blackmountain

resources limited

AND CONTROLLED ENTITIES

ABN 55 147 106 974

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

Contents

Chairman’s Letter	1
Corporate Information	3
Director’s Report	4
Auditor’s Independence Declaration	24
Independent Auditor’s Report	25
Consolidated Statement of Profit or Loss and Other Comprehensive Income	29
Consolidated Statement of Financial Position	30
Consolidated Statement of Cash Flows	31
Consolidated Statement of Changes in Equity	32
Notes to the Financial Statements	33
Director’s Declaration	76
ASX Additional Information	77

Chairman's Letter

Dear Shareholder

I am pleased to report to you the activities and progress made by Black Mountain Resources Limited over the 2017 financial year.

The acquisition of the Namekara producing mine and Busumbu phosphate exploration target in 2016 was an exciting opportunity for the Company and the focus of the Company during the year has been on bedding down this acquisition. The acquisition of the Namekara project has also allowed the company to undertake a number of changes at the corporate and administrative level to ensure we have the best structure for the business moving forwards.

This has resulted in a number of cost efficiencies being achieved at site and a more consistent flow of product to Customers. Overall for 2017, Namekara has produced 7,002 tonnes of large, medium and fines grade product that has been sold to customers in North America, UK, Europe and Japan. During the year we identified a number of opportunities to improve production moving forwards.

During the year the Company secured its first sale into North America, the world's largest vermiculite market. This represented a key milestone for the business, and provides excellent validation of the Namekara product in a very large market. The sale was made up of all four grades of Namekara's premium product. Black Mountain expects to gain further market share in North America, especially through the supply of large and medium sized grades, Namekara is potentially the only vermiculite producer in the world that can significantly expand production and supply of these grades.

In addition to securing new markets, the Company entered into five supply contracts, which run for 12 months, for supply of material into the UK, Europe and Japan. Customers in all of these markets placed repeat orders for more material, either for different grades for testing, or for additional material in current grades due to increased demand.

The stability of demand during the year supported the development of strategic stockpiles at the Port of Mombasa and in Europe to ensure availability of consistent supply to meet customer demand. Establishing these stockpiles achieved costs savings in logistics, and much improved delivery times for customers and enabled the Company to secure additional sales orders.

The combination of activities above requires additional funds and to this end during the year Black Mountain advised that it had entered into an agreement to raise AU$1,000,000 through the placement of 25,000,000 fully paid ordinary shares at $0.04 per share to new cornerstone investor, Investmet Limited ("Investmet"). These funds were drawn down partially during the 2017 year and there remains funds available for drawdown to support ongoing operational improvements for the Namekara operation.

In April, Black Mountain finalised an agreement with L1 Capital to close out and repay a Convertible Note and Bridging Loan Facility established in February 2016 and drawn down in July 2016. As final settlement of the secured L1 Convertible Note facility, Black Mountain paid L1 Capital AU$355,000 in cash and issued two million Black Mountain Options. The Options are unlisted and have a strike price of $0.05 and will expire on 30th April
2020.

Furthermore, the Company raised AU$535,000 through the issue of 535,000 Convertible Notes each with a face value of AU$1 to existing shareholders, the proceeds of which were used to repay the L1 facility and for working capital purposes.

The Board understands well that the production of industrial minerals need to be conservatively managed, with a detailed eye on cost control and an emphasis on steady market development. We have commenced detailed discussions with offtake partners for 2018 and will advise when these discussions have been successfully concluded.

As part of the focus on Namekara the Board had flagged in 2017 that it was assessing the potential to withdraw from the silver assets in the USA. As announced to the ASX in September 2017, this has now been achieved and the Company's full focus is now on Namekara and additional exploration opportunities in the vicinity of the existing facility.

During the year, the Company also took the opportunity to refresh the Board and Executive Management team to ensure we have the best team in place moving forwards to address technical, exploration and corporate governance issues within the Company. This process of change is still ongoing as we bed down activities.

On behalf of the Board, I would like to thank the Companies shareholders, creditors and corporate advisers for their support of the Company during a tough year. To the new shareholders, staff and Board members, I look forward to a more prosperous 2018 and look forward to reporting this progress in the year ahead.

Yours Sincerely

Simon Grant-Rennick
Interim Chairman

Corporate Information

This financial report includes the consolidated financial statements of Black Mountain Resources Limited and controlled entities (the Group). The Group's functional 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 Director's Report.

Directors
Mr Simon Grant-Rennick – Interim Chairman
Mr Maurice Feilich – Non-Executive Director
Mr Luca Bechis – Non-Executive Director

Interim Chief Executive Officer
Ms Bronwyn Barnes

Company Secretary
Ms Susan Hunter

Registered Office
Level 2, 34 Colin Street
West Perth WA 6005

Principal Place of Business
Level 2, 34 Colin Street
West Perth WA 6005

Share Registry
Computershare Investor Services
Level 11, 172 St Georges Tce
Perth WA 6000

Auditors
RSM Australia Partners
Level 32, Exchange Tower
2 The Esplanade
Perth WA 6000

Stock Exchange
Australian Securities Exchange
Level 40, Central Park
152-158 St George's Terrace
Perth WA 6000
ASX Code: BMZ

Website
www.blackmountainresources.com.au

Solicitors
Murcia Pestell Hillard
Suite 183, Level 6
580 Hay Street
Perth
WA 6000

Competent Persons Statement

The information included in this report that relates to historical mining data and exploration results is based on information compiled by Mr. James Baughman, a technical consultant to the Company. Mr. Baughman is a qualified geologist and has sufficient experience in exploration and mine development which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Baughman has reviewed this release and consents to the inclusion in the release of the matters based on his information in the form and context in which it appears.
The information for the Uganda projects in this report that relates to exploration planning, methodology, analysis and results has been compiled by Patrick Takaedza. Mr Takaedza is a full-time employee of Namekara Mining Company Ltd. Mr Takaedza is a member of the Australian Institute of Mining and Metallurgy. Mr Takaedza has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the JORC Code (2012). Mr Takaedza consents to the disclosure of the information in this report in the form and context in which it appears.

Directors' Report

Your Directors present the following report on Black Mountain Resources Limited ("the Company", "BMZ" or "Black Mountain") and its controlled entities (referred to hereafter as "the Group") for the year ended 30 June 2017.

Directors

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

Mr Simon Grant Rennick (Interim Chairman) appointed as Executive Director on 10 November 2016 and as Interim Chairman on 1 July 2017
Mr John Ryan (Executive Director) resigned 15 September 2017
Mr Maurice Feilich (Non-Executive Director) appointed 1 July 2017
Mr Luca Bechis (Non-Executive Director) appointed 10 November 2016
Mr Julian Ford (Executive Chairman and Chief Executive Officer) appointed as Chief Executive Officer on 29 November 2016 and resigned as Executive Chairman and Chief Executive Officer on 1 July 2017
Mr Jason Brewer (Non-Executive Director) resigned on 31 January 2017

Interim Chief Executive Officer
Ms Bronwyn Barnes (Interim Chief Executive Officer) appointed 26 July 2017

Principal Activities

The principal activity of the Group for the year ended 30 June 2017 was the mining of vermiculite and resource mineral exploration and exploitation.

Overview

The focus of activities in 2017 has been the bedding down of the successful acquisition of the Namekara vermiculite mine following completion of the acquisition in November 2016. The Namekara mine began operating in late November 2016 under BMZ's management.

Production

Annual sales of 7,002 tonnes was achieved during the year resulting in revenue of US$925,981 (AUD$1,228,591).

Geology and Exploration

In February 2017 Black Mountain confirmed the completion of a maiden exploration program, a Mineral Resource and grade control drilling program, and analysis of all samples. Data gained from this program was subsequently used to create a master database, by combining this new data with Rio Tinto PLC's ("Rio") and Gulf Industrial Limited's (ASX. GLF) ("Gulf") previous drilling data. The primary objective of this campaign was to upgrade part of the resource from Inferred Mineral Resource, to Indicated Mineral Resource that would facilitate the Probable Ore Reserve for the short-medium term. The secondary objectives were to tie the databases together by assaying and exfoliation for four different vermiculite flake, particle size distributions for each 1-metre drill hole intersection, and to use this as a basis for the development of an updated short term mining plan.

Directors' Report (continued)

The program was the first to be undertaken by Black Mountain at the project, with a total of 2,415m across 68 holes drilled in and around the mine. In total, 2,039m (60 holes) were Aircore ("AC"), whilst 375m (8 holes) were Diamond Core ("DC"). Drill spacing in the open pit was 10m by 10m while around the pit it was 25m by 25m.

Twinning of historical Reverse Circulation ("RC") and DC drill holes was also completed in 11 holes, with AC drilling also used to twin a historical hole as part of a drill sterilization program for the location of a new waste dump closer to the open pit.

The AC drilling was designed to be an in-fill and exploration program, with results used towards upgrading the current resource classification and to provide the basis to develop a more detailed grade control block model for mine planning and scheduling. The DC drilling program is in addition to the historical RC and DC drilling programs completed at the Namekara Vermiculite Mine by Rio, who drilled 3,490m of RC in 72 vertical holes (of which 66 were for resource estimation within the current mining lease and 6 were to test mineralisation outside the mining lease), and Gulf who completed 3,408m of DC in 54 NQ3 holes.

Black Mountain reported its maiden Ore Reserve estimate and an updated Indicated Mineral Resource for Namekara [see Table A1]. The maiden Ore Reserve estimate is a culmination of the resource drilling program and Mineral Resource updates by CSA Global Pty Ltd ("CSA Global") using the BMZ drill data in conjunction with 3,490m reverse circulation drilling completed by Rio and 3,408m diamond core drilling completed by Gulf (announced on the ASX on the 10th of March 2017).

Ongoing feasibility studies completed by BMZ, 15 years of mining, processing and marketing experience and optimised pit designs have been used as a basis to convert the Indicated Resources into Ore Reserves. The Ore Reserve is converted only from Indicated Resources that are currently located above the 1180mRL, which is the estimated level of the water table. The Indicated Mineral Resource extends by an additional 15m below the 1180mRL. However the Company has yet to complete geo-hydrological studies to assess pit dewatering parameters and characteristics. As such, the Company has not as yet classified any of the Indicated Mineral Resource below the water table as Ore Reserves. The indicated Mineral Resource below the 1180mRL is 0.69 MT at 25.48% Vermiculite. Given that the current Probable Ore Reserve provides for a mine life in excess of 5 years, the Company intends to complete hydro-geological studies in the next few years to assess the feasibility of mining below the current water table so as to facilitate expansion of the process facility and access the improved grades at depth. The Company will also complete an annual drilling program in the dry season to infill drill the remainder of the Resource. Drilling by BMZ constitutes about 10% of the infill into the Resource. The dry season runs from December through to February every year.

ORE RESERVE

The Ore Reserve estimate, classified and reported in accordance with the JORC Code, is listed in Table A1. Ore Reserves are excluded in the Mineral Resource estimate.

Table A1. NAMEKARA ORE RESERVE ESTIMATE, MARCH 2017 UPDATE
(% CUT-OFF)

	Million Tonnes	Grade % (> 710µm)	Bulk Density	Contained Vermiculite (Kt) (> 710µm)
Probable Ore Reserve	1.16	24.8	2.15	322

Directors' Report (continued)

Dilution of the Mineral Resource estimate and an allowance for ore loss has been included in the Namekara Ore Reserve estimate. About 85% of the Indicated Mineral Resources intersected by the optimised pit mine design at a 20% Cut-off grade has been classified as Probable Ore Reserves after consideration of all mining, metallurgical, social, environmental, statutory and financial aspects of the Namekara project. There is no Measured Resource in the open pit mine design.

Upgrade to Mineral Resource Estimate

In March 2017, the Company also provided a maiden Indicated Mineral Resource estimate ("MRE") for the Namekara Vermiculite Deposit – see Table A2. The Resource estimate was generated by CSA Global using the latest data generated from the 2,415m drilling program completed during the quarter.

Table A2. NAMEKARA MINERAL RESOURCE ESTIMATE, MARCH 2017 UPDATE (10% CUT-OFF)

	Million Tonnes	Grade % (> 710µm)	Bulk Density	Contained Vermiculite (Mt) (> 710µm)
Indicated Resources above 1780 m RL	3.0	19.4	2.15	0.58
Indicated Resources below 1780 m RL	1.6	19.7	2.15	0.32
Total Indicated Resources	4.6	19.5	2.15	0.90
Inferred Resources above 1780 m RL	30.9	17.9	2.15	5.53
Inferred Resources below 1780 m RL	24.6	17.3	2.15	4.26
Total Inferred Resource	55.5	17.7	2.15	9.79
Total Resource	57.1	19	2.15	10.57

Marketing

The Company now has 14 customers across 5 continents. The Company has a high success rate in repeat orders with 10 of its 14 customers now repeat customers. Of the customers who have yet to re-order, all were supplied with vermiculite in the last 6 weeks. In terms of value, 25% of the customer's account for 75% of off-take sales by value. This concentration of sales value in a few key customers will allow the Company to implement the freight and logistics savings planned for the current quarter, especially for customers where off-take is based on CIF rather than FOB, Mombasa terms.

In March 2017, the Company completed the first sale of vermiculite to a new customer in Southern Africa. This was a significant development for the business as Southern Africa is a market that has traditionally been supplied and dominated by two large and well respected Southern African vermiculite producers.

Black Mountain's first sales into this market, undertaken on a trial basis, confirms that there is healthy demand in Southern Africa for Namekara's premium vermiculite product. It also reaffirms that the Company's logistics and delivery capabilities are globally competitive.

Directors' Report (continued)

During the year the Company also secured its first sale into North America, the world's largest vermiculite market. This is a very important development for the Company and provides excellent validation of the Namekara product in a very large market. The sale is made up of all four grades of Namekara's premium product. Black Mountain expects to gain further market share in North America, especially through the supply of large and medium sized grades. The Company is potentially the only vermiculite producer in the world that can significantly expand production and supply of these grades.

NMCL has also entered into five supply contracts, which run for 12 months, for supply of material into the UK, Europe and Japan. Customers in all of these markets have placed repeat orders for more material, either for different grades for testing, or for additional material in current grades due to increased demand.

NMCL have received strong enquiries from potential customers in Australia, and the sales team plan to meet the various parties this month to convert these enquiries into firm orders. This is expected to further increase the number of customers who are using Namekara vermiculite on the Australian market.

<u>US SILVER PROJECTS</u>

No exploration or technical work was undertaken during the year and post year end the Company announced that it had withdrawn from the silver assets. Previously, Black Mountain held a 70% stake in two prospective US silver mines, the New Departure site in Montana and the Conjecture Silver Project in Idaho. As a result of this transaction, Black Mountain will extinguish all future financial obligations associated with the US silver assets including holding and lease costs, exploration and rehabilitation commitments. Black Mountain has agreed with Texas Energy Advisors LLC ("TEA") to transfer the rights and responsibilities for the US silver assets for a total payment of AU$70,000. An initial sum of AU$25,000 has been transferred to TEA on execution of legal documents relating to the divestment and a second payment of AU$45,000 will be made by 31 December 2018.

<u>Corporate Overview</u>

During the year the Company entered into an agreement to raise AU$1,000,000 through the placement of 25,000,000 fully paid ordinary shares at $0.04 per share to new cornerstone investor, Investmet Limited ("Investmet"). Funds received from this placement will be deployed towards delivering operational improvements at the Namekara Vermiculite Mine in Uganda.

In April, Black Mountain finalised an agreement with L1 Capital to close out and repay a Convertible Note and Bridging Loan Facility established in February 2016 and drawn down in July 2016. As final settlement of the secured L1 Convertible Note facility, Black Mountain paid L1 Capital AU$355,000 in cash and issued two million Black Mountain Options. The Options are unlisted and have a strike price of $0.05 and will expire on 30th April 2020.

Furthermore, the Company raised AU$535,000 through the issue of 535,000 Convertible Notes each with a face value of AU$1 to existing shareholders, the proceeds of which were used to repay the L1 facility and for working capital purposes.

<u>Board Appointments</u>

In line with the Company's continuing focus on building the Company for the future, Black Mountain has made the following changes to the Board post 30 June 2017 and hence were subsequent to the 2017 year.

Directors' Report (continued)

On July 1, the Company appointed Maurice Feilich to the Board as Non-Executive Director and existing Black Mountain Executive Director Simon Grant-Rennick was appointed as interim Chairman. Non-Executive Chairman Julian Ford had stepped down from his roles as CEO and Chairman with immediate effect.

In addition, Bronwyn Barnes was appointed the interim Chief Executive Officer of the Company on a part-time, fixed term three-month contract. In her role, Bronwyn will support the Board in reviewing opportunities to streamline operations at the Namekara vermiculite plant in Uganda and to expand upon the Company's current operational and exploration capabilities. In September 2017 John Ryan stepped down from the Board.

Operating Results

The consolidated statement of profit or loss and other comprehensive income shows a consolidated net loss for the year ended 30 June 2017 to members of $8,766,845 (2016: net loss of $352,464). The loss is primarily due to general corporate costs, supporting ongoing operational and marketing activities at Namekara, interest incurred on loan facilities and corporate advisory costs associated with the acquisition related activities in the first half of the financial year.

Dividends

No dividend has been paid or recommended by the Directors since the commencement of the financial year.

Significant Changes in State of Affairs

There have been no significant changes in the state of affairs of the consolidated entity during the financial year.

After Balance Date Events

On 1 July 2017, Julian Ford resigned as Chairman and Chief Executive Officer and Maurice Feilich was appointed Non-Executive Director. On 26 July 2017, Bronwyn Barnes was appointed Interim Chief Executive Officer. On 15 September 2017, John Ryan resigned as Executive Director.

On 21 June 2017, the Group announced that it had secured a funding commitment of $1,000,000 from cornerstone investor InvestMet Limited ('**InvestMet**') to fund operational improvements at the Namekara Vermiculite Mine in Uganda. The funds are to be raised by the issue of 25,000,000 fully paid ordinary shares at an issue price of $0.04. On 27 July 2017, the Group had received $150,000 and issued 3,750,000 shares to Investmet. On 28 August 2017, the Group received a further $250,000 and issued 6,250,000 shares to finalise the first tranche of the commitment of $400,000. The Group expects to receive the balance of the commitment of $600,000 and issued 15,000,000 shares to InvestMet during October 2017.

On 18 September 2017, the Group announced that it divested its US subsidiaries and extinguished all future financial obligations associated with the US silver assets including holding and lease costs, exploration and rehabilitation commitments. The Group has agreed with Texas Energy Advisors LLC ("TEA") to transfer the rights and responsibilities for the US silver assets for a total payment of $70,000. An initial sum of $25,000 has been transferred to TEA on execution of legal documents relating to the divestment and a second payment of $45,000 will be made by 31 December 2018.

Likely Developments and Expected Results

Following the completion of the InvestMet Capital Raising initiative, it is expected the Group will be provided with a strengthened balance sheet that will enable it to focus on cost management and stabilizing production at Namekara.

Directors' Report (continued)

Financial Position

At 30 June 2017, the Group had net liabilities of $2,703,120 and cash reserves of $57,277 (2016: net liabilities $4,030,172, with cash reserves of $Nil).

Environmental Regulation

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 is subject to and is compliant with all aspects of environmental regulation of its exploration and mining activities in the relevant jurisdiction. The directors are not aware of any environmental law that is not being complied with.

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 financial year.

Information on Directors

Mr Simon Grant-Rennick	-	Executive Director (appointed 10 November 2016) and Interim Chairman (appointed 1 July 2017)
Qualifications	-	BSc Mining (Hons), ACSM
Experience	-	Mr Grant-Rennick is a mining engineer with over 38 years' experience in exploration, mining and mining geology specialising in industrial minerals. Mr Grant-Rennick is the co-founder and principal of IMFH a UK based industrial minerals consultancy group providing specialist operations, investment and financial analysis and advice. In addition, Mr Grant-Rennick has owned and managed vermiculite mining and marketing operations in Montana and California in the United States.
Interest in Shares and Options	-	3,500,000 Ordinary Shares
Current directorships	-	None
Former directorships held in past three years	-	None

Directors' Report (continued)

Information on Directors (continued)

Mr Luca Bechis	-	Non-Executive Director (appointed 10 November 2016)
Qualifications	-	MBA (Honours) Bocconi University
Experience	-	27 years' experience in international financial markets, worked from 1990 to mid 1997 for Cazenove & Co a UK stockbroker as director of investments in Southern Europe, from mid 1997 to mid 2004 partner of Egerton Capital a UK hedge fund with over $3bn of assets under management and in mid 2004 set up Richmond Partners Master Ltd with $500m under management. From 2011 moved to Africa where is currently running family money in various private mining, commodity trading and agricultural ventures.
Interest in Shares and Options	-	28,543,727 Ordinary Shares
Current directorships	-	Novo Resources Ltd, Highland African Mining Company Lda, HAMC Minerals Ltd, African Speciality Metals Holding Ltd, Richmond Environmental Charitable Foundation.
Former directorships held in past three years	-	Noventa Ltd, Gulf Industrials Ltd

Mr Maurice Feilich	-	Non-Executive Director (appointed 1 July 2017)
Qualifications	-	B Comm
Experience	-	Maurice has been involved in investment markets for 30 years, commencing his career as an institutional derivative broker at Mcintosh Securities (later Merrill Lynch) in 1998. He joined Tricom Equities in 2000 as head of Equities, and in 2010 became a founding partner of Sanlam Private Wealth. Mr Feilich has a track record of success and solid networks in the small resources sector and he has provided capital markets and funding support to Black Mountain since the Company's re-listing in November 2016.
Interest in Shares and Options	-	2,601,687 Ordinary Shares
Current directorships	-	None
Former directorships held in past three years	-	None

Directors' Report (continued)

Information on Directors (continued)

Mr Julian Ford	-	Executive Chairman and Chief Executive Officer (resigned on 1 July 2017)
Qualifications	-	Bachelor of Chemical Engineering, Bachelor of Commerce (Operations Research) and Graduate Diploma (Business Administration) and is a member of the Australian Institute of Mining and Metallurgy (AusIMM), and Australian Institute of Company Directors (AICD).
Experience	-	Mr. Ford has over 25 years' experience in the mining sector spanning precious metals, base metals, and bulk commodities, working in Australia, Africa, South America, Europe and South East Asia. Mr. Ford has successfully undertaken a number of functional and operational management roles in the fields of exploration, mining, mineral beneficiation, hydrometallurgical processing, marketing and shipping. Over the last 10 years, Julian has founded, developed and led a number of junior mining companies listed on the ASX and AIM markets. In these roles he has raised equity, project debt and mezzanine finance in the major mining financial centres of the world. In addition, Mr. Ford has structured, negotiated and managed multiple joint venture operations with many of the world's leading mining companies.
Current directorships	-	Director of IR Corporate Advisory Pty Ltd and Black Mountain Minerals Limited
Former directorships held in past three years	-	Director of Sumatra Copper and Gold plc (and associated entities) and Asia Minerals Corporation Limited.

Mr John Ryan	-	Executive Director (resigned on 15 September 2017)
Qualifications	-	B.S Mining Engineering, J.D. Juris Doctor
Experience	-	Mr. John Ryan is a qualified mining engineer with extensive international mining experience particularly in the Coeur d'Alene District including work at the Consolidated Silver Mine and the Galena Mine. Mr Ryan is the founder / co-founder of a number of resource companies including Royal Silver Mines Inc., Silver Bull Resources, Western Goldfields Inc., and U.S. Silver Corporation.
Current directorships	-	Trend Mining Company, Independence Brewing Company, Lucky Friday Extension Mining Company, Inc., Mineral Mountain Mining & Milling Company, Tintic Standard Gold Mines, Inc., Silver Verde May Mining Company Inc. independence Resources Plc, Northstar Offshore, Inc., Lucky Irish Silver, Inc., General Mining LLC, Big Bear Mining, Inc., Premium Exploration, Inc., Premium Exploration (USA) Inc., Green Future LLC, Elk City Mining LLC, Clearwater Gold Corporation.
Former directorships held in past three years	-	Gold Crest Mines Inc

Directors' Report (continued)

Information on Directors (continued)

Mr Jason Brewer	-	Non-Executive Director (resigned on 31 January 2017)
Qualifications	-	Masters of Mining Engineering, Masters of Mineral Law and Policy
Experience	-	Mr Jason Brewer has 18 years international experience in mining, equity investment, corporate and project financing, capital raising, investment advising and evaluation of resource companies. He is a qualified mining engineer with operating experience in Canada, South Africa and Australia and has worked for several international investment banks and also managed Australia's largest ASX-listed resources fund. Mr Brewer also holds a number of non-executive directorships with several public resource companies.
Current directorships	-	Director of Cape Lambert Resources Ltd and Kupang Resources Ltd[1]
Former directorships held in past three years	-	Global Strategic Metals Limited, Continental Coal Limited, De Grey Mining Limited, International Goldfields Limited
		[1] Kupang Resources Ltd was delisted August 2015

Ms Bronwyn Barnes – *Interim Chief Executive Officer (appointed 26 July 2017)*

Ms Barnes has had an extensive career in the resources sector, having worked with companies ranging from BHP Billiton to emerging juniors in directorship, executive leadership, and operational roles in Australia and internationally. Ms Barnes is a member of the Executive Council of the Association of Mining and Exploration Companies (AMEC) and a member of the Advisory Council for the Curtin University School of Business.

Ms Susan Hunter – *Company Secretary (appointed 1 October 2016)*

Ms. Hunter has over 23 years' experience in the corporate finance industry and is founder and Managing Director of consulting firm Hunter Corporate Pty Ltd, which specialises in the provision of corporate governance and company secretarial advice to ASX listed companies. Ms. Hunter holds a Bachelor of Commerce degree from the University of Western Australia majoring in accounting and finance, is a Member of the Australian Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australasia, a Member of the Governance Institute of Australia and a Member of the Australian Institute of Company Directors.

Ms Amy Fink – *Company Secretary (resigned 1 October 2016)*

Ms Fink has 15 years' of experience in the accounting profession, primarily in the area of corporate administration and financial reporting. Ms Fink has worked in Australia and the United Kingdom for both listed and private companies and has been involved in a number of initial public offerings and capital raisings for resource companies on the ASX. Ms Fink has a Bachelor of Commerce (Accounting and Finance) Degree and is a member of the Institute of Chartered Accountants, Australia.

Directors' Report (continued)

Directors Meetings

The number of Directors' meetings held and the number of meetings attended by each of the Directors of the Group for the time the Director held office during the year were as follows:

	Number of Meetings Eligible to Attend	Number of Meetings directors' attended
Director		
Mr Julian Ford [1]	12	12
Mr Simon Grant-Rennick [2]	11	11
Mr John Ryan [3]	12	2
Mr Jason Brewer [4]	2	2
Mr Luca Bechis [5]	11	11

[1] Mr Ford was appointed as Chief Executive Officer of 29 November 2016 and resigned as Executive Chairman and Chief Executive Officer on 1 July 2017.
[2] Mr Grant-Rennick was appointed Executive Director of Marketing on 10 November 2016 and appointed Interim Chairman on 1 July 2017.
[3] Mr Ryan resigned as Non-Executive Director on 15 September 2017.
[4] Mr Brewer resigned as Executive Director on 31 January 2017.
[5] Mr Bechis was appointed Non-Executive Director on 10 November 2016.

Shares under Option

Unissued ordinary shares of Black Mountain Resources Limited under option at the date of this report, on a post-consolidation basis, are as follows:

Type	Expiry Date	Issue Price of Shares	Number Under Option
Unlisted	30 June 2018	$0.125	1,857,252
Unlisted	30 April 2020	$0.05	2,000,000

Shares Issued on the Exercise of Options

There were no options exercised during the year.

Insurance of Officers

Directors and Officers insurance was arranged for the Company during the current year.

In respect of the prior year's insurance, 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. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Directors' Report (continued)

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on Behalf of the Company

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

During the year, RSM Australia Partners, the Company's auditor, did not perform any services other than their statutory audits (2016: $nil). Details of remuneration paid to the auditor can be found within the financial statements at Note 26.

In the event that non-audit services are provided by RSM Australia Partners, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the Corporations Act 2001. These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Auditor's Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 has been included as part of the financial report.

Auditor

RSM Australia Partners continues in office in accordance with section 327 of the Corporations Act 2001.

Remuneration Report (Audited)

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 Additional disclosures relating to key management personnel

Directors' Report (continued)

Remuneration Report (Audited) (continued)

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.

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.

Directors' Fees

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 $150,000 per annum.

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 continue to be made and are deducted from the directors' overall fee entitlements.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

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

Executive pay

The executive pay and reward framework has two components:

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

The combination of these comprises the executive's total remuneration. The Group intends to revisit its long-term equity-linked performance incentives for executives as deemed necessary by the Board.

Base pay

The employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed every 12 months and may increase every 12 months.

Benefits

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

Long term incentives

Options are issued at the Board's discretion. Other than options disclosed in section D of the remuneration report, there have been no options issued to employees as at the date of this financial report.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

B Details of remuneration

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

Key Management personnel and other executives of the Group

	Short- term employee benefits			Post-employment benefits		Share-based pay-ments	Total
30 June 2017	**Cash salary & Fees**	**Consulting fee**	**Non-Monetary Benefits**	**Super-annuation Pensions**	**Retire-ment Benefits**		
Directors	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Executive Directors							
Julian Ford [1]	138,532	-	-	-	-	-	138,532
Simon Grant-Rennick [2]	150,001	-	-	-	-	-	150,001
John Ryan [3]	-	-	-	-	-	-	-
Jason Brewer [4]	23,333	15,000	-	-	-	-	38,333
Total Executive Directors	**311,866**	**15,000**	**-**	**-**	**-**	**-**	**326,866**
Non-Executive Directors							
Luca Bechis [5]	20,000	-	-	-	-	-	20,000
Total Non-Executive Directors	**20,000**	**-**	**-**	**-**	**-**	**-**	**20,000**
Total key management personnel compensation (Group)	**331,866**	**15,000**	**-**	**-**	**-**	**-**	**346,866**

[1] Mr Ford was appointed as Chief Executive Officer of 29 November 2016 and resigned as Executive Chairman and Chief Executive Officer on 1 July 2017.
[2] Mr Grant-Rennick was appointed Executive Director of Marketing on 10 November 2016 and Interim Chairman on 1 July 2017.
[3] Mr Ryan resigned as Non-Executive Director on 15 September 2017.
[4] Mr Brewer resigned as Executive Director on 31 January 2017.
[5] Mr Bechis was appointed Non-Executive Director on 10 November 2016.

Resignations received from Board and Executive Management during the year did not trigger any termination benefits.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

	Short- term employee benefits			Post-employment benefits		Share-based pay-ments	Total
30 June 2016	**Cash salary & Fees**	**Consulting fee**	**Non Monetary Benefits**	**Super-annuation Pensions**	**Retire-ment Benefits**		
Directors	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Executive Directors							
Peter Landau [1]	95,000	-	-	-	-	-	95,000
John Ryan	60,000	96,117	-	-	-	-	156,117
Total Executive Directors	**155,000**	**96,117**	**-**	**-**	**-**	**-**	**251,117**
Non-Executive directors							
Jason Brewer	40,000	-	-	-	-	-	40,000
Julian Ford [2]	10,740	-	-	-	-	-	10,740
Total Non-Executive directors	**50,740**	**-**	**-**	**-**	**-**	**-**	**50,740**
Total key management personnel compensation (Group)	**205,740**	**96,117**	**-**	**-**	**-**	**-**	**301,857**

[1] Mr Landau resigned as Executive Director 13 April 2016.
[2] Mr Ford was appointed Non-Executive Director 13 April 2016 and appointed Non-Executive Chairman 19 May 2016.

C Service agreements

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.

D Share-based compensation

There were no shares or options issued to key management personnel as part of the compensation during the year ended 30 June 2017.

E Additional disclosures relating to key management personnel

Key management personnel options

No options were issued to directors of Black Mountain Resources Limited and other key management personnel of the Group, including their personally related parties during the year or as at 30 June 2017.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

E Additional disclosures relating to key management personnel (continued)

Key management personnel shareholdings

The numbers of shares in the company held during the year by each director of Black Mountain Resources Limited and other key management personnel of the Group, including their personally related parties are set out below.

2017 (post-consolidation basis) Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes	Balance at the end of the year
Directors				
Executive Directors				
Julian Ford [1]	-	-	-	-
Simon Grant-Rennick [2]	-	-	3,500,000 [6]	3,500,000
John Ryan [3]	900,000	-	-	900,000
Jason Brewer [4]	-	-	- [7]	-
Total Executive Directors	900,000	-	3,500,000	4,400,000
Non-Executive Directors				
Luca Bechis [5]	-	-	28,543,727 [6]	28,543,727
Total Non-Executive Directors	-	-	28,543,727	28,543,727
Total	900,000	-	32,043,727	32,943,727

[1] Mr Ford was appointed as Chief Executive Officer of 29 November 2016 and resigned as Executive Chairman and Chief Executive Officer on 1 July 2017.
[2] Mr Grant-Rennick was appointed Executive Director of Marketing on 10 November 2016 and Interim Chairman on 1 July 2017.
[3] Mr Ryan resigned as Non-Executive Director on 15 September 2017.
[4] Mr Brewer resigned as Executive Director on 31 January 2017.
[5] Mr Bechis was appointed Non-Executive Director on 10 November 2016.
[6] Shares were received as part of the acquisition related transactions as disclosed in Note 24.
[7] Mr Brewer received 5,500,000 shares as part of the acquisition related transactions as disclosed in Note 24. Mr Brewer resigned during the year, as a result his disclosed closing shareholding is nil.

Voting and comments made at the company's 2016 Annual General Meeting (AGM)

At the 2016 AGM, held on 29 November 2016, 99% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2016. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

Additional information

The earnings/(loss) of the consolidated entity for the five years to 30 June 2017 are summarised below, along with other factors that are considered to affect total shareholder return (TSR):

	2017 $	2016 [1] $	2015 [1] $	2014 [1] $	2013 [1] $
Closing share price – 30 June	0.038	0.060	0.030	0.224	0.726
Profit/(loss) for the year attributable to members of Black Mountain Resources Ltd	(8,766,845)	(352,464)	(19,560,410)	(3,577,481)	(2,675,383)
Basic EPS (cents)	(7.48)	(1.00)	(184.50)	(40.50)	(34.40)

[1] Prior year Earnings per share have been restated to post-consolidation amounts on a 1 for 10 basis. Closing share prices have not been restated.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

Other transactions and balances with key management personnel

Below are transactions with director-related entities:

Related Party	Type of Service	2017 $
Expenses		
LB International Limited [1, 3]	Advisory Fees and interest accrued	**4,220,843**
LB International Limited [1, 3]	Capital Investment Fee	**328,835**
LB International Limited [3]	Working Capital Fee	**163,194**
LB International Limited [3]	Variation Fee	**27,674**
LB International Limited [3]	Royalty Expense	**12,276**
African Phosphate Pty Ltd [3]	Finder's Fee	**1,673,533**
Total Expenses		**6,426,355**
Borrowings		
LB International Limited [1]	Loaned Funds	**(982,284)**
Jason Brewer [2]	Loaned Funds	**(170,900)**
Jason Brewer [2]	Repayment of Debt	**170,900**
Total Borrowings		**(982,284)**
Balance owing to directors and directors' related companies included in trade and other payable		
Simon Grant-Rennick		
Accrued director fees		50,001
Total Simon Grant-Rennick		**50,001**
Luca Bechis		
Accrued director fees		20,000
Royalty [3]		12,048
Deferred advisory fee [1, 3]		4,170,903
Capital investment fee [3]		274,721
Total Luca Bechis		**4,477,672**
Julian Ford		
Accrued director fees		90,000
Total Julian Ford		**90,000**
John Ryan		
Accrued director fees		10,000
Total John Ryan		**10,000**
		4,627,673

[1] Luca Bechis is a Director of LB International Limited. Advisory and capital investment fees are outstanding as at 30 June 2017 as per Note 15. Borrowings are outstanding as at 30 June 2017 as per Note 16.

[2] Mr Brewer provided loans to the Group for working capital purposes prior to the completion of the capital raising in November 2016.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

Other transactions and balances with key management personnel (continued)

[3] *Acquisition Related Transactions*
As announced on 5 February 2016, a binding heads of agreement had been entered into with African Phosphate Pty Ltd (director-related company of Jason Brewer and Simon Grant-Rennick, appointed 10 November 2016), giving the Group their right to acquire 100% of the shares of GLF Holdings Ltd under a share sale agreement (director-related company of Luca Bechis, appointed 10 November 2016). On 11 November 2016, the Group completed the acquisition of 100% of the shares of GLF Holdings Ltd.

As part of these transactions the owners of African Phosphate Pty Ltd have received 18,500,000 post consolidation shares in the Group as a finder's fee, along with a future royalty of 1% of future production revenue up to 31 December 2026. The Royalty was later reassigned to LB International Ltd, a director controlled entity of Luca Bechis, as part of the US$750,000 bridging loan provided to Namekara Mining Company Ltd on 6 March 2017.

Under the share sale agreement to acquire 100% of the shares in GLF Holdings Ltd, the previous owners of GLF Holdings Ltd have received 33,190,380 shares in the Group and $33,215 in cash payments.

The following shares have been issued to directors of the Group, or their controlled entities, as a result of the above transactions:

Jason Brewer	5,500,000
Simon Grant-Rennick	3,500,000
Luca Bechis	28,211,577

As part of the acquisition of GLF Holdings Ltd, a deferred advisory fee is payable of US$3,000,000 to LB International Ltd. The advisory fee is interest bearing at 5% and repayable at an amount equal to 66% of Namekara Mining Company Ltd and Industrial Minerals International Corporation net cashflow after-tax. Cost incurred by LB International in relation to the above advisory agreement have been on-charged to the Group by way of the working capital fee of $163,194 and subsequent variation fee of $27,674.

As part of the acquisition of GLF Holdings Ltd, the Group was committed to invest the following amounts into the acquired subsidiary:

A total of US$2,500,000 to be invested by 31 December 2016
A total of US$5,000,000 to be invested by 3 April 2019

Failure to meet the above commitments would result in the Group being liable to pay US$250,000 to the previous owners of GLF Holdings Ltd, provided they continue to hold 50% of their consideration shares as at 3 April 2019.

As at 31 December 2016 the Group had not met the minimum capital investment commitment of US$2,500,000, and as a result the Group has raised a liability of US$250,000 (AUD: $274,721) discounted to fair value as disclosed in Note 15. The company recognises that there is no longer a capital investment commitment following the raising of the liability.

These transactions have been entered into on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

[End of Remuneration Report]

Directors' Report (continued)

This report of Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of Directors pursuant to s298(2)(a) of the Corporations Act 2001.

Simon Grant-Rennick
Interim Chairman

Perth, Western Australia, 6 October 2017

RSM Australia Partners

Level 32, 2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Black Mountain Resources Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 6 October 2017

D J WALL
Partner

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

RSM Australia Partners

Level 32, 2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

BLACK MOUNTAIN RESOURCES LIMITED

Qualified opinion

We have audited the financial report of Black Mountain Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or 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 statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the matter described in the *basis for qualified opinion* section of our report, 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 30 June 2017 and of its financial performance for the year then ended; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for qualified opinion

As disclosed in Note 17 to the financial statements, included in the consolidated statement of financial position is a provision for environmental make good of $69,735. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the provision as at 30 June 2017 because the Group was unable to provide adequate and relevant information to validate the key assumptions and estimates used to determine the provision. Consequently, we were unable to determine whether any adjustments to this amount was necessary.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We 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 qualified opinion.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of $8,716,316 and had cash outflows from operating activities of $3,790,662 and from investing activities of $833,460 during the year ended 30 June 2017 and, as of that date, the Group had net current liabilities of $3,810,865 and net liabilities $2,703,120. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not further modified in respect of this matter.

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. In addition to the matter described in the *basis for qualified opinion* section of our report, and the matters described in the *material uncertainty related to going concern* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Acquisition of GLF Holdings Ltd
Refer to Note 31 in the financial statements</td></tr>
<tr><td>On 11 November 2016, the Group acquired 100% of the ordinary shares of GLF Holdings Ltd (“GLF”) a company that, through its subsidiaries, has a 100% interest in the Namekara Mining Company Limited (“NMCL”), which operates the Namekara Vermiculite Mine in Uganda. The purchase consideration of $3,352,253 was made partially by cash of $33,215 and the issue of 33,190,380 fully paid ordinary shares of the Company under a share sale agreement.

The accounting for this acquisition is considered to be a key audit matter because it involved the exercise of judgment in relation to:

• Determining whether the transaction is a business combination or an asset acquisition, based on whether the definition of a business in AASB 3 Business Combinations was met;

• Determining the fair value of the consideration paid through the issue of the ordinary shares; and

• Determining the acquisition date.</td><td>Our audit procedures in relation to the acquisition of GLF included:

• Reviewing the share sale agreement to understand the transaction and the related accounting considerations;

• Assessing management’s determination of the fair value of the consideration paid and assets acquired;

• Evaluating management’s determination that the acquisition met the definition of a business within AASB 3 Business Combinations and therefore was a business combination; and

• Assessing the appropriateness of the disclosures in the financial report in respect of the acquisition.</td></tr>
</table>

<table>
<tr><th>Key audit matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Revenue recognition
Refer to Note 2 in the financial statements</td></tr>
<tr><td>For the year ended 30 June 2017 the Group has recognised sales revenue of $1,228,591. We determined revenue recognition to be a key audit matter due to:
The balance is significant to the Group and there are risks associated with management override, completeness and accuracy of sales and the timing of revenue recognition for sales occurring on or around year end; and
Vermiculite sales are a new revenue stream to the Group, with varying contract terms and pricing elements, which may result in minor errors that could, in aggregate, have a material impact on the financial statements.</td><td>Our audit procedures in relation to the Group's revenue recognition included:
On a sample basis, we agreed the revenue amounts to various supporting documentation including a combination of approved contracts, purchase orders and proof of delivery documents to assess that the revenue recognition criteria of Australian Accounting Standards were met for recognised sales;
Reviewing sale transactions occurring near the reporting date to ensure that revenue had been recognised in the correct period; and
Performing testing on journals to identify any management override of internal controls related to revenue recognition.</td></tr>
<tr><td colspan="2">Impairment assessment of Namekara Vermiculite Mine assets
Refer to Note 27 in the financial statements</td></tr>
<tr><td>As at 30 June 2017, the Group's carrying value of the Namekara Vermiculite Mine assets in Uganda was $5,108,460. As disclosed in Note 27 in the financial statements, this operating segment incurred a loss of $2,048,075 for the period since acquisition in November 2016 and has underperformed compared to management's previous forecasts.

The Group performed a Net Present Value (NPV) forecast and made a number of assumptions and assertions to support their assessment of the carrying value of the segment assets. The key assumptions included global sales volumes and prices, global product demand, product mix, forecast performance based on future production levels of the mine, operating costs and discount rates.

We determined this to be a key audit matter due to the significant management judgement involved in assessing the carrying value of the assets and the complexity associated with the NPV forecast model to determine and quantify any potential impairment loss.</td><td>Our audit procedures in relation to the Group's impairment assessment of the Namekara Vermiculite Mine assets included:
Assessing the reasonableness of management's assumptions used in the NPV forecast, based on our knowledge of the business and industry;
Reconciling input data used in the NPV forecast to supporting evidence, such as approved budgets, recent sales contracts, and management accounts, and assessing the reasonableness of this evidence;
Involving our internal financial modelling specialists to assess the reasonableness of the Group's assumptions in the NPV forecast model, including estimates such as price volatility of vermiculite, production volumes, operating costs and discount rates; and
Performing sensitivity analysis on the Namekara Vermiculite Mine assets, including the consideration of the available headroom in the NPV forecast model and assessing whether the assumptions had been applied on a consistent basis across each scenario.</td></tr>
</table>

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, 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 accordingly 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 have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar1.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 within the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Black Mountain Resources Limited, for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM

RSM AUSTRALIA PARTNERS

D J WALL
Partner

Perth, WA
Dated: 6 October 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2017

	Note	2017 $	2016 $
Revenue			
Revenue from continuing operations	2	**1,228,591**	-
Other income	2	**1,144,258**	1,337,627
		2,372,849	1,337,627
Expenses			
Cost of sales		**(1,381,478)**	-
Other operating costs		**(247,431)**	-
Finance costs		**(742,883)**	(386,071)
Employee and director benefits expense	3	**(1,143,254)**	(206,425)
Financial and company secretarial management expenses		**(122,758)**	(468,080)
Corporate advisory	4	**(5,703,417)**	-
Capital Investment Fee		**(328,835)**	-
ASX and share registry fees		**(61,588)**	(83,778)
Consultants and travel		**(475,666)**	(388,149)
Depreciation and amortisation		**(200,977)**	(10,871)
Exploration cost written off	13	**-**	(79,265)
Other expenses		**(732,696)**	(123,199)
Unrealised foreign currency gain/(loss)		**51,818**	-
Loss before income tax expense		**(8,716,316)**	(408,211)
Income tax expense	5	**-**	-
Net loss for the year		**(8,716,316)**	(408,211)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences		**(687,906)**	39,869
Other comprehensive income for the year, net of income tax		**(687,906)**	39,869
Total comprehensive loss for the year		**(9,404,222)**	(368,342)
Loss attributable to:			
Owners of the Company		**(8,766,845)**	(352,464)
Non-controlling Interests		**50,529**	(55,747)
		(8,716,316)	(408,211)
Total comprehensive (loss) attributable to:			
Owners of the Company		**(9,564,554)**	(217,803)
Non-controlling Interests		**160,332**	(150,539)
		(9,404,222)	(368,342)
Basic and diluted loss per share (cents)	6	**(7.48)**	(1.00)

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 30 June 2017

	Note	2017 $	2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	**57,277**	(5)
Trade and other receivables	9	**344,335**	8,160
Inventories	10	**658,458**	-
Other assets	11	**46,217**	-
Total Current Assets		**1,106,287**	8,155
Non-Current Assets			
Plant and equipment	12	**675,568**	-
Exploration and evaluation expenditure	13	**363,795**	-
Mine properties	14	**2,999,604**	-
Other assets	11	**-**	283,196
Total Non-Current Assets		**4,038,967**	283,196
TOTAL ASSETS		**5,145,254**	291,351
LIABILITIES			
Current Liabilities			
Trade and other payables	15	**3,414,643**	1,088,185
Borrowings	16	**1,502,509**	3,233,338
Total Current Liabilities		**4,917,152**	4,321,523
Non-Current Liabilities			
Trade and other payables	15	**2,861,487**	-
Provisions	17	**69,735**	-
Total Non-Current Liabilities		**2,931,222**	4,321,523
TOTAL LIABILITIES		**7,848,374**	4,321,523
NET (LIABILITIES)		**(2,703,120)**	(4,030,172)
EQUITY			
Issued capital	18	**34,227,750**	23,627,095
Reserves	19	**2,838,757**	3,505,847
Accumulated losses	21	**(36,454,458)**	(27,687,613)
Parent interest		**612,049**	(554,671)
Non-controlling interest		**(3,315,169)**	(3,475,501)
TOTAL EQUITY		**(2,703,120)**	(4,030,172)

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 30 June 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Payments to suppliers and employees		**(4,299,964)**	(404,982)
Receipts from customers		**801,322**	-
Royalties paid		**(23,073)**	-
Interest paid		**(268,947)**	-
Net cash flows used in operating activities	28	**(3,790,662)**	(404,982)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		**(313,326)**	-
Funding to subsidiary prior to acquisition		**(400,132)**	(283,196)
Payments for plant and equipment		**(93,264)**	-
Payments for acquisition of subsidiary (net of cash acquired)	31	**(26,738)**	-
Proceeds from disposal of plant and equipment		**-**	27,830
Net cash flows used in investing activities		**(833,460)**	(255,366)
Cash flows from financing activities			
Issue of shares		**4,500,000**	1,037,001
Share issue costs		**(496,320)**	(65,000)
Repayment of borrowings		**(1,291,285)**	(718,333)
Proceeds from borrowings		**1,973,940**	393,198
Net cash flows from financing activities		**4,686,335**	646,866
Net decrease in cash and cash equivalents		**62,213**	(13,482)
Cash and cash equivalents at beginning of year		**(5)**	13,477
Effect of foreign currency translation		**(4,931)**	-
Cash and cash equivalents at end of year	8	**57,277**	(5)

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 30 June 2017

	Issued Capital $	Accumulated Losses $	Option Reserve $	Foreign currency translation reserve $	Non-controlling interest $	Total $
Balance at 1 July 2015	20,785,216	(27,335,149)	1,557,813	1,813,373	(3,324,962)	(6,503,709)
Loss for the year	-	(352,464)	-	-	(55,747)	(408,211)
Other comprehensive income	-	-	-	134,661	(94,792)	39,869
Total Comprehensive Income	-	(352,464)	-	134,661	(150,539)	(368,342)
Transaction with owner, directly recorded in equity:						
Issue of shares	2,908,905	-	-	-	-	2,908,905
Share issue costs	(67,026)	-	-	-	-	(67,026)
Balance at 30 June 2016	**23,627,095**	**(27,687,613)**	**1,557,813**	**1,948,034**	**(3,475,501)**	**(4,030,172)**
Balance at 1 July 2016	23,627,095	(27,687,613)	1,557,813	1,948,034	(3,475,501)	(4,030,172)
Loss for the year	-	(8,766,845)	-	-	50,529	(8,716,316)
Other comprehensive income	-	-	-	(797,709)	109,803	(687,906)
Total Comprehensive Income	-	(8,766,845)	-	(797,709)	160,332	(9,404,222)
Transaction with owner, directly recorded in equity:						
Issue of shares	11,211,610	-	-	-	-	11,211,610
Issue of options	-	-	130,619	-	-	130,619
Share issue costs	(610,955)	-	-	-	-	(610,955)
Balance at 30 June 2017	**34,227,750**	**(36,454,458)**	**1,688,432**	**1,150,325**	**(3,315,169)**	**(2,703,120)**

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

Notes to the Financial Statements

1. Summary of significant accounting policies

These consolidated financial statements and notes represent those of Black Mountain Resources Limited and controlled entities ("Group" or "Consolidated Entity").

Black Mountain Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

The separate financial statements of the parent entity, Black Mountain Resources Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial report was authorised for issue on 6 October 2017 by the directors of the company.

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 years presented, unless otherwise stated.

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. Black Mountain Resources Limited is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

Except for cash flow information, the financial report has been prepared on an accruals 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.

Adoption of new and revised standards

In the current year, the company has reviewed all of the new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. It has been determined by the company that there is no impact, material or otherwise, of the new Standards and Interpretations on its business and therefore, no changes are required to its accounting policies. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

Notes to the Financial Statements

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

(a) Basis of preparation (cont'd)

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a loss of $8,716,316 and had net cash outflows from operating and investing activities of $3,790,662 and $833,460 respectively for the year ended 30 June 2017. As at that date, the Group had net current liabilities of $3,810,865 and net liabilities $2,703,120.

Notwithstanding the above, the Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors:

- As disclosed in the Note 25, the Company received a funding commitment of $1,000,000 from InvestMet Ltd through the issue of 25,000,000 shares at an issue price of $0.04. Subsequent to year end, the Company has received the first tranche of funding from InvestMet of $400,000 and issued 10,000,000 shares;
- The directors are confident the Group has the ability to raise further funds as and when required to satisfy its operational expenditure commitments. The Group has previously been successful in raising capital as and when required as evident during the year ended 30 June 2017 by the successful $4,500,000 capital raising in November 2016, the issue of convertible notes to raise $535,000 in April 2017, and its ability to obtain a US$750,000 loan facility directly by its Uganda operating subsidiary in March 2017;
- The directors being able to negotiate revised payment amounts and terms with creditors, when they fall due and payable, in the Group's favour;
- The Group believes it has the ability to renegotiate the payment terms of the advisory fee owing to LB International Ltd. As disclosed in Note 15, the total amount owing at 30 June 2017 is $4,170,903 with $1,584,137 being included as a current liability; and
- The Namekara Vermiculite Mine becoming cashflow positive if improvements to operating efficiencies, increased production and the anticipated repeat product orders, which underpins future demand, can be successfully implemented.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

Should the directors not achieve the matters set out above, there is a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Notes to the Financial Statements

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

(a) Basis of preparation (cont'd)

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity is not able to continue as a going concern.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Black Mountain Resources Limited and its subsidiaries as at 30 June each year. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of the Company.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Notes to the Financial Statements

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

(b) Basis of consolidation (cont'd)

Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic condition, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the statement of comprehensive income.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognised additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(c) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Notes to the Financial Statements

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

(d) Foreign Currencies

The functional and presentation currency of the Group is Australian dollars.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the end of the reporting period. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

The functional currency of the overseas subsidiaries is based on the primary economic environment in which the entity operates. At the end of the reporting period, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Group at the closing rate at the end of the reporting period and income and expenses are translated at the weighted average exchange rates for the year. All resulting exchange difference are recognised in other comprehensive income as a separate component of equity (foreign currency translation reserve). On disposal of a foreign entity, the cumulative exchange differences recognised in foreign currency translation reserves relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

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

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(e) Income Tax (cont'd)

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

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

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Cost is determined on the following basis:
(a) Vermiculite on hand is valued on an average total production cost method
(b) Stockpiles are valued at the average cost of mining and stockpiling the ore, including transport
(c) A proportion of related depreciation and amortisation charge is included in the cost of inventory

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(f) Inventories (cont'd)

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

(h) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(i) Mine Properties

Capitalised mining development costs include expenditures incurred to develop new ore bodies to define further mineralisation in existing ore bodies, to expand the capacity of a mine and to maintain production. Mining development also includes costs transferred from exploration and evaluation phase once production commences in the area of interest.

Amortisation of mining development is computed by the units of production basis over the estimated proved and probable reserves. Proved and probable mineral reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits. These reserves are amortised from the date on which production commences. The amortisation is calculated from recoverable proven and probable reserves and a predetermined percentage of the recoverable measured, indicated and inferred resource. This percentage is reviewed annually.

Restoration costs expected to be incurred are provided for as part of development phase that give rise to the need for restoration.

(j) Environmental Make Good Provision

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

(k) Plant and Equipment

Plant and equipment are stated at historical cost, including costs directly attributable to bring the assets to the location and condition necessary for it to be capable of operating in the manner intended by management, less accumulated depreciation and accumulated impairment losses.

The depreciable amount of all assets including capitalised lease assets are depreciated over their useful lives commencing from the time the asset is held ready for use.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(k) Plant and Equipment (cont'd)

The following depreciation rates are used in the calculation of depreciation.

Buildings	5%
Leasehold land	Over lease period
Leases property and license	10%
Plant and equipment	10% - 33%

The asset's residual value and depreciation rates are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss in the year that the item is derecognised.

(l) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

(m) Employee Benefits

(i) *Short-term employee benefits*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) *Other long-term employee benefits*
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(m) Employee Benefits (cont'd)

(iii) *Share-based payments*
Share-based compensation benefits are provided to employees of the company at the Directors discretion.

The fair value of options granted is recognised as an option benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. If options are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement option is substituted for the cancelled option, the cancelled and new option is treated as if they were a modification.

The fair value at grant date is independently determined using an appropriate valuation model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the company revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of comprehensive income with a corresponding adjustment to equity.

(iv) *Defined contribution superannuation expense*
Contributions to defined contribution superannuation plans are expensed in the period which they are incurred.

(n) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result, of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(o) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

(p) Revenue

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(p) Revenue (cont'd)

Sale of vermiculite
Sale of vermiculite is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Interest
Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. All revenue is stated net of the amount of goods and services tax (GST).

Other revenue
Other income is recognised when it is received or when the right to receive payments is established.

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(r) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(s) Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement within 30 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

An allowance account for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the statement of comprehensive income. When a trade receivable for which an impairment allowance has been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income. Other receivables are recognised at amortised cost, less any provision for impairment.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(t) Financial Instruments

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the financial instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. Trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement
Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(ii) Financial liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(t) Financial Instruments (cont'd)

(iii) *Available-for-sale financial assets*
Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are not expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

Impairment
At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return of return for similar financial assets.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(u) Impairment of Non-Financial Assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(v) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(w) Earnings per Share

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

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

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(x) Current and Non-Current Classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in its normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in its normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(y) Issued Capital

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.

(z) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(z) Borrowings (cont'd)

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

(aa) Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectation of future events, management believes to be reasonable under the circumstances. The resulting accounting judgments and estimates will seldom equal the related actual results. In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts in the financial statements.

Exploration and evaluation assets
The Group's accounting policy for exploration and evaluation expenditure is set out at Note 1(h). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the capitalised amount will be written off to the statement of comprehensive income.

Acquisition of Namekara Vermiculite Mine
Key estimates and judgments are applied in the acquisition accounting including determining the type of acquisition, the fair value of the assets and liabilities acquired and the fair value of the consideration paid. The acquisition was determined by the directors to be a business combination as detailed in note 31.

Impairment of non-financial assets - Namekara Vermiculite Mine
The consolidated entity assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined by management through a net present value forecast value-in-use calculations which require the application of key assumptions. The key assumptions included global sales volumes and prices, global product demand, product mix, forecast performance based on future production levels of the mine, operating costs and discount rates.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(aa) Significant Accounting Estimates and Judgments (cont'd)

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Environmental Make Good Provision
A provision has been made for the anticipated costs for future rehabilitation of land explored or mined. The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred. The estimate for the environmental make good provision at the Namekara Mine is at a rate of US $1 per tonne of vermiculite produced. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

(bb) New Accounting Standards for Application in Future Periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that 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. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 January 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

The Group has decided against early adoption of these standards and interpretations. Furthermore, these changes in standards and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Notes to the Financial Statements

2. Revenue

	2017 $	2016 $
Revenue		
Sales revenue	**1,228,591**	-
Other income – waiver of debts	**812,545**	1,337,627
Other income – gain on forfeiture of entitlements	**246,220**	-
Other income	**85,493**	-
	2,372,849	1,337,627

3. Employee and director benefits expense

Employee and director benefits expense for the year includes the following items:

	2017 $	2016 $
Employee benefits expense		
Directors fees	**331,866**	206,425
Salary and Wages	**748,883**	-
Other employee benefits	**62,505**	-
Total employee benefits expense	**1,143,254**	206,425

4. Corporate advisory expense

	2017 $	2016 $
Corporate advisory expense		
LBI deferred advisory fee	**3,946,018**	-
GLF right holders finder's fee	**1,673,533**	-
Other advisory expenses	**83,866**	-
	5,703,417	-

5. Income Tax

	2017 $	2016 $
Loss before income tax	**(8,716,316)**	(408,211)
Tax benefit, prima facie, at the Australian tax rate of 27.5% (2016: 28.5%)	**(2,396,987)**	(116,340)
Add / (less):		
Non-assessable income	**(32,219)**	(361,811)
Non-deductible expenses	**1,792,991**	353,293
Effect of difference in tax rate for foreign subsidiary	**48,374**	-
	(587,841)	(124,858)
Deferred tax assets not brought to account	**587,841**	124,858
Income tax expense/ (benefit)	**-**	-

Notes to the Financial Statements

5. Income Tax (cont'd)

At 30 June 2017, the Group has unused tax losses of $6,843,247 (2016: $5,217,656). The potential tax benefit at the Australian tax rate of 27.5% (2016: 28.5%) and Ugandan tax rate of 25% not recognised for unused tax losses is $1,833,519 (2016: $1,487,032).

The benefit for tax losses will only be obtained if:

(i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(ii) the Group continues to comply with the conditions for deductibility imposed by the relevant tax legislation; and

(iii) there are no changes in tax legislation which will adversely affect the Group in realising the benefit from the deductions for the losses.

6. Earnings per Share

Basic earnings per share amounts are calculated by dividing net profit/ (loss) for the year attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the year.

The following reflects the loss and share data used in the basic earnings per share computations:

	2017 $	2016 $
Loss after income tax	**(8,766,845)**	(352,464)
	No.	**No.**
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**117,229,143**	35,314,667

7. 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.

8. Cash and Cash Equivalents

	2017 $	2016 $
Current		
Cash at bank and in hand/(Bank overdraft)	**57,277**	(5)
	57,277	(5)

9. Trade and Other Receivables

	2017 $	2016 $
Current		
Trade receivables	**209,623**	-
Other receivables	**134,712**	8,160
	344,335	8,160

Notes to the Financial Statements

9. Trade and Other Receivables (cont'd)

Impairment of receivables
The Group has not recognized any provision for impairment of receivables as at 30 June 2017 (2016: nil).

10. Inventory

	2017 $	2016 $
Current		
Stock – large	**3,254**	-
Stock – medium	**242,500**	-
Stock – fine	**14,196**	-
Stock – super fine	**36,434**	-
Stock – premium	**1,200**	-
Consignment stock	**206,713**	-
Stock in transit	**139,376**	-
Stock – bulk bags	**14,785**	-
	658,458	-

11. Other Assets

	2017 $	2016 $
Current		
Prepayments	**46,217**	-
	46,217	-
Non-Current		
Loan receivable	**-**	283,196
	-	283,196

12. Plant and Equipment

	2017 $	2016 $
At cost	**906,358**	132,630
Accumulated Depreciation	**(230,790)**	(132,630)
	675,568	-

Notes to the Financial Statements

12. Plant and Equipment (cont'd)

Movement in carrying amounts	Buildings $	Land $	Plant and Equipment $	Total $
Balance at 1 July 2015	-	-	59,577	59,577
Addition on acquisition of subsidiary	-	-	-	-
Additions (after acquisition)	-	-	-	-
Disposal	-	-	(30,868)	(30,868)
Depreciation expense	-	-	(10,871)	(10,871)
Translation differences	-	-	(17,838)	(17,838)
Balance at 30 June2016	-	-	-	-
Balance at 1 July 2016	**-**	**-**	**-**	**-**
Addition on acquisition of subsidiary	**36,651**	**113,358**	**537,782**	**687,791**
Additions (after acquisition)	**1,421**	**44,550**	**39,960**	**85,937**
Disposal	**-**	**-**	**-**	**-**
Depreciation expense	**(2,265)**	**(190)**	**(86,872)**	**(89,327)**
Translation differences	**(537)**	**(1,824)**	**(6,466)**	**(8,827)**
Balance at 30 June 2017	**35,270**	**155,894**	**484,404**	**675,568**

13. Exploration and Evaluation Expenditure

	2017 $	2016 $
Non – Current		
Exploration and evaluation expenditure – at cost	**363,795**	-
Movement		
At 1 July	**-**	-
Impairment of exploration costs	**-**	(79,265)
Exploration costs incurred	**363,795**	79,265
At 30 June	**363,795**	-

The carrying 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.

Notes to the Financial Statements

14. Mine Properties

	Consolidated	
	30 June 2017 $	30 June 2016 $
Opening balance	**-**	-
Additions on acquisition of subsidiary	**3,118,469**	-
Amortisation	**(111,650)**	-
Forex movement	**(7,215)**	-
Closing balance	**2,999,604**	-

The Group has recognised as part of the business combination (refer to note 31), mine property assets of $3,118,469 held by Namekara Mining Company Limited, a subsidiary of the acquired entity GLF Holdings Ltd.

15. Trade and Other Payables

	2017 $	2016 $
Current		
Trade payables	**1,050,991**	473,089
Deferred Advisory Fee [1]	**1,584,137**	-
Other payables	**779,515**	615,096
	3,414,643	1,088,185
Non-Current		
Deferred Advisory Fee [1]	**2,586,766**	-
Capital Investment Fee [2]	**274,721**	-
	2,861,487	-

Trade and other payables are non-interest bearing and are normally settled within 30-60 days.

[1] Relates to advisory fee payable of US$3,000,000 to LB International Ltd on settlement of acquisition of GLF Holdings Ltd. The advisory fee is interest bearing and repayable at an amount equal to 66% of Namekara Mining Company Ltd and Industrial Minerals International Corporation net cash flow after-tax.

[2] Relates to amount payable of US$250,000 to LB International Ltd as the Company failed to invest a minimum of US$2,500,000 in GLF Holdings Ltd by 31 December 2016. The amount is only payable if the parties continue to hold at least 50% of the consideration shares on the 3 April 2019. The directors have determined that the likelihood of making this payment is highly probable.

Notes to the Financial Statements

16. Borrowings

	2017 $	2016 $
Current		
Unsecured Loan [3]	-	968,198
Secured Loan [3]	-	1,359,960
Interest payable [3]	-	855,180
Loan establishment fee payable [3]	-	50,000
Unsecured loan - LBI loan facility [1]	**982,284**	-
Unsecured loan - convertible notes [2]	**520,225**	-
	1,502,509	3,233,338

[1] As announced on 9 March 2017, the Group has a US$750,000 unsecured loan facility from its major cornerstone investor LB International Ltd to fund production growth at its Namekara Vermiculite Mine. Interest is payable on the loan facility at 10% per annum and the facility has a maturity date of 6 months from the date of issue of 6 March 2017. LB International Ltd is an entity controlled by Non-Executive Director Luca Bechis.

[2] As announced on 5 April 2017, the Group issued 535,000 unsecured convertible notes to existing shareholders with a face value of $1 and expiry date of 18 March 2018. Interest is payable on the convertible notes at 10% per annum, compounded and paid on a quarterly basis. The convertible notes automatically convert on the expiry date to ordinary shares if not converted prior to that date. The convertible notes must be converted using the following formula:

$A = (N \times V)/CP$

Where:
A = number of conversion shares;
N = the number of notes specified for conversion;
V = the face value of each of the notes specified for conversion; and
CP = the conversion price, being the lower of $0.05 and the issued price of any shares issued between the issue date and expiry date.

The directors have valued the debt component of the convertible loan amounts at 30 June 2017 and determine it to be equal to the full, undiscounted face value of the loan payable.

[3] As at 30 June 2016 the Group had unsecured loans of $968,198 and secured loans of $1,359,960, with interest and loan fees accrued of $855,180 and $50,000 respectfully. All amounts owing as at 30 June 2017 have been extinguished following the capital raising in November 2016 by way of cash settlement and the issue of shares and options as consideration. Further information regarding share based payments in disclosed at Note 22.

Notes to the Financial Statements

17. Provisions

	2017 $	2016 $
Non-current		
Environmental make good	**69,735**	-
	69,735	-

Environmental make good
Management currently provides a rate of US$1 per tonne of vermiculite produced as environmental rehabilitation costs.

18. Issued Capital

	2017 $	2016 $
(a) **Issued and paid up capital**		
Ordinary shares - fully paid	**34,227,750**	23,627,095
	34,227,750	23,627,095

Movement in ordinary shares on issue:

	No. of Shares	$
30 June 2015	119,625,361	20,785,216
Placement shares	17,943,804	179,438
Rights issue shares	5,446,655	54,467
Conversion debt to equity under the rights issue	164,800,000	1,648,000
Conversion of convertible loans under the rights issue	102,700,000	1,027,000
Share issue costs	-	(67,026)
30 June 2016	**410,515,820**	**23,627,095**
1 for 10 share consolidation	**(369,464,190)**	**-**
Placement shares	**45,000,000**	**4,500,000**
Issue of shares to GLF vendors	**33,190,380**	**3,319,038**
Issue of shares to African Phosphate	**18,500,000**	**1,850,000**
Conversion Debt to Equity under placement	**15,425,718**	**1,542,572**
Share issue costs	**-**	**(610,955)**
30 June 2017	**153,167,728**	**34,227,750**

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

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.

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.

Notes to the Financial Statements

18. Issued Capital (cont'd)

Management effectively manages the Group's capital by assessing its financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year. The gearing ratios for the year ended 30 June 2017 and 30 June 2016 are as follows:

	Note	2017 $	2016 $
Total borrowings (including payables)	15, 16	**7,778,639**	4,321,523
Less cash and cash equivalents	8	**(57,277)**	5
Net debt		**7,721,362**	4,321,528
Total equity		**(2,703,120)**	(4,030,170)
Total capital		**5,018,242**	291,358
Gearing ratio		**155%**	1483%

19. Reserves

	2017 $	2016 $
Reserves		
Option reserve	**1,688,432**	1,557,813
Foreign currency translation reserve	**1,150,325**	1,948,034
	2,838,757	3,505,847

Movement during the year	**Option reserve**	**Foreign currency translation reserve**
Balance at 30 June 2015	1,557,813	1,813,373
Foreign currency translation	-	134,661
Balance at 30 June 2016	**1,557,813**	**1,948,034**
Options issued	**130,619**	**-**
Foreign currency translation	**-**	**(797,709)**
Balance at 30 June 2017	**1,688,432**	**1,150,325**

Options reserve

The option reserve recognises options issued by the company.

On 26 October 2016, 1,237,500 unlisted options with an exercise price of $0.125 per option, exercisable by 30 June 2018, were issued as part of the recapitalisation of the Group.

On 5 April 2017, 2,000,000 unlisted options with an exercise price of $0.05 per option, exercisable by 30 April 2020, were issued as part of the Convertible Securities Agreement with L1 Capital Global Opportunities Master Fund.

Notes to the Financial Statements

19. Reserves (cont'd)

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of its foreign controlled subsidiaries.

Summary of share options:

	Expiry Date	Exercise Price	Balance at start of year Number	Granted during the year Number	Exercised during the year Number	Forfeited/(expired) during the year Number	Balance at end of the year Number	Vested & exercisable at end of the year Number
2017								
Unlisted option	25 July 16	$2.50	**50,000**	**-**	**-**	**(50,000)**	**-**	**-**
Unlisted option	30 Nov 16	$1.00	**100,000**	**-**	**-**	**(100,000)**	**-**	**-**
Unlisted option	31 Mar 17	$1.20	**300,000**	**-**	**-**	**(300,000)**	**-**	**-**
Unlisted option	30 Jun 18	$0.125	**-**	**1,857,252**	**-**	**-**	**1,857,252**	**1,857,252**
Unlisted option	31 Mar 17	$0.05	**-**	**2,000,000**	**-**	**-**	**2,000,000**	**2,000,000**
			450,000	**3,857,252**	**-**	**(450,000)**	**3,857,252**	**3,857,252**
2016 [1]								
Unlisted option	14 Nov 15	$3.00	200,000	-	-	(200,000)	-	-
Unlisted option	25 July 16	$2.50	50,000	-	-	-	50,000	50,000
Unlisted option	30 Nov 16	$1.00	100,000	-	-	-	100,000	100,000
Unlisted option	31 Mar 17	$1.20	300,000	-	-	-	300,000	300,000
			650,000	-	-	(200,000)	450,000	450,000

[1] Prior year balances have been restated for post-consolidation values on a 1 for 10 basis. Prior year exercise prices have also been restated based on the conversion factor.

Notes to the Financial Statements

20. Financial Instruments

Financial Risk Management

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. The Group manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not speculate in the trading of derivative instruments. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

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

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

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

The Group's activities expose it to a variety of financial risks including market risk, foreign currency 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.

Risk Exposures and Responses

Interest rate risk

The Group's exposure to risks of changes in market interest rates relates primarily to its cash balances. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. As the company has no variable rate interest bearing borrowings, its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

Notes to the Financial Statements

20. Financial Instruments (Cont'd)

At reporting date, the Group had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	2017 $	2016 $
Financial Assets		
Cash and cash equivalents	**57,277**	(5)
Net exposure	**57,277**	(5)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity relating to financial assets of the Group would have been affected as follows:

Judgements of reasonably possible movements:	2017 $	2016 $
Post tax profit – higher / (lower)		
+ 0.5%	**286**	-
- 0.5%	**(286)**	-
Equity – higher / (lower)		
+ 0.5%	**286**	-
- 0.5%	**(286)**	-

Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources; and
- managing credit risk related to financial assets;

Notes to the Financial Statements

20. Financial Instruments (cont'd)

The following table details the expected maturity of the Group's financial assets and liabilities based on the earliest date of maturity or payment respectively. The amounts are stated on an undiscounted basis and include interest.

2017		**Fixed Interest rate maturing in**					
Financial Instrument	**Floating interest rate**	**1 year or less**	**Over 1 to 5 years**	**More than 5 years**	**Non-interest Bearing**	**Total**	**Weighted average effective interest rate**
	$	**$**	**$**	**$**	**$**	**$**	
Financial Assets							
Interest bearing							
Cash and cash equivalents	**57,277**	**-**	**-**	**-**	**-**	**57,277**	**0.00%**
Non-interest bearing							
Receivables – other	**-**	**-**	**-**	**-**	**344,335**	**344,335**	
Total financial assets	**57,277**	**-**	**-**	**-**	**344,335**	**401,612**	
Financial Liabilities							
Interest bearing							
Other Payables	**-**	**1,584,137**	**2,586,766**	**-**	**-**	**4,170,903**	**5.00%**
Borrowings	**-**	**1,502,509**	**-**	**-**	**-**	**1,502,509**	**10.00%**
Non-interest bearing							
Trade payables and accruals	**-**	**-**	**-**	**-**	**2,105,227**	**2,105,227**	
Total financial liabilities	**-**	**3,086,646**	**2,586,766**	**-**	**2,155,227**	**7,778,639**	
2016							
Financial Assets							
Interest bearing							
Cash and cash equivalents	(5)	-	-	-	-	(5)	0.01%
Non-interest bearing							
Receivables – other	-	-	-	-	8,160	8,160	
Total financial assets	(5)	-	-	-	8,160	8,155	
Financial Liabilities							
Interest bearing							
Borrowings	-	3,218,838	-	-	14,500	3,233,338	12.00%
Non-interest bearing							
Trade payables and accruals	-	-	-	-	1,088,183	1,088,183	
Total financial liabilities	-	3,218,838	-	-	1,102,683	4,321,521	

Notes to the Financial Statements

20. Financial Instruments (cont'd)

Price Risk

The consolidated entity is exposed to commodity price risk arises from vermiculite held as inventory.

The consolidated entity sells vermiculite at contracted prices, of which is generally evaluated on an annual basis. The consolidated entity's revenues were exposed to fluctuation in the price of vermiculite. If the average selling price of vermiculite for the financial year had increased/decreased by 10% the change in the profit before income tax for the consolidated group would have been an increase /decrease of $122,859 (2016: nil).

If there was a 10% increase or decrease in market price of vermiculite, the net realisable value of inventory on hand would increase/(decrease) by $65,846 (2016: nil). As vermiculite on hand is held at net realisable value the impact on profit or loss would be $65,846.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise deposits with banks and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to those assets.

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

The Group trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Group's policy to secure its trade and other receivables. The Group is not exposed to a significant level of credit risk to any one customer as its trade debtors comprise several different customers.

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

Credit risk (cont'd)

The Group's cash deposits are held with a major Australian banking institution. There are no significant concentrations of credit risk within the Group.

Notes to the Financial Statements

20. Financial Instruments (cont'd)

Foreign currency risks

There is exposure to foreign currency risk as part of its normal business. In particular, there is exposure to United States dollar currency risk due to one of its subsidiaries being located in the United States of America with its functional currency denominated in United States dollar, and exposure to Ugandan Shillings currency risk due to one of its subsidiaries being located in Uganda with its functional currency denominated in Ugandan Shillings and some of its assets and liabilities denominated in United States dollars.

The following table details the amounts denominated in non-functional currency:

USD	2017 $	2016 $
Assets:		
Cash and cash equivalents	**-**	(90)
Trade and other receivables	**209,623**	-
Total assets	**209,623**	(90)
Liabilities:		
Trade and other payables	**4,529,709**	294,252
Borrowings	**982,284**	-
Total liabilities	**5,511,993**	294,252
Net liabilities at end of the year	**5,302,370**	294,342

UGX	2017 $	2016 $
Assets:		
Cash and cash equivalents	**38,934**	-
Trade and other receivables	**116,261**	-
Total assets	**155,195**	-
Liabilities:		
Trade and other payables	**773,890**	-
Total liabilities	**773,890**	-
Net liabilities at end of the year	**618,695**	-

The Foreign Exchange Sensitivity Analysis

The consolidated entity had net liabilities denominated in foreign currencies of $5,921,065 as at 30 June 2017 (2016: $294,342). Based on this exposure, had the Australian dollar weakened/strengthened by 10% against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been $592,107 lower/higher (2016: $29,434 lower/ higher) and equity would have been $592,107 lower/higher (2016: $29,434 lower/ higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 30 June 2017 was $51,818 (2016: nil).

Notes to the Financial Statements

20. Financial Instruments (cont'd)

Net Fair Values

Fair value estimation

The carrying value of financial assets and liabilities as presented in the statement of financial position are the same as their fair value. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

21. Accumulated Losses

	2017 $	2016 $
Accumulated losses at the beginning of the financial year	**(27,687,613)**	(27,335,149)
Loss for the year	**(8,766,845)**	(352,464)
Accumulated losses at the end of the financial year	**(36,454,458)**	(27,687,613)

22. Share-Based Payments

The Group had the following share based payments during the current year.

On 11 November 2016, 18,500,000 post consolidation shares in the Group were issued to the owners of African Phosphate Pty Ltd at an issue price of $0.10 and a total transactional value of $1,850,000 as consideration for the right to acquire 100% of the issued capital in GLF Holdings Ltd under the share sale agreement.

On 11 November 2016, 15,425,718 post consolidation shares in the Group were issued to various debt holders at an issue price of $0.10 and a transactional value of $1,542,572 as part settlement of outstanding loans (2016: $1,064,018).

On 26 October 2016, 1,237,500 unlisted options with an exercise price of $0.125 per option, exercisable by 30 June 2018, were issued as part of the recapitalisation of the Group. The transactional value of these options was $80,419 based on the Black Scholes valuation model.

On 5 April 2017, 2,000,000 unlisted options with an exercise price of $0.05 per option, exercisable by 30 April 2020, were issued as part of the Convertible Securities Agreement with L1 Capital Global Opportunities Master Fund. The transactional value of these options was $50,200 based on the Black Scholes valuation model.

Notes to the Financial Statements

22. Share-Based Payments (cont'd)

Set out below are summaries of options granted during the current year as disclosed above:

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Issued	Exercised	Expired/ forfeited/ other	Balance at the end of the year
26/10/2016	30/06/2018	$0.125	-	1,237,500	-	-	1,237,500
05/04/2017	30/04/2020	$0.050	-	2,000,000	-	-	2,000,000
			-	3,237,500	-	-	3,237,500
Weighted average exercise price			$0.000	$0.079	$0.000	$0.000	$0.079

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.13 years (2016: nil years).

For the options granted during the current financial year, the valuation inputs used to determine the fair value at the grant date are:

Grant Date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
26/10/2016	30/06/2018	$0.100	$0.125	100.00%	0.00%	1.83%	$80,419
05/04/2017	30/04/2020	$0.042	$0.050	100.00%	0.00%	2.09%	$50,200

23. Commitments and Contingent Liabilities

(a) Contingent liabilities

During the year ended 30 June 2016, the Company negotiated with Mr Landau to have him agree to write down the amounts allegedly owed to him and his associated entities Doull Holdings Pty Limited and Okap Ventures Pty Limited to nil.

In the ordinary course, the Company would have had Mr Landau and his associated entities release these debts, and any claims against the Company in relation to those debts. However, Mr Landau, Okap Ventures Pty Ltd and Doull Holdings Pty Ltd are subject to interim asset preservation orders granted, at ASIC's request, by the Federal Court in Perth on 23 December 2015. As a result, Mr Landau, Okap Ventures Pty Ltd and Doull Holdings Pty Ltd do not presently have the ability to release the relevant debts, and any claims against the Company in relation to those debts.

On 12 April 2016, it was agreed between the Company and Mr Landau, that subject to the interim asset preservation orders being lifted or withdrawn:

- The Company will not be required to pay any of the outstanding directors fees due to him or his related entities;

- The Company will not be required to pay any additional amounts that may be due to him directly and or indirectly through his related companies including Okap Ventures Pty Limited; and

Notes to the Financial Statements

23. Commitments and Contingent Liabilities (cont'd)

(a) Contingent liabilities (cont'd)

- All other amounts that may be due to him directly and or indirectly through his related companies would be written off.

A letter agreement was executed between the parties to reflect this.

The Company believes that if the interim asset preservation orders against Mr Landau and his associated entities are lifted or withdrawn, then as a result of the terms of the letter agreement, Mr Landau and his associated entities will not be able to claim any of the A$1,269,196 previously recorded in the Company's accounts as being due to Mr Landau and his associated entities Doull Holdings Pty Limited and Okap Ventures Pty Limited.

However, the Company understands that if the interim asset preservation orders are not lifted or withdrawn, and a trustee in bankruptcy is appointed in respect of Mr Landau or either Okap Ventures Pty Ltd or Doull Holdings Pty Ltd are placed into administration or liquidation, such a trustee in bankruptcy, administrator or liquidator could make a claim against the Company for these amounts. For this reason, the Company considers that the amount of $1,269,196 should be treated as a contingent liability.

If a trustee in bankruptcy, administrator or liquidator does seek to claim against the Company for these amounts, the Company will dispute the claim, on the bases set out above. If any such claim was made and upheld, the Company would seek to negotiate with the claimant to be able to satisfy the claimed amount by the issue of shares in the Company.

Neither Mr Landau or any of his associated entities have any ongoing role or are associated with the Company in any way, save that two entities associated with Mr Landau – Doull Holdings Pty Ltd and ICBC Capital Pty Ltd (In Liquidation) hold shares in the Company, with Doull Holdings Pty Ltd holding 10,000 shares on a pre-consolidation basis, and ICBC Capital Pty Ltd (In Liquidation) holding 397,889 shares on a pre-consolidation basis.

The Company has no agreement, arrangement, or understanding with Mr Landau or any of his associated entities, other than the letter agreement referred to above.

As part of the long term lease at Lakeview Mill ("mill"), the Group is required to pay US$10 per ton (toll milling fees) milling charged on all the ore processed at the mill. From the 11th anniversary of the date of the lease, the Group shall ensure that the toll milling fees are a minimum of USD$250,000 per annum.

24. Related Party Disclosure

(a) Parent entity

Black Mountain Resources Limited is the ultimate Australian parent entity.

Notes to the Financial Statements

24. Related Party Disclosure (cont'd)

(b) Transactions with related parties

Below are transactions with director-related entities:

Related Party	Type of Service	2017 $	2016 $
Expenses			
Okap Ventures Pty Ltd [3]	Corporate Advisory Fee	**-**	**150,000**
LB International Limited [1, 5]	Advisory Fees and Interest Accrued	**4,220,843**	**-**
LB International Limited [1, 5]	Capital Investment Fee	**328,835**	**-**
LB International Limited [5]	Working Capital Fee	**163,194**	**-**
LB International Limited [5]	Variation Fee	**27,674**	**-**
LB International Limited [5]	Royalty Expense	**12,276**	**-**
African Phosphate Pty Ltd [5]	Finder's Fee	**1,673,533**	**-**
Total Expenses		**6,426,355**	**150,000**
Borrowings			
Okap Ventures Pty Ltd [3] Doull Holdings Pty Ltd [4]	Forgiveness of Debt	**-**	**(1,269,196)**
LB International Limited [1]	Loaned Funds	**(982,284)**	
Jason Brewer [2]	Loaned Funds	**(170,900)**	**-**
Jason Brewer [2]	Repayment of Debt	**170,900**	**-**
Total Borrowings		**(982,284)**	**(1,269,196)**
Balance owing to directors and directors' related companies included in trade and other payable			
Simon Grant-Rennick			
Accrued director fees		50,001	-
Total Simon Grant-Rennick		**50,001**	**-**
Luca Bechis			
Accrued director fees		20,000	-
Royalty [5]		12,048	-
Deferred advisory fee [1, 5]		4,170,903	-
Capital investment fee [5]		274,721	-
Total Luca Bechis		**4,477,672**	**-**
Julian Ford			
Accrued director fees		90,000	10,740
Total Julian Ford		**90,000**	**10,740**
John Ryan			
Accrued director fees		10,000	60,000
Accrued consulting fees		-	165,679
Total John Ryan		**10,000**	**225,679**
Jason Brewer			
Accrued director fees		-	143,333
Total Jason Brewer		**-**	**143,333**
		4,627,673	**379,752**

Notes to the Financial Statements

24. Related Party Disclosure (cont'd)

(b) Transactions with related parties (con't)

[1] Luca Bechis is a Director of LB International Limited. Advisory and capital investment fees are outstanding as at 30 June 2017 as per Note 15. Borrowings are outstanding as at 30 June 2017 as per Note 16.

[2] During the period Jason Brewer loaned funds to the amount of $170,900 to the Group for working capital purposed, of which have been fully repaid during the period following the capital raising completed 11 November 2016. No interest has been charged in relation to loans from Jason Brewer during the year.

[3] A company of which Mr Landau is a director and shareholder for the provision of strategic and corporate advisory, capital raising, company secretarial, financial management, investor and public relations and associated services in fully serviced offices in both Perth and London. During the 2016 financial year, Okap Ventures Ltd Ltd forgave all amounts owing to them by the Company on 12 April 2016. No further costs were incurred to Okap Ventures Pty Ltd since this debt forgiveness.

[4] A company of which Mr Landau is a director and shareholder for the provision of director fees. During the 2016 financial year, Doull Holdings Pty Ltd forgave all amounts owing to them by the Company on 12 April 2016. No further costs were incurred to Doull Holdings Pty Ltd since this debt forgiveness.

[5] *Acquisition Related Transactions*
As announced on 5 February 2016, a binding heads of agreement had been entered into with African Phosphate Pty Ltd (director-related company of Jason Brewer and Simon Grant-Rennick, appointed 10 November 2016), giving the Group their right to acquire 100% of the shares of GLF Holdings Ltd under a share sale agreement (director-related company of Luca Bechis, appointed 10 November 2016). On 11 November 2016, the Group completed the acquisition of 100% of the shares of GLF Holdings Ltd.

As part of these transactions the owners of African Phosphate Pty Ltd have received 18,500,000 post consolidation shares in the Group as a finder's fee, along with a future royalty of 1% of future production revenue up to 31 December 2026. The Royalty was later reassigned to LB International Ltd, a director controlled entity of Luca Bechis, as part of the US$750,000 bridging loan provided to Namekara Mining Company Ltd on 6 March 2017.

Under the share sale agreement to acquire 100% of the shares in GLF Holdings Ltd, the previous owners of GLF Holdings Ltd have received 33,190,380 shares in the Group and $33,215 in cash payments.

The following shares have been issued to directors of the Group, or their controlled entities, as a result of the above transactions:

Jason Brewer	5,500,000
Simon Grant-Rennick	3,500,000
Luca Bechis	28,211,577

As part of the acquisition of GLF Holdings Ltd, a deferred advisory fee is payable of US$3,000,000 to LB International Ltd. The advisory fee is interest bearing at 5% and repayable at an amount equal to 66% of Namekara Mining Company Ltd and Industrial Minerals International Corporation net cashflow after-tax. Cost incurred by LB International in relation to the above advisory agreement have been on-charged to the Group by way of the working capital fee of $163,194 and subsequent variation fee of $27,674.

Notes to the Financial Statements

24. Related Party Disclosure (cont'd)

(b) Transactions with related parties (cont'd)

As part of the acquisition of GLF Holdings Ltd, the Group was committed to invest the following amounts into the acquired subsidiary:

A total of US$2,500,000 to be invested by 31 December 2016
A total of US$5,000,000 to be invested by 3 April 2019

Failure to meet the above commitments would result in the Group being liable to pay US$250,000 to the previous owners of GLF Holdings Ltd, provided they continue to hold 50% of their consideration shares as at 3 April 2019.

As at 31 December 2016 the Group had not met the minimum capital investment commitment of US$2,500,000, and as a result the Group has raised a liability of US$250,000 (AUD: $274,721) discounted to fair value as disclosed in note 15. The company recognises that there is no longer a capital investment commitment following the raising of the liability.

These transactions have been entered into on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

25. Events after the Reporting Date

On 1 July 2017, Julian Ford resigned as Chairman and Chief Executive Officer and Maurice Feilich was appointed Non-Executive Director. On 26 July 2017, Bronwyn Barnes was appointed Interim Chief Executive Officer. On 15 September 2017, John Ryan resigned as Executive Director.

On 21 June 2017, the Group announced that it had secured a funding commitment of $1,000,000 from cornerstone investor InvestMet Limited ('**InvestMet**') to fund operational improvements at the Namekara Vermiculite Mine in Uganda. The funds are to be raised by the issue of 25,000,000 fully paid ordinary shares at an issue price of $0.04 On 27 July 2017, the Group had received $150,000 and issued 3,750,000 shares to Investmet. On 28 August 2017, the Group received a further $250,000 and issued 6,250,000 shares to finalise the first tranche of the commitment of $400,000. The Group expects to receive the balance of the commitment of $600,000 and issued 15,000,000 shares to InvestMet during October 2017.

On 18 September 2017, the Group announced that it divested its US subsidiaries and extinguished all future financial obligations associated with the US silver assets including holding and lease costs, exploration and rehabilitation commitments. The Group has agreed with Texas Energy Advisors LLC ("TEA") to transfer the rights and responsibilities for the US silver assets for a total payment of $70,000. An initial sum of $25,000 has been transferred to TEA on execution of legal documents relating to the divestment and a second payment of $45,000 will be made by 31 December 2018.

26. Auditors' Remuneration

	2017 **$**	**2016** **$**
Audit and review of financial reports:		
- RSM Australia Partners	**59,100**	40,500
- RSM Eastern Africa	**8,491**	-
	67,591	40,500

Notes to the Financial Statements

27. Operating Segment

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. The Group only has customers in relation to its mineral production operations in Uganda, and operates only in the mineral exploration industry within the geographical segments of Australia, USA and Uganda.

30 June 2017	Australia $	USA $	Uganda $	Total $
Revenue				
Sales to external customers	-	-	1,228,591	1,228,591
Other Income	996,139	148,119	-	1,144,258
Total segment revenue	996,139	148,119	1,228,591	2,372,849
Result				
Segment result	(6,836,671)	168,430	(2,048,075)	(8,716,316)

Assets and Liabilities at 30 June 2017	Australia $	USA $	Uganda $	Total $
Total assets as per the statement of financial position	36,794	-	5,108,460	5,145,254
Total liabilities as per the statement of financial position	5,938,381	84,085	1,825,909	7,848,375

30 June 2016	Australia $	USA $	Uganda $	Total $
Revenue				
Sales to external customers	-	-	-	-
Total segment revenue	-	-	-	-
Result				
Segment result	(222,385)	(185,826)	-	(408,211)

Assets and Liabilities at 30 June 2016	Australia $	USA $	Uganda $	Total $
Total assets as per the statement of financial position	291,441	(90)	-	291,351
Total liabilities as per the statement of financial position	4,027,269	294,252	-	4,321,521

Notes to the Financial Statements

28. Cash Flow Information

Reconciliation of Cash Flow from Operations

	2017 $	2016 $
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax for the year	**(8,716,316)**	(408,211)
Depreciation and amortisation	**200,977**	10,871
GLF right holder finder's fee	**1,673,533**	-
Other income – waiver of debts	**(812,454)**	-
Unrealised revaluation gain	**(77,947)**	-
Loss on debt for equity swap	**50,200**	-
Accrued interest on convertible notes	**12,605**	-
Movements in assets and liabilities:		
- Trade and other receivables	**(336,175)**	29,505
- Inventory	**(658,458)**	-
- Other assets	**(46,217)**	3,000
- Trade and other payables	**4,849,855**	(180,155)
- Provisions	**69,735**	
Net Cash used in Operating Activities	**(3,790,662)**	(404,982)

Non-Cash Investing Activities

During 2017 the following non-cash investing transactions took place (2016: nil).

On 11 November 2016, 18,500,000 post consolidation shares in the Group issued to the owners of African Phosphate Pty Ltd as consideration for the right to acquire 100% of the issued capital in GLF Holdings Ltd under the share sale agreement.

On 11 November 2016, 33,190,380 post consolidation shares in the Group issued to the previous owners of GLF Holdings Ltd to acquire 100% of the capital in GLF Holdings Ltd under the share sale agreement.

Non-Cash Financing Activities

On 11 November 2016, 15,425,718 post consolidation shares were issued as part settlement of outstanding loans to the value of $1,542,572 of loans were settled by shares (2016: $1,064,018).

On 26 October 2016, 1,237,500 unlisted options with an exercise price of $0.125 per option, exercisable by 30 June 2018, were issued as part of the recapitalisation of the Group.

On 5 April 2017, 2,000,000 unlisted options with an exercise price of $0.05 per option, exercisable by 30 April 2020, were issued as part of the Convertible Securities Agreement with L1 Capital Global Opportunities Master Fund.

Notes to the Financial Statements

29. Directors and Key Management Disclosures

(a) Key management personnel compensation

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the consolidated entity's key management personnel for the year ended 30 June 2017.

	2017 $	2016 $
Short-term employee benefits	**331,866**	205,740
Consulting fee	**15,000**	96,117
Total	**346,866**	301,857

30. Subsidiaries and Non-Controlling Interests

(a) Interests in Subsidiaries

The following table sets out the Group's interests in principal subsidiaries at 30 June 2017 and 30 June 2016.

	County of Incorporation	% Equity Interest	
		2017 %	2016 %
Blue Mountain Mining Corporation	USA	100	**100**
Magenta Mountain Mining Corporation	USA	100	**100**
ABM Mining Corporation	USA	70	**70**
GLF Holdings Ltd [1]	BVI	100	**-**
Industrial Minerals International Corporation Ltd [1]	BVI	100	**-**
East African Vermiculite Pty Ltd	BVI	100	**-**
Namekara Mining Company Ltd [1]	Uganda	100	**-**

[1] Acquired 10 November 2016.

Notes to the Financial Statements

30. Subsidiaries and non-controlling interests (cont'd)

(b) Non-controlling interests (NCI)

The following table sets out the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. Amounts disclosed are before intercompany eliminations.

Summarised statement of financial position	ABM Mining Corporation	
	2017 $	2016 $
Current assets	**-**	-
Non-current assets	**-**	-
Total assets	**-**	-
Current liabilities	**84,085**	294,342
Non-current liabilities	**10,966,485**	11,290,664
Total liabilities	**11,050,570**	11,585,006
Net liabilities	**11,050,570**	11,585,006

Summarised statement of profit or loss and other comprehensive income	ABM Mining Corporation	
	2017 $	2016 $
Revenue	**168,007**	68,116
Expenses	**(423)**	253,941
Profit/ (Loss) for the period	**168,430**	(185,825)
Other comprehensive income/ (loss)	**-**	-
Total comprehensive income/ (loss)	**168,430**	(185,825)

Summarised cash flows	ABM Mining Corporation	
	2017 $	2016 $
Cash flows from operating activities	**16**	(31,301)
Cash flows from investing activities	**-**	27,831
Cash flows from financing activities	**74**	-
Net increase/ (decrease) in cash and cash equivalents	**90**	(3,470)

Notes to the Financial Statements

31. Business Combination

On 11 November 2016, the Group acquired 100% of the ordinary shares of GLF Holdings Ltd for a total consideration of $3,352,253. GLF Holdings Ltd is 100% owner of Namekara Mining Company Ltd which operates a Vermiculite Mine in Uganda. The values identified in relation to the acquisition of GLF Holdings Ltd are final as at 30 June 2017

Details of the acquisition are as follows:

Consideration	**$**
Cash	33,215
Black Mountain Resources Ltd Shares	3,319,038
	3,352,253

Tangible assets acquired and liabilities assumed at the date of acquisition	**$**
Current assets	
Cash and cash equivalents	6,477
Trade and other receivables	207,598
Inventory	121,177
Non-current assets	
Plant and equipment	687,791
Mine properties	3,118,469
Current liabilities	
Trade and other payables	(565,018)
Loans payable	(161,028)
Non-current liabilities	
Provisions	(63,213)
	3,352,253

Goodwill on acquisition of subsidiary	**$**
Consideration transferred	3,352,253
Less fair value of identifiable tangible net assets acquired	(3,352,253)
Less fair value of identifiable intangible net assets acquired	-
Net goodwill on acquisition	-

Net cash outflow on acquisition of subsidiary	**$**
Consideration paid in cash	33,215
Less cash and cash equivalent balance acquired	(6,477)
Net cash outflow on acquisition of subsidiary	26,738

Notes to the Financial Statements

32. Parent Entity Information

The following details information related to the parent entity, Black Mountain Resources Limited, as at 30 June 2017. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2017 $	2016 $
Current assets	**36,794**	8,245
Non-current assets	**3,198,466**	295,135
Total assets	**3,235,260**	303,380
Current liabilities	**3,076,893**	4,027,269
Non-current liabilities	**2,861,487**	-
Total liabilities	**5,938,380**	4,027,269
Contributed equity	**34,227,750**	23,627,095
Accumulated losses	**(38,619,302)**	(28,908,797)
Reserves	**1,688,432**	1,557,813
Total (deficiency in equity)/equity	**(2,703,120)**	(3,723,889)
Loss after income tax	**(9,710,505)**	(210,446)
Other comprehensive income for the year	**-**	-
Total comprehensive loss for the year	**(9,710,505)**	(210,448)

Guarantees

The company has guaranteed funds loaned to its subsidiary Namekara Mining Corporation Ltd through the LB International Facility of US$750,000, along with any fees and interest attached to this facility. For further information refer to note 16.

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

Other Commitments and Contingencies

The Company has no commitments to acquire property, plant and equipment as at 30 June 2017.

Other than disclosed in Note 23, the Parent Entity had no contingent liabilities as at 30 June 2017.

Significant Accounting Policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in joint ventures are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment. The Company has no commitments to acquire property, plant and equipment as at 30 June 2017.

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, are in accordance with the *Corporations Act 2001* and:

    a. Comply with Australian Accounting Standards, which, as stated in accounting policy note 1(a) to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards; and

    b. Give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date;

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.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001.*

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

____
Simon Grant-Rennick
Interim Chairman

Perth, Western Australia, 6 October 2017

ASX Additional Information

The following additional information is required by the Australian Securities Exchange. The information is current as at 4 September 2017.

1. Shareholdings

The issued capital of the Group as at 4 September 2017 is 163,167,728 ordinary fully paid shares, 1,857,252 unlisted options (exercisable at $0.125, on or before 30 June 2018), 2,000,000 unlisted options (exercisable at $0.05, on or before 30 April 2020), 535,000 convertible notes with a face value of $1.00 (exercisable at $0.05, on or before 18 March 2018). All issued ordinary fully paid shares carry one vote per share.

(a) Distribution schedule and number of holders of equity securities as at 4 September 2017

	1 – 1,000	**1,001 – 5,000**	**5,001 – 10,000**	**10,001 – 100,000**	**100,001 – and over**	**Total**
Fully Paid Ordinary Shares	130	203	45	118	146	642
Unlisted Options – 12.5c 30.06.2018	-	-	-	3	4	7
Unlisted Options – 5c 30.04.2020	-	-	-	-	1	1
Convertible Notes – $1 face value; expiry 15/3/18; convertible at $0.05	-	-	-	11	-	11

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 4 September 2017 is 403.

(b) 20 Largest holders of quoted equity securities as at 4 September 2017

The names of the twenty largest holders of fully paid ordinary shares (ASX code: BMZ) as at 4 September 2017 are:

Rank	**Name**	**Shares**	**% of Total Shares**
1	RICHMOND PARTNERS MASTERS LIMITED	27,973,727	17.14
2	CITICORP NOMINEES PTY LIMITED	9,424,512	5.78
3	INVESTMET LIMITED	6,875,000	4.21
4	SEEFELD INVESTMENTS PTY LTD <SEEFELD A/C>	6,499,800	3.98
5	COLAB THEORY PTY LIMITED	5,500,000	3.37
6	JC TRUST PTY LIMITED	5,500,000	3.37
7	NAZDALL PTY LTD	5,117,500	3.14
8	MR NG ENG TIONG	4,967,723	3.04
9	JONAH RESOURCES HOLDINGS LIMITED	4,646,653	2.85
10	TARNEY HOLDINGS PTY LTD <DP & FL WADDELL FAMILY A/C>	4,500,000	2.76
11	GERARD C TOSCAN MANAGEMENT PTY LIMITED <GERARD C TOSCAN FAM NO 2 A/C>	4,000,000	2.45
12	DOULL CONSOLIDATED LIMITED	3,669,265	2.25
13	DELTA RESOURCE MANAGEMENT PTY LTD	3,125,000	1.92
14	MRS MELANIE THERESE VERHEGGEN	3,000,000	1.84

Rank	Name	Shares	% of Total Shares
15	DAVY CORP PTY LIMITED	2,500,000	1.53
16	LEET INVESTMENTS PTY LIMITED	2,000,000	1.23
17	MR MICHAEL SHIRLEY	2,000,000	1.23
18	MR PETAR SEAT	2,000,000	1.23
19	FILMRIM PTY LTD	1,901,687	1.17
20	ALPHA CORPORATE SERVICES (BERMUDA) LIMITED	1,750,000	1.07
	TOTAL	**106,950,867**	**65.56**

Stock Exchange Listing – Listing has been granted for 105,227,348 fully paid ordinary shares of the Company on issue on the Australian Securities Exchange.

The unquoted securities on issue as at 4 September 2017 are detailed below in part (d).

(c) Substantial shareholders

Substantial shareholders in Black Mountain Resources Ltd and the number of equity securities over which the substantial shareholder has a relevant interest as disclosed in substantial holding notices provided to the Company are listed below:

Name	Shares	% of Total Shares
Richmond Partners Master Limited	27,641,577	18.05%

(d) Unquoted Securities

The number of unquoted securities on issue as at 4 September 2017:

Unquoted Security	Number on Issue
Fully Paid Ordinary Shares	51,690,380
Unlisted Options – exercisable at 12.5c expiring on 30.06.2018	1,857,252
Unlisted Options – exercisable at 5c expiring on 30.04.2020	2,000,000
Convertible Notes - $1 face value; expiry 15/3/18; convertible at $0.05	535,000

(e) Holder Details of Unquoted Securities

Optionholders that hold more than 20% of a given class of unquoted securities as at 4 September 2017 other than options issued under an employee incentive scheme:

Security	Name	Number of Securities
Unlisted Options – exercisable at 12.5c expiring on 30.06.2018	L1 Capital Opportunities Master Fund	1,237,500
Unlisted Options – exercisable at 5c expiring on 30.04.2020	L1 Capital Opportunities Master Fund	2,000,000

(f) Restricted Securities as at 4 September 2017

The Company had the following restricted securities as at 4 September 2017 –

Security	Escrow Period
51,690,380 Fully Paid Ordinary Shares	Under escrow until 26 October 2017.

(g) Voting Rights

All fully paid ordinary shares carry one vote per ordinary share without restriction.

Unquoted options have no voting rights.

(h) On-Market Buy-Back

The Company is not currently undertaking an on-market buy-back.

(i) Corporate Governance

The Board of Black Mountain Resources Ltd is committed to achieving and demonstrating the highest standards of Corporate Governance. The Board is responsible to its Shareholders for the performance of the Company and seeks to communicate extensively with Shareholders. The Board believes that sound Corporate Governance practices will assist in the creation of Shareholder wealth and provide accountability. In accordance with ASX Listing Rule 4.10.3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly, information about the Company's Corporate Governance practices is set out on the Company's website at http://www.blackmountainresources.com.au/corporate/corporate-governance.aspx .

(j) Application of Funds

During the financial year, Black Mountain Resources Ltd confirms that it has used its cash and assets (in a form readily convertible to cash) in a manner which is consistent with the Company's business objectives.

Competent Persons Statement

The information included in this report that relates to historical mining data and exploration results is based on information compiled by Mr. James Baughman, a technical consultant to the Company. Mr. Baughman is a qualified geologist and has sufficient experience in exploration and mine development which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Baughman has reviewed this release and consents to the inclusion in the release of the matters based on his information in the form and context in which it appears.
The information for the Uganda projects in this report that relates to exploration planning, methodology, analysis and results has been compiled by Patrick Takaedza. Mr Takaedza is a full-time employee of Namekara Mining Company Ltd. Mr Takaedza is a member of the Australian Institute of Mining and Metallurgy. Mr Takaedza has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the JORC Code (2012). Mr Takaedza consents to the disclosure of the information in this report in the form and context in which it appears.

Mining Claim Schedule

Mining Tenement (Claim)	Reference (BLM Serial No.)	Interest Held
Namekara Mining Company Limited, Uganda		
MINING LICENSE 4651	ML 4651	100%
EXPLORATION LICENSE 1534	EL 1534	100%