassa Metals SA	Mozambique	100	100
Suni Resources SA	Mozambique	100	100
Niassa Gold SA	Mozambique	100	100
Goldcrest Resources Sa	Mozambique	100	100
Peregrine Resources SA	Mozambique	100	100
Select Explorations Gabon SA	Gabon	90 <sup>1</sup>	90 <sup>1</sup>

<sup>1</sup> This is direct equity interest. The balance of 10% for each respective subsidiary is held indirectly (on trust for the Company) thus resulting in 100% ownership.

## Notes to the consolidated Financial Statements (continued)

### 19. Related Party Disclosure (cont'd)

#### (c) Key Management Personnel

The following persons were directors of Battery Minerals Limited during the financial year:

Director	Position	Appointed	Resigned
Gilbert George	Non-Executive Director	1 August 2012	-
Cherie Leeden	Managing Director	19 July 2013	-
Brett Smith	Non-Executive Director	1 August 2012	-
David Flanagan	Non-Executive Chairman	11 October 2016	

#### (d) Other key management personnel

There were no further key management personnel of the Group.

#### (e) Key management personnel compensation

	Consolidated 31 Dec 2016	Consolidated 31 Dec 2015
	\$	\$
Short-term employee benefits	380,727	401,535
Share based payments	232,661	74,007
<b>Total</b>	<b>613,388</b>	<b>475,542</b>

#### (f) Loans to key management personnel

There were no loans made or outstanding to directors of Battery Minerals Limited and other key management personnel of the Group, including their personally related parties.

#### (g) Other transactions with key management personnel

There were no other transactions with key management personnel.

## Notes to the consolidated Financial Statements (continued)

### 20. Events after the Reporting Date

As outlined to the ASX, the Company completed a maiden ore reserve and mineral resource that supported the Battery anode PFS and Montepuez graphite project DFS on 15 February 2017. This was a significant milestone set of events for the Company.

On 30 March 2017 the Company announced that David Flanagan was appointed as Executive Chairman and Cherie Leeden was appointed as Executive Director, Technology and Business Development.

With the exception of the above, there are no material events that have occurred that would require disclosure.

### 21. Auditor's Remuneration

	Consolidated 31 Dec 2016 \$	Consolidated 31 Dec 2015 \$
<b>Audit Services</b>		
Amounts received or accrued by BDO Audit (WA) Pty Ltd		
- An audit or review of the financial reports of the consolidated entity	56,760	51,796
<b>Total remuneration for audit services</b>	<b>56,760</b>	<b>51,796</b>

No non-audit services were provided by the auditor during the year.

## Notes to the consolidated Financial Statements (continued)

### 22. Share-Based Payments

#### (a) 1) Employee Share Option Scheme

On 30 May 2016 as a result of shareholder approval received at the Company's AGM, the Company issued 2,500,000 unlisted options exercisable at \$0.092 on or before 30 May 2020 to the Company's Non-executive Chairman Mr Gilbert George, Non-executive Director Mr Brett Smith and Company Secretary Mr Steven Wood.

The options are not subject to any vesting conditions.

The underlying fair value of the Options granted was calculated based on the below, and were expensed during the period:

Valuation Date	Expiry Date	Exercise Price	Granted during the period Number	Fair value per option at Grant Date \$	Total fair value \$
30 May 2016	30 May 2020	\$0.092	2,500,000	0.036	90,131

The fair value of the options granted was independently determined using an Option Pricing Model that takes into account the following inputs:

Number of options	2,500,000
Share Price at Grant Date	\$0.058
Exercise Price	\$0.092
Valuation Date	30 May 2016
Expiration date	30 May 2020
Life of the Options	4 years
Volatility <sup>1</sup>	100%
Risk Free Rate	2.25%

1. The expected volatility is based on historic volatility (based on remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

On 21 December 2016, the Company issued 5,000,000 unlisted options exercisable at \$0.10 on or before 21 December 2021 to Non-Executive Director Mr David Flanagan as approved at the General Meeting of the Company.

The options are subject to 12 months continuous service as a Non-Executive Director.

Valuation Date	Expiry Date	Exercise Price	Granted during the period Number	Fair value per option at Grant Date \$	Total fair value \$
21 Dec 2016	21 Dec 2021	\$0.10	5,000,000	0.0929	464,387

## Notes to the Consolidated Financial Statements (continued)

The fair value of the options granted was independently determined using an Option Pricing Model that takes into account the following inputs:

Number of options	5,000,000
Share Price at Grant Date	\$0.12
Exercise Price	\$0.10
Valuation Date	21 Dec 2016
Expiration date	21 Dec 2021
Life of the Options	5 years
Volatility <sup>1</sup>	100%
Risk Free Rate	2.28%

1. The expected volatility is based on historic volatility (based on remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

On 21 December 2016, the Company issued 5,000,000 unlisted options exercisable at \$0.15 on or before 21 December 2021 to Non-Executive Director Mr David Flanagan as approved at the General Meeting of the Company.

The options are subject to 12 months continuous service as a Non-Executive Director.

Valuation Date	Expiry Date	Exercise Price	Granted during the period Number	Fair value per option at Grant Date \$	Total fair value \$
21 Dec 2016	21 Dec 2021	\$0.15	5,000,000	0.0866	433,199

The fair value of the options granted was independently determined using an Option Pricing Model that takes into account the following inputs:

Number of options	5,000,000
Share Price at Grant Date	\$0.12
Exercise Price	\$0.15
Valuation Date	21 Dec 2016
Expiration date	21 Dec 2021
Life of the Options	5 years
Volatility <sup>1</sup>	100%
Risk Free Rate	2.28%

1. The expected volatility is based on historic volatility (based on remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

On 21 December 2016, the Company issued 5,000,000 unlisted options exercisable at \$0.20 on or before 21 December 2021 to Non-Executive Director Mr David Flanagan as approved at the General Meeting of the Company.

The options are subject to 24 months continuous service as a Non-Executive Director.

## Notes to the Consolidated Financial Statements (continued)

Valuation Date	Expiry Date	Exercise Price	Granted during the period Number	Fair value per option at Grant Date \$	Total fair value \$
21 Dec 2016	21 Dec 2021	\$0.20	5,000,000	0.0818	408,961

The fair value of the options granted was independently determined using an Option Pricing Model that takes into account the following inputs:

Number of options	5,000,000
Share Price at Grant Date	\$0.12
Exercise Price	\$0.20
Valuation Date	21 Dec 2016
Expiration date	21 Dec 2021
Life of the Options	5 years
Volatility <sup>1</sup>	100%
Risk Free Rate	2.28%

1. The expected volatility is based on historic volatility (based on remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

On 21 December 2016, the Company issued 5,000,000 unlisted options exercisable at \$0.25 on or before 21 December 2021 to Non-Executive Director Mr David Flanagan as approved at the General Meeting of the Company.

The options are subject to 24 months continuous service as a Non-Executive Director.

Valuation Date	Expiry Date	Exercise Price	Granted during the period Number	Fair value per option at Grant Date \$	Total fair value \$
21 Dec 2016	21 Dec 2021	\$0.25	5,000,000	0.0778	389,108

The fair value of the options granted was independently determined using an Option Pricing Model that takes into account the following inputs:

Number of options	5,000,000
Share Price at Grant Date	\$0.12
Exercise Price	\$0.25
Valuation Date	21 Dec 2016
Expiration date	21 Dec 2021
Life of the Options	5 years
Volatility <sup>1</sup>	100%
Risk Free Rate	2.28%

## Notes to the Consolidated Financial Statements (continued)

1. The expected volatility is based on historic volatility (based on remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

On 21 December 2016, the Company issued 10,000,000 unlisted options exercisable at higher of \$0.15 or 30% above the 10 day VWAP for shares at the date the options are granted on or before 21 December 2021 to Managing Director Ms Cherie Leeden as approved at the General Meeting of the Company.

The options are subject to the first commercial scale production and shipment of graphite ore from either of the Company's Mozambique graphite projects.

Valuation Date	Expiry Date	Exercise Price	Granted during the period Number	Fair value per option at Grant Date \$	Total fair value \$
21 Dec 2016	21 Dec 2021	\$0.15	10,000,000	0.0861	861,040

The fair value of the options granted was independently determined using an Option Pricing Model that takes into account the following inputs:

Number of options	10,000,000
Share Price at Grant Date	\$0.12
Exercise Price	\$0.15
Valuation Date	21 Dec 2016
Expiration date	21 Dec 2021
Life of the Options	5 years
Volatility <sup>1</sup>	100%
Risk Free Rate	2.28%

1. The expected volatility is based on historic volatility (based on remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

On 21 December 2016, the Company issued 1,5000,000 unlisted options exercisable at higher of \$0.15 or 30% above the 10 day VWAP for shares at the date the options are granted on or before 21 December 2021 to both Non-Executive Director Mr Gilbert George & Mr Brett Smith as approved at the General Meeting of the Company.

The options are subject to 12 months continuous service as a Non-Executive Director

Valuation Date	Expiry Date	Exercise Price	Granted during the period Number	Fair value per option at Grant Date \$	Total fair value \$
21 Dec 2016	21 Dec 2021	\$0.15	3,000,000	0.0861	258,312



## Notes to the Consolidated Financial Statements (continued)

The fair value of the options granted was independently determined using an Option Pricing Model that takes into account the following inputs:

Number of options	3,000,000
Share Price at Grant Date	\$0.12
Exercise Price	\$0.15
Valuation Date	21 Dec 2016
Expiration date	21 Dec 2021
Life of the Options	5 years
Volatility <sup>1</sup>	100%
Risk Free Rate	2.28%

1. The expected volatility is based on historic volatility (based on remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

On 21 December 2016, the Company issued 1,500,000 unlisted options exercisable at higher of \$0.15 or 30% above the 10 day VWAP for shares at the date the options are granted on or before 21 December 2021 to both Non-Executive Director Mr Gilbert George & Mr Brett Smith as approved at the General Meeting of the Company.

The options are subject to 24 months continuous service as a Non-Executive Director

Valuation Date	Expiry Date	Exercise Price	Granted during the period Number	Fair value per option at Grant Date \$	Total fair value \$
21 Dec 2016	21 Dec 2021	\$0.15	3,000,000	0.0861	258,312

The fair value of the options granted was independently determined using an Option Pricing Model that takes into account the following inputs:

Number of options	3,000,000
Share Price at Grant Date	\$0.12
Exercise Price	\$0.15
Valuation Date	21 Dec 2016
Expiration date	21 Dec 2021
Life of the Options	5 years
Volatility <sup>1</sup>	100%
Risk Free Rate	2.28%

1. The expected volatility is based on historic volatility (based on remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

## Notes to the Consolidated Financial Statements (continued)

On 21 December 2016, the Company issued 6,400,000 unlisted options exercisable at higher of \$0.15 or 30% above the 10 day VWAP for shares at the date the options are granted on or before 21 December 2021 to key consultants to the Company and employees under the Company employee share plan.

2,200,000 of the options are subject to completion of 6 months continuous service as employee or consultant to the Company from date of grant, and another 2,200,000 million are subject to completion of 18 months continuous service as employee or consultant to the Company from date of grant. 2,000,000 of the options were not subject to vesting options.

Valuation Date	Expiry Date	Exercise Price	Granted during the period Number	Fair value per option at Grant Date \$	Total fair value \$
23 Dec 2016	23 Dec 2021	\$0.15	6,400,000	0.0866	554,494

The fair value of the options granted was independently determined using an Option Pricing Model that takes into account the following inputs:

Number of options	6,400,000
Share Price at Grant Date	\$0.12
Exercise Price	\$0.15
Valuation Date	23 Dec 2016
Expiration date	23 Dec 2021
Life of the Options	5 years
Volatility <sup>1</sup>	100%
Risk Free Rate	2.28%

1. The expected volatility is based on historic volatility (based on remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

## Notes to the Consolidated Financial Statements (continued)

On 30 May 2016 the Company issued 3,500,000 performance rights to Managing Director Ms Cherie Leeden, as approved by Shareholders at the Company's Annual General Meeting.

The 3,500,000 Performance Rights to be issued to Cherie Leeden, will be issued in three equal tranches of 1,166,666 Performance Rights with the following performance based milestones based solely on her future performance as a Director of the Company:

Class of Performance Rights	Performance Condition	Period
Class A Performance Rights	Upon the Company announcing to the ASX entry into a material (as determined by the Board), binding offtake agreement from either of the Company's graphite projects in Mozambique.	24 months from issue
Class B Performance Rights	Upon the Company announcing to ASX that it has completed a Definitive Feasibility Study in relation to one of its graphite projects in Mozambique.	24 months from issue
Class C Performance Rights	Upon Cherie Leeden continuing to be employed by the Company during the period from the issue of the Class C Performance Rights up until the date which is 12 months from their issue.	24 months from issue

On achievement of the applicable Performance Condition, each Performance Right will convert into a Share.

If a Performance Condition of a Performance Right is not achieved by the end date of the specified period, then the Performance Right will lapse.

If a Takeover Event (as described in schedule 1 of last year's AGM) occurs prior to the expiry or conversion of a Performance Right, the Performance Right will convert.

The fair value of the performance rights granted was independently determined as share price at point of granting multiplied by the number of rights. The terms and conditions of the rights are as follow:

Class of Performance Rights	No of Performance Rights	Valuation Date	Expiry Date	Share Price at Grant Date	Total fair value	Probability	Expensed recognised <sup>4</sup>
					\$		\$
Class A	1,166,666	30 May 2016	30 May 2018	\$0.058	67,666	100%	19,929
Class B	1,166,666	30 May 2016	30 May 2018	\$0.058	67,666	100%	19,929
Class C	1,166,666	30 May 2016	30 May 2018	\$0.058	67,666	100%	19,929

1. Total expense for the period is recognised based on the expected number of rights to vest (taking into account probability factors above) multiplied by the share price at grant date over the vesting period.

## Notes to the Consolidated Financial Statements (continued)

### (b) Share options outstanding at the end of the year have the following terms and conditions.

#### 2016

Grant Date	Expiry Date	Exercise Price	FV per option	Balance at start of year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested & exercisable at end of the year
				Number	Number	Number	Number	Number	Number
31 Mar 14	31 Mar 17	\$0.093	\$0.042	2,500,000	-	-	-	2,500,000	2,500,000
29 Jul 14	7 Jan 17	\$0.150*	\$0.076	637,778	-	-	-	637,778	637,778
12 Aug 14	7 Jan 17	\$0.150*	-	184,616	-	-	-	184,616	184,616
15 Jan 15	4 Feb 18	\$0.26	\$0.0013	333,333	-	-	-	333,333	-
16 Jan 15	5 Feb 18	\$0.26	\$0.01	666,667	-	-	-	666,667	666,667
1 Apr 15	31 Dec 17	\$0.15	\$0.026	2,300,000	-	-	-	2,300,000	2,300,000
1 Apr 15	31 Dec 17	\$0.15	\$0.026	150,000	-	-	-	150,000	150,000
30 May 16	30 May 20	\$0.092	\$0.0361	-	2,500,000	-	-	2,500,000	2,500,000
21 Dec 16	21 Dec 21	\$0.10	\$0.0929	-	5,000,000	-	-	5,000,000	-
21 Dec 16	21 Dec 21	\$0.15	\$0.0866	-	5,000,000	-	-	5,000,000	-
21 Dec 16	21 Dec 21	\$0.20	\$0.0818	-	5,000,000	-	-	5,000,000	-
21 Dec 16	21 Dec 21	\$0.25	\$0.0778	-	5,000,000	-	-	5,000,000	-
21 Dec 16	21 Dec 21	\$0.15	\$0.0861	-	10,000,000	-	-	10,000,000	-
21 Dec 16	21 Dec 21	\$0.15	\$0.0861	-	3,000,000	-	-	3,000,000	-
21 Dec 16	21 Dec 21	\$0.15	\$0.0861	-	6,400,000	-	-	6,400,000	-
21 Dec 16	21 Dec 21	\$0.15	\$0.0861	-	3,000,000	-	-	3,000,000	-
				<b>6,772,394</b>	<b>44,900,000</b>	-	-	<b>51,672,394</b>	<b>8,939,061</b>

\*Note these are listed options that expired subsequent to end of the period.

## Notes to the consolidated Financial Statements (continued)

### 23. Segment Reporting

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of its exploration and corporate activities. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

The Group operates as a single segment which is mineral exploration within East Africa. The Group is domiciled in Australia.

#### **Basis of accounting for purposes of reporting by operating segments**

##### *Accounting policies adopted*

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the financial statements of the Group.

##### *Segment assets*

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

## Notes to the consolidated Financial Statements (continued)

### 23. Segment Reporting (cont'd)

Unless indicated otherwise in the segment assets note, deferred tax assets and intangible assets have not been allocated to operating segments.

#### *Segment liabilities*

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables.

#### *Unallocated items*

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities; and
- discontinuing operations.

#### **Segment Performance**

**31 December 2016**

Revenue from external customers

**Reportable segment (loss)**

#### **Exploration**

**East Africa**

**\$**

**Unallocated**

**\$**

**Total**

**\$**

2,024

38,113

40,137

**(4,846,572)**

**(2,677,375)**

**(7,327,265)**

#### **Segment Assets**

**31 December 2016**

**Segment assets**

Cash

Exploration and evaluation

Other

**Total segment assets**

#### **Exploration**

**East Africa**

**\$**

**Unallocated**

**\$**

**Total**

**\$**

62,235

9,693,023

9,755,258

5,854,955

-

5,854,955

547,851

259,499,

807,350

**6,465,041**

**9,952,522**

**16,417,563**

## Notes to the consolidated Financial Statements (continued)

### 23. Segment Reporting (cont'd)

<b>Segment Liabilities</b>	<b>Exploration</b>	<b>Unallocated</b>	<b>Total</b>
<b>31 December 2016</b>	<b>East Africa</b>		
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Segment liabilities</b>			
Creditors and other creditors	990,317	318,971	1,309,288
<b>Total segment liabilities</b>	<b>990,317</b>	<b>318,971</b>	<b>1,309,288</b>

#### Summary of Unallocated Revenue Segment

<b>Segment Performance</b>	<b>Unallocated</b>
<b>31 December 2016</b>	<b>\$</b>
Revenue from external customers	38,113
Accounting and audit fees	(94,704)
Consulting and company secretarial	(974,023)
Corporate advisory	(45,500)
Salaries and wages	(102,950)
Travel and entertainment	(221,890)
Compliance	(161,161)
Directors fees	(377,501)
Equipment hire	(15,844)
Legal fees	(49,163)
Office costs	(45,055)
Rent expense	(12,000)
Other expenses	(615,697)
	<b>(2,677,375)</b>

## Notes to the consolidated Financial Statements (continued)

### 23. Segment Reporting (cont'd)

<b>Segment Performance</b> <b>31 December 2015</b>	<b>Exploration East Africa</b> \$	<b>Unallocated</b> \$	<b>Total</b> \$
Revenue from external customers	85,124	21,622	106,746
<b>Reportable segment (loss)</b>	<b>(6,418,495)</b>	<b>(2,103,899)</b>	<b>(8,522,394)</b>

<b>Segment Assets</b> <b>31 December 2015</b>	<b>Exploration East Africa</b> \$	<b>Unallocated</b> \$	<b>Total</b> \$
<b>Segment assets</b>			
Cash	35,174	1,444,431	1,479,605
Exploration and evaluation	6,697,811	-	6,697,811
Other	775,821	70,530	846,351
<b>Total segment assets</b>	<b>7,508,806</b>	<b>1,514,961</b>	<b>9,023,767</b>

<b>Segment Liabilities</b> <b>31 December 2015</b>	<b>Exploration East Africa</b> \$	<b>Unallocated</b> \$	<b>Total</b> \$
<b>Segment liabilities</b>			
Creditors and other creditors	(451,038)	(169,506)	(620,544)
<b>Total segment liabilities</b>	<b>(451,038)</b>	<b>(169,506)</b>	<b>(620,544)</b>

#### Summary of Unallocated Revenue Segment

<b>Segment Performance</b> <b>31 December 2015</b>	<b>Unallocated</b> \$
Revenue from external customers	21,622
Accounting and audit fees	(76,520)
Consulting and company secretarial	(458,540)
Corporate advisory	(61,500)
Salaries and wages	(103,123)
Travel and entertainment	(281,264)
Compliance	(80,883)
Directors fees	(467,428)
Equipment hire	(1,979)
Legal fees	(29,732)
Office costs	(20,935)
Rent expense	(11,000)
Other	(401,184)
Loss on disposal of subsidiaries	(131,433)
<b>Reportable segment (loss)</b>	<b>(2,103,899)</b>



## Notes to the consolidated Financial Statements (continued)

### 24. Parent Entity Disclosure

The following details information related to the parent entity, Battery Minerals Limited, as at 31 December 2016. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	Company 31 Dec 2016 \$	Company 31 Dec 2015 \$
Current assets	9,909,230	1,512,619
Non-Current assets	3,749,440	7,060,110
<b>Total assets</b>	<b>13,658,670</b>	<b>8,572,729</b>
Current liabilities	318,971	169,506
<b>Total liabilities</b>	<b>318,971</b>	<b>169,506</b>
Contributed equity	35,545,174	21,073,643
Share based payments reserve	2,505,297	2,107,370
Accumulated losses	(24,710,772)	(14,777,791)
<b>Total equity</b>	<b>13,339,699</b>	<b>8,403,223</b>
(Loss) after income tax	(10,269,626)	(6,121,761)
Other comprehensive income/ (loss) for the year	-	-
<b>Total comprehensive (loss) for the year</b>	<b>(10,269,626)</b>	<b>(6,121,761)</b>

#### Guarantees

The Parent Company has not entered into any guarantees in relation to the debts of its subsidiary.

#### Contingent Liabilities and Contractual Commitments of the Parent

The Parent Company has no commitments to acquire property, plant and equipment and has no contingent liabilities as at the date of report.

## Notes to the consolidated Financial Statements (continued)

### 25. Disposal of Subsidiary

On 1<sup>st</sup> July 2015 the group lost control of its Tanzanian subsidiaries, as identified in note 19(b). The loss on disposal was consequently presented in the profit and loss of the 2015 financial statements. Financial information relating to the disposal of subsidiaries is set out below.

a) Financial performance and cash flow information

	<b>Company</b>
	<b>31 Dec 2015</b>
	\$
Carrying amount of net assets disposed	(66,506)
Foreign exchange loss on disposal of subsidiary	(64,937)
Total loss on disposal of subsidiary	<u>(131,443)</u>
Loss from disposal of subsidiary	<u><b>(131,443)</b></u>

b) Details of disposal of subsidiary

On 1 July 2015, the group disposed of the following entities:-

- Mkindu Pty Ltd
- Traction Resources Pty Ltd
- Savannah Metals Ltd
- Sahara Investments Ltd
- Chai Resources Ltd
- Kansas Resources Ltd
- Swala Resources Ltd
- Boomerang Resources Ltd
- Persian Metals Ltd
- Mzombe Resources Ltd
- Siwandu Metals Ltd

The carrying net asset as at the date of sale (1 July 2015) was: \$66,506

No subsidiary was disposed of in 2016.

### 26. Exploration Expenditure

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	\$	\$
Consulting	483,954	-
Environmental	333,164	-
Salaries	55,954	-
Other	372,031	176,221
	<u>1,245,103</u>	<u>176,221</u>

## Directors' Declaration

In the Directors' opinion:

- (a) the financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001, and:
  - (i) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) give a true and fair view of the financial position as at 31 December 2016 and of the performance for the year ended on that date of the consolidated entity; and
  - (iii) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1 to the financial statements.
- (b) In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



**David Flanagan – Non-Executive Chairman**

**Perth, Western Australia, 31 March 2017**

## Corporate Governance Statement

### Corporate Governance Statement

The Company's corporate governance statement can be found on the Company's website at <https://www.batteryminerals.com/corporate/corporate-governance/>.

The Board of Directors ("the Board") is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

This statement outlines the main Corporate Governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2014 Amendments 3<sup>rd</sup> edition unless otherwise stated.

## ASX Additional Information

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Financial Report is set out below.

### 1. Shareholdings

The issued capital of the Company as at 26 March 2017 is:

- 425,622,490 ordinary fully paid shares; and
- 50,600,000 unlisted options.

All issued ordinary fully paid shares carry one vote per share.

### 2. Distribution of Equity Securities

#### Ordinary Shares

Range	Holders	Units	%
1-1,000	92	4,370	0.00
1,001-5,000	51	214,655	0.05
5,001-10,000	180	1,554,945	0.37
10,001-100,000	796	38,690,781	9.09
100,001-9,999,999	499	385,157,739	90.49
<b>Total</b>	<b>1,618</b>	<b>425,622,490</b>	<b>100.00</b>

#### Unmarketable parcels

There were 165 holders of less than a marketable parcel of ordinary shares.

## ASX Additional Information (continued)

### 3. Top 20 Largest Holders of Listed Securities

#### Ordinary shares

	Name	Number of Shares	%
1.	FARJOY PTY LTD	53,799,911	12.64%
2.	MITCHELL GROUP HOLDINGS PTY LTD <ANDALA A/C>	18,711,047	4.40%
3.	NATIONAL NOMINEES LIMITED	17,105,790	4.02%
4.	SAS INVESTMENTS PTY LTD <SHEPHERD SUPER FUND A/C>	13,333,484	3.13%
5.	MR NAVINDERJEET SINGH	9,100,000	2.14%
6.	PACIFIC DEVELOPMENT CORPORATION PTY LTD	8,000,000	1.88%
7.	TRANSORE INTERNATIONAL (FZE)	7,687,311	1.81%
8.	EQUITY TRUSTEES LIMITED <LOWELL RESOURCES FUND A/C>	7,090,909	1.67%
9.	BNP PARIBAS NOMS PTY LTD <DRP>	6,656,115	1.56%
10.	SKER HOLDINGS PTY LTD <SKERMAN INVESTMENT A/C>	5,717,838	1.34%
11.	MINNOVO PTY LTD	5,544,545	1.30%
12.	J P MORGAN NOMINEES AUSTRALIA LIMITED	5,535,682	1.30%
13.	BOUSSAL PTY LTD <JOHNSTON SUPER FUND ACCOUNT>	5,000,000	1.17%
14.	ROCHAS RESOURCES LIMITED	3,720,922	0.87%
15.	MR JASON PETERSON & MRS LISA PETERSON <J & L PETERSON S/F A/C>	3,350,000	0.79%
16.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,230,000	0.76%
17.	CORNELA PTY LTD <MACLIVER FAMILY A/C>	3,225,950	0.76%
18.	MR GILBERT CHARLES GEORGE & MS BROOKE SAMANTHA GEORGE <THE GILBERT GEORGE S/F A/C>	3,118,182	0.73%
19.	JB TORO PTY LTD	3,000,000	0.70%
20.	GOLDJAZZ PTY LTD	2,770,000	0.65%
20.	HALCYON NOMINEES PTY LTD <HALCYON SUPER FUND A/C>	2,770,000	0.65%
	<b>Total top 20</b>	<b>188,467,686</b>	<b>44.28</b>
	<b>Total Remaining Holders Balance</b>	<b>231,154,804</b>	<b>55.72</b>
	<b>Total shares on issue</b>	<b>425,622,490</b>	<b>100.00</b>

## ASX Additional Information (continued)

### 4. Voting Rights

See note 11 of the financial statements.

### 5. Unquoted securities

The names of the security holders holding more than 20% of an unlisted class of security are listed below:

Exercise Price	\$0.092	\$0.093	\$0.10	\$0.15	\$0.20	\$0.25	\$0.26	\$0.15
Expiry	31 May 2020	31 Mar 2017	23 Dec 2021	23 Dec 2021	23 Dec 2021	23 Dec 2021	4 Feb 2018	31 Dec 2017
David Flanagan	-	-	5,000,000	-	5,000,000	5,000,000	-	-
Cherie Leeden	-	-	-	10,000,000	-	-	1,000,000	-
Gilbert George	1,000,000	-	-	-	-	-	-	-
Brett Smith	1,000,000	-	-	-	-	-	-	-
Nardie Group Pty Ltd	500,000	-	-	-	-	-	-	-
Jetosea Pty Ltd	-	2,500,000	-	-	-	-	-	-
Steven Cancio-Newton	-	-	-	-	-	-	-	1,000,000
Regina Molloy	-	-	-	-	-	-	-	500,000
Total number of holders	3	1	1	15	1	1	1	6
Holders less than 20%	-	-	-	17,400,000	-	-	-	700,000
<b>Total</b>	<b>2,500,000</b>	<b>2,500,000</b>	<b>5,000,000</b>	<b>27,400,000</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>1,000,000</b>	<b>2,200,000</b>

### 6. Substantial shareholder notices received as at 26 March 2017

	Name	Number of Shares	% Holding
1	FARJOY PTY LTD	53,799,911	12.64
2	CONTANGO FUNDS MANAGEMENT LIMITED	20,626,337	5.11

### 7. Restricted Securities Subject to Escrow

There are no shares subject to escrow.

### 8. On-market buy back

There is currently no on-market buyback program for any of Battery Minerals Limited's listed securities.

## **ASX Additional Information (continued)**

### **9. Group cash and assets**

In accordance with Listing Rule 4.10.19, the Group confirms that it has been using the cash and assets for the period ended 31 December 2016 in a way that is consistent with its business objective and strategy.



## ASX Additional Information (continued)

The Company has an interest in the following projects as at 31 March 2017:

<b>1. MINING TENEMENTS HELD</b>			
<b>Tenement Reference</b>	<b>Location</b>	<b>Nature of interest</b>	<b>Interest</b>
6216	Mozambique	Granted	100%
5572	Mozambique	Subject to JV*	100% <sup>1</sup>
Kroussou	Gabon	Granted	100% <sup>3</sup>
4118	Mozambique	Granted	100% <sup>2</sup>

1. subject to JV with Mozambican Ruby LDA as announced to the ASX on 20 October 2015. Subject to relevant expenditure commitments being met by Mozambican Ruby LDA (minimum US\$400,000), they will earn 75% of licence 5572.

2. License 4118 acquired as per ASX Announcement 22 August 2014. Final consideration being US\$200,000 in shares has not been made and is subject to transfer of License 4118 into the Company's name.

3. Trek Minerals has option to fund an initial near term drilling program at Kroussou up to US\$250,000. Should TKM elect to exercise this option (prior to 31 July 2017), TKM will pay BAT US\$240,000 in cash and/or shares and secure the right to earn 30% of the Kroussou Project through the expenditure of US\$1M within 12 months of the exercise date. Option agreement contemplates Trek earning up to 70% via additional expenditure. In addition, the Company's previous JV partner has relinquished its previous 10% holding in the project in return for a 0.75% Net Smelter Royalty.

### Competent Persons Statement

All references to future production and production & shipping targets and port access made in relation to Battery Minerals are subject to the completion of all necessary feasibility studies, permit applications, construction, financing arrangements, port access and execution of infrastructure-related agreements. Where such a reference is made, it should be read subject to this paragraph and in conjunction with further information about the Mineral Resources and Ore Reserves, as well as the relevant competent persons' statements.

Any references to Ore Reserve and Mineral Resource estimations should be read in conjunction with the competent person statements included in the ASX announcements referenced in this presentation as well as Battery Minerals' other periodic and continuous disclosure announcements lodged with the ASX, which are available on the Battery Minerals' website.

The information in this report that relates to Battery Minerals' Mineral Resources or Ore Reserves is a compilation of previously published data for which Competent Persons consents were obtained. Their consents remain in place for subsequent releases by Battery Minerals of the same information in the same form and context, until the consent is withdrawn or replaced by a subsequent report and accompanying consent.

## **ASX Additional Information (continued)**

The information in this Presentation that relates to Mineral Resources and Ore Reserves is extracted from the ASX Announcement titled 'Montepuez Graphite Project Mineral Resource and Ore Reserve Estimate' dated 15 February 2017 and DFS and PFS information is extracted from the ASX announcement entitled 'Lithium Ion Battery anode PFS and Montepuez Graphite DFS confirm robust economics' dated 15 February 2017, both of which are available at Battery Minerals website at <http://www.batteryminerals.com.au> in the ASX announcements page.

Battery Minerals confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the market announcements continue to apply and have not materially changed. Battery Minerals confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.