

**BLACKGOLD INTERNATIONAL HOLDINGS
LIMITED**

(Incorporated in Australia)
ACN 145 095 478

**FINANCIAL REPORT
for the financial year ended 31 October 2014**

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BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

(Incorporated in Australia)
ACN 145 095 478

CORPORATE DIRECTORY

Directors

Mr Chi Ho (James) TONG
Non-Executive Chairman

Mr Yu Guo PENG
Executive Director & Group CEO

Mr Jun OU
Executive Director

Prof Guang Fu YANG
Independent Director

Mr John Wu ZHONGHAN
Independent Director

Ms Sophia WEI-HER
Independent Director

Company Secretary

Mr Simon Morris

Registered Office

Level 23, Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000
Australia

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Principal Office

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Share Registry

Link Market Services Limited
Ground Floor, 178 St Georges Terrace
Perth WA 6000
Australia

Australian lawyers

Kings Park Corporate Lawyers
Suite 8, 8 Clive Street
West Perth WA 6005
Australia

The Peoples Republic of China lawyers

Grandall Legal Group (Shanghai)
31/F, Nanzheng Building
580 Nanjing West Road
Shanghai 200041
China

Independent Geologists

Behre Dolbear
Level 18 Wheelock House
20 Pedder St., Central
Hong Kong

Al Maynard & Associates Pty Ltd
9/280 Hay Street
Subiaco WA 6008
Australia

Auditor

Crowe Horwath Perth
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Perth WA 6000
Australia

Crowe Horwath Kuala Lumpur Office
Level 16, Tower C
Megan Avenue II, 12 Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia

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CORPORATE GOVERNANCE STATEMENT

This Section summarises the main corporate governance practices that have been adopted by the Company at the time of lodgement of its Financial Report. In particular, the Board has adopted a Board Charter, an Audit Committee Charter, a Nomination and Remuneration Committee Charter, a Compliance Committee Charter, a Code of Conduct and a set of Board policies regarding continuous disclosure, shareholder communication and share trading to assist it to discharge its corporate governance responsibilities.

Unless disclosed below, all the Corporate Governance Principles and Recommendations (2nd Edition) of the ASX Corporate Governance Council have been applied for the entire financial year ended 31 October 2014.

Corporate governance policies and practices of the Company are reflective of the Company's current position and proposed activities. As the Company's activities develop in size, nature and scope, the Board will reconsider and review the Company's corporate governance structures.

Summary of Board Charter

The Board Charter explains the Company's commitment to corporate governance. The Board Charter sets out guidelines for the operation of the Board, and its membership. The role of the Board as set out in the Board Charter is to oversee the management of the Company. For the Board to achieve this, it must appoint appropriately skilled management and delegate sufficient powers to management to allow them to manage the Company's business effectively. The Board Charter provides that the Board will decide and review on a regular basis (at least annually) what it will delegate to management and what it will reserve for itself. The Board will generally set the limits of management's authority and establish delegation guidelines by:

- i. agreeing to a statement of matters that are reserved for the Board;
- ii. approving a statement of delegations (to Board subcommittees and management); and
- iii. formulating the Chief Executive Officer's and other executive employees position descriptions.

The Board Charter describes the division of the responsibilities between the Chairman and the Chief Executive Officer. The Board Charter sets out the criteria used by the Board when considering whether a director is independent.

Any Director may obtain independent legal, accounting and commercial advice as the Director, acting reasonably, thinks necessary or desirable to permit him or her to fully and effectively discharge his or her duties and responsibilities as a member of the Board. The Company will pay for the cost and expense for this independent professional advice, provided that if the cost of such advice exceeds \$5,000, prior written approval of the Chair has been obtained.

The Board will, at least annually, discuss and analyse its own performance during the year, including suggestions for change or improvement and the Chair will separately meet with each non-executive director to discuss individual performance and ideas for improvement.

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Board Composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors' report.

The names of independent directors of Blackgold International Holdings Limited ("the Company") who held office during the financial year and as at the date of this report are:

Ms Sophia Wei-Her
Mr John Wu ZhongHan
Professor Guang Fu Yang

When determining whether a non-executive director is independent the Board will have regard to whether the director or an immediate family member has any of the following relationships:

- i. is a substantial shareholder of the Company or an officer of a substantial shareholder of the Company or otherwise directly associated with a substantial shareholder of the Company;
- ii. within the last three years been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- iii. within the last three years been a principal of a material professional adviser; material consultant to the Company or another group member; or an employee materially associated with the service provided by such adviser or consultant to the Company; or
- iv. is a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer of the Company.

Independent directors have the right to seek independent professional advice in the furtherance of their duties as directors at the Company's expense. Written approval must be obtained from the chair prior to incurring expense in excess of \$5,000 on behalf of the Company.

The names of the members of the audit committee and nomination and remuneration committee and their attendance at meetings of the committee are detailed in the directors' report.

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CORPORATE GOVERNANCE STATEMENT

Ethical Standards / Code of Conduct

The Board acknowledges and emphasises the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

The Code of Conduct sets out standards of conduct that employees, contractors, managers, officers and directors ("personnel") of the Company and its controlled entities are expected to meet.

The objective of the Code of Conduct is to ensure:-

- i. compliance with all relevant legislation;
- ii. the reasonable expectations of the communities in which the Company operates are fulfilled, by acknowledging the rights of various stakeholders;
- iii. high standards of corporate and individual behaviour are observed by all personnel;
- iv. personnel are aware of their responsibilities to the Company under their contracts of directorship or employment; and
- v. all persons dealing with the Company, whether it is personnel, shareholders, suppliers, customers or competitors can be guided by the stated values of the Company.

The Code of Conduct sets out directives for personnel relating to conflicts of interest, protection of the Company's assets and confidentiality.

The Code of Conduct also sets out directives for personnel relating to business hospitality and prohibited payments and political involvement and donations.

Trading Policy

The Company has adopted a Share Trading Policy. The Share Trading Policy regulates dealings by Directors, officers and employees in securities issued by the Company.

The Share Trading Policy imposes basic trading restrictions on all employees of the Company who possess inside information and additional trading restrictions set by the Company. The restrictions have been imposed to prevent any contraventions of the insider trading provisions of the Corporations Act. A copy of the Company's Share Trading Policy was lodged with the ASX on 17 February 2011.

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Audit Committee

The Board has established an Audit Committee. The Board further formalised this arrangement and adopted a formal Audit Committee Charter to govern the responsibilities, structure and conduct of the Audit Committee, a copy of which is available on the Company's website.

The role of the Audit Committee is to assist the board in fulfilling its corporate governance and oversight responsibilities in relation to the group's financial reporting, internal control structure, risk management processes and external audit functions. In doing so, it will endeavour to maintain free and open communication between the Committee, external auditors, the Board, and management of the Group.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Group and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

The Committee is to consist of a minimum of three members and currently consists of four members three of which are non-executive directors. Details of the Committee members and their skills and experience are detailed below and in the Director's report.

It is the Company's policy for the lead engagement partner or a partner delegate of our auditors to be present at the Annual General Meeting to answer questions about the conduct of the audit and the preparation and content of the auditor's report.

The Audit Committee is assisted in its role by an internal audit team.

Continuous Disclosure Policy and Shareholders Communication Policy

The Board has adopted a Shareholders Communication Policy and a Continuous Disclosure Policy to ensure appropriate disclosure of information to its Shareholders and to the market in accordance with its obligations to the public and continuous disclosure obligations imposed by the Corporations Act and the Listing Rules.

Under the Shareholders Communication Policy, the Board is primarily responsible for monitoring all company disclosure practices. Under the Continuous Disclosure Policy the Company Secretary is designated as the disclosure officer responsible for reviewing potential disclosures and deciding what information should be disclosed.

The Shareholders Communication Policy and Continuous Disclosure Policy contain information on external communication for the purpose of protecting the Company's price sensitive information.

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Performance Evaluation

An annual performance evaluation of the Board and all Board members was conducted by the Board for the year ended 31 October 2014. The chairman has spoken to the directors regarding their role as director.

Board Roles and Responsibilities

The Board is first and foremost accountable to provide value to its shareholders through delivery of timely and balanced disclosures.

The role of the Board and the key senior executives are set out in the Company's Board Charter which the Company intends to make available on its website.

The Board is ultimately responsible for ensuring its actions are in accordance with key corporate governance principles.

Shareholder Rights

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors and changes to the constitution. Shareholders are also entitled to the receipt of annual and interim financial statements. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of Blackgold International Holdings Limited, to lodge questions to be responded by the Board and/or the CEO, and are able to appoint proxies.

Risk Management

While preparing for its proposed dual listing, the Company's business risk factors have been discussed and highlighted. The Company has also engaged a suitable risk management consultant to carry out an assessment of the Company's business risks. As the company is still evaluating the feasibilities of newly intended business, the Board has deferred adoption of a Risk Management Policy until this is finalised.

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Remuneration Policies

The Board has not adopted a formal remuneration policy. All executives receive a base salary. The Board will review executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The Group's remuneration practice is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

The amount of remuneration for all key management personnel for the Company, including all monetary and non-monetary components, are detailed in the Directors' report under the heading 'Remuneration Report'. All remuneration paid to executives is valued at the cost to the Company and expensed.

The Board expects that the remuneration structure implemented will result in the Company being able to attract and retain the best executives to run the Group. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

Nomination and Remuneration Committee

The Board has established a Nomination and Remuneration Committee. The Board further formalised this arrangement and adopted a formal Nomination and Remuneration Committee Charter to govern the responsibilities, structure and conduct of the Nomination and Remuneration Committee, a copy of which is available on the Company's website.

The role of the Nomination and Remuneration Committee is to assist the board with the selection and appointment of Directors who are able to meet the needs of the Company and the ongoing evaluation and review of the performance of the board and to support the Board in designing and executing responsible remuneration and human resource structures, policies and procedures which attract, motivate and retain high performing directors, executives and key employees who will be best able to contribute to the ongoing success of the Company and remuneration structures designed within the appropriate control frame work.

The Nomination and Remuneration Committee is to consist of a minimum of two members and currently consists of five members of whom a majority are non-executive and independent directors. Details of the Committee members and their skills and experience are detailed below and in the Director's report.

There are no schemes for retirement benefits other than statutory superannuation for non-executive directors.

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“If Not, Why Not” report

The Board sets out below its “if not, why not” report. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from the recommendation, the Board has offered disclosure and reason for the adoption of its own practice.

Recommendation 1.1

Companies should establish the functions reserved for the Board and those delegated to senior executives and disclose those functions.

Disclosure:

The functions reserved for the Board and those delegated to senior executives are set out in the Board Charter which is available on its website. The matters reserved for approval by the Board include:

- (a) corporate governance / risk management matters:
 - (i) actions or transaction which might involve a question of legality or propriety;
 - (ii) policy and procedure for legislative and legal compliance;
 - (iii) risk management policies;
 - (iv) donations and sponsorships above approved limited;
 - (v) all political donations;
 - (vi) use of the Company seal and authority for directors to sign on behalf of the Company;
 - (vii) determine all policies governing the Group; and
 - (viii) review the effectiveness and functions of board committees as required;
- (b) shareholder relationships:
 - (i) arrangements for annual and other shareholder meetings; and
 - (ii) approval of all ASX announcements, press releases and presentations.

The chairman is responsible for leadership of the Board, for the efficient organisation and conduct of the Board's function and for the briefing of all directors in relation to issues arising at Board meetings.

The chief executive officer is responsible for co-operatively developing, with the Board for ratification, a strategic plan for the business units and the Company as a whole, with appropriate financial and non-financial performance indicators.

Recommendation 1.2

Companies should disclose the process for evaluating the performance of senior executives.

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Disclosure:

The Group Chief Executive Officer is responsible for evaluating senior executives via informal meetings held with each executive at least once a year, and more frequently if required. The Board is responsible for evaluating the Group Chief Executive Officer by informal meeting.

Recommendation 1.3

Companies should provide the information indicated in the Guide to reporting on Principle 1.

Disclosure:

A summary of the Company's Board Charter is set out above under the title "Summary of Board Charter". A copy of the Company's Board Charter is available on its website.

The Board recognises the importance of ensuring that the performance of the Board and senior executives is reviewed regularly against appropriate measures. [There is one such evaluation planned before the Board meeting]

Recommendation 2.1

A majority of the board should be independent directors.

Departure:

Three of the Company's six Directors are independent Directors. John Wu ZhongHan, Sophia Wei-Her and Prof Guang Fu Yang are independent non-executive Directors. Chi Ho (James) Tong, Yu Guo Peng and Jun Ou are not independent Directors.

The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has appropriate industry experience and specific expertise relevant to the Company's business and level of operations.

The Board considers that its structure and size is, and will continue to be, appropriate in the context of the Company's strategic plans. The Company considers that the non-independent Directors possess the skills and experience suitable for managing the Company. The Board will monitor its composition and will appoint additional independent Directors as it deems appropriate.

All directors are aware that they are required to bring an independent judgment to bear on Board decisions. Where a potential conflict of interest may arise, involved Directors must, unless the remaining Directors resolve otherwise, withdraw from deliberations concerning the matter. Further each Director has the right to seek independent professional advice at the expense of the Company.

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Recommendation 2.2

The Chair should be an Independent director.

Departure:

The Chair is not an independent Director. The Chairman of the Board is Mr Chi Ho (James) Tong. Mr Tong is not an independent director because Prima Network Financial Group Limited, a company which Mr Chi Ho (James) Tong controls, is a substantial shareholder of the Company. While he is not an independent Director, his role in the Company is non-executive. Whilst the Board recognises the importance of independence in decision making, it believes that Mr Chi Ho (James) Tong to be the most appropriate person to act as Chair.

Recommendation 2.3

The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.

Disclosure:

The Chief Executive Officer is Mr Yu Guo Peng who is not the Chairman of the Board.

Recommendation 2.4

The Board should establish a Nomination Committee.

Disclosure:

The Board has established a separate Nomination and Remuneration Committee. The Company recognises that a formal and transparent procedure for the selection and appointment of new Directors helps promote understanding and confidence in that process.

The Committee currently consists of five members of whom a majority are independent and non-executive directors. The Committee members are as follows:

Nomination and Remuneration Committee	
Chairman	Professor Guang Fu Yang
Member	John Wu ZhongHan
Member	Sophia Wei-Her
Member	Chi Ho (James) Tong
Member	Jun, Ou

The Chair of the Committee is Professor Guang Fu Yang. Prof Yang is an independent Director.

Further information as to the responsibilities, structure and conduct of the Nomination and Remuneration Committee is contained in the Nomination and Remuneration Committee's Charter, a copy of which is available on the Company's website.

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CORPORATE GOVERNANCE STATEMENT

Recommendation 2.5

Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.

Disclosure:

The Chairman of the Board is responsible for evaluating the performance of individual Directors. The Chairman will informally meet with each Director at least once a year, and more frequently if required, for this purpose. The entire Board will discuss and analyse its own performance during the year. There will be an evaluation form where the Chairman will get the Directors to evaluate each other and then send back to him. The Chairman will do a person talk with individual Directors if the scope is of a concern.

Recommendation 2.6

Companies should provide the information indicated in the Guide to reporting on Principle 2.

Disclosure:

A profile of each Director containing their skills, experience, expertise and term of office is set out in the financial report.

Executive Directors consist of the CEO and Mr Ou, who are familiar with the operations in China. Non-Executive Directors consist of various professions who business acumen and understand the listing rules and reporting standards in places where the Company operates.

Mr John Wu ZhongHan, Ms Sophia Wei-Her and Prof Guangfu Yang are independent. These directors are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

Independence is measured having regard to the relationships set out in the Company's Board Charter and the Company's materiality thresholds.

Any Director may obtain independent legal, accounting and commercial advice as the Director, acting reasonably, thinks necessary or desirable to permit him or her to fully and effectively discharge his or her duties and responsibilities as a member of the Board. The Company will pay for the cost and expense for this independent professional advice, provided that if the cost of such advice exceeds \$5,000, prior written approval of the Chair has been obtained.

Under the Board Charter, the Board is responsible for the appointment of directors. The Company's Constitution states that there must be a minimum of three directors and contains detailed provisions concerning the tenure of directors. A director, other than the chief executive officer (if they are also appointed a director) may not hold office for more than three years without submitting himself/herself for re-election. An election of directors is to occur at each annual general meeting of the company and the particular directors who are to retire or to stand for re-election at any particular annual general meeting are those who have been longest in office.

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CORPORATE GOVERNANCE STATEMENT

Recommendation 3.1

Companies should establish a code of conduct and disclose the code or a summary of the code as to: (i) the practices necessary to maintain confidence in the company's integrity; (ii) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and (iii) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure:

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Code of Conduct is summarised above in the section titled "Ethical Standards". A copy of the policy is available on the Company's website.

Recommendation 3.2 and 3.3

Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Departure:

Diversity includes, but is not limited to gender, age, ethnicity and cultural background. The Company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent.

Whilst the Company has not yet formally adopted a Diversity Policy, the Company recognises that a talented and diverse workforce is a key competitive advantage and that success is a reflection of the quality and skills of its people. Diversity assists the business in achieving its objectives and delivering for its stakeholders by enabling it to attract and retain the most qualified and experienced individuals to the workforce.

The Company's general policy when choosing employees is to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background.

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The Company's workforce gender profile				
	Female	Female %	Male	Male %
The Company's workforce gender profile	54	5%	1,031	95%
The Company's Board of Directors gender profile	1	17%	5	83%

Recommendation 3.4

Companies should disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the board.

Disclosure:

At present, given the size of the Company and its operations, it currently has one women present on its Board (Mr Sophia Wei-Her) and other than this, does not have any women in senior executive positions. The Company will continue to monitor this matter as the Company and its operations grow and expand.

Please refer above for details of the number and portions of women employees with the organisation.

Recommendations 4.1 and 4.2

The board should establish an audit committee.

The audit committee should be structured so that it: (i) consists only of non-executive directors ; (ii) consists of a majority of independent directors; (iii) is chaired by an independent chair, who is not chair of the board , and (iv) has at least three members.

Disclosure:

The Board has established a separate Audit Committee. The committee structure complies with the abovementioned recommendations.

The Committee currently consists of four members of whom the majority are independent non-executive directors. The current Committee members are as follows:

Audit Committee	
Chairman	Mr John Wu ZhongHan
Member	Chi Ho (James) Tong
Member	Sophia Wei-Her
Member	Professor Guang Fu Yang

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Departure (Cont'd):

The Audit Committee is chaired by Mr John Wu ZhongHan who has a master's of Commerce degree in Finance, a Bachelor's degree in Business and Information Management, also a Chartered Global Management Accountant (CGMA) and is a member of CPA Australia and the Chartered Institute of Management Accountants of the United Kingdom. The Committee currently consists (i) of only non-executive directors; (ii) consists of a majority of independent directors; (iii) is chaired by an independent chair, who is not chair of the board, and (iv) has four members.

All directors are aware that they are required to bring an independent judgment to bear on committee recommendations and Board decisions. Where a potential conflict of interest may arise, involved members must, unless the remaining members resolve otherwise, withdraw from deliberations concerning the matter.

Recommendation 4.3

The audit committee should have a formal charter.

Disclosure:

The Company has adopted an Audit Committee Charter a summary of which is included above under the section "Audit Committee Charter". A copy of the charter is available for inspection on the Company's website.

Recommendation 4.4

Companies should provide the information indicated in the Guide to reporting on Principle 4.

Disclosure:

As stated above, on 18 March 2011, the Company established an Audit Committee to assist the Board. Up until this time, the full Board (except Mr Yu Guo Peng) performed the role of the Audit Committee. The qualifications of the Directors are set out in the financial report.

The Audit Committee assists the Company to oversee the process for the appointment, re-appointment, and removal of the external auditors.

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CORPORATE GOVERNANCE STATEMENT

Recommendations 5.1 and 5.2

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. Companies should provide the information indicated in the Guide to reporting on Principle 5.

Disclosure:

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance. These are summarised above under the section titled "Continuous Disclosure Policy and Shareholders Communication Policy". A summary of these policies are available on the Company's website.

Recommendations 6.1 and 6.2

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. Companies should provide the information indicated in the Guide to reporting on Principle 6.

Disclosure:

The Company had adopted a Shareholders' Communication Policy. A summary of this policy can be found on the Company's website.

Recommendation 7.1

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Departure:

The Company has not established formal policies for the oversight and management of material business risks. As noted above in the section titled "Risk Management", the Company has engaged a suitable risk management consultant to carry out an assessment of the Company's business risks. The Board has deferred adoption of a Risk Management Policy until all newly intended business segment have been reviewed.

Although the Board has not adopted a formal risk management policy, the Board has implemented the following procedures to manage material risks the Group is exposed to (i) the Board delegates day-to-day management of risks to the Group Chief Executive Officer; (ii) the Group Chief Executive Officer is required to report on the progress of, and on all matters associated with risk management. The Group Chief Executive Officer is to report to the Board material business risks before taking up material new acquisitions and update the Board if material risk occurs. The Board has also established a number of Committee's to assist in identifying and managing material business risks, ie the Audit Committee, internal audit team and Compliance Committee.

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The Board considers the implementation of the above practices, in the absence of a formal written policy, to be sufficient and adequate at this time given the scope, scale and size of the Group's operations.

Recommendation 7.2

The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

Departure:

The Board delegates day-to-day management of risks to the Group Chief Executive Officer, and he is to report to the Board as to the effectiveness of the Company's management of its material business risks.

Recommendation 7.3

The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:

In preparing its annual report to Shareholders, the Company requires the Group Chief Executive Officer and the Chief Financial Officer to ensure that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Recommendation 7.4

Companies should provide the information indicated in the Guide to reporting on Principle 7.

Disclosure:

The Company's disclosures and explanation for departure are set out above.

Recommendation 8.1 and 8.2

The board should establish a remuneration committee.

The remuneration committee should be structured so that it (i) consists of a majority of independent directors, (ii) is chaired by an independent chair and (iii) has at least three members.

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CORPORATE GOVERNANCE STATEMENT

Disclosure:

The Board has established a separate Nomination and Remuneration Committee.

The Committee currently consists of five members of whom a majority are independent and non-executive directors. The Committee members of the committee currently are as follows:

Nomination and Remuneration Committee	
Chairman	Professor Guang Fu Yang
Member	John Wu ZhongHan
Member	Sophia Wei-Her
Member	Chi Ho (James) Tong
Member	Jun Ou

The committee is chaired by Professor Guang Fu Yang. It consists (i) mainly of non-executive directors with the exception of Mr Jun Ou; (ii) consists of a majority of independent directors; (iii) is chaired by an independent chair, who is not chair of the board, and (iv) has five members.

Disclosure (Cont'd):

Further information as to the responsibilities, structure and conduct of the Nomination & Remuneration Committee is contained in the Committee's Charter, a copy of which is available on the Company's website.

Recommendation 8.3

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Disclosure:

Details of directors' remuneration are set out in the financial report.

Non-executive Directors will be paid lump sum director's fees for time, commitment and responsibilities, subject to obtaining shareholder approval. Fees for non-executive Directors are not linked to individual performance.

Executive directors will be paid a salary under an employment contract. Senior executives are paid a base salary, and performance incentives where appropriate.

Recommendation 8.4

Companies should provide the information indicated in the Guide to reporting on Principle 8.

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

(Incorporated in Australia)
ACN 145 095 478

CORPORATE GOVERNANCE STATEMENT

Disclosure:

As stated above, on 18 March 2011, the Company has established a separate Nomination and Remuneration Committee to assist the Board. Up until this time, the full Board performed the function of the Remuneration Committee.

There is no retirement benefit for non-executive Directors (other than for superannuation).

The Company has not established a written policy to prohibit transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

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DIRECTORS' REPORT

The directors present their report, together with the financial statements of the Group, being Blackgold International Holdings Limited and its controlled entities, for the financial year ended 31 October 2014.

Principal Activities and Significant Changes in Nature of Activities

The principal activity of the Group is the mining of coal (from its Caotang, Heiwan and ChangHong mines), the trading of coal and shipping transportation.

On 19 November 2014, the Company announced that it had entered into a binding term sheet with Vibrant Group Limited (SGX: VIGB) under which:

- The Company issues convertible bonds to Vibrant's wholly owned subsidiary, LionHeart Holding Group Corp ("LHGC"), with a total face value of up to SGD25million; and
- The Company grants LHGC the right to nominate a Singapore Exchange ("**SGX**") Mainboard listed entity ("**SGX Listco**") to purchase Blackgold's Hong Kong subsidiary (which holds the group's Chinese operating assets) under a transaction that would see Blackgold's assets listed on SGX Mainboard and, subject to applicable laws and required approvals, Blackgold's shareholders holding shares traded on SGX ("**RTO**").

Proceeds raised under the bond issue will be used for acquisitions and to supplement existing working capital

On 2 September 2014, Chongqing Guoping Shangmao Industrial Co., Ltd. ("Shangmao"), a wholly owned subsidiary of Chongqing Heijin Industrial Co., Ltd ("Heijin") and Blackgold Holdings HongKong Ltd ("Blackgold Hong Kong"), which is in-turn wholly owned by Blackgold International Holdings Limited ("the Company"), incorporated a new subsidiary, Chongqing Blackgold Mining Limited ("**CQBG**") with an intention to hold all the mines under a common entity in FY2015. The formation of this entity has no financial impact to the Group.

On 9 July 2014, the Company announced a non-renounceable pro-rata entitlement offer of 1 new option (exercisable at AUD0.08 on or before 31 July 2016) for every 10 existing shares held by eligible shareholders at an issue price of AUD0.001 per option (**Offer**). All options under the offer is now fully taken up.

On 24 April 2014, the Group announced an updated JORC Independent Technical Review report ("ITR") of the coal mining properties of its 4 mines, which indicated that the JORC-compliant aggregated of probable and proven coal reserves of the Caotang Mine, Baolong Mine, Changhong Mine and Heiwan Mine was 100.6Mt as at 1 November 2013.

Other than the above, there have been no significant changes in the nature of these activities during the financial year.

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DIRECTORS' REPORT

Operating Results and Review of Operations for the Year

Operating Results

The consolidated profit of the consolidated group amounted to AUD4.967 million after providing for income tax. This included an impairment loss recognised on mine development and property, plant and equipment of AUD21.455 million. This represented a 90.0% decrease on the results reported for the year ended 31 October 2013. The general weakening of coal prices, coupled by a reduction in production in FY2014 resulted in a lower profit this year. Further discussion on the Group's operations is provided below.

Review of Operations

i. Mining operations

Blackgold produced approximately 994,954 tonnes of raw coal in FY2014, primarily at the Caotang and Heiwan Mines. Total production in FY2014 was approximately 42.2% lower than the 1,721,618 tonnes achieved in FY2013.

ii. Trading

Our trading arm had sold approximately 3.2 MT of coal in FY2014, a slight increase of 2.4% when compared to that sold in FY2013.

iii. Shipping Transportation

The rental of 4 barges ended in March 2014. After these barges were returned to their owners, GPST continued to operate with its current owned fleets. This reduced its maximum transportation capacity to approximately 43,000 tonnes.

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Operating Results and Review of Operations for the Year

Review of Operations (Cont'd)

In FY2014, the Group stopped its secondary listing exercise on the Singapore Stock Exchange ("SGX"), writing off another A\$1.0 million.

After deducting these expenses, net profit for the period attributable to members was AUD25.5 million, or 49.0% lower than that achieved in FY2013.

Financial Position

The net assets of the consolidated group have increased by AUD17.790 million, or 9.7% from 31 October 2013 to AUD202.019 million in 2014. This increase is largely due to the continued profits and a weaken Australian dollar against Chinese Renminbi. The Group's operations and assets were essentially in China, the currency change resulted in an increase in foreign currency translation reserve of approximately AUD12.734 million.

Despite a strong profit recorded in FY2013, the Group's working capital had deteriorated to a deficiency of AUD49.318 million as at 31 October 2014, as compared to a deficiency of AUD34.447 million as at 31 October 2013, mainly due to the continuous investment in mine development expenditure and purchase of property, plant and equipment.

Outstanding deferred consideration for the acquisition of GPST was AUD 0.433 million as at 31 October 2014 (FY2013: AUD18.1 million, or RMB 105 million).

As the investment in fixed assets and mine development is controlled by the Group, the directors believe that the Group is in good control over future production levels.

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Changes in controlled entities, associates and divisions:

On 2 September 2014, Shangmao, a wholly owned subsidiary of Heijin and Blackgold Hong Kong, which is in-turn wholly owned by the Company, incorporated a new subsidiary, **CQBG**, with an intention to hold all the mines under a common entity in FY2015. The formation of this entity has no financial impact to the Group.

Dividends

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial year.

Significant Events After The Financial Year

The significant events occurring after the reporting period are as follows:-

- (a) On 19 November 2014, the Company announced that it has entered into a binding term sheet with Vibrant Group Limited ("Vibrant") under which:
- The Company issues convertible bonds to Vibrant's wholly-owned subsidiary, LionHeart Holding Group Corp ("LHGC"), with a total face value of up to SGD25.000m; and
 - The Company grants LHGC the right to nominate a Singapore Exchange ("SGX") Mainboard listed entity to purchase the Company's wholly-owned subsidiary, BHHK (which holds the group's Chinese operating assets) under a transaction that would see the Company's assets listed on SGX Mainboard and, subject to applicable laws and required approvals, the Company's shareholders holding shares traded on SGX (RTO).
- Proceeds raised under the bond issue will be used for acquisitions and to supplement existing working capital.
- (b) On 2 December 2014, the Board approved to transfer all shares held by Heijin in Coal Washing, Baolong and Changhong to Blackgold Mining.

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Significant Events After The Financial Year (Cont'd):

- (c) On 9 December 2014, the Company announced that it has entered into a Definitive Agreement with respect to the SGD25.000m convertible bond issue previously announced to ASX on 19 November 2014. In addition to the terms previously announced, the bonds will be redeemed for cash in the event the Company commits an event of default (being events typical for a transaction of this nature) that cannot be remedied.

The Company will rely upon its existing 15% capacity for the conversion of tranche 1, and will seek shareholder approval for conversion of tranche 2 (if required).

Completion of the first tranche (with a face value of SGD15.000m) of the bond issue is due to occur on 11 December 2014.

- (d) On 30 December 2014, the Company entered into a binding Heads of Agreement ("HOA") with Matex International Limited ("Matex"), a company incorporated under the laws of Singapore and listed on the Mainboard of the Singapore Exchange Securities Trading Limited (SGX-ST). Matex will purchase the Company's wholly-owned subsidiary, BHHK, for a total purchase price of SGD475.000m ("Proposed Acquisition") on the terms of the sale and purchase agreement to be entered into by the Company and Matex.

BHHK holds all of the Company's assets (other than cash). The HOA follows LHGC exercising a right to nominate a SGX listed entity to acquire BHHK.

The purchase price consists of (i) SGD25.000m cash; and (ii) subject to any adjustment in the purchase price, 2,406,417,112 ordinary shares in Matex to be issued based on a pre-consolidation issue price of SGD0.187 per share ("Consideration Shares") as follows:-

- (i) such number of Consideration Shares representing 25% of the aggregate number of Consideration Shares to be issued to LHGC in connection with an agreement with Vibrant with respect to the SGD25.000m convertible bond issue previously announced to ASX on 19 November 2014 and 9 December 2014;
- (ii) such number of Consideration Shares representing 6% of the aggregate number of Consideration Shares to be issued to Portman Capital Development Limited, consultants to the Company; and
- (iii) the balance of the Consideration Shares to be issued to the Company, which will be distributed to the Company's shareholders by way of an equal capital reduction in accordance with the Corporation Act and the ASX Listing Rules and subject to compliance with all applicable laws, rules and regulations ("Proposed Distribution").

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Significant Events After The Financial Year (Cont'd):

- (e) Subsequent to year end, the Group has letter of credit of RMB71.430m and bank factoring facility of RMB50.000m which has expired in 15 November 2014 and 13 January 2015 respectively. Meanwhile, the short term loans totalling RMB197.600m have been renewed with RMB36.440m expiring in March 2015, RMB10.820m expiring in April 2015, RMB125.340m expiring in May 2015 and RMB25.000m expiring in July 2015. In addition, the Group has the letters of credit and bill payables totalling RMB399.940m expiring at various stages between January 2015 and July 2015.

Future Developments, Prospects and Business Strategies

To further improve the Group's profit and maximise shareholder wealth, the growth strategy includes:-

- i. expanding existing production capacity of the three existing mines;
- ii. acquiring other viable coal mines in the vicinity of the existing mines. The Company has already identified some potential acquisition targets;
- iii. analysing the feasibility and possibility of a direct integration of possible complimentary and/or downstream business such as blending of coal and others; and
- iv. expanding the scale and scope of the Group's coal trading business to include the importation of coal for sale in China from other coal producing countries.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

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JORC Code compliant Reserves and Resources

The Group currently owns four existing underground thermal coal mines, the Caotang Mine and the Heiwan Mine in Fengjie Country, Chongqing, the Baolong Mine in Wushan County, Chongqing and the Changhong Mine in the area bordering Xishui County of Guizhou and QiJiang County of Chongqing, all in the People's Republic of China (**PRC**).

As announced on 24 April 2014, Blackgold's four mines have a combined 2012 JORC Code compliant Proved and Probable Reserves of 100.7 million tonnes¹. Whilst the coal quality on the Company Properties varies within each seam, the seams generally contain low-high sulfur and high heating value anthracite coal. The table below shows the average coal quality of the proved and probable reserves at each of Blackgold's mines:

Average Raw Coal Quality of the Reserve						
Mine	Moisture (%)ad	Ash (%)ad	Volatile Matter (%) ad	FC (%) ad	Sulfur (%) ad	CV (kcal/kg) ar
Caotang	0.63	33.53	7.07	59.32	0.47	4,965
Heiwan	0.76	26.53	6.92	65.56	0.74	5,630
Baolong	0.58	28.39	6.87	62.39	0.57	5,494
Changhong	0.49	18.02	8.89	67.4	2.64	6,788

The data indicates that the majority of Blackgold's coal is anthracite coal, with dry volatile matter contents ranging from 1% to 10%. The dry ash contents of certain raw coal quality indicate that beneficiation (coal washing) prior to utilization will be required in a number of instances.

A summary of each mines' respective Reserves is detailed below. Reserves have been depleted through mining activities and as such, the tables below do not account for depletions after the effective date.

Please refer to ASX Announcement dated 24 April 2014 for full details of the Reserve estimate. This information was prepared under the JORC Code 2012 Edition. The Company is not aware of any new information or data that materially affects the information included above and, in the case of estimates of mineral resources and ore reserves, confirms that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

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JORC CODE COMPLIANT DATA FOR BLACKGOLD COAL PROPERTIES AS OF 1 NOVEMBER 2013 ¹									
Mine	Reserve Category			Raw Coal Quality					
	Proved	Probable	Total	Moisture (%) ad	Ash (%) ad	Volatile Matter (%) ad	FC (%) ad	Sulfur (%) ad	CV (kcal/kg) ar
Caotang	19.9	3.4	23.3	0.63	33.53	7.07	59.32	0.47	4,965
Heiwan	1.9	0.5	2.4	0.76	26.53	6.92	65.56	0.74	5,630
Baolong	29.8	26.4	56.2	0.58	28.39	6.87	62.39	0.57	5,494
Changhong	12.0	6.7	18.7	0.49	18.02	8.89	67.40	2.64	6,788
Total	63.7	37.0	100.7						

Note: These reserves are estimated in compliance with the JORC Code 2012 Edition. Since mining has occurred, the "Reserves and Resources Base" is being slowly depleted. The deliverable CV of these reserves is between 4,500-7,000kcal/kg

The Company intends to upgrade the identified Inferred Resources of 42 Mt (32 Mt at Baolong and 10 Mt at Changhong) by future drilling in order to replace reserves depleted by mining activities.

Environmental Issues

The Group's operations are subject to extensive national, provincial and local governmental regulations, policies and controls in the Peoples Republic of China.

The Group currently complies with all environmental requirements at national, provincial and at local government level in the PRC.

Comparison with previous year's estimates

There is no significant difference between the 2 years' reserves except for normal production in FY2014.

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Governance arrangements and internal controls

The Company has ensured that the Ore Reserve and Mineral Resource estimates quoted above are subject to governance arrangements and internal controls. A summary of the procedures and parameters for coal estimation is outlined below.

As advised by Al Maynard & Associates (AM&A), all the sampling, both underground drilling and underground channel sampling, that the resource estimates are based on were collected following JORC-compliant procedures that ensured representative and unbiased samples were obtained with appropriate QA/QC practices in place. Sampling in both of the campaigns was directly collected or supervised by the competent person from AM&A. The surface drill sampling was previously conducted by licensed state-owned geology brigades in China, and was reviewed by AM&A and found to generally meet the JORC-compliant requirements.

The underground coal seam channel samples were collected based on the 10cm wide and 5cm deep channel, taken perpendicular to the coal seam strike. The samples were packed with the thick plastic bags and then directly shipped to the International Organisation for Standardisation "ISO" accredited SGS Laboratory in Tianjing, China for the coal quality test.

Both underground and surface drilling was conducted by licensed state-owned geology brigades. The HQ and NQ cores were drilled for the surface and underground drilling respectively. The core recoveries of the coal seams are generally good and greater than 85%. All the coal seam cores were logged and sampled by the qualified geologists on site and supervised by the competent person from AM&A. The core samples were bagged with the thick plastic bags and then directly shipped to the ISO accredited SGS Laboratory in Tianjing, China for the coal quality determinations.

The SGS Laboratory uses standard coal testing procedures as specified by American Standards for Testing of Materials (ASTM D5291). The tests and analyses were designed primarily to evaluate the coal seams as a source of thermal coal. The detail description for the test method can be found on the websites of www.astm.org and www.sgs.com.

The SGS Tianjing Laboratory, China is fully independent of Blackgold and its mining property. Such laboratories receive a fee for services at normal commercial rates and on customary payment schedules.

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Data Verification

A suite of four channel samples from the Caotang Mine were collected along with five “product” samples from stockpiles using a spear for comparison assays between the local laboratory at Fengjie and an ISO accredited SGS laboratory in Tianjin. A similar set of samples were collected at Heiwan Mine.

A statistical analysis of all results from both mines does not have meaningful correlation for any of the assayed parameters, and, as a general statement, the ISO accredited results have better quality than the Fengjie laboratory where the initial exploration and mine samples were analyzed. This could be due to slightly different operating standards and temperatures to those required at ISO accredited facilities; however, Behre Dolbear believes this finding places an element of conservatism to earlier documented Chinese assay results and any ongoing estimates.

Estimation and Reporting of Mineral Resources

All the resources were estimated by gridding the sampling data with MineMap© software using an Inverse Distance Squared (ID²) algorithm by an experienced JORC competent person.

Channel sample results or the detailed geological logs of drill holes were incorporated where possible with seam intersections thicknesses. Summary cross sections are available and were used to help obtain seam volumes. From seam to seam, the minimum seam height criterion ranges from 0.25m to 0.40m and from seam to seam the maximum ash content criterion ranges from 40% to 50% ash.

Measured Resources have been defined as those within a maximum search radius of 500m from a sample point. The volume from the Measured Resource estimate was then discounted by mining factors such as mining and pillar losses for the Proven Reserve.

Indicated Resources have been defined as the Indicated Resources within a 500m to 1,000m search radius of a sample point around the Measured Resources where the Indicated Resource estimate was discounted by mining factor such as mining and pillar losses for the Probable Reserves.

Inferred Resources have been defined as the resources within a 1,000m to 2,000m search radius of a sample point. Any remaining potential coal along strike and down dip but outside the 2,000m envelope within the Mining Permits and confined within the outcrop of the mapped coal seams was then classified as an Exploration Target with its volume discounted to 80%.

The coal volumes were estimated by gridding the coal seam limits, *i.e.*, within the tenement boundary and the mapped outcrop, using 20m × 20m cells in MineMap© software. The coal qualities and thickness were interpolated into the cells using an inverse distance squared (ID²) algorithm. Two interpolation passes were done, the first with a 4,000m search radius then the second with a 1,000m search radius. The first pass allowed all the model cells to be filled (for Target Mineralization) while the second pass was used for resource estimation.

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Estimation and Reporting of Mineral Resources (Cont'd)

The Resources that have been sampled or drilled at least 6 points and within 500m of a sample point were considered to be Measured, between 500m and 1,000m were considered to be Indicated, between 1,000m and 2,000m were considered to be Inferred, and beyond 2,000m were considered to be target mineralization. If the seam was sampled at 2 to 6 points, the coal within 500m of a sample point was considered as Indicated, coal within 500m to 1,000m was considered as Inferred, and any coal beyond 1,000m was considered to be target mineralization.

The volume was calculated by multiplying the area of the coal modeled by the average modeled thickness. This volume was then multiplied by 1.5 (the assumed specific gravity of the coal in place) to calculate the tonnes.

One parameter in the model was reserved for marking if the cell was within the mined out area as digitized from the maps supplied.

JORC-compliant Resources

Behre Dolbear Asia (BDA) has reviewed the estimation procedures and methods that were used by AM&A for the four Blackgold Mines above, circa 01 January 2012, and considers them to be reasonable and acceptable.

BDA then reviewed the coal production from all three operating Mines during 2013 and adjusted the in situ coal resources for all 4 coal mines from Blackgold by taking into consideration all modifying factors including mining depletion, dilution, and losses as of 01 November 2013.

Procedures and Parameters for Coal Reserve Estimation

Under the JORC Code, a coal resource generally refers to the in situ coal that has a potential to be mined economically and a coal reserve comprises that portion of the Measured and Indicated coal resource that is planned to be mined and delivered to a coal beneficiation plant for processing or sold directly to customers at reasonably assumed economic conditions. Blackgold engaged the Chongqing Institute to produce a life-of-mine plan and production schedules at each mine. Behre Dolbear believes the reports produced by the Chongqing Institute to be at least at a pre-feasibility study level, as defined by the Stock Exchange of Hong Kong Limited (SEHK). Blackgold also engaged AM&A to produce a JORC-compliant resource and reserve report in order to meet the requirement of the ASX. Behre Dolbear has reviewed the Company's mine production planning processes and has estimated a coal reserve for each of the coal mines reviewed in this report. These coal reserve estimates have been produced from the in situ coal resource estimates based on the economic Measured and Indicated resource categories for which the mine plans have been generated.

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Procedures and Parameters for Coal Reserve Estimation (Cont'd)

The planning produced by Chongqing Institute is typical of those produced by firms licensed for exploration and resource estimation for solid mineral resources in China in that the mine plan includes a factored "333" or Inferred resource, which should be excluded from a reserve estimate. Also, typical in their mine plans is the duplication of the same plan from seam to seam with slight modifications where the production scheduled was determined by annual licensed tonnage instead of detailed design and scheduling.

For the purpose of converting the economic Measured and Indicated coal resources to coal reserves, Chongqing Institute used the overall mining dilution factor and mining recovery factor between the in situ coal resources and the raw production coal based on the Chinese requirements, the characteristics of coal seams, and the mining method to be used for each seam. The design reports first convert the in situ resource into a recoverable resource by deducting the coal contained within the barrier pillars for ventilation and haulage entries, shafts under villages, rivers, and mine facilities, as shown in their mine design. Then a recovery factor, based on coal characteristics and thickness is applied as specified in the Chinese design standards. The Chinese standards for each mine specified a 75% to 85% seam recovery. Typically, 80% was used for the seams at the Company's 4 mines; however, a few seams were reduced to 75% recovery and a few increased to 85% recovery. Finally, Chongqing Institute divided the "recoverable" resource by the target production rate to develop a production schedule.

The calculations were slightly inconsistent between the different mine design reports and BDA made some minor adjustments to correct those problems. BDA believes the standard used by Chongqing Institute, while meeting the Chinese requirements, was somewhat optimistic. Based upon its detailed review of the mine plans BDA adjusted the mine recovery from 75% and 85% to 73% and 79%, respectively.

BDA has reviewed the mine plans and recommended that Blackgold actively and continuously monitor the coal mining recovery factor and coal mining dilution factor and revise the coal reserve estimates for these operations, according to the actual mining recovery factors and mining dilution factors achieved, when appropriate. All Inferred resources that are included in the Chongqing Institute's mine plan are reported separately by Behre Dolbear as Inferred resource in the resource table.

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Competent person statement

The information in the Competent Person's Report prepared by Behre Dolbear dated April 16, 2014 that relates to Ore Reserves is based on, and fairly represents information and supporting documentation prepared and compiled, and has been approved, by Tony Cameron, a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy and a senior associate of Behre Dolbear Asia. Tony Cameron has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Cameron consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in the Competent Person's Report prepared by Behre Dolbear dated April 16, 2014 that relates to Mineral Resources is based on, and fairly represents information and supporting documentation prepared and compiled, and has been approved, by Dr. Tony Guo, a Competent Person who is a Registered Professional Geoscientist of the Association of Professional Engineers and Geoscientists of British Columbia, Canada with the License #31257 which is a 'Recognised Professional Organisation' included in the list posted on the ASX website. He is a senior associate of Behre Dolbear Asia. Dr. Tony Guo has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr. Guo consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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DIRECTORS' REPORT

Information on the Directors

All Directors have been in office since the start of the financial year unless otherwise stated.

Chi Ho (James), Tong - ***Non-Executive Chairman***

Qualifications - Mr. Tong received a master's degree in Computer Science and Applications from Queen's University of Belfast in December 1990. He has been a member of the British Computer Society since January 1998.

Experience - Board member since 8 July 2010.

Mr. Tong has gathered over 12 years of experience in venture capital investment by establishing and investing in companies specialized in providing e-commerce software, and making investments to assist various companies to raise funds via initial public offerings.

With strong business acumen, a number of his investments in Chinese ventures were subsequently listed on recognised overseas stock exchanges. These investments include Wanxiang International Limited (since May 2007, the Company was delisted from the Singapore Stock Exchange in March 2012) and JES International Limited, a listed Company on the Singapore Exchange.

Interest in Shares and Options - Indirect interest through its investment in Prima Network Financial Group Limited of 51,050,000 ordinary shares in the Company.

Special Responsibilities - N/A.

Directorships held in other listed entities during the three years prior to the current year - Director of Wanxiang International Limited (since May 2007, the Company was delisted from Singapore Stock Exchange in March 2012) and JES International Limited (from April 2006 to June 2013). JES International Limited is a listed company listed on the Singapore Exchange.

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Information on the Directors (Cont'd)

Yu Guo, Peng

- ***Executive Director and Chief Executive Officer***

Qualifications

- Mr. Peng obtained a bachelor's degree in Architectural Engineering from Chongqing Construction Engineering College (currently known as Chongqing Jianzhu University) in August 1988. Mr. Peng obtained a bachelor's degree in Economic Management and a master's degree in Information Technology and Management, respectively, in October 1999 and July 2001 from Chongqing University. In October 2010, Mr. Peng completed the capital strategic training course for directors held by the continuing education college of Tsinghua University.

Experience

- Board member since 2 September 2010.

Mr. Peng's career began in Fengjie County Baidi Town Local Enterprises Office. From August 1979 to April 1983, he worked as an accounting clerk at Fengjie County Baidi Town Local Enterprises Office. From May 1983 to November 1990, Mr. Peng worked in the local government department of Shima Village, Fengjie County in the PRC where he last served as accounting manager and deputy mayor. From December 1990 to June 1994, Mr. Peng worked in the Fengjie County Baidi Town Local Enterprises Office, where he last served as the office director and was involved in coal trading. From July 1994 to December 2000, Mr. Peng worked in the Fengjie County People's Congress Committee Office where he last served as the deputy director and was involved in coal trading.

Mr. Peng is a brother-in-law of Mr. Ou, Jun, who is our Executive Director.

Interest in Shares and Options

- Indirect interest through its investment in Lucky Magic Enterprises Limited of 544,500,000 ordinary shares in the Company.

Special Responsibilities

- N/A.

Directorships held in other listed entities during the three years prior to the current year

- NIL.

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Information on the Directors (Cont'd)

Jun, Ou - ***Executive Director***

Qualifications - Mr. Ou received a bachelor's degree in Economic Management from Chongqing Institute of Commerce (currently known as Chongqing Technology and Business University) in July 1991 and a master's degree in Economic Management from Southwest University in October 2005.

Experience - Board member since 7 July 2011.

Mr Ou is the head of our sales department since February 2012. He has been a director of Heijin Industrial since July 2011 and Guoping Shipping since February 2004. Mr. Ou has over 20 years of experience working in the coal industry. Mr. Ou's career began in Qiaoxing Coal Resource Development Co., Ltd., which operated the Heiwan Mine at the time. From January 1991 to May 2002, Mr. Ou was the head of the Anqing Office of Qiaoxing Coal Resource Development Co., Ltd. responsible for monitoring the operation of the Heiwan Mine. From June 2002 to December 2002, Mr. Ou worked at Guoping Industrial as an assistant to the general manager responsible for managing the operation of the Heiwan Mine. From February 2004 to January 2012, he was the legal representative of Guoping Shipping responsible for managing its coal transportation business.

Mr. Ou is a brother-in-law of Mr. Peng.

Interest in Shares and Options - 333,000 ordinary shares in the Company.

Special Responsibilities - N/A.

Directorships held in other listed entities during the three years prior to the current year - NIL.

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

(Incorporated in Australia)
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DIRECTORS' REPORT

Information on the Directors (Cont'd)

Zhonghan (John), Wu - ***Independent Non-Executive Director***

Qualifications - Mr. Wu received a bachelor's degree in Business and Information Management from the University of Auckland in May 2004 and a master's degree of Commerce in Finance from the University of New South Wales in March 2011. Mr. Wu has become a Certified Practising Accountant of CPA Australia since March 2008. He has also been admitted as an Associate of the Chartered Institute of Management Accountants since September 2009 and certified as a Chartered Global Management Accountant by the Chartered Institute of Management Accountants since January 2012.

Experience - Board member since 4 February 2013.

Mr. Wu has over 12 years of experience in the accounting and finance industry. Since July 2008, he has been a director of JAZ Pacific Australia Pty Ltd, specializing in trading coking coal.

Mr. Wu's career began in New Zealand where he commenced working for Deloitte Touche Tohmatsu. From August 2000 to December 2003, he worked as an audit senior of Deloitte Touche Tohmatsu supervising a team of staff to perform audit work for companies in various industries. From January 2004 to January 2006, Mr. Wu worked as a senior business analyst at Nestle Australia Ltd, where he was responsible for, among other matters, the preparation of yearly budget, quarterly forecasts, analysis of results and variances to budget, and providing financial analysis regarding projects. From February 2006 to 2007, he worked as a finance manager at British American Tobacco Australia Limited, where he was responsible for providing management information, financial advice and financial analysis. From March 2007 to January 2010, Mr. Wu worked as a financial controller at Toyota Material Handling Australia Pty Limited, where he was responsible for preparing financial accounts and providing profitability analysis.

Interest in Shares and Options - N/A.

Special Responsibilities - N/A.

Directorships held in other listed entities during the three years prior to the current year - Current director of JAZ Pacific Australia Pty Ltd.

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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DIRECTORS' REPORT

Information on the Directors (Cont'd)

Guang Fu, Professor Yang - *Independent Non-Executive Director*

Qualifications - Prof. Yang received a bachelor's degree in Physics in December 1980 and a master's degree in Physics in December 1982 from Harbin Institute of Technology.

Experience - Member since 7 July 2011.

Prof. Yang has acquired extensive knowledge in physics through teaching and conducting researches at tertiary institutions for more than 24 years.

Prof. Yang taught at Chongqing University from April 1981 to September 1991 and was conferred professorship in April 1992 by Chongqing University. From September 1991 to October 1993, Prof. Yang was the deputy mayor of Fuling City of Sichuan Province in the PRC to manage the Science and Technology Commission. From June 1993 to July 1994, he was the group leader for the preparation of Sichuan Sanxia Institute, currently known as Chongqing Sanxia Institute. Prof. Yang subsequently worked as the first dean of Sichuan Sanxia Institute from July 1994 to March 1999. From March 1999 to September 2001, he worked as a senior researcher at Sichuan Sanxia Institute. From October 2001 to July 2007, he joined Chongqing Institute of Technology, currently known as Chongqing University of Technology, as a professor. From July 2009 to July 2010, Prof. Yang acted as the president of Chongqing Vocational College of Media.

Interest in Shares and Options - N/A.

Special Responsibilities - N/A.

Directorships held in other listed entities during the three years prior to the current year - NIL.

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DIRECTORS' REPORT

Information on the Directors (Cont'd)

**Wei-Her (Sophia) ,
Huang** - ***Independent Non-Executive Director***

Qualifications - Ms. Huang received a bachelor's degree in Commerce from the National Taipei University in June 1969.

Experience - Board member since 4 February 2013.

Ms. Huang has been the vice chairman of the Friends of Taiwan Society (Australia) Incorporated since November 2012. She has also been the supervisor of the Taiwan Global Alliance for Democracy and Peace Sydney Office from 2008 to 2011. Since July 2011, Ms. Huang has been appointed as a member of the overseas compatriot affairs committee of the Overseas Chinese Affairs Council, R.O.C (Taiwan). In addition, she has been the overseas council adviser of the Overseas Chinese National Salvation Federation since January 2010.

Ms. Huang has 10 years of experience working in the land development industry. From 1988 to 1997, Ms. Huang worked as a manager at the properties business development department of East Asia Textiles Limited in Taiwan. She was in charge of the business of East Asia Textiles Limited in Taiwan involving the procurement of land lots for potential residential development and the provision of advice on the feasibility of land investment. Ms. Huang started her involvement in social community work in 2008. Ms. Huang served as the vice director of the Taiwan Global Alliance for Democracy and Peace Sydney Office from 2008 to 2011. From 2007 to 2012, Ms. Huang served as the chief financial officer of The Friends of Taiwan Society (Australia) Inc.

**Interest in Shares and
Options** - N/A.

Special Responsibilities - N/A.

**Directorships held in other
listed entities during the
three years prior to the
current year** - Nil.

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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DIRECTORS' REPORT

Company Secretary

The Company Secretary is Simon Morris, who was appointed on 16 October 2014. Mr Morris is a partner of Piper Alderman lawyers with expertise in the ASX listing rules, corporate governance, mining resources and financial markets. He also has experience with Chinese companies listed on ASX.

Meetings of Directors

During the financial year, 7 meetings of directors, 4 meetings of Audit Committee and 1 meeting of Nomination and Remuneration Committee were held. Attendances by each director during the year were as follows:-

	Directors' Meetings		Audit Committee Meetings		Nomination & Remuneration Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Chi Ho (James) Tong	7	7	4	4	1	1
Yu Guo Peng	7	7	0	0	1	1
Zhonghan (John), Wu	7	7	4	4	1	1
Wei-Her (Sophia), Huang	7	6	4	4	1	1
Prof Guangfu Yang	7	6	4	4	1	1
Jun Ou	7	7	4	4	1	1

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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DIRECTORS' REPORT

Indemnifying Officers or Auditor

During or since the end of the financial year, the company has not given an indemnity or entered into an agreement to indemnify the directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the company, other than conduct involving a willful breach of duty in relation to the company.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the financial year.

Non-audit Services

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the financial year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- (a) all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- (b) the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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DIRECTORS' REPORT

Non-audit Services (Cont'd)

The following fees were paid or payable to Crowe Horwath Perth and Crowe Horwath Malaysia for non-audit services provided during the financial year ended 31 October 2014:-

	AUD'000
Crowe Horwath Perth	
Services in relation to SGX listing	9

Auditor's Independence Declaration

The lead auditor's independence declaration for the financial year ended 31 October 2014 has been received and can be found on page 55 of the Annual Report.

Share options

On 9 July 2014, the Company announced a non-renounceable pro-rata entitlement offer of 1 new option (exercisable at AUD0.08 on or before 31 July 2016) for every 10 existing shares held by eligible shareholders at an issue price of AUD0.001 per option (**Offer**). All options under the offer is now fully taken up

ASIC Class Order 98/100 Rounding of Amounts

The Group is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

Events after the Reporting Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future years, other than previously disclosed in the financial statements.

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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DIRECTORS' REPORT

Remuneration Report (Audited)

Remuneration policy

The remuneration policy of Blackgold International Holdings Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a suitable fixed remuneration. The Board of Blackgold International Holdings Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

All key management personnel receive a base salary (which is based on factors such as length of service and experience) and superannuation (if applicable).

The Board may exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. The policy is designed to attract the highest caliber of executives and reward them for performance results leading to long-term growth in shareholder wealth.

Key management personnel are residents of the Republic of China and do not receive a superannuation guarantee contribution required by the Australian Government, which is currently 9.25%, effective 1 July 2013.

Key management personnel are paid a percentage of up to 25% of their annual salary in the event of redundancy.

All remuneration paid to key management personnel is valued at the cost to the company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. The current maximum aggregate amount of fees payable to non-executive directors is AUD500,000.

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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DIRECTORS' REPORT

Remuneration Report (Audited) (Cont'd)

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives.

The following table shows the gross revenue, profits and dividends for the last 3 years of the listed entity which shows increases in revenue, profit after tax and earnings per share in each year.

	2012 AUD'000	2013 AUD'000	2014 AUD'000
Revenue	88,544	270,340	336,082
Profit after tax	40,234	50,064	4,967
Earnings per share	4.52 cents	5.64 cents	0.56 cents
Dividends paid	NA	NA	NA

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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DIRECTORS' REPORT

Remuneration Report (Audited) (Cont'd)

Employment Details of Members of Key Management Personnel and Other Executives

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the consolidated group. The table also illustrates the proportion of remuneration that was performance and non-performance based.

	Position Held as at 31 October 2014 and any Change during the Year	Contract Details (Duration and Termination)	Proportions of Elements of Remuneration Related to Performance		Proportions of Elements of Remuneration Not Related to Performance	
			Cash- based Incentives %	Non-salary Cash-based Incentives %	Fixed Salary/ Fees %	Total %
Group Key Management Personnel						
Chi Ho (James), Tong	Non-Executive Chairman	NB1	-	-	100	100
Yu Guo, Peng	Executive Director / CEO	2.9.2010 to 31.8.2015	-	-	100	100
Jun, Ou	Executive Director	NB1	-	-	100	100
Guang Fu, Professor Yang	Non-Executive Director	NB1	-	-	100	100
Zhonghan (John), Wu	Non-Executive Director	NB1	-	-	100	100
Wei-Her (Sophia), Huang	Non-Executive Director	NB1	-	-	100	100
Shaokui, Chen	Chief Financial Officer	NB1	-	-	100	100
Teck Meng, Lim #	Financial Controller	NB1	-	-	100	100

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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DIRECTORS' REPORT

Remuneration Report (Audited) (Cont'd)

Employment Details of Members of Key Management Personnel and Other Executives (Cont'd)

	Position Held as at 31 October 2013 and any Change during the Year	Contract Details (Duration and Termination)	Proportions of Elements of Remuneration Related to Performance		Proportions of Elements of Remuneration Not Related to Performance	
			Cash- based Incentives %	Non-salary Cash-based Incentives %	Fixed Salary/ Fees %	Total %
Group Key Management Personnel						
Wenming, Yao	Chief Geologist	NB1	-	-	100	100
Zhongxiao, Zhu	Deputy General Manager	NB1	-	-	100	100
Yijiang, Peng	Deputy General Manager, Enterprise Management	NB1	-	-	100	100
Jun, Shao	Deputy General Manager and Chief of the Production Technology Department	NB1	-	-	100	100
Lin, Ou	Non-Executive Director (BHHK)	NB1	-	-	100	100

resigned on 30 September 2014

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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DIRECTORS' REPORT

Remuneration Report (Audited) (Cont'd)

Employment Details of Members of Key Management Personnel and Other Executives (Cont'd)

NB1 - The employment terms and conditions of key management personnel and Group executives are formalised in contracts of employment.

Terms of employment require that the relevant group entity provide an executive contracted person with a minimum of 1 months notice prior to termination of contract. Termination payments of up to 25% on annual salary are generally payable. A contracted person deemed employed on a permanent basis may terminate their employment by providing at least 1 months notice. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

Non-executive directors are subject to similar contracts requiring 1 months notice to be given on termination. Termination payments are at the discretion of the remuneration committee and are capped at 25% of annual directors' fees.

Changes in Directors and Executives Subsequent to Year-end

There are no changes in Directors and Executives subsequent to year end.

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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DIRECTORS' REPORT

Remuneration Report (Audited) (Cont'd)

Remuneration Details for the Year Ended 31 October 2014

The following table of benefits and payments details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the consolidated group:

	Short-term Benefits			Post-employment Benefits		Long-term benefits	
	Salary and Fees	Non-monetary	Other **	Pension and Super-annuation *	Other ***		
2014	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	Total AUD'000
<i>Group Key Management Personnel</i>							
Chi Ho (James), Tong	50	-	-	-	-	-	50
Yu Guo, Peng	300	-	-	-	-	-	300
Jun, Ou	81	-	2	-	1	-	84
Guang Fu, Professor Yang	13	-	-	-	-	-	13
Zhonghan (John), Wu	30	-	-	3	-	-	33
Wei-Her (Sophia), Huang	30	-	-	3	-	-	33
Shaokui, Chen	45	-	2	-	-	-	47
Teck Meng, Lim#	115	-	-	8	-	-	123
Wenming, Yao	27	-	7	-	-	-	34
Zhongxiao, Zhu	47	-	2	-	1	-	50
Yijiang, Peng	40	-	3	-	1	-	44
Jun, Shao	23	-	4	-	-	-	27
Lin, Ou	21	-	-	-	-	-	21
<i>Total Key Management Personnel</i>	822	-	20	14	3	-	859

* Super-annuation is only payable to directors who are resident in Australia. Central provident fund is paid to Lim Teck Meng.

** Other short-term benefits comprise housing provident fund, injury insurance, maternity insurance and medical insurance.

*** Other post-employment benefits comprise retirement insurance and unemployment insurance.

Resigned on 30 September 2014.

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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DIRECTORS' REPORT

Remuneration Report (Audited) (Cont'd)

	Short-term Benefits			Post-employment Benefits			
	Salary and Fees	Non-monetary	Other ##	Pension and Super-annuation #		Long-term benefits	Total
				#	Other ###		
2013	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
Group Key Management Personnel							
Chi Ho (James), Tong	54	-	-	-	-	-	54
Yu Guo, Peng	304	-	-	-	-	-	304
Jun, Ou	77	-	2	-	1	-	80
Teck Sin (Steven), Chong	21	-	-	-	-	-	21
Chong Hee (Frank), Peh	21	-	-	2	-	-	23
Seng Kiong (SK), Yap	21	-	-	-	-	-	21
Guang Fu, Professor Yang	12	-	-	-	-	-	12
Zhonghan (John), Wu	23	-	-	2	-	-	25
Wei-Her (Sophia), Huang	23	-	-	2	-	-	25
Shaokui, Chen	46	-	1	-	-	-	47
Teck Meng, Lim	113	-	-	19	-	-	132
Wenming, Yao	30	-	6	-	-	-	36
Zhongxiao, Zhu	21	-	1	-	1	-	23
Yijiang, Peng	39	-	2	-	1	-	42
Honglin, Liu @	8	-	1	-	-	-	9
Jun, Shao	25	-	1	-	-	-	26
Lin, Ou	16	-	-	-	-	-	16
Total Key Management Personnel	854	-	14	25	3	-	896

Super-annuation is only payable to directors who are resident in Australia. Central provident fund is paid to Lim Teck Meng.

Other short-term benefits comprise unemployment insurance, injury insurance, maternity insurance and medical insurance.

Other post-employment benefits comprise retirement insurance and housing provident fund.

@ No longer a key management since April 2013.

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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DIRECTORS' REPORT

Remuneration Report (Audited) (Cont'd)

Securities Received that Are Not Performance Related

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

Cash Bonuses, Performance-related Bonuses and Share-based Payments

No cash bonuses, performance-related bonuses and share-based payments were paid to the key management personnel during the year.

Options and Rights Granted

No options or rights were granted to key management personnel during the year other than as disclosed in Note 35 to the financial statements. These options were granted as part of the non-renounceable entitlement to all shareholders on a 1:10 basis.

There were no unexercised employee options outstanding at 31 October 2014 (2013: Nil).

This Report of the Directors, is signed in accordance with a resolution of the Board of Directors.



Chi Ho (James), Tong
Director

Dated this 30 day of January 2015

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Blackgold International Holdings Limited for the year ended 31 October 2014, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

**CROWE HORWATH PERTH****CYRUS PATELL**

Partner

Signed at Perth, 30 January 2015

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED **AND ITS CONTROLLED ENTITIES**

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME **FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014**

		CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
	NOTE		
REVENUE	5	336,082	270,340
COST OF SALES		(293,205)	(193,616)
GROSS PROFIT		42,877	76,724
OTHER INCOME		6,826	7,587
REVERSAL OF RESTORATION PROVISION	26	931	-
		50,634	84,311
CHANGES IN FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	25	-	(3,518)
DISTRIBUTION AND MARKETING EXPENSES		(4,449)	(4,066)
ADMINISTRATIVE EXPENSES		(8,135)	(9,492)
OTHER EXPENSES	6	(1,925)	(7,332)
FINANCE COSTS	7	(7,885)	(7,308)
IMPAIRMENT OF NON-CURRENT ASSETS	16,18	(21,455)	-
SHARE OF LOSS IN AN ASSOCIATE USING AN EQUITY METHOD	14	(18)	-
PROFIT BEFORE TAXATION		6,767	52,595
INCOME TAX EXPENSE	9	(1,800)	(2,531)
PROFIT FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		4,967	50,064

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014 (CONT'D)

	NOTE	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
OTHER COMPREHENSIVE INCOME, NET OF TAX			
<u>Item that may be reclassified subsequently to profit or loss</u>			
- Exchange differences on translating foreign controlled entities		12,734	13,657
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		17,701	63,721
EARNINGS PER SHARE			
Basic and diluted earnings per share (cents)	36	0.56	5.64

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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STATEMENT OF FINANCIAL POSITION As At 31 OCTOBER 2014

	NOTE	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	15,103	24,202
Held-to-maturity investments	11	17,553	32,054
Trade and other receivables	12	86,730	98,234
Inventories	13	1,259	2,220
TOTAL CURRENT ASSETS		120,645	156,710
NON-CURRENT ASSETS			
Investments accounted for using the equity method	14	392	410
Other financial assets	15	3,706	3,440
Property, plant and equipment	16	92,683	83,133
Land use rights	17	86	82
Mine development	18	153,730	136,063
Intangible assets - goodwill	19	2,081	1,724
Intangible assets - other	20	2,489	2,887
TOTAL NON-CURRENT ASSETS		255,167	227,739
TOTAL ASSETS		375,812	384,449
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	21	98,116	121,653
Amount owing to a related party	22	8,071	1,606
Amount owing to an associate	23	227	413
Borrowings	24	59,563	46,588
Deferred consideration	25	433	18,060
Provision for taxation	45	3,553	2,837
TOTAL CURRENT LIABILITIES		169,963	191,157

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2014 (CONT'D)

	NOTE	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
NON-CURRENT LIABILITIES			
Amount owing to a related party	22	-	4,391
Provision for restoration costs	26	1,392	2,131
Deferred tax liabilities	27	2,438	2,541
		<hr/>	<hr/>
TOTAL NON-CURRENT LIABILITIES		3,830	9,063
		<hr/>	<hr/>
TOTAL LIABILITIES		173,793	200,220
		<hr/>	<hr/>
NET ASSETS		202,019	184,229
		<hr/>	<hr/>
EQUITY			
Share capital	28	65,363	65,363
Retained earnings		136,250	132,119
Merger deficit reserve	29	(28,186)	(28,186)
Statutory reserve	30	3,332	2,496
Foreign currency translation reserve	31	25,171	12,437
Options reserve	32	89	-
		<hr/>	<hr/>
TOTAL EQUITY		202,019	184,229
		<hr/>	<hr/>

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014

CONSOLIDATED	SHARE CAPITAL AUD'000	RETAINED EARNINGS AUD'000	MERGER DEFICIT RESERVE AUD'000	STATUTORY RESERVE AUD'000	FOREIGN CURRENCY TRANSLATION RESERVE AUD'000	OPTIONS RESERVE AUD'000	TOTAL EQUITY AUD'000
Balance at 1.11.2012	65,363	82,419	(28,186)	2,132	(1,220)	-	120,508
Comprehensive income:							
Profit for the year attributable to members of the parent entity	-	50,064	-	-	-	-	50,064
Other comprehensive income, net of tax:							
- Foreign currency translation exchange differences	-	-	-	-	13,657	-	13,657
Total comprehensive income for the year attributable to members of the parent entity	-	50,064	-	-	13,657	-	63,721
Other transaction							
- Transfer to statutory reserve	-	(364)	-	364	-	-	-
Balance at 31.10.2013	65,363	132,119	(28,186)	2,496	12,437	-	184,229

The annexed notes form an integral part of these financial statements.

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED **AND ITS CONTROLLED ENTITIES**

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STATEMENT OF CHANGES IN EQUITY **FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014 (CONT'D)**

CONSOLIDATED	SHARE CAPITAL AUD'000	RETAINED EARNINGS AUD'000	MERGER DEFICIT RESERVE AUD'000	STATUTORY RESERVE AUD'000	FOREIGN CURRENCY TRANSLATION RESERVE AUD'000	OPTIONS RESERVE AUD'000	TOTAL EQUITY AUD'000
Balance at 1.11.2013	65,363	132,119	(28,186)	2,496	12,437	-	184,229
Comprehensive income:							
Profit for the year attributable to members of the parent entity	-	4,967	-	-	-	-	4,967
Other comprehensive income, net of tax - Foreign currency translation exchange differences	-	-	-	-	12,734	-	12,734
Total comprehensive income for the year attributable to members of the parent entity	-	4,967	-	-	12,734	-	17,701
Issuance of new options	-	-	-	-	-	89	89
Other transaction - Transfer to statutory reserve	-	(836)	-	836	-	-	-
Balance at 31.10.2014	65,363	136,250	(28,186)	3,332	25,171	89	202,019

The annexed notes form an integral part of these financial statements.

**BLACKGOLD INTERNATIONAL HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

(Incorporated in Australia)
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**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014 (CONT'D)**

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

(Incorporated in Australia)
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STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014

	NOTE	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		6,767	52,595
Adjustment for:-			
Allowance for impairment loss on other receivables		105	77
Changes in fair value of financial assets at fair value through profit or loss	25	-	3,518
Amortisation of land use rights		3	3
Amortisation of mine development		3,445	4,292
Amortisation of intangible assets		600	551
Depreciation of property, plant and equipment		10,035	6,606
Impairment of property, plant and equipment		6,457	-
Impairment of mine development		14,998	-
Inventories written down		417	-
Interest expense		6,415	6,751
Loss of disposal of property, plant and equipment		114	-
Share of loss in an associate		18	-
Interest income		(1,725)	(1,006)
Unrealised gain on foreign exchange		(3)	-
Reversal of impairment loss on receivables		(60)	-
Operating profit before working capital changes		47,586	73,387
Decrease in inventories		544	1,737
Decrease/(Increase) in receivables		11,467	(72,047)
(Decrease)/Increase in payables		(23,537)	108,387
Cash from operations		36,060	111,464
Interest paid		(5,496)	(5,809)
Income tax paid		(1,611)	(2,484)
NET CASH PROVIDED BY OPERATING ACTIVITIES		28,953	103,171
BALANCE CARRIED FORWARD		28,953	103,171

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014 (CONT'D)

	NOTE	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
BALANCE BROUGHT FORWARD		28,953	103,171
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(19,671)	(37,663)
Mine development expenditure		(25,349)	(37,110)
Purchase of held-to-maturity investments		(35,970)	(109,290)
Disposal of held-to-maturity investments		52,383	94,091
Purchase of investment in an associate		-	(410)
Purchase of other investment		-	(3,440)
Sale proceeds from disposal of property, plant and equipment		48	4
Interest received		794	1,006
NET CASH USED IN INVESTING ACTIVITIES		(27,765)	(92,812)
BALANCE CARRIED FORWARD		1,188	10,359

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STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014 (CONT'D)

	NOTE	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
BALANCE BROUGHT FORWARD		1,188	10,359
NET CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of new options		89	-
(Repayment to)/Advances from an associate		(186)	413
Net advances from a related party		1,730	5,803
Drawdown of short-term borrowings		58,465	131,073
Repayment of short-term borrowings		(49,407)	(150,281)
Repayment of deferred consideration		(18,159)	-
NET CASH USED IN FINANCING ACITIVITIES		(7,468)	(12,992)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(6,280)	(2,633)
EFFECT OF FOREIGN EXCHANGE TRANSLATION		(2,819)	272
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		24,202	26,563
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	10	15,103	24,202

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014

1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated under the Corporations Act 2001 on 8 July 2010 and is domiciled in Australia. The registered office and the principal place of business are as follows:-

Registered office	:	Level 23, Governor Macquarie Tower 1 Farrer Place Sydney NSW 2000 Australia
Principal place of business	:	12 th Floor, No. 18, Mian Hua Street Yu Zhong District, Chongqing City People's Republic of China Postal Code 400011

The financial statements were authorised for issue on 30 January 2015 by the directors of the Company.

2. BASIS OF PREPARATION

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements 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 as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014

2. BASIS OF PREPARATION (CONT'D)

(a) Going Concern Basis

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the section titled *Operating Results and Review of Operations for the year* within the Directors Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Directors Report, Statement of Cash Flows and Note 24 of the financial statements. In addition, Note 39 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity risk.

As highlighted in Note 24 to the financial statements, the Group meets its day-to-day working capital requirements through the utilization of a combination of short term loans, bank bills and letters of credit. The customary practice with banks within The People's Republic of China to provide loan facilities on a short term basis, with annual renewals, creates uncertainty particularly over the availability of bank finance in the foreseeable future.

The Group's forecasts, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility. The Group will open renewal negotiations with its financiers in due course and has, at this stage, not sought any written commitment that the existing facilities will be renewed. However, the Group has held discussion with its financiers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014

2. BASIS OF PREPARATION (CONT'D)

(b) New standards and interpretations for current year

For the reporting period ended 30 October 2014, a number of new and revised Accounting Standard requirements became mandatory for the first time, some of which are relevant to the Group. A discussion of these new and revised requirements that are relevant to the Group is provided below:-

New accounting standards that are applicable for the first time for the October 2014 are:-

- AASB 10 Consolidated Financial Statements,
- AASB 11 Joint Arrangements,
- AASB 13 Fair Value Measurements,

AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation - Special Purpose Entities*.

Under the new principles, the Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Under AASB 11 Investment in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The Group has no joint arrangements, hence AASB 11 is not applicable to its operations at this point in time.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014

2. BASIS OF PREPARATION (CONT'D)

(b) New standards and interpretations for current year (Cont'd)

AASB 13 *Fair Value Measurements*, AASB2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities* and AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle* have introduced new disclosures for the interim report but did not affect the entity's accounting policies or any of the amounts recognised in the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 October 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Principles of Consolidation (Cont'd)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group shall re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses Control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributable to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Principles of Consolidation (Cont'd)

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) the fair value of the consideration transferred;
- (ii) any non-controlling interest; and
- (iii) the acquisition date fair value of any previously held equity interest.

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill has an indefinite useful life is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Investments in subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Parent, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss. At the Group level, the loss of control is accounted for in accordance with Note 3(a).

(c) Investments in Associates

Associates are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Group. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition, the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Investments in Associates (Cont'd)

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition, whereby the Group's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

Details of the Group's investments in associates are provided in Note 14.

(d) Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Board of Directors (chief operating decision makers) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, goodwill, changes in fair value of financial assets at fair value through profit or loss, current tax liabilities and deferred tax liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and financial position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Foreign Currency Transactions and Balances (Cont'd)

Group companies (Cont'd)

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

(f) Property, Plant and Equipment

(i) Owned Assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use.

In the event the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are identified (refer to Note 3(l) for details of impairment accounting policy).

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred. The carrying amount of parts that are replaced is derecognised. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Fully depreciated assets are reflected in the consolidated financial statements until they are no longer in use at which time they are written off from the asset register.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Property, Plant and Equipment (Cont'd)

(ii) Depreciation

Depreciation is provided on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. The assets' useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Estimated Useful Lives
Plant and machinery	3 - 10 years
Vessels	20 years
Equipment	3 - 10 years
Furniture and fittings	5 years
Motor vehicles	4 years

Assets are tested for impairment in accordance with policy Note 3(l).

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

(g) Land Use Rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Land use rights are amortised based on the units of production method utilising only recoverable coal reserves as the depletion base.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Mine development

Development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest in which economically recoverable reserves have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and the related infrastructure.

Mining infrastructure under construction is recognised at cost and not depreciated. Upon completion of construction, the accumulated cost will be transferred to the cost of the building or plant. Revenue generated from the production of saleable material directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management, is deducted from capitalised construction work-in-progress until such time as the asset is considered to be operating in the manner intended.

Amortisation is charged using the units of production method, with separate calculations being made for each area of interest. The units of production basis results in an amortisation charge proportional to the depletion of recoverable coal reserves.

Mine development is tested for impairment in accordance with the policy in Note 3(l).

(i) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits available on demand 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 and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

The Consolidated Statement of Cash Flows has been prepared using the indirect method as permitted by AASB 107.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Intangible Assets - Other than Goodwill

An intangible asset shall be recognised if, and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and that the cost of the asset can be measured reliably. The Group assesses the probability of the expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset. An intangible asset shall be measured initially at cost.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

The useful lives of the intangible assets of the group other than goodwill are detailed below:-

- (a) Customer base - 5 years
- (b) Operating permit - 20 years

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Inventories

Raw materials and parts are stated at the lower of cost and net realisable value. Cost for raw materials and parts are determined as the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

For partly processed and saleable coal, cost is based on the weighted average cost method and includes:

- labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore;
- production overheads, including attributable mining and manufacturing overheads; and
- transportation expenditure in bringing such inventories to their existing location and condition, together with an appropriate portion of fixed and variable overhead expenditure.

Coal stockpiles represent ore that has been extracted and is available for sale. Coal stockpiles are valued at the lower of cost and net realisable value. Quantities of stock piles are assessed through third party surveys.

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.

(l) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Assets that do not have largely independent cash flows of other assets are grouped together to form a cash-generating unit.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives, irrespective of whether indicators of impairment exists.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Share 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.

If the Group reacquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit and loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(n) Statutory Reserve

In accordance with relevant PRC regulations, entities are required to transfer a portion of its net profit to the statutory reserve until the cumulative reserve reaches 50% of its registered capital. The transfer to this reserve must be made before the payment of dividends to shareholders.

The statutory reserve can only be used to set off against losses or to increase the capital of the entity. The entity may convert its statutory common reserve into share capital provided that the remaining balance of such reserve is not less than 25% of the registered capital of the entity.

(o) 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Provisions for Closedown, Restoration and Environmental Costs

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production. Costs are estimated on the basis of the contractual legal obligation to the PRC Government based on the current mining activities which takes into account the estimated mine life.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalised into the cost of the related asset. These costs are charged against profits through depreciation of the asset and unwinding of the discount on the provision. Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

The discount rate used to measure the net present value of the obligations is the weighted average cost of capital ("WACC") of the Group that reflects the current market assessment of the time value of money and the risks specific to the obligation.

(q) Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie 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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Financial Instruments (Cont'd)

Classifications and subsequent measurement

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

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Amortised cost is calculated as:

- a. the amount at which the financial asset or financial liability is measured at initial recognition;
- b. less principal repayments;
- c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- d. less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly 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 in profit or loss.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Financial Instruments (Cont'd)

Classifications and subsequent measurement (Cont'd)

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

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

As at the end of the reporting period, there were no financial assets classified under this category.

(ii) *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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Loans and receivables are classified as current assets, where they are expected to mature within 12 months after the end of the reporting period. All other loans and receivables are classified as non-current assets.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Financial Instruments (Cont'd)

Classifications and subsequent measurement (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 any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. 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.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as current assets, where they are expected to be realised within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Financial Instruments (Cont'd)

Classifications and subsequent measurement (Cont'd)

(iv) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Held-to-maturity investments are classified as current assets where they are expected to mature within 12 months after the reporting period. All other held-to-maturity investments are classified as non-current assets.

(v) Financial liabilities

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Financial Instruments (Cont'd)

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Financial Instruments (Cont'd)

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.

(r) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(s) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in period in which they are incurred.

(u) Revenue Recognition

(i) Sale of Goods

Revenue from sale of goods comprises of the following:-

- (a) Mining operating - sales of coal extracted from mines owned by the Group
- (b) Coal trading - purchase of coals from external parties and subsequent sale of coal.

Revenue is only recognised on individual shipments when persuasive evidence exists that the following criteria are satisfied:

- the significant risks and rewards of ownership of the product have been transferred to the buyer;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold has been retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the sale will flow to the Group; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

Satisfaction of these conditions depends on the terms of trade with individual customers. (i.e. either when collected by the customer or delivered to the customers premises).

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Revenue Recognition (Cont'd)

(ii) Mining fees

Revenue arising from the sub-contracting mining is recognised at the contractual rates as the coal is excavated by the subcontractor. The risks and rewards of ownership of the production rights have passed to the sub-contractor upon signing of the sub-contractor agreement.

(iii) Shipping Transportation Income

Shipping transportation income is recognised on a time proportion basis by reference to the percentage of journey completed at the end of the reporting period.

(iv) Interest Income

Interest income is recognised on a time proportion basis using the effective interest method.

(v) Employee Benefits

The Group participates in the national pension schemes as defined by the laws of the PRC in which it has operations. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed. Companies incorporated in the PRC are required to provide certain staff pension benefits for their employees under existing PRC legislation. Pension contributions are provided at rates stipulated by the PRC legislation and are contributed to a pension fund managed by government agencies, which are responsible for paying pensions to the retired employees. These benefits are accounted for on an accruals basis and charged to the statement of comprehensive income when incurred.

These national pension schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Earnings per Share

Basic earnings per share

Basic earnings per share are calculated by dividing:

- the profit attributable to equity holders of the Company after income tax, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(x) Income Taxes

Income tax on the results for the year comprises current and deferred tax.

(i) Current Tax

Income tax is recognised in the statement of profit and loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous financial years. The statutory tax rate in the PRC is 25% however, the PRC subsidiaries have the option to elect to pay tax based on revenue during a particular calendar year. Refer to Note 9 for further details.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(x) Income Taxes (Cont'd)

(i) Current Tax (Cont'd)

Current tax assets and liabilities are offset where a legally enforceable right of set off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

(ii) Deferred Tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is, however, not recognised on temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

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

Where temporary differences exist in relation to investments in subsidiaries, branches and associates, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(x) Income Taxes (Cont'd)

(iii) *Value-added-tax ("VAT")*

The Group's sale of goods in the PRC are subject to VAT at the applicable tax rate for the PRC domestic sales. Input tax on purchases can be deducted from output VAT.

(iv) *Australian 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 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.

(y) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(y) Fair value measurement (Cont'd)

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(z) Comparative Figures

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

(aa) Rounding Of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest AUD1,000, unless otherwise stated.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(ab) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

(i) *AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).*

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(ab) New Accounting Standards for Application in Future Periods (Cont'd)

- (i) - requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

These Standards were mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012-6: Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (issued September 2012) defers the mandatory application date of AASB 9 from 1 January 2013 to 1 January 2015. Directors have yet to assess the impact of this Standard on the Group's financial statements.

- (ii) **AASB 2012-3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).**

This Standard adds application guidance to AASB 132: *Financial Instruments: Presentation* to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

Directors have yet to assess the impact of this Standard on the Group's financial statements.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(ab) New Accounting Standards for Application in Future Periods (Cont'd)

- (iii) AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).**

The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.

Directors have yet to assess the impact of this Standard on the Group's financial statements.

- (iv) AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities (applicable for annual reporting periods commencing on or after 1 January 2014).**

This amendments allow entities that meet the definition of an 'investment entity' to account for their investments at fair value through profit or loss. An investment entity is not required to consolidate investments in entities it controls, or apply AASB 3 'Business Combinations' when it obtains control of another entity, nor is it required to equity account or proportionately consolidate associates and joint ventures if it meets the criteria for exemption in the standard.

Directors have yet to assess the impact of this Standard on the Group's financial statements.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(ab) New Accounting Standards for Application in Future Periods (Cont'd)

- (v) ***Annual Improvements to IFRSs 2010-2012 Cycle*** (applicable for annual reporting periods commencing on or after 1 July 2014).

The amendments affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity.

Directors have yet to assess the impact of this Standard on the Group's financial statements.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(ab) New Accounting Standards for Application in Future Periods (Cont'd)

(vi) Annual Improvements to IFRSs 2011-2013 Cycle (applicable for annual reporting periods commencing on or after 1 July 2014).

The affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other.

Directors have yet to assess the impact of this Standard on the Group's financial statements.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Depreciation of Property, Plant and Equipment

The cost of property, plant and equipment, other than the building and infrastructure is depreciated on a straight-line basis over their economic useful lives estimated to be within 3 - 20 years, net of residual value. The cost of building and mining structures (including the main and auxiliary mine shafts and underground tunnels) are depreciated based on the units of production method utilising only recoverable coal reserves as the depletion base. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation could be revised.

(ii) Carrying Value of Non-Current Assets

Non-current assets, including property, plant and equipment, land use rights and mine development assets are carried at cost less accumulated depreciation/amortisation. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the year ended 31 October 2014, an impairment loss of AUD21.455m was recognised in relation to mine development and property, plant and equipment.

(iii) Impairment of Receivables

The Group makes allowance for impairment based on an assessment of the recoverability of trade and other receivables. An impairment assessment is applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such differences may impact the carrying amount of trade and other receivables and accordingly, an impairment loss maybe recognised in the financial year in which such estimate has been changed. No bad debt expense was recorded during the financial year (2013: Nil), however an allowance of AUD105,000 (2013: AUD77,000) was recognised during the financial year.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(iv) Provision for Closedown, Restoration and Environmental Costs

Mining activities may result in land subsidence, which could lead to losses to the residents of the mining areas. Pursuant to the relevant PRC regulations, the Group is required to make compensation payments to the residents for their losses resulting from land subsidence, or to restore the mining areas back to certain acceptable conditions.

Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or results of operations of the Group. The PRC government, however, has moved and may move further towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainty which affect the Group's ability to estimate the ultimate cost of remedial efforts.

These uncertainties include:-

- (a) the exact nature and extent of the contamination at various sites including, but not limited to, coal mines and land development areas, whether operating, closed or sold;
- (b) the extent of required cleanup efforts;
- (c) varying costs of alternative remedial strategies;
- (d) changes in environmental remedial requirements; and
- (e) the identification of new remedial sites.

The provision for closedown, restoration and environmental clean up costs has been determined based on the contractual legal obligation to the PRC Government based on the current mining activities by discounting the expected expenditures to their net present value using the Group's WACC of 6.13% (2013: 7.73%). However, in so far as the effect of the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in the future. The amounts provided in relation to close down, restoration and environmental clean up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are updated accordingly.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(v) *Income Taxes*

The Group is subject to income taxes in the PRC. The Group recognises income tax liability based on estimates made by management. Where the final income tax liability is different from the amounts that were initially recorded, such differences may impact the income tax expense in the year in which such determinations are made.

(vi) *Reserve Estimates*

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand and commodity prices.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Because the assumptions used to estimate reserves changes from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows.
- Depreciation, depletion and amortisation charged in the statement of comprehensive income may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

During the financial year, the Company engaged an external independent geologist to review the reserves of coal of the Group. The Independent Geologist Report was prepared in accordance with the Australian Code for Reporting on Exploration Results, Mineral Resources and Ore Reserves, ("JORC Code") and the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports ("Valmin Code"). Based on the said report dated 16 February 2014, the estimation of coal reserves as at 1 November 2013 were as follows:-

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(vi) Reserve Estimates (Cont'd)

	Caotang Mt	Heiwan Mt	Changhong Mt	Baolong Mt	Total Mt
Proved	19.9	1.9	12.0	29.8	63.6
Probable	3.4	0.5	6.7	26.4	37.0
Total	23.3	2.4	18.7	56.2	100.6

(vii) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill. For the financial year ended 31 October 2014, no impairment charge was recognised against the carrying value of goodwill.

(viii) Amortisation of Intangible Assets (other than goodwill)

Changes in the expected level of usage and technological development could impact the economic useful lives as detailed in Note 3(j) and therefore, future amortisation charges could be revised.

5. REVENUE

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Coal Mining	6,205	13,075
Coal Trading	291,686	200,168
Mining fees	23,923	40,182
Shipping transportation	14,181	16,834
Others	87	81
	336,082	270,340

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6. OTHER EXPENSES

Included in other expenses is an amount approximately AUD 1.014M (2013: AUD5.962m) which represents the remaining costs associated with the aborted Hong Kong and Singapore Stock exchange listings.

7. FINANCE COSTS

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Bank charges	1,501	557
Interest expense	6,384	6,751
	<hr/>	<hr/>
	7,885	7,308
	<hr/>	<hr/>

8. PROFIT BEFORE TAXATION

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Profit before taxation include the following specific items:-		
Other income:		
- Realised foreign exchange gain	1,903	3,833
- Agent commission income	-	2,466
Other expenses:		
- Listing expenses written off	1,014	5,962
	<hr/>	<hr/>

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9. INCOME TAX EXPENSE

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Current tax:		
- For the financial year	1,956	2,873
- Underprovision in the previous financial year	134	-
	<u>2,090</u>	<u>2,873</u>
Deferred tax:		
- Relating to origination and reversal of temporary differences (Note 27)	(290)	(342)
	<u>1,800</u>	<u>2,531</u>

The following subsidiaries in the PRC have elected to change the tax base to effective tax rate of revenue instead based on a statutory tax rate of 25% of profit before taxation. The details are as follows:-

	Tax Base 2014 AUD'000	Tax Base 2013 AUD'000
Chongqing Blackgold Coal Washing Co., Ltd	25% of profit before taxation ("PBT") *	Effective tax rate ("ETR") of 1% of revenue
Chongqing Guoping Caotang Coal Mine Resources Development Co., Ltd and Chongqing Guoping Heiwan Coal Mine Resources Co., Ltd	ETR of 2.5% of revenue	ETR of 2.5% of revenue
Qijiang Changhong Coal Industry Coal Industry Co., Ltd	ETR of 3.75% of revenue	ETR of 3.75% of revenue
Chongqing Guoping Shipping Transportation Co., Ltd	15% of PBT	15% of PBT

* From 1 January 2014 onwards

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9. INCOME TAX EXPENSE (CONT'D)

Based on the China Tax Office notification letters dated 29 March 2013, 1 April 2013, 20 March 2014 and 24 March 2014 in relation to the change in tax base, the new tax base is valid from 1 January 2013 to 31 December 2013 and 1 January 2014 to 31 December 2014. The PRC subsidiaries have the option to elect for a change in tax base for the subsequent calendar year commencing 1 January 2015. The statutory company tax rate in Australia is 30%.

A reconciliation of the income tax expense applicable to the profit before taxation at the Australia statutory tax rate to the income tax expense at the PRC Enterprise Income Tax rate is as follows:-

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Profit before taxation	6,767	52,595
Prima facie income tax expense:		
- pre-tax profit at 30% (2013: 30%)	1,388	2,291
- revenue at 2.5% and 3.75% (2013: 1%, 2.5% and 3.75%)	757	1,676
Tax effects of:-		
Non-taxable gains	(494)	(2,322)
Non-taxable losses	1,333	2,450
Effect of lower overseas tax rate	(1,028)	(1,222)
Underprovision in the previous financial year	134	-
Others	(290)	(342)
Income tax expense for the financial year	1,800	2,531

Under the "tie-breaker" rules of the Australia PRC double taxation agreement, the Group is considered resident in the PRC at the reporting date. As a result, no income tax was payable in Australia on the Group's profit for the financial years ended 31 October 2014 and 2013.

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10. CASH AND CASH EQUIVALENTS

The foreign currency profile of the cash and cash equivalents is as follows:-

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Chinese Renminbi	15,070	23,957
Australian Dollar	25	122
United States Dollar	-	118
Singapore Dollar	8	-
Hong Kong Dollar	-	5
	<hr/>	<hr/>
	15,103	24,202

The Chinese Renminbi is not freely convertible into other foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

11. HELD-TO-MATURITY INVESTMENTS

The fixed deposits with licensed banks (in PRC) are pledged to licensed banks as security for banking facilities granted to the Company (Note 24).

The effective interest rates of the fixed deposits at the end of the reporting period is 3.08% (2013: 3.08%) per annum. The fixed deposits have maturity period of 6 months (2013: 6 months) from the issuance date.

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12. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Trade receivables	60,863	71,230
Other receivables	2,270	2,213
Less: Impairment losses:-		
At 1 November	(77)	-
Addition during the financial year	(105)	(77)
Reversal during the financial year	60	-
Foreign exchange difference	(8)	-
At 31 October	(130)	(77)
	2,140	2,136
Deposits	528	508
Prepayment	475	345
Advances to suppliers	21,896	22,760
Note receivables *	828	671
Deferred expenditure **	-	584
	86,730	98,234

* Note receivables are bank accepted bills of exchange with maturity of less than one year.

** In the previous financial year, deferred expenditure comprises corporate expenditure incurred in relation to the proposed listing in Singapore Exchange Securities Trading Limited ("SGX-ST"). Such deferred expenditure was written off in April 2014 as the Company decided to cease the listing exercise.

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12. TRADE AND OTHER RECEIVABLES (CONT'D)

The currency profile of the receivables is as follows:-

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Chinese Renminbi	86,641	97,641
Australian Dollar	89	593
	<hr/>	<hr/>
	86,730	98,234
	<hr/>	<hr/>

The Group's normal trade credit terms range from 30 to 90 days.

13. INVENTORIES

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
At cost:-		
Coal	640	1,752
Consumables	247	345
Materials	-	22
	<hr/>	<hr/>
	887	2,119
At net realisable value:-		
Coal	267	-
Consumables	105	101
	<hr/>	<hr/>
	372	101
	<hr/>	<hr/>
	1,259	2,220
	<hr/>	<hr/>
Recognised in profit or loss:		
Coal:-		
Net realisable value write down	417	-
	<hr/>	<hr/>

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14. INVESTMENT ACCOUNTED FOR UNDER THE EQUITY METHOD

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Unquoted shares, at cost	410	410
Share of post-acquisition loss	(18)	-
	<u>392</u>	<u>410</u>

Details of the associate are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2014	2013	
Blackgold Megatrade Pte Ltd	The Republic of Singapore	49%	49%	Manage storage and terminal handling and facilitate coal trade flows within the Asia Region.

The summarised aggregate assets, liabilities and performance of the Associate:-

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
At 31 October		
Current assets	858	850
Current liabilities	2	1
Net assets	<u>856</u>	<u>849</u>

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14. INVESTMENT ACCOUNTED FOR UNDER THE EQUITY METHOD (CONT'D)

The summarised aggregate assets, liabilities and performance of the Associate:-

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
<u>12-month period ended 31 October</u>		
Revenue	-	-
Loss for the financial year/Total comprehensive expenses for the financial year	(36)	(1)
	<hr/>	<hr/>
Group's share of loss for the financial year	(18)	-
	<hr/>	<hr/>

15. OTHER FINANCIAL ASSETS

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Investment in a limited liability partnership Company, at cost		
At 1 November	3,440	3,440
Foreign exchange difference	266	-
	<hr/>	<hr/>
At 31 October	3,706	3,440
	<hr/>	<hr/>

In May 2013, Chongqing Heijin Industrial Co., Ltd ("Heijin") participated in the Guizhou's province government initiative together with China Minsheng Banking Corp. Ltd. to incorporate Guizhou China Energy Investment Management Center (Limited Partnership) ("Guizhou China Energy").

Heijin invested RMB20.000m represents approximately 0.29% interests in Guizhou China Energy.

The Group designated this investment as available-for-sale financial assets but are stated at cost as their fair values cannot be reliably measured using valuation techniques due to the lack of marketability of the shares.

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16. PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED	AT COST AUD'000	ACCUMULATED DEPRECIATION AUD'000	ACCUMULATED IMPAIRMENT LOSSES AUD'000	NET BOOK VALUE AUD'000
At 31.10.2014				
Buildings	3,542	(896)	(119)	2,527
Vessels	26,183	(7,835)	-	18,348
Plant and machineries	93,273	(16,994)	(6,208)	70,071
Motor vehicles, fixtures and equipment	3,971	(1,961)	(352)	1,658
Construction work-in- progress	80	-	(1)	79
	127,049	(27,686)	(6,680)	92,683
At 31.10.2013				
Buildings	2,632	(733)	-	1,899
Vessels	24,682	(6,305)	-	18,377
Plant and machineries	68,437	(7,993)	-	60,444
Motor vehicles, fixtures and equipment	3,573	(1,234)	-	2,339
Construction work-in- progress	74	-	-	74
	99,398	(16,265)	-	83,133

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16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Movements in the carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial year are as follows:-

CONSOLIDATED	AT 1.11.2013 AUD'000	ADDITIONS AUD'000	DISPOSAL AUD'000	DEPRECIATION CHARGE AUD'000	IMPAIRMENT LOSSES AUD'000	FOREIGN EXCHANGE DIFFERENCE AUD'000	AT 31.10.2014 AUD'000
Carrying amount							
Buildings	1,899	682	-	(102)	(115)	163	2,527
Vessels	18,377	1	(162)	(1,240)	-	1,372	18,348
Plant and machineries	60,444	18,891	-	(8,104)	(6,001)	4,841	70,071
Motor vehicles, fixtures and equipment	2,339	118	-	(610)	(340)	151	1,658
Construction work-in-progress	74	-	-	-	(1)	6	79
	83,133	19,692	(162)	(10,056)	(6,457)	6,533	92,683

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16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

CONSOLIDATED	AT 1.11.2012 AUD'000	RECLASSI- FICATIONS AUD'000	AT 1.11.2013 AUD'000	ADDITIONS AUD'000	TRANSFER AUD'000	DISPOSAL AUD'000	DEPRE- CIATION CHARGE AUD'000	FOREIGN EXCHANGE DIFFERENCE AUD'000	AT 31.10.2013 AUD'000
Carrying amount									
Buildings	1,642	-	1,642	5	145	-	(93)	200	1,899
Vessels	17,470	-	17,470	-	-	-	(1,146)	2,053	18,377
Plant and machineries	24,027	(80)	23,947	36,962	-	-	(4,841)	4,376	60,444
Motor vehicles, fixtures and equipment	1,918	80	1,998	647	-	(4)	(541)	239	2,339
Construction work-in-progress	142	-	142	64	(145)	-	-	13	74
	45,199	-	45,199	37,678	-	(4)	(6,621)	6,881	83,133

All property, plant and equipment held by the Group are located in the PRC.

Vessels of the Group with a total net book value of AUD17.899m (2013: AUD17.756m) have been pledged to a licensed bank as security for banking facilities granted to the Group, as disclosed in Note 24 to the financial statements.

Included in additions during the financial year is depreciation charge of AUD21,000 (2013: AUD15,000) on assets purchased for construction of the mining structure.

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16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Impairment losses

An impairment loss (net of foreign exchange differences) of AUD6.457m and AUD14.998m was provided during the financial year for property, plant and equipment (Note 16) and mine development (Note 18) in relation to Heiwan Mine and Changhong Mine.

The Company assessed the recoverable amount of these non-current assets to be lower than the carrying amount. The recoverable amount of these non-current assets (with each coal mine being considered a separate cash generating unit) is determined based on the value-in-use approach, which is obtained from independent valuation prepared by Asset Appraisal Limited. Based on the said report dated 28 January 2015, the value-in-use of the Heiwan Mine and ChangHong Mine is lower than its carrying amounts.

The key assumptions used in the determination of the value-in-use for the CGU's are as follows:-

	Average Gross Margin	Revenue Growth Rate	Discount Rate
Coal mining segment	- 4.56% to 40.5%	0%	17.36%

(i) Average Gross Margin

The basis used to determine the value assigned to the budgeted gross margins is based on historical achieved margins and assumes no significant changes in cost structure or input prices.

(ii) Growth rate

Revenue growth has been assumed at nil.

(iii) Discount rate

The discount rates used are pre-tax and reflect specific risks relating to the several listed companies engaging in the coal mining business.

Sensitivity to changes in assumptions

The management is not aware of any reasonably possible change in the above key assumptions that would cause the carrying amount of the CGU to materially exceed the recoverable amount.

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16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Below are the details of the impairment loss recognised for each CGU:-

	Heiwan Mine AUD'000	Changhong Mine AUD'000	Total AUD'000
Carrying amount as at 31.10.2014			
- property, plant and equipment	11,870	36,440	48,310
- mine development	34,483	49,881	84,364
	46,353	86,321	132,674
Value in use	(29,833)	(80,643)	(110,476)
	16,520	5,678	22,198
Foreign exchange difference	(553)	(190)	(743)
Impairment loss	15,967	5,488	21,455

The impairment loss recognised for each CGU has been allocated to mine development and property, plant and equipment on a pro-rate basis of the carrying amount of each asset within the respective CGU, in accordance with AASB136(104).

17. LAND USE RIGHTS

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
At cost	164	152
Accumulated amortisation	(78)	(70)
Carrying amount	86	82

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17. LAND USE RIGHTS (CONT'D)

Movements in the carrying amount for land use rights between the beginning and the end of the current financial year are as follows:-

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
At 1 November	82	77
Amortisation during the financial year	(3)	(3)
Foreign exchange difference	7	8
At 31 October	86	82

Amortisation is provided to write off the cost of the land use rights based on the units of production method utilising only recoverable coal reserves as the depletion base. The amortisation of land use rights is included under cost of sales and administrative expenses in the statement of profit or loss and other comprehensive income.

18. MINE DEVELOPMENT

CONSOLIDATED	AT COST AUD'000	ACCUMULATED AMORTISATION AUD'000	ACCUMULATED IMPAIRMENT LOSSES AUD'000	CARRYING AMOUNT AUD'000
At 31.10.2014				
Mining rights	41,229	(2,736)	(1,314)	37,179
Mine infrastructure	133,899	(16,025)	(11,228)	106,646
Construction work-in-progress	12,880	-	(2,975)	9,905
	188,008	(18,761)	(15,517)	153,730

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18. MINE DEVELOPMENT (CONT'D)

CONSOLIDATED	AT COST AUD'000	ACCUMULATED AMORTISATION AUD'000	ACCUMULATED IMPAIRMENT LOSSES AUD'000	CARRYING AMOUNT AUD'000
At 31.10.2013				
Mining rights	38,270	(2,395)	-	35,875
Mine infrastructure	101,075	(11,711)	-	89,364
Construction work-in-progress	10,824	-	-	10,824
	150,169	(14,106)	-	136,063

Below are the details of the mining rights:-

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Carrying amount		
Caotang mine	1,096	1,051
Heiwan mine	350	535
Changhong mine	15,993	15,965
Baolong mine	19,740	18,324
	37,179	35,875

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18. MINE DEVELOPMENT (CONT'D)

Movements in the carrying amount for mine development between the beginning and the end of the current financial year are as follows:-

	AT 1.11.2013 AUD'000	ADDITIONS AUD'000	AMORTISATION CHARGE AUD'000	IMPAIRMENT LOSSES AUD'000	FOREIGN EXCHANGE DIFFERENCE AUD'000	AT 31.10.2014 AUD'000
CONSOLIDATED						
Carrying amount						
Mining rights	35,875	-	(152)	(1,270)	2,726	37,179
Mine infrastructure	89,364	24,171	(3,293)	(10,853)	7,257	106,646
Construction work-in-progress	10,824	1,178	-	(2,875)	778	9,905
	136,063	25,349	(3,445)	(14,998)	10,761	153,730

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18. MINE DEVELOPMENT (CONT'D)

Movements in the carrying amount for mine development between the beginning and the end of the current financial year are as follows (Cont'd):-

CONSOLIDATED	AT 1.11.2012 AUD'000	ADDITIONS AUD'000	AMORTI- SATION CHARGE AUD'000	FOREIGN EXCHANGE DIFFERENCE AUD'000	AT 31.10.2013 AUD'000
Carrying amount					
Mining rights	32,288	-	(290)	3,877	35,875
Mine infrastructure	51,792	33,948	(4,002)	7,626	89,364
Construction work-in-progress	6,707	3,162	-	955	10,824
	90,787	37,110	(4,292)	12,458	136,063

Mining rights have finite useful live. Amortisation is provided to write off the cost of the mining rights based on the units of production method utilising only recoverable coal reserves as the depletion base. The amortisation of the mine development asset is included under cost of sales in the statement of profit or loss and other comprehensive income.

The mining rights have been pledged to a licensed bank as security for banking facilities granted to the Group, as disclosed in Note 24 to the financial statements.

Please refer to Note 16 for the key assumptions used in the value-in-use calculations in relation to the impairment losses recognised at 31 October 2014.

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19. INTANGIBLE ASSETS - GOODWILL

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
At 1 November	1,724	1,724
Foreign exchange difference	357	-
At 31 October	2,081	1,724

The goodwill arising from the acquisition of Chongqing Guoping Shipping Transportation Co., Ltd ("GPST") was determined based on the excess of the sum of the fair value of the consideration transferred, over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition.

Goodwill is allocated to cash-generating unit ("CGU") which are based on the Group's reporting segments:

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Shipping segment	2,081	1,724

The Group has assessed the recoverable amounts of goodwill allocated and determined that no impairment loss is required to be recognised. The recoverable amount of the cash-generating unit above is determined based on value-in-use approach, and this is derived from the present value of the future cash flows from the shipping transportation segments computed based on the projections of financial budgets approved by management covering a period of 5 years.

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19. INTANGIBLE ASSETS - GOODWILL (CONT'D)

The key assumptions used in the determination of the recoverable amount are as follows:-

	Average Gross Margin	Growth Rate	Discount Rate
Shipping segment	39%	0%	6.13

(iv) Average Gross Margin

The basis used to determine the value assigned to the budgeted gross margins is based on historical achieved margins and assumes no significant changes in cost structure or input prices.

(v) Growth rate

Revenue growth over the 5 years period has been assumed at nil.

(vi) Discount rate

The discount rates used are pre-tax and reflect specific risks relating to the shipping transportation segments.

Sensitivity to changes in assumptions

The management is not aware of any reasonably possible change in the above key assumptions that would cause the carrying amount of the CGU to materially exceed the recoverable amount.

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20. INTANGIBLE ASSETS - OTHER

CONSOLIDATED	AT COST AUD'000	ACCUMULATED AMORTISATION AUD'000	CARRYING AMOUNT AUD'000
At 31.10.2014			
Customer base *	2,675	(1,278)	1,397
Operating permit *	1,248	(156)	1,092
	3,923	(1,434)	2,489
At 31.10.2013			
Customer base *	2,483	(668)	1,815
Operating permit *	1,158	(86)	1,072
	3,641	(754)	2,887

Movements in the carrying amount for intangible assets between the beginning and the end of the current financial year are as follows:-

CONSOLIDATED	AT 1.11.2013 AUD'000	AMORTISATION CHARGE AUD'000	FOREIGN EXCHANGE DIFFERENCE AUD'000	AT 31.10.2014 AUD'000
Customer base *	1,815	(540)	122	1,397
Operating permit *	1,072	(60)	80	1,092
	2,887	(600)	202	2,489

CONSOLIDATED	AT 1.11.2012 AUD'000	AMORTISATION CHARGE AUD'000	FOREIGN EXCHANGE DIFFERENCE AUD'000	AT 31.10.2013 AUD'000
Customer base *	2,083	(496)	228	1,815
Operating permit *	1,008	(55)	119	1,072
	3,091	(551)	347	2,887

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20. INTANGIBLE ASSETS - OTHER (CONT'D)

- * Intangible assets arose for the acquisition of GPST and comprised customer base and operating permit. The customer base represents GPST's business relationships with its customers. The operating permit (Waterway Transportation Permit) allows GPST to carry transportation services to its customers.

21. TRADE AND OTHER PAYABLES

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Unsecured liabilities:-		
Trade payables	22,830	19,662
Bill payables	58,051	77,472
Other payables and accruals	13,195	17,327
Advances from customers	3,188	6,373
Deposits received	852	819
	<u>98,116</u>	<u>121,653</u>

The currency profile of the payables is as follows:-

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Chinese Renminbi	96,947	120,661
Australian Dollar	148	125
United States Dollar	228	212
Malaysian Ringgit	251	129
Hong Kong Dollar	527	517
Singapore Dollar	15	9
	<u>98,116</u>	<u>121,653</u>

The normal trade credit terms granted to the Group range from 30 to 90 days.

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22. AMOUNT OWING TO A RELATED PARTY

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Current (Unsecured):		
- Principal	7,500	1,582
- Accrued interest	571	24
	<u>8,071</u>	<u>1,606</u>
Non-current (Unsecured):		
- Principal	-	4,215
- Accrued interest	-	176
	<u>-</u>	<u>4,391</u>

The amount owing represents loans from a related party (Prima Network Financial Group Limited ("Prima Network"), a company in which Mr. James Tong is a director and shareholder) amounting to USD6.600m (2013: USD5.500m) equivalent to approximately AUD7.500m (2013: AUD5.800m) at the end of the reporting period. The loans is subject to interest rate of 5% per annum and repayable together with the accrued interest.

The maturity profiles of the loans from a related party are as follows:-

	Principal AUD'000	Accrued Interest AUD'000	Total AUD'000	Date of Repayment
Loan 1	4,545	417	4,962	31 December 2014 *
Loan 2	1,137	76	1,213	31 December 2015 **
Loan 3	568	36	604	31 December 2015 **
Loan 4	568	25	593	31 December 2015 **
Loan 5	341	11	352	7 March 2015
Loan 6	341	6	347	25 June 2015
	<u>7,500</u>	<u>571</u>	<u>8,071</u>	

* Pursuant to the supplementary agreement on 25 December 2013, the date of repayment was rescheduled to 31 December 2014.

** Pursuant to the supplementary agreement on 15 January 2015, the date of repayment was rescheduled to 31 December 2015.

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23. AMOUNT OWING TO AN ASSOCIATE

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand.

24. BORROWINGS

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Current (secured liabilities):-		
Short-term loans	59,563	38,700
Letters of credit	-	7,888
	<u>59,563</u>	<u>46,588</u>
Loan facilities:-		
Amount of utilised bank facilities:		
- Short-term loans	59,563	38,700
- Bills payable	-	23,215 *
- Letters of credit	58,051 *	62,145 *
	117,614	124,060
Offset against held-to-maturity investments pledged to the licensed banks (in the PRC) (Note 11)	(17,553)	(32,054)
	<u>100,061</u>	<u>92,006</u>
Amount of unutilised bank facilities	22,237	3,454
	<u>122,298</u>	<u>95,460</u>
Total bank facilities granted		

* - Included in the facility utilised for bills payable and letters of credit are bills payables and letters of credit amounting to Nil (2013: AUD23.215m) and AUD58.051m (2013: AUD54.257m), respectively that have been issued to creditors for settlement of amounts owing to them, which will be due within 6 months from the date of drawdown.

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24. BORROWINGS (CONT'D)

The current secured borrowings have been obtained from China Minsheng Banking Corp. Ltd. and China Hankou Banking Corp. Ltd. (licensed banks in the PRC).

The short term loans totalling RMB236.430m (AUD43.810m) at 31 October 2014 expire in November 2014. The remainder of the short term loans and letters of credit totalling RMB398.289m (AUD73.804m) expire at various times between January 2015 to March 2015. Refer to Note 47 for further details of the status of the Group's borrowing facilities subsequent to year end.

The effective interest rates of the Group for the above borrowings are as follows:-

	CONSOLIDATED 2014 % p.a.	CONSOLIDATED 2013 % p.a.
Secured liabilities:-		
Short-term loans	6.69	7.05

The borrowings are secured as follows:-

- held-to-maturity investments with China Minsheng Banking Corp. Ltd. and China Hankou Banking Corp. Ltd. (licensed banks in the PRC), as disclosed in Note 11 to the financial statements;
- collateral over certain vessels owned by GPST with carrying value of AUD17.899m (2013: AUD17.756m), equivalent to RMB96.592m (2013: RMB103.235m), as disclosed in Note 16 to the financial statements;
- collateral over mining rights owned by the Group with carrying value of AUD38.493m (2013: AUD35.875m), equivalent to RMB207.732m (2013: RMB208.578m), as disclosed in Note 18 to the financial statements;
- collateral over 0.320m ordinary shares of Qijiang Changhong Coal Industry Co., Ltd and 8.000m ordinary shares of Chongqing Baolong Mining Co., Ltd, representing the entire equity interest in the respective companies, held by Chongqing Heijin Industrial Co., Ltd. ("Heijin");
- collateral over 0.300m ordinary shares of Chongqing Caotang Coal Mine Resources Development Co., Ltd and 0.500m ordinary shares of Chongqing Guoping Heiwan Coal Mine Resources Co., Ltd, representing the entire equity interest in the respective companies, held by Chongqing Guoping Shangmao Trading Co., Ltd. ("Shangmao");

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24. BORROWINGS (CONT'D)

The borrowings are secured as follows (Cont'd):-

- collateral over entire equity interest of Chongqing Guoping Industrial (Group) Co., Ltd. ("CGI") held by Peng YuGuo and Ou XiaoPeng; and
- corporate guarantees provided by subsidiaries, a related party and a director amounting to AUD92.650m (RMB500.000m) each and by a customer amounting to AUD37.860m (RMB200.000m).

The borrowings are repayable within 1 year from the date of drawdown.

The Group is required to comply with certain covenants in relation to the borrowings of its subsidiaries. The salient covenants include, amongst others:-

- (i) the borrower has not used the loan funds for the purpose stated in the agreement, or fails to meet the terms and conditions of withdrawals and repayment of loan fund;
- (ii) the borrower has significant financial difficulties, or exceeded the limit of financial borrowings which stated in the agreement;
- (iii) gross default on any indebtedness which is not discharged at maturity or when called or goes into default under, or commits a breach of, any instrument or agreement relating to such indebtedness; and
- (iv) the borrower provide false or conceal any important facts in the statement of financial position, statement of profit or loss and other comprehensive income, or refuse to accept the supervision on production, management and financial activity from banks for loan purpose, or the borrower provide untrue or inaccurate or misleading fact on the statement of fact stated in agreement.

The Group has on 31 October 2014 complied with all the requirements of the covenants.

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25. DEFERRED CONSIDERATION

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Principal component (Liability)		
At 1 November	18,060	16,118
Repayment during the financial year	(18,060)	-
Foreign exchange difference	-	1,942
At 31 October	-	18,060
Interest component (Liability)		
At 1 November	-	-
Additions during the financial year	517	-
Repayment during the financial year	(99)	-
Foreign exchange difference	15	-
At 31 October	433	-
Profit guarantee component (Current Assets) (accounted for as financial asset at fair value through profit or loss)		
At 1 November	-	(3,285)
Changes in fair value of profit guarantee in profit and loss	-	3,518
Foreign exchange difference	-	(233)
At 31 October	-	-
Net consideration payable	433	18,060

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25. DEFERRED CONSIDERATION (CONT'D)

The deferred consideration is in relation to the remaining unsettled purchase consideration for the acquisition of GPST from CGI by Shangmao.

The deferred consideration payable to the vendors of GPST consisted of three components:

- (a) principal amount for the second instalment being RMB105.000m (referred to as the "principal component");
- (b) interest on the deferred consideration; and
- (c) the profit guarantee amount receivable from the vendors (referred to as the "profit guarantee component").

The net consideration payable to the vendor is denominated in Chinese Renminbi and was settled in cash.

Pursuant to the first supplementary agreement signed on 30 April 2012, the settlement date of the remaining purchase consideration was rescheduled to 31 December 2013, instead of 31 December 2012. On 28 January 2014, Shangmao signed a third supplementary agreement to reschedule the settlement date of the remaining purchase consideration to 31 July 2014.

In accordance with the third supplementary agreement, the interest charges commenced from 1 January 2014 until date of settlement, which is based on the rate equivalent to the prevailing borrowing cost of Heijin, which is 7.84% at the end of the reporting period.

Pursuant to the statements signed on 22 November 2014, Shangmao agreed to settle the remaining accrued interest before 30 November 2014.

At 31 October 2013, GPST's EBITDA was RMB51.802m. As this amount was greater than the forecast EBITDA for the year of RMB44.913m, the profit guarantee component of the deferred consideration was no longer required to be paid to the vendor (CGI). Accordingly, this amount was derecognised at 31 October 2013.

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26. PROVISION FOR RESTORATION COSTS

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
At 1 November	2,131	1,203
Addition during the financial year	58	748
Reversal during the financial year	(931)	-
Foreign exchange difference	134	180
At 31 October	1,392	2,131

The provision for closedown, restoration and environmental costs is determined by management based on their past experience and best estimation of future expenditures, after taking into account existing relevant PRC laws and regulations. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future years, the estimate of the associated costs may be subject to revision from time to time.

27. DEFERRED TAX LIABILITIES

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
At 1 November	2,541	2,587
Recognised in profit or loss (Note 9)	(290)	(342)
Foreign exchange difference	187	296
At 31 October	2,438	2,541

The deferred tax liabilities are attributable to the following:-

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Fair value of identifiable assets acquired as part of the acquisition of GPST	2,438	2,541

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28. SHARE CAPITAL

	CONSOLIDATED 2014		CONSOLIDATED 2013	
	Number of shares 000	AUD'000	Number of shares 000	AUD'000
Issued capital	888,004	65,363	888,004	65,363

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

At the shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder or its proxy, attorney or representative has one vote on a show of hands

29. MERGER DEFICIT RESERVE

The merger deficit reserve arose from the difference between the purchase consideration paid and the issued capital of the subsidiaries acquired under the pooling of interests method of accounting pursuant to the restructuring exercise undertaken by the Group during the financial year ended 31 October 2009 and 2010.

30. STATUTORY RESERVE

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
At 1 November	2,496	2,132
Transfer from profit or loss	836	364
At 31 October	3,332	2,496

The statutory reserve represents amounts transferred from profit after taxation of the subsidiaries i.e. Shang Mao, Heiwan, Caotang, Changhong and GPST under the PRC laws and regulations.

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31. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve records exchange differences arising from the translation of the financial statements of foreign controlled subsidiaries and is not distributable by way of dividends.

32. OPTIONS RESERVE

	CONSOLIDATED 2014		CONSOLIDATED 2013	
	Number of options 000	AUD'000	Number of options 000	AUD'000
Options:				
At 1 November	-	-	-	-
Issuance of new options	88,800	89	-	-
At 31 October	<u>88,800</u>	<u>89</u>	<u>-</u>	<u>-</u>

On 9 July 2014, the Company announced a non-renounceable pro-rata entitlement offer of approximately 88,800,362 new options (exercisable at AUD0.08 on or before 31 July 2016) on the basis of 1 new option for every 10 existing shares held by eligible shareholders at an issue price of AUD0.001 per new option (Offer).

Funds raised from exercising options (up to approximately AUD7.100m) will be used for the acquisition of new mines and general working capital.

As announced on 14 August and 18 August 2014, the Company received acceptances from eligible shareholders for 75,539,923 new options representing acceptance of 85%. The remaining shortfall options were fully allotted on 11 September 2014.

33. EMPLOYEE BENEFITS EXPENSE

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Staff costs:		
- salaries and wages	11,146	18,207
- defined contributions	413	278
- other benefits	<u>1,130</u>	<u>1,063</u>

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34. RELATED PARTY TRANSACTIONS

The Group has related party relationships with its directors, key management, entities of which the directors and/or by management have significant financial interests and entities of which are within the same Group.

In addition to the information detailed elsewhere in this report, the Group had the following transactions with its related parties as disclosed below:-

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Related Parties:		
- construction of buildings by a related party *	316	-
- construction of mine infrastructure by a related party *	102	-
- rental charges from related parties (including VAT) **	30	32
	<hr/>	<hr/>

* The transaction was carried out with CGI, of which CGI is controlled and 65% owned by Mr. Yu Guo, Peng.

** These transactions were carried out with Chongqing Guoping Ming Yang Logistics Co., Ltd. ("Guoping Ming Yang"), of which Guoping Ming Yang is controlled and 53.71% owned by Mr. Yu Guo, Peng.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

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35. 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 Group's key management personnel for the financial year ended 31 October 2014.

The total of remuneration paid to KMP of the Company and the Group during the financial year are as follows:-

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Short-term employee benefits:		
- salaries and fees	822	854
- other	20	14
Post-employment benefits:		
- pension and super-annuation	14	25
- other	3	3
	<hr/> 859	<hr/> 896

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35. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

KMP Shareholdings

The number of ordinary shares and options over shares in Blackgold International Holdings Limited held by each KMP of the Group during the financial year are as follows:

	←----- Ordinary shares -----→				
	Balance at beginning of year '000	Disposed during the year '000	Acquired during the year '000	Other changes during the year '000	Balance at end of year '000
31 October 2014					
Yu Guo, Peng (Note 1 and Note 3)	544,500	-	-	-	544,500
Chi Ho (James), Tong (Note 2 and Note 3)	51,050	-	-	-	51,050
Jun, Ou	333	-	-	-	333
Jun, Shao	9	-	-	-	9
31 October 2013					
Yu Guo, Peng (Note 1 and Note 3)	544,500	-	-	-	544,500
Chi Ho (James), Tong (Note 2 and Note 3)	51,050	-	-	-	51,050
Jun, Ou	333	-	-	-	333
Jun, Shao	9	-	-	-	9

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35. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

KMP Shareholdings (Cont'd)

	Options				
	Balance at beginning of year '000	Disposed during the year '000	Acquired during the year '000	Other changes during the year '000	Balance at end of year '000
31 October 2014					
Yu Guo, Peng (Note 1 and Note 3)	-	-	54,450	-	54,450
Chi Ho (James), Tong (Note 2 and Note 3)	-	-	5,105	-	5,105
Jun, Ou	-	-	-	-	-
Jun, Shao	-	-	-	-	-
31 October 2013					
Yu Guo, Peng (Note 1 and Note 3)	-	-	-	-	-
Chi Ho (James), Tong (Note 2 and Note 3)	-	-	-	-	-
Jun, Ou	-	-	-	-	-
Jun, Shao	-	-	-	-	-

Note 1 - Lucky Magic Enterprises Limited ("Lucky Magic") which is controlled by Mr Peng as sole shareholder and director.

Note 2 - Prima Network which is controlled by Mr Tong as sole shareholder and director.

Note 3 - Lucky Magic and Prima Network have entered into a call and put option agreement on 18 March 2011 (as varied by a supplementary agreement dated 31 December 2012) with Golden China Plus Master Fund ("Golden China") pursuant to which Lucky Magic and Prima Network hereby jointly and severally grant to Golden China a put option pursuant to which Golden China may sell to, and require Lucky Magic and Prima Network (or either of them) to purchase, up to 19,900,000 2012 Put Option Shares from Golden China at the 2012 Put Option Price during the 2012 Put Option Exercise Period. On 31 July 2013, Lucky Magic and Prima Network were released and discharged of all obligations under the call and put option agreement.

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35. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

For details of other transactions with KMP, refer to Note 34: Related Party Transactions.

There have been no loans to KMP.

36. EARNINGS PER SHARE

	CONSOLIDATED 2014	CONSOLIDATED 2013
Profit for the year attributable to members of the parent entity (AUD'000)	4,967	50,064
Weighted average number of ordinary shares at 31 October	888,003,622	888,003,622
Basic earnings per share (cents)	0.56	5.64

Diluted earnings per share is the same as basic earnings per share as there are no dilutive potential ordinary shares outstanding at the end of the reporting period.

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37. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to AUD equivalent) for the translation of foreign currency balances at the statement of financial position date are as follows:-

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Chinese Renminbi	0.1853	0.1720
Hong Kong Dollar	0.1466	0.1360
Singapore Dollar	0.8897	0.8506
United States Dollar	1.1371	1.0540
Malaysia Ringgit	0.3457	0.3346

38. SEGMENTAL REPORTING

Identification of Reportable Segments

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

The Group is managed primarily on the basis of product category. Operating segments are therefore determined on the same basis.

For management purposes, the Group is organised into the following main divisions:-

Division	Description
Coal mining	Sales of coal extracted from own mine
Coal trading	Purchase and resale of coal
Mining fees	Share of profits from sub-contracted mine operators (business partners) operating at Caotang mine.
Shipping transportation	Provision of shipping transportation and agency services

Inter-segment transactions

All inter-segment transactions, assets and liabilities are eliminated on consolidation of the Group's financial statements.

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38. SEGMENTAL REPORTING (CONT'D)

(a) Segment results, assets and liabilities

	Coal mining		Coal trading		Mining fees	
	2014	2013	2014	2013	2014	2013
	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
Revenue from external customers	6,205	13,075	291,686	200,168	23,923	40,182
Inter-segment revenue	20,766	34,492	323	-	-	-
Reportable segment revenue	26,971	47,567	292,009	200,168	23,923	40,182
Reportable segment profit/(loss) before taxation	(17,749)	17,783	2,175	2,058	19,510	36,656

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38. SEGMENTAL REPORTING (CONT'D)

(a) Segment results, assets and liabilities (Cont'd)

	Coal mining		Coal trading		Mining fees	
	2014	2013	2014	2013	2014	2013
	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
Interest income from bank deposit	2	3	792	1,003	-	-
Finance costs	1,111	747	6,424	5,810	-	-
Depreciation						
- Property, plant and equipment	5,628	3,373	300	267	2,786	1,769
Amortisation						
- Land use right	-	-	-	-	3	3
- Mine development	1,876	2,592	-	-	1,569	1,700
- Intangible assets	-	-	-	-	-	-
Impairment losses						
- Mine development	14,998	-	-	-	-	-
- Property, plant and equipment	6,457	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS **FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014**

38. SEGMENTAL REPORTING (CONT'D)

(a) Segment results, assets and liabilities (Cont'd)

	Shipping transportation		Others		Total	
	2014	2013	2014	2013	2014	2013
	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
Revenue from external customers	14,181	16,834	87	81	336,082	270,340
Inter-segment revenue	1,622	2,726	276	548	22,987	37,766
Reportable segment revenue	15,803	19,560	363	629	359,069	308,106
Reportable segment profit/(loss) before taxation	4,996	6,819	(45)	249	9,137	63,565

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38. SEGMENTAL REPORTING (CONT'D)

(a) Segment results, assets and liabilities (Cont'd)

	Shipping transportation		Others		Total	
	2014	2013	2014	2013	2014	2013
	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
Interest income from bank deposit	-	-	-	-	794	1,006
Finance costs	2	-	1	-	7,538	7,108
Depreciation						
- Property, plant and equipment	1,241	1,146	80	50	10,035	6,605
Amortisation						
- Land use right	-	-	-	-	3	3
- Mine development	-	-	-	-	3,445	4,292
- Intangible assets	600	551	-	-	600	551
Impairment losses						
- Mine development	-	-	-	-	14,998	-
- Property, plant and equipment	-	-	-	-	6,457	-

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38. SEGMENTAL REPORTING (CONT'D)

(a) Segment results, assets and liabilities (Cont'd)

	Coal mining		Coal trading		Mining fees	
	2014	2013	2014	2013	2014	2013
	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
Segment assets	265,033	217,703	254,382	286,278	-	-
Segment asset increases for the period:						
- capital expenditure	44,457	74,541	35	243	-	-
Segment liabilities	103,164	68,157	218,179	254,752	-	-

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38. SEGMENTAL REPORTING (CONT'D)

(a) Segment results, assets and liabilities (Cont'd)

	Shipping transportation		Others		Total	
	2014	2013	2014	2013	2014	2013
	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
Segment assets	35,837	28,456	4,042	2,111	559,294	534,548
Segment asset increases for the period:						
- capital expenditure	3	-	546	-	45,041	74,784
Segment liabilities	5,101	5,530	27	59	326,471	328,498

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38. SEGMENTAL REPORTING (CONT'D)

- (b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities and other items:

	2014 AUD'000	2013 AUD'000
(i) Revenue		
Reportable segment revenue	359,069	308,106
Elimination of inter-segment revenue	(22,987)	(37,766)
Consolidated revenue	<u>336,082</u>	<u>270,340</u>
(ii) Profit		
Reportable segment profit before taxation	9,137	63,565
Unallocated fair value gain	-	(3,518)
Depreciation and amortisation		(1)
Unallocated corporate expenses	(2,023)	(7,251)
Unallocated finance costs	(347)	(200)
	<u>6,767</u>	<u>52,595</u>
(iii) Assets		
Reportable segment assets	559,294	534,548
Elimination of inter-segment assets	(189,838)	(156,518)
	<u>369,456</u>	<u>378,030</u>
Unallocated assets:		
- investments accounted for using the equity method	392	410
- other financial assets	3,706	3,440
- intangible assets - goodwill	2,081	1,724
- unallocated capital expenditure	-	4
- corporate assets	177	841
Combined total assets per consolidated statement of financial position	<u>375,812</u>	<u>384,449</u>

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38. SEGMENTAL REPORTING (CONT'D)

- (b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities and other items (Cont'd):

	2014 AUD'000	2013 AUD'000
(iv) Liabilities		
Reportable segment liabilities	326,471	328,498
Elimination of inter-segment liabilities	(168,160)	(141,059)
	158,311	187,439
Unallocated liabilities		
- provision for taxation	3,553	2,837
- deferred tax liabilities	2,438	2,541
- corporate liabilities	9,491	7,403
Combined total liabilities per consolidated statement of financial position	173,793	200,220

- (c) Geographical information

The Group's revenue and results from operations mainly derived from activities in the PRC. The principal assets of the Group were located in the PRC during the relevant periods. Accordingly, no analysis by geographical segment is provided.

- (d) Major customers

The Group has a number of customers to whom it provides products. The following are major customers with revenue equal to or more than 10 percent of the Group external revenue:-

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000	Segment
Customer A	167,024	97,977	Coal trading and shipping transportation
Customer B	35,744	9,888 *	Coal mining and coal trading
Customer C	25,606 *	62,471	Coal trading

* - these customers with revenue of less than 10 percent were presented for comparison purposes.

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39. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and price risk), credit risk, liquidity and cash flow risks. The Group's overall financial risk management policy focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries and bills.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

		CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
	NOTE		
Financial assets			
Cash and cash equivalents	10	15,103	24,202
Held-to-maturity investments	11	17,553	32,054
Loans and receivables	12	63,765	74,545
Available-for-sale financial assets	15		
- at cost			
• Unquoted investment		3,706	3,440
Total financial assets		100,127	134,241
Financial liabilities			
Financial liabilities at amortised cost:			
- trade and other payables	21	98,116	121,653
- amount owing to a related party	22	8,071	5,997
- amount owing to an associate	23	227	413
- borrowings	24	59,563	46,588
- deferred consideration	25	433	18,060
Total financial liabilities		166,410	192,711

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014

39. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its market, credit, liquidity and cash flow risks. Risk management is carried out by management under delegation from the Board of Directors.

(i) Market Risk

(a) *Foreign Currency Risk*

The Group is not exposed to material foreign currency risk other than exchange differences that arise on retranslation of foreign subsidiaries (which are accounted for in other comprehensive income) as the Group does not have significant foreign currency transactions, assets and liabilities other than the functional currency of the Group, which is the Chinese Renminbi ("RMB"). Hence, the Group is not exposed to material foreign currency risk.

(b) *Interest Rate Risk*

The Group's exposure to interest rate risk arises mainly from its borrowings and related party loans. The interest rate profiles are disclosed in Note 22 and 24 to the financial statements. The Group constantly monitors its interest rate risk and does not utilise forward contracts or other arrangements for trading or speculative purposes.

Interest rate risk sensitivity analysis

The interest-bearing financial instruments carry fixed interest rate and are measured at amortised cost. As such, sensitivity analysis is not disclosed.

(c) *Equity Price Risk*

The Group does not have any quoted investments and hence is not exposed to equity price risk.

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39. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(d) *Commodity Price Risk*

The Group is not exposed to commodity price risk as all sales and purchases transactions with customers and suppliers respectively are undertaken based on spot prices of coal with no finalisation adjustments.

(ii) Credit Risk

The Group's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. The maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the statement of financial position reduced by the effects of any netting arrangements with counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individual exposures. At 31 October 2014, allowance for impairment made was approximately AUD105,000 (2013: AUD77,000).

Credit risk concentration profile

The Group's concentration of credit risk relates to the amounts owing by two customers which constituted approximately 72% of its total trade receivables at the end of the reporting period.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

The exposure of credit risk for trade receivables by geographical region is entirely in The People's Republic of China.

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39. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

Ageing analysis

The ageing analysis of the Group's trade receivables at the end of the reporting period is as follows:-

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Not past due and not impaired	40,086	59,221
Past due but not impaired:		
- less than 3 months	12,023	3,346
- 3 to 6 months	8,717	8,663
- over 6 months	37	-
	<u>60,863</u>	<u>71,230</u>

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are companies with good collection track records and no recent history of default.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days, which are deemed to have higher credit risk, are monitored individually.

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39. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity and Cash Flow Risks

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:

- preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The following table details the remaining contractual maturities at the reporting date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:-

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39. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity and Cash Flow Risks (Cont'd)

	Weighted Average Effective Rate	Carrying Amount	Contractual Undiscounted Cash Flows	Within 1 Year	1 - 5 Years	Over 5 Years
CONSOLIDATED	%	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
2014						
Trade and other payables	-	98,116	98,116	98,116	-	-
Amount owing to a related party	5.00	8,071	8,091	8,091	-	-
Amount owing to an associate	-	227	227	227	-	-
Borrowings	6.69	59,563	63,548	63,548	-	-
Deferred consideration	7.84	433	433	433	-	-
		166,410	170,415	170,415	-	-

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39. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity and Cash Flow Risks (Cont'd)

	Weighted Average Effective Rate	Carrying Amount	Contractual Undiscounted Cash Flows	Within 1 Year	1 - 5 Years	Over 5 Years
CONSOLIDATED	%	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
2013						
Trade and other payables	-	121,653	121,653	121,653	-	-
Amount owing to a related party	5.00	5,997	6,086	1,662	4,424	-
Amount owing to an associate	-	413	413	413	-	-
Borrowings	7.05	46,588	46,604	46,604	-	-
Deferred consideration	-	18,060	18,060	18,060	-	-
		192,711	192,816	188,392	4,424	-

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39. FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

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

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's 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.

(c) Fair Value Estimation

The financial assets and liabilities are carried at amounts not materially different from their fair values as at the reporting date.

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40. PARENT ENTITY INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the Australian Accounting Standards.

STATEMENT OF FINANCIAL POSITION

	2014 AUD'000	2013 AUD'000
ASSETS		
CURRENT ASSETS		
Receivables	89	593
Amount owing by subsidiaries	23,620	25,277
Cash and cash equivalents	25	122
TOTAL CURRENT ASSETS	23,734	25,992
NON-CURRENT ASSETS		
Investment in subsidiaries	27,500	27,500
Property, plant and equipment	2	3
TOTAL NON-CURRENT ASSETS	27,502	27,503
TOTAL ASSETS	51,236	53,495
LIABILITIES		
CURRENT LIABILITY		
Payables	958	869
TOTAL CURRENT LIABILITY	958	869
TOTAL LIABILITY	958	869
NET ASSETS	50,278	52,626
EQUITY		
Share capital	65,363	65,363
Accumulated losses	(15,174)	(12,737)
Options reserve	89	-
TOTAL EQUITY	50,278	52,626

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40. PARENT ENTITY INFORMATION (CONT'D)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2014 AUD'000	2013 AUD'000
Total loss	(2,437)	(8,009)
Total comprehensive expenses	(2,437)	(8,009)

Guarantees

The Parent Entity has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contingent Liabilities

The directors are not aware of any contingent liabilities or assets as at the date of these financial statements (2013: Nil).

Contractual Commitments

At 31 October 2014, Blackgold International Holdings Limited had not entered into any contractual commitments (2013: Nil).

41. AUDITORS' REMUNERATION

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Remuneration of the auditor of the parent entity for:		
- auditing and reviewing the financial statements	110	96
- services in relation to the SGX listing	9	87
Remuneration of affiliated firm to the other auditors of subsidiaries entities for:		
- auditing and reviewing the financial statements	248	184
- compilation of information for Appendix 4C	-	9
- special review of certain non-financial related matters	-	27
	367	403

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014

42. CONTROLLED ENTITIES

Subsidiaries of Blackgold International Holdings Limited are as follows:-

	Entities	Country of incorporation	Principal place of business	Principal activities	Ownership Interest	
					2014	2013
(a)	Blackgold Holdings HongKong Ltd. ("BHHK")	Hong Kong SAR	Flat/RM 204, 2/F Malaysia Building 50 Gloucester Road Wanchai Hong Kong	Investment holding.	100%	100%
(b)	Chongqing Heijin Industrial Co. Ltd * ("Heijin")	The People's Republic of China ("PRC")	No. 40, Level 5, Yongan St. Yongan Town, Fengjie County Chongqing Province The People's Republic of China	Investment holding and trading of coal.	100%	100%
(c)	Chongqing Guoping Shangmao Trading Co., Ltd ** ("Shangmao")	PRC	No. 40, Yongan Street Yongan Town, Fengjie County Chongqing Province The People's Republic of China	General traders, mainly trading of coal.	100%	100%
(d)	Chongqing Baolong Mining Co., Ltd ** ("Baolong")	PRC	Guangdong Middle Road, Wuxia Town, Wushan County, Chongqing Province, The People's Republic of China	Mining operations.	100%	100%
(e)	Qijiang Changhong Coal Industry Co., Ltd ** ("Changhong")	PRC	Wanlong Village Shihao Town, Qijiang County Chongqing Province The People's Republic of China	Mining operations.	100%	100%
(f)	Chongqing Blackgold Coal Washing Co., Ltd ** ("Coal Washing")	PRC	Qixing Village, Kangle Town Fengjie County Chongqing Province The People's Republic of China	Washing and selection of coal, the storage and loading of coal, the sale of construction materials and steel materials, and the manufacturer of machineries business.	100%	100%

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42. CONTROLLED ENTITIES (CONT'D)

	Entities	Country of incorporation	Principal place of business	Principal activities	Ownership 2014	Interest 2013
(g)	Chongqing Guoping Heiwan Coal Mine Resources Co., Ltd *** ("Heiwan")	PRC	No. 14 House, Xinfang Village Caotang Town, Fengjie County Chongqing Province The People's Republic of China	Mining operations.	100%	100%
(h)	Chongqing Caotang Coal Mine Resources Development Co., Ltd *** ("Caotang")	PRC	No. 3 House, Baishui Village Fenhe Town, Fengjie County Chongqing Province The People's Republic of China	Mining operations.	100%	100%
(i)	Chongqing Guoping Shipping Transportation Co., Ltd *** ("GPST")	PRC	No. 40, Yongan Street Yongan Town, Fengjie County Chongqing Province The People's Republic of China	Shipping Transportation and agency services	100%	100%
(j)	Chongqing Blackgold Mining Co., Ltd. *** ("Blackgold Mining")	PRC	-	Dormant	100% ****	-

* Interest held by BHHK

** Interest held by CHI

*** Interest held by Shang Mao

**** Newly incorporated on 2 September 2014

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43. CAPITAL COMMITMENTS

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
Capital expenditure:-		
Approved and not contracted for	134,003	146,349
Approved and contracted for	9	955
	<hr/> 134,012	<hr/> 147,304

Capital expenditure commitments are in relation to the expansion of Group's current mining activities at its Baolong and Heiwan mines (2013: Changhong, Caotang, Baolong and Heiwan mines).

44. CONTINGENT LIABILITIES

During the financial year, a subsidiary of the Group, Heijin has provided corporate guarantee to China Minsheng Banking Corp. Ltd. ("China Minsheng") (a licensed bank in the PRC) in relation to bank borrowings between China Minsheng and a Customer of Heijin, Jiangsu Huayu Energy Group Co., Ltd. The value of this guarantee is AUD36.676m (RMB197.930m). The corporate guarantee will lapse in September 2015.

Heijin has also received a corporate guarantee from Jiangsu Huayu Energy Group Co., Ltd with a value of AUD37.060m (RMB200.000m). This corporate guarantee will lapse in June 2015.

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45. PROVISION FOR TAXATION

	CONSOLIDATED 2014 AUD'000	CONSOLIDATED 2013 AUD'000
At 1 November	2,837	2,168
Provision for taxation:		
- For the financial year	1,956	2,873
- Underprovision in the previous financial year	134	-
Tax paid during the financial year	(1,611)	(2,484)
Foreign exchange difference	237	280
At 31 October	<u>3,553</u>	<u>2,837</u>

46. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are as follows:-

- (a) On 19 November 2014, the Company announced that it has entered into a binding term sheet with Vibrant Group Limited ("Vibrant") under which:
- The Company issues convertible bonds to Vibrant's wholly-owned subsidiary, LionHeart Holding Group Corp ("LHGC"), with a total face value of up to SGD25.000m; and
 - The Company grants LHGC the right to nominate a Singapore Exchange ("SGX") Mainboard listed entity to purchase the Company's wholly-owned subsidiary, BHHK (which holds the group's Chinese operating assets) under a transaction that would see the Company's assets listed on SGX Mainboard and, subject to applicable laws and required approvals, the Company's shareholders holding shares traded on SGX (RTO).
- Proceeds raised under the bond issue will be used for acquisitions and to supplement existing working capital.
- (b) On 2 December 2014, the Board approved to transfer all shares held by Heijin in Coal Washing, Baolong and Changhong to Blackgold Mining.

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46. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are as follows:-

- (c) On 9 December 2014, the Company announced that it has entered into a Definitive Agreement with respect to the SGD25.000m convertible bond issue previously announced to ASX on 19 November 2014. In addition to the terms previously announced, the bonds will be redeemed for cash in the event the Company commits an event of default (being events typical for a transaction of this nature) that cannot be remedied.

The Company will rely upon its existing 15% capacity for the conversion of tranche 1, and will seek shareholder approval for conversion of tranche 2 (if required).

Completion of the first tranche (with a face value of SGD15.000m) of the bond issue is due to occur on 11 December 2014.

- (d) On 30 December 2014, the Company entered into a binding Heads of Agreement ("HOA") with Matex International Limited ("Matex"), a company incorporated under the laws of Singapore and listed on the Mainboard of the Singapore Exchange Securities Trading Limited (SGX-ST). Matex will purchase the Company's wholly-owned subsidiary, BHHK, for a total purchase price of SGD475.000m ("Proposed Acquisition") on the terms of the sale and purchase agreement to be entered into by the Company and Matex.

BHHK holds all of the Company's assets (other than cash). The HOA follows LHGC exercising a right to nominate a SGX listed entity to acquire BHHK.

The purchase price consists of (i) SGD25.000m cash; and (ii) subject to any adjustment in the purchase price, 2,406,417,112 ordinary shares in Matex to be issued based on a pre-consolidation issue price of SGD0.187 per share ("Consideration Shares") as follows:-

- (i) such number of Consideration Shares representing 25% of the aggregate number of Consideration Shares to be issued to LHGC in connection with an agreement with Vibrant with respect to the SGD25.000m convertible bond issue previously announced to ASX on 19 November 2014 and 9 December 2014;
- (ii) such number of Consideration Shares representing 6% of the aggregate number of Consideration Shares to be issued to Portman Capital Development Limited, consultants to the Company; and

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2014

47. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD (CONT'D)

- (d)
 - (iii) the balance of the Consideration Shares to be issued to the Company, which will be distributed to the Company's shareholders by way of an equal capital reduction in accordance with the Corporation Act and the ASX Listing Rules and subject to compliance with all applicable laws, rules and regulations ("Proposed Distribution").
- (e) Subsequent to year end, the Group has letter of credit of RMB71.430m and bank factoring facility of RMB50.000m which has expired in 15 November 2014 and 13 January 2015 respectively. Meanwhile, the short term loans totalling RMB197.600m have been renewed with RMB36.440m expiring in March 2015, RMB10.820m expiring in April 2015, RMB125.340m expiring in May 2015 and RMB25.000m expiring in July 2015. In addition, the Group has the letters of credit and bill payables totalling RMB399.940m expiring at various stages between January 2015 and July 2015.

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DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Blackgold International Holdings Limited, the directors of the Company declare that:

1. the financial statements and notes, as set out on pages 50 to 155, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards, which as stated in accounting policy Note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 31 October 2014 and of the performance for the financial year ended on that date of the Group;
2. the Chief Executive Officer and Chief Financial Officer have each declared that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
 - b. the financial statements and Notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and Notes for the financial year give a true and fair view; and
3. in the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
4. the directors have been given the declaration required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

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

Director



Chi Ho (James), Tong

Dated this 30th day of January 2015

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BLACKGOLD INTERNATIONAL HOLDINGS LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Blackgold International Holdings Limited, which comprises the consolidated statement of financial position as at 31 October 2014, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

- (a) the financial report of Blackgold International Holdings Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 October 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 47 to 54 of the directors' report for the year ended 31 October 2014. 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.

Opinion

In our opinion, the Remuneration Report of Blackgold International Holdings Limited for the year ended 31 October 2014 complies with section 300A of the Corporations Act 2001.



CROWE HORWATH PERTH



CYRUS PATELL

Partner

Signed at Perth, 30 January 2015

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ADDITIONAL SECURITIES INFORMATION AS AT 21 JANUARY 2015

Additional information required by the Australian Securities Exchange, and not shown elsewhere in this report is as follows.

(a) Ordinary Shares

(ii) *Distribution of ordinary shares*

- 888,003,622 fully paid shares. All issued ordinary shares carry one vote per share and carry the rights to dividends. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(iii) *The number of shareholders, by size of holding, in each class is:*

Category (size of holding)	No. of shareholders	No. of shares	%
1 – 1,000	14	155	-
1,001 – 5,000	59	206,267	0.02
5,001 – 10,000	264	2,364,310	0.27
10,001 – 100,000	206	7,585,114	0.85
100,001 – and over	70	877,847,776	98.87
TOTAL	613	888,003,622	100.00

The number of security investors holding less than a marketable parcel of 240,946 securities (\$0.085 on 26/01/2015) is 79.

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ADDITIONAL SECURITIES INFORMATION AS AT 21 JANUARY 2015

(a) Ordinary Shares (Cont'd)

(iv) Twenty largest holders of quoted equity securities (fully paid shares)

Name	No. of shares	%
LUCKY MAGIC ENTERPRISES LIMITED	544,500,000	61.32%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	67,877,092	7.64%
PRIMA NETWORK FINANCIAL GROUP LIMITED	51,050,000	5.75%
SINGAPORE ENTERPRISES PTE LTD	49,790,318	5.61%
EAST ASIA SUCCESS LIMITED	25,044,017	2.82%
UOB KAY HIAN (HONG KONG) LIMITED	18,378,057	2.07%
MR ZHONGYU YU	17,003,122	1.91%
CITICORP NOMINEES PTY LIMITED	15,745,554	1.77%
ZHONGYU YU	15,359,801	1.73%
BLACKGOLD INTERNATIONAL HOLDINGS LIMITED	13,500,000	1.52%
J P MORGAN NOMINEES AUSTRALIA LIMITED	8,065,515	0.91%
LINK SUCCESS ASIA HOLDINGS LIMITED	7,634,444	0.86%
UOB KAY HIAN PRIVATE LIMITED	4,882,918	0.55%
MR ZHIPING SUN	4,083,213	0.46%
LINK SUCCESS ASIA HOLDINGS LIMITED	3,810,000	0.43%
MR YEW GEE GOH	3,708,000	0.42%
MR YEOW LIAN GOH	3,312,000	0.37%
MR YEO HWA GOH	2,997,000	0.34%
NATIONAL NOMINEES LIMITED	2,103,900	0.24%
MS JIAJIA GU	2,000,000	0.23%
TOTAL	860,844,951	96.95%

Details of Substantial Shareholders

The Company had received the following substantial shareholder notices:

Name	Relevant Interest No. of shares
Mr Yu Guo Peng & Lucky Magic Enterprises Limited	544,500,000
Mr Chi Ho (James) Tong & Prima Network Financial Group Limited	51,050,000
Khua Kian Keong #	51,651,103
Singapore Enterprises Private Limited #	51,651,103

In addition to the shares held by him, Mr. Khua Kian Keong has a deemed relevant interest under Section 608(3)(b) of the Corporations Act in the shares which Singapore Enterprises Private Limited has a relevant interest.

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ADDITIONAL SECURITIES INFORMATION AS AT 21 JANUARY 2015

(b) Details of securities which are subject to escrow provisions

Not applicable.

(c) Additional Class of Securities

There is no additional class of securities or options on issue other than fully paid ordinary shares.

(d) Interest in Mining Tenements

Holder	Mining Permit Number	Location	% interest
Chongqing Caotang Coal Mine Resources Development Co., Ltd	C50000020090-41130019437	Chongqing Province, The People' s Republic of China	100%
Chongqing Guoping Heiwan Resources Development Co., Ltd	C50000020090-41130019439	Chongqing Province, The People' s Republic of China	100%
Chongqing Baolong Mining Co., Ltd	C5000002009041130020052	Chongqing Province, The People' s Republic of China	100%
Qijiang Changhong Coal Industry Co., Ltd	C5000002009041130018279	Chongqing Province, The People' s Republic of China	100%

(e) Cash Usage

Since the date of listing on the ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

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ADDITIONAL SECURITIES INFORMATION AS AT 21 JANUARY 2015

(f) General Information

Registered Office:	Level 23, Governor Macquarie Tower 1 Farrer Place Sydney NSW 2000 Australia Tel: + 61 2 92533840 Fax: +61 2 9253 9900
Principal Place of Business	12 th Floor, No. 18 Mian Hua Street Yu Zhong District, Chongqing City People's Republic of China Postal Code 40011 Tel: +86 2363 776 699 Fax: +86 2363 777 154
Securities Register	Link Market Service 178 St Georges Terrace Perth WA 6000 Tel: 1800 554 474 or +612 8280 7111
Stock Exchange Listing	The Company's securities are quoted on the Australian Stock Exchange Limited.