Bass Metals Ltd.

ABN 31 109 933 995

Australia's only graphite producer

Appendix 4E- Preliminary Final Report

For the year ended 30 June 2017

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Name of entity
Bass Metals Limited

ABN
31 109 933 995

Results for announcement to the market

		$
Revenue from ordinary activities	Down 75% to	632,322
Loss from ordinary activities after tax attributable to members		9,903,757
Net loss for the period attributable to members		9,903,757

Dividend information	**Amount per security**	**Franked amount per security**
	Nil	Nil
Record date for determining entitlements to the dividend		Nil

Key ratios	**2017**	**2016**
Basic earnings per share (cents)	(0.85)	0.19
Net tangible assets per share (cents)	0.2	1.1

Previous corresponding period

The previous corresponding period is the 12 months ended 30 June 2016

Audit

This report is based on the consolidated financial statements which are in the process of being audited.

Highlights

- The Company confirmed on 22 August 2016 that it had taken control of operations of the Graphite Producing Mine ("Graphmada") in Madagascar. Subsequent to this announcement, the Company confirmed the final acquisition of Graphmada.
- Since the acquisition of Graphmada, the Group has initiated significant positive changes to operations on site, including the substantial upgrade to operating plant ("Stage 1 Optimization and Refurbishment program") which is designed to increase production capacity to 6,000 tonnes of concentrate pa. In June 2016 and subsequent to this date, the Group provided detail to the market regarding its ongoing work and success with the Optimization and Refurbishment program. The Group anticipates completing this program in late 2017.
- The Group also initiated the Graphmada Care program designed to improve the lives and livelihood of the local population, many of which are directly and indirectly employed and engaged by our operations. As part of this program, the Group has invested in water improvement, schools, medical and education based personnel.
- In April 2017, the Group informed the market it had entered an agreement to acquire a potentially high-grade Lithium Project in Madagascar. Further announcements were made outlining preliminary results taken from this tenement and the Group's plan to explore this.
- In June 2017, the Group announced the Maiden Resource for its Mahefedok deposit following an extensive drill program. The Mahefedok deposit is adjacent to the Lohrano Deposit and adds significant volume to the Group's access to mineable Graphite.
- The Group also announced in June 2017 the signing of a Sales and Purchase MOU for 50% of its forecast Stage 1 premium graphite concentrate production for 2018.

Operating results

The Group has recorded an Operating Loss of $ 9,903,757 for the year ended 30 June 2017. The Group's Operating Loss was largely a result of the following factors:-

- The Group commenced its Optimization and Refurbishment Program during the year and as a result sales of graphite concentrate were reduced in order to manage this program.
- During April 2017 the Group announced the signing of a conditional Terms Sheet for the sale of its suite of Tasmanian Assets to the UK (AIM) Listed Company, NQ Minerals Plc. The sale of the Tasmanian Assets will see the Group derive a 1% Net Smelter Royalty from future operations. As a result of this, the Group has decided to impair the balance of $3,217,406 being the carrying value of its Tasmanian assets and recognise any future royalty stream when this income can be accurately measured with certainty.
- The Group invested significant resources to the commencement of operations and management of its Graphmada Miner during the year, its drill program at Mahefedok and other initiatives all designed to add significant value to the Group.

Capital structure

As at 30 June 2017, the Company had 1,368,146,729 ordinary shares, 344,847,423 listed options and 126,384,220 issued unlisted options. In addition, the Company had granted at reporting date but issued subsequently to reporting date on 15 August 2017 54,000,000 unlisted options and 62,000,000 performance rights to Directors and key management personnel.

Significant Change in State of Affairs

ACQUISITION OF THE GRAPHMADA LARGE FLAKE GRAPHITE MINE IN MADAGASCAR

During the year, on 22 August 2016, the Company became a 100% owner in the operating Graphmada graphite mine in Madagascar, refer note 2 *Business Combination – acquisition.*

ISSUE OF SHARE CAPITAL

- On 2 September 2016, the Company successfully completed a placement and rights issue to raise $7,020,338 that resulted in the issue of 585,028,181 ordinary shares at an issue process of $0.012c. A further 60,090,367 shares were issued to shareholders for funds previously loaned to the company. These shares were issued at a price of $0.01c. 13,000,000 shares were issued to consultants to the Company for services provided during 2016.
- As part of the issue of shares on 2 September 2016 as referred to above, 344,847,424 listed options were issued to shareholders. These options have an expiry date of 31 December 2018 and an exercise price of $0.025.
- In December 2016, the Company successfully completed a capital raising for the amount of $2,275,000 (before costs) with the issue of 175,000,000 ordinary shares issued at an issue price of $0.013c.

ISSUE OF CONVERTIBLE NOTES

Subsequent to the Reporting Period, on the 15 August 2017, the Company issued 2,073,500 unsecured convertible notes to subscribers, who were predominantly existing major shareholders, Directors and management, with a face value of $1.00 raising $2,073,500 (including costs). Refer to *Events arising since the end of the reporting period* for details of the terms and conditions.

MAHEFEDOK JORC RESOURCE

In June 2017, the Group announced the Maiden Resource for its Mahefedok deposit following an extensive drill program. The Mahefedok deposit is adjacent to the Lohrano Deposit and adds significant volume to the Group's access to mineable Graphite.

Outlook

The Group has spent considerable time and resources in planning and initiating its "Stage 1 Optimization and Refurbishment program" which is designed to increase production capacity to 6,000 tonnes of concentrate pa.

In June 2017 and subsequent to this date, the Group provided detail to the market regarding its ongoing work and success with the Optimization and Refurbishment program. The Group anticipates completing this program in late 2017.

The Group's Board and Management expect production to recommence in the short term with the expectation that a production target can be achieved in the near future.

PRELIMINARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
Sale of concentrate		285,489	-
Cost of sales	5	(1,087,730)	-
Gross loss		(802,241)	-
Other income	4	346,833	2,551,519
Impairment of Non-Current exploration and evaluation asset held for sale	8	(3,217,406)	-
Impairment of receivable		1,000,000	(450,000)
Reversal of impairment of receivable		(1, 000,000)	-
Administration expenses	5	(6,012,661)	(1,023,517)
Finance costs		(5,736)	-
(Loss)/profit before income tax from continuing operations		**(9,691,211)**	1,078,002
Income tax (expense)/benefit		-	-
(Loss)/profit for the year from continuing operations		**(9,691,211)**	1,078,002
Loss after tax from discontinued operations	6	(212,546)	(282,987)
(Loss)/profit for the year		**(9,903,757)**	795,015
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign controlled entities		135,123	-
Net gain on available-for-sale (AFS) financial assets		(84,850)	84,850
Total comprehensive (Loss)/profit for the period, net of tax		**(9,853,484)**	879,865
(Loss)/profit attributed to:			
Continuing operations		(9,640,938)	1,162,852
Discontinued operations		(212,546)	(282,987)
Total comprehensive profit/(loss) attributed to:			
Equity holders of the parent entity		**(9,853,484)**	879,865
Earnings per share			
Basic (loss)/earnings per share from operations (cents)	7	(0.85)	0.19

The above preliminary Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	2017 $	2016 $
CURRENT ASSETS			
Cash and cash equivalents		933,822	167,527
Restricted cash		25,000	-
Trade and other receivables		325,676	1,033,092
Prepayments		42,697	-
Inventories		653,775	-
Financial assets held for sale		-	494,961
		1,980,970	1,695,580
Non-Current exploration and evaluation asset held for sale	8	-	3,897,906
Total Current Assets		**1,980,970**	**5,593,486**
NON-CURRENT ASSETS			
Trade and other receivables		680,500	260,480
Plant and equipment		1,985,348	20,585
Exploration and evaluation assets		508,523	-
Mine properties		5,473,669	-
Financial assets		-	1,060,825
Total Non-Current Assets		**8,648,040**	**1,341,890**
TOTAL ASSETS		**10,629,010**	**6,935,376**
CURRENT LIABILITIES			
Trade and other payables		606,033	376,585
Borrowings		642,500	684,236
Contingent consideration payable		500,000	-
		1,748,533	1,060,821
Liabilities included in disposal group held for sale		-	694,242
Total Current Liabilities		**1,748,533**	**1,755,063**
NON-CURRENT LIABILITIES			
Provisions		1,097,892	-
Total Non-Current Liabilities		**1,097,892**	**-**
TOTAL LIABILITIES		**2,846,425**	**1,755,063**
NET ASSETS		**7,782,585**	**5,180,313**
EQUITY			
Issued capital		74,219,238	62,913,634
Reserves		1,285,275	84,850
Retained profits		(67,721,928)	(57,818,171)
TOTAL EQUITY		**7,782,585**	**5,180,313**

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

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

	Issued Capital	Share Option Reserve	AFS Financial Asset Reserve	Foreign Currency Translation Reserve	Retained Profits/ (Accumulated Losses)	Total Equity
	$	$	$	$	$	$
Balance at 1 July 2016	**62,913,634**	**-**	**84,850**	**-**	**(57,818,171)**	**5,180,313**
Comprehensive income						
Loss for the period	-	-	-	-	(9,903,757)	(9,903,757)
Other comprehensive income	-	-	(84,850)	135,123	-	50,273
Total comprehensive loss for the year	-	-	(84,850)	135,123	(9,903,757)	(9,853,484)
Transactions with owners, recorded directly in equity						
Shares issued during the period	10,135,575	-	-	-	-	10,135,575
Share placement to Stratmin - acquisition of Graphmada	1,800,000	-	-	-	-	1,800,000
Options – value of options	-	746,638	-	-	-	746,638
Performance rights- value of rights	-	403,514	-	-	-	403,514
Cost of shares issued for placement	(629,971)	-	-	-	-	(629,971)
Balance at 30 June 2017	**74,219,238**	**1,150,152**	**-**	**135,123**	**(67,721,928)**	**7,782,585**

	Issued Capital	Share Option Reserve	AFS Financial Asset Reserve	Retained Profits/ (Accumulated losses)	Total Equity
	$	$	$	$	$
Balance at 1 July 2015	62,032,248	78,750	-	(58,691,936)	3,419,062
Comprehensive income					
Profit for the period	-	-	-	795,015	795,015
Other comprehensive income	-	-	84,850		84,850
Total comprehensive loss for the year	-	-	84,850	795,015	879,865
Transactions with owners, recorded directly in equity					
Shares issued during the period	929,000	-	-	-	929,000
Transfer on expiry of options	-	(78,750)	-	78,750	-
Cost of shares issued for placement	(47,614)	-	-	-	(47,614)
Balance at 30 June 2016	**62,913,634**	**-**	**84,850**	**(57,818,171)**	**5,180,313**

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

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

	2017 $	2016 $
Cash flows from operating activities		
Receipts from customers	252,711	-
Payments to suppliers and employees	(5,765,245)	(909,327)
Settlement Proceeds Received	1,000,000	600,000
Other income	-	37,332
Net cash used in operating activities	**(4,513,533)**	(271,995)
Cash flows from investing activities		
Proceeds from sale of assets classified as held for sale	731,631	50,791
Loan to related entity	-	(260,000)
Purchase of property, plant and equipment	(899,238)	-
Payments for capitalised evaluation & exploration costs	(450,981)	-
Interest received	20,275	26,489
Acquisition of subsidiaries, net of cash	(3,420,921)	(1,060,825)
Net cash used in investing activities	**(4,019,234)**	(1,243,545)
Cash flows from financing activities		
Proceeds from issue of shares	8,885,849	914,000
Transaction costs on issue of shares	(220,481)	(32,614)
Proceeds from loan funds	1,556,020	684,236
Repayment of loan funds	(913,520)	-
Interest paid	(5,736)	-
Net cash from financing activities	**9,302,132**	1,565,622
Net increase in cash and cash equivalents	**769,365**	**50,082**
Cash and cash equivalents at the beginning of the period	167,527	117,445
Cash acquired in a business combination	21,930	-
Restricted cash	(25,000)	-
Cash and cash equivalents at the end of the period	**933,822**	167,527

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

1. Summary of significant accounting policies

These preliminary consolidated financial statements and notes represent those of Bass Metals Ltd (the "Company") and it's Controlled Entities (the "Group"). Bass Metals Ltd is the Group's ultimate Parent Company (the "parent entity") and is a public company incorporated and domiciled in Australia.

(a) Basis of Preparation

This preliminary financial report has been prepared in accordance with the Australian Securities Exchange Listing Rules as they relate to the Appendix 4E and in accordance with the recognition and measurement requirements of the Australian Accounting Standards, other authoritative pronouncements of the of the Australian Accounting Standards Board , Urgent Issues Group Interpretations and the Corporations Act 2001.

As such, this preliminary financial report does not include all the notes of the type included in the annual financial report and accordingly, should be read in conjunction with the annual report for the year ended 30 June 2017 and with any public announcements by Bass Metals Limited during the period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principle accounting policies adopted in the preparation of the financial report are consistent with those of the previous financial year.

2. Business Combination - acquisition

Acquisition of Graphmada

Bass Metals Ltd had previously made a strategic investment in December 2015 acquiring 6.25% of Graphmada Mauritius, a private company registered in Mauritius, and its subsidiary Graphmada SARL, a private company registered in Madagascar, ("Graphmada") purchased from Stratmin Global Resources Plc ("Stratmin") for $1,060,827 in December 2015. Graphmada is the owner and operator of an operating graphite mine in Madagascar with four large flake premium quality graphite deposits within its permits.
An offer to acquire the remaining equity instruments in Graphmada Mauritius was received by the Company during early 2016. On 4 April 2016, the Bass Metals Ltd announced it had successfully renegotiated the terms of agreement with Stratmin Global Resources Plc and executed a replacement Term Sheet to acquire the remaining 93.75% of Graphmada Mauritius.
On 22 August 2016, Bass Metals Ltd acquired the remaining equity instruments of Graphmada Mauritius, thereby obtaining 100% ownership.

Assets acquired and liabilities assumed
The fair value of the identifiable assets and liabilities of Graphmada as at the date of acquisition were:

	Fair value recognised on acquisition $
Assets	
Cash and cash equivalents	21,938
VAT receivable	157,818
Prepayments	10,402
Inventories	442,343
Property, plant and equipment	1,860,130
Mine properties	406,484
	2,899,115
Liabilities	
Trade and other payables	(520,903)
Provision for rehabilitation	(406,484)
	(927,387)
Total of net identifiable net assets at fair value	**1,971,728**
Goodwill arising on acquisition	5,070,019
Purchase consideration transferred	**7,041,747**

Identifiable net assets

The fair value of the VAT receivable acquired as part of the business combination amounted to $157,818. The net book value of VAT receivable in Graphmada at the date of acquisition was $548,431 (being a gross of $837,945 less a provision of $289,514). Whilst the Group expects to receive the book value, it cannot be certain therefore the Group has recognised the VAT receivable at the date of acquisition to be the amount of VAT refund that the Group has received since acquisition of $157,818.

Goodwill

Goodwill of $5,070,019 is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of Graphmada's workforce and expected cost synergies. Goodwill has been allocated to cash-generating units at 30 June 2017 and is classified as Mine Properties in the Statement of Financial Position. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

2. Business Combination – acquisition (continued)

	$
Purchase consideration	
Initial amount settled in cash	2,601,747
Shares issued at fair value	1,800,000
Deferred cash payment consideration	2,640,000
Total consideration	7,041,747
Analysis of cash flows on acquisition to date:	
Amount settled in cash for 6.25% previously invested	(1,060,825)
Amount settled in cash for the remaining 93.75% (original Tranche 1)	(1,540,920)
Deferred cash payment consideration instalments (under terms of the deed of amendment)	(2,140,000)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	21,930
Net cash flow on acquisition to date	(4,719,815)[1]
Remaining cash (deferred) payment consideration payable:	
Due on 30 September 2017	(500,000)
Total cash flow on acquisition	(5,219,815)

Note 1: Includes cash payments in the previous reporting period (June 2016) of $1,320,825.

Consideration transferred

In addition to the cash payment of $1,060,825 for 6.25% of Graphmada paid to the previous owners during December 2015, the consideration payable for the remaining 93.75% that the Bass Metals Ltd does not already own for all of the Sale Assets was as follows:
(a) Tranche 1:
(i) Tranche 1 Cash Payment of A$1,540,920 – this payment was completed during 2016;
(ii) 75,000,000 Bass Shares (Tranche 1 Shares) – these shares were issued in September 2016. The fair value as at the date of acquisition was A$1,800,000; and
(iii) Net royalty of 2.5% of gross concentrate sales which terminates on 1 January 2029 or upon royalty payments reaching A$5 million, whichever occurs first.

In addition, Bass Metals Ltd agreed on three further cash payments to the previous owners which are detailed below.

Deferred cash payment consideration
The original Share Purchase Agreement ("SPA") provided for an additional consideration (Tranche 2 and 3) of $8 million worth of Bass Metals Ltd shares payable to the previous owner only if production of graphite concentrate exceed a target level agreed by both parties. Under the terms of the deed of amendment to the SPA, announced to the ASX on 15 December 2016, Bass and Stratmin now have agreed that Bass's obligation to issue $8 million worth of shares shall be waived upon the payment of A$2,640,000 to Stratmin over the following timeframe:

- A$955,000 on or before 19 December 2016 – this payment was completed on 19 December 2016;
- A$1,185,000 on or before 15 March 2017 – this payment was completed on 15 March 2017; and
- A final payment of A$500,000 on 30 September 2017.

Additionally Bass Metals Ltd has secured an option to buy back its up to A$5 million royalty obligation for the sum of A$500,000 with the option to be exercised by 31 December 2017, with no royalty payments to be made before this date.

Graphmada's contribution to the group results

Graphmada incurred a loss of $3,554,126 for the ten (10) months from acquisition on the 22 August 2016 to the reporting date, due to being shut down for most of the period while the Group completes the plant optimization program.

3. Segment Information

The Group has two operating segments: graphite mining and corporate segments. In identifying its operating segments, management generally follows the Group's service lines, which represent the main products and services provided by the Group. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under the Accounting Standards are the same as those used in its financial statements, except that expenses relating to discontinuing operations are not included in arriving at the operating loss of the operating segments. In addition, non-current exploration and evaluation asset held for sale, lithium mineralisation exploration and Mine properties – goodwill on acquisition are assets which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.
There have been no other changes from prior periods in the measurement methods used to determine reported segment profit or loss.

The operating segments below are monitored by the Group's chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results.

Segment information for the reporting year is as follows:

2017	**Graphite Mining 2017 $**	**Corporate 2017 $**	**Total 2017 $**
Revenue			
External customers		285,489	285,489
Interest income	-	20,275	20,275
Other revenue[1]	1,239	325,319	326,558
Inter- segment	295,001	(295,001)	-
Segment revenues	**296,240**	**336,082**	**632,322**
Segment operating profit/(loss)	(3,554,126)	(6,137,085)	(9,691,211)
Segment assets	3,863,690	1,682,070	5,545,760

Note 1: Corporate segment revenue consists of gain on the sale of listed shares of $321,520

No segment liabilities are disclosed because there is no measure of segment liabilities regularly reported to the chief operating decision maker.

Segment disclosure for the prior year

During the prior period, the Bass Metals Ltd operated in one segment being Exploration and Evaluation of Minerals in Tasmania, Australia. Thus, segmented disclosures are not required nor will any disaggregated level of revenue or expenditure be informative. In addition, no segment assets or liabilities are disclosed because there is no measure of segment liabilities regularly reported to the chief operating decision maker.

Bass Metals Ltd's 6.25% investment in Graphmada did not give significant influence and therefore the investment was not accounted for using the equity method nor were separate financial reports from Graphmada reviewed by the Board of Directors during the period.

3. Segment Information (continued)

Reconciliation to Financial Statements

The total presented for the Group's operating segments reconcile to the key financial figures as presented in its financial statements as follows:

	2017 $
Loss	
Total reportable segment operating loss	(9,691,211)
Discontinued operations	(212,546)
Loss for the year	(9,903,757)
Assets	
Total reportable segment assets	5,545,760
Exploration and evaluation assets - Lithium mineralisation	13,231
Mine properties – development asset	5,070,019
Group assets	**10,629,010**

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas:

2017	Revenue $	Non-current assets $
Madagascar	-	2,081,205
Mauritius	-	794,594
Australia	-	688,991
India	20,403	
USA	265,086	
Total	**285,489**	**3,564,790**

Revenues from external customers in the Group's domicile, Australia, as well as its major markets have been identified on the basis of the customer's geographical location. Non-current assets are allocated based on their physical location. The above table does not include mine properties – development asset of $5,070,019 and capitalised Lithium exploration costs of $13,231, both which can be attributed Madagascar.

	2017 $	2016 $
4. Other income		
Interest received	20,275	26,489
Gain - Settlement proceeds	-	2,500,000
Gain – Sale of listed shares	321,520	10,902
Rent and access fees received	5,038	14,128
Total other income	**346,833**	**2,551,519**

5. Loss for the period

The loss for the period is stated after taking into account the following:

	2017 $	2016 $
(a) Cost of sales		
Direct mine operating expense	764,340	-
Depreciation expense	222,905	-
Inventory write down to net realisable value	100,485	-
Total cost of sales	**1,087,730**	-
(b) Administration expenses		
Mine administration expense	2,757,565	-
Corporate administration:		
Employee benefits expense	513,624	114,581
Contracting & consulting expenses	478,114	221,922
Share based payment expense	1,150,152	-
Bad debt expense	-	144,612
Rental expenses	48,262	29,980
Legal expenses	106,959	52,390
Depreciation	12,094	13,608
Director fees	232,500	200,993
Travel expenses	286,933	45,170
Share registry, ASX	150,961	21,054
Other administration expenses	275,497	179,207
Total administration expenses	**6,012,661**	**1,023,517**

6. Loss attributable to discontinued operations

During the prior year, the Group sought to realise the value of its Tasmanian capitalised exploration and expense through the sale of these assets and the total carrying value has been classified as a disposal group which have been recognised as *Capitalised Exploration and Evaluation Assets Held for Sale* in the Statement of Financial Position.

During the current year, care and maintenance expenses relating to this disposal group have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item on the face of the statement of profit or loss and other comprehensive income (see *loss after tax from discontinued operations*).

Expenses

	2017 $	2016 $
Contracting & consulting expenses	-	107,304
Exploration expenditure expensed	52,039	22,752
Hellyer operating infrastructure – care & maintenance	160,507	152,931

Total expenses	**212,546**	282,987

7. Earnings Per Share

(Basic and diluted Earnings Per Share)	2017 $	2016 $
(Loss)/profit for the period	(9,903,757)	795,015
Weighted average number of ordinary shares used in the calculation of basic earnings per share	1,158,460,304	421,691,643
Basic and diluted (loss)/profit per share (cents)	**(0.85)**	**0.19**

There is no dilutive potential for ordinary shares as the exercise of options to ordinary shares would have the effect of decreasing the loss per ordinary share and would therefore be non-dilutive.

8. Non-Current exploration and evaluation asset held for sale

The Group has sought to realise the value of its Tasmanian capitalised exploration and expense through the sale of these assets. During the previous period, the total carrying value of capitalised exploration as well as the related infrastructure guarantees and tenement security deposits were recognised as *capitalised exploration and evaluation assets held for sale.* Consequently, Australian Accounting Standards require that those amounts shall be classified in the Statement of Financial Position as a Current Asset.

Impairment:

As at reporting date, the Group is still seeking to sell these assets. However, as no sale agreement has been reached and it has been more than a year since seeking a buyer and, in addition, there exists material uncertainty regarding the full recovery of the capitalised value of exploration and evaluation assets held for sale, the Accounting Standards require the carrying value of the exploration assets to be fully impaired. Therefore the Group has recognised an impairment expense of $3,217,406.

	2017 $	2016 $
Opening balance	3,897,906	-
Reclassification of guarantees & deposits to non-current receivable[2]	(680,500)	-
Capitalised exploration and evaluation asset transferred from Capitalised exploration and evaluation expense	-	3,217,406
Hellyer operating infrastructure guarantees transferred from non-current receivables[1]	-	500,000
Tenement security deposits transferred from non-current receivables[1]	-	170,500
Operating lease bonds transferred from non-current receivables[1]	-	10,000
	3,217,406	**3,897,906**
Impairment expense	(3,217,406)	-
	-	**3,897,906**

Note 1: Tenement security deposits and Hellyer operating infrastructure guarantees are held in fixed term deposits relating to the Tasmanian Que River project totalling $680,500.

Note 2: As the Tasmanian capitalised exploration assets were fully impaired during the current year, these security deposits and guarantees have been transferred to Non-Current Receivables.