BLACKHAM
Resources Limited

ANNUAL REPORT

30 JUNE 2016

CONTENTS

COMPANY DIRECTORY

DIRECTORS

Milan Jerkovic	(Non-Executive Chairman)
Bryan Dixon	(Managing Director)
Alan Thom	(Executive Director)
Greg Miles	(Non-Executive Director)
Paul Rozenauers	(Non-Executive Director)

COMPANY SECRETARY

Mike Robbins

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Australian Securities Exchange
Code: BLK

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CHAIRMAN'S LETTER

Dear Shareholders,

It is now 10 months since I took on the role of Chairman of Blackham Resources Limited and since that time the Company has been able to announce and meet its key milestones as Blackham transitions from gold developer to producer with the first gold pour imminent.

The last financial year has seen an amazing transformation of the Company, as the Board, Executive Management team and employees of the Company have continued to work diligently towards the ultimate goal of realising the significant value of the Matilda Gold Project. The key achievements to date include:

- the growing of gold resources to 48Mt @ 3.3g/t for 5.1Moz (JORC 2012) with a Measured & Indicated resource of 22Mt @ 3.4g/t for 2.5Moz Au and an acquisition and exploration cost of <$6/oz
- the successful commencement of mining of the high grade Golden Age Reef
- obtained full mining approvals
- hiring the entire operations team
- the commencement of mining at Matilda and Golden Age as forecast
- the commissioning of new power station
- the refurbishment of the plant and infrastructure within a very tight timeframe
- the publishing of the DFS in February 2016
- the optimisation and upgrade of the DFS to include a Mine Plan containing 9.3Mt @ 2.9g/t for 873,000oz Au and reserves of 7Mt @ 2.5g/t for 560,000oz Au
- the continual strong conversion of Mineral Plan to Reserves
- the wet commissioning of the Wiluna gold plant in September 2016
- imminent gold production ~ 15 months after receiving the Orion funding deal.

The credit for these outstanding achievements rests with the full Blackham team including all the management, employees, consultants and contractors. I would personally like to thank, not only the Board and the Executive Management team but also the Blackham staff and contractors for all their efforts. A special word of thanks is extended to our Managing Director, Bryan Dixon and our Chief Operations Officer, Alan Thom for their outstanding leadership and tenacity through the development, construction and commissioning pathway.

The Board and the rest of the team have pushed themselves along with the belief, knowledge and experience that they are working for, and participating in, the most exciting, promising and nimble new gold producer in Australia.

I would also like to thank the many loyal Blackham shareholders that have stood by the Company through the good times and the bad and I am confident you will bear the fruits of your loyalty over the next few years.

Our strategic goal is to become a very profitable mid-tier gold producer that returns the due value to shareholders from a project as good as the Matilda gold asset.

Thank you

Milan Jerkovic
Non-Executive Chairman
30 September 2016

REVIEW OF OPERATIONS

Blackham Resources Ltd has commenced open pit mining and underground mine development at the Matilda Gold Project and will soon produce its first gold bar from its 100% owned 1.7Mtpa Wiluna gold plant.

The Matilda Gold Project is located in Australia's largest gold belt which stretches from Norseman through Kalgoorlie to Wiluna. The expanded Matilda Gold Project now includes Measured, Indicated and Inferred Resources of 48Mt @ 3.3g/t for 5.1Moz Au, JORC 2012, (refer to ASX release 27th June 2016) within an 860km^2 exploration tenement package which has historically produced in excess of 4.3 million ounces.

The Company has had a very productive year since the publishing of the last Annual Report. Highlights include:

- Growing the JORC 2012 Gold Mineral Resources to 48Mt @ 3.3g/t for 5.1Moz, (48% measured & indicated)
- Acquisition and exploration cost of <A$6/oz
- DFS was published in February 2016 and improved in June 2016, highlighted by:
    - Mine plan of 9.3Mt @ 2.9g/t for 873,000oz Au
    - Reserves of 7.0Mt @ 2.5g/t for 560,000oz Au
    - Very strong conversion of Mine Plan to Reserves to date
- Approvals were obtained in June 2016 and mining commenced in July 2016.

The management team has focused on refurbishment and the commencement of safe and efficient mining for a sustainable long-term operation. With wet commissioning of the plant well underway and mining to move to steady state, the focus is now on continual improvement and optimisation of the mine plan and operation.

With a vastly diversified resource base of over 4Moz's outside the current mine plan, the study team are now focused on the expansion plan. Open pit optimisation studies over the entire Wiluna mine show there are significant resources remaining that may be profitably exploited. Drilling is continuing on these target areas for inclusion in a new mine plan for the area.

OPEN PIT MINING

The open pit mine plan comprises 5.8Mt @ 1.7g/t for 324,000oz (including stockpiles) of shallow free milling ore to be mined over the first 4 years of which only 14,000oz (approx 4%) are classified as Inferred Resources. The open pit reserves comprise 5.5Mt @ 1.8g/t for 310,000oz (refer to ASX release 17th June 2016).

Blackham's open pit contractor, MACA Ltd, mobilised the initial mining fleet in July and currently has 3 diggers mining at the M10, M3 and M4 open pits at Matilda. Open cut operations comprise a 250t excavator and 130t dump trucks for waste excavation where working areas allow and 120t excavators with 90t dump trucks for ore excavation and in cutback areas or deeper parts of the pits where working room is restricted.

The mining of ore has commenced at the M10 and M3 pits and will soon commence at the main Matilda M4 pit. The M4 mine design cuts back a previously mined open pit. The M4 planned pit is almost 2kms long with a final pit depth of approximately 100m. Dewatering of the M3 pit and M4 pits is well advanced.

Photo 1: Matilda M10 mining

Photo 2: Matilda M3 mining

Photo 3: One of two MLG road trains hauling ore back to ROM

UNDERGROUND MINING

Within 11 months of first entering the Wiluna underground mine, Blackham has developed an underground mine plan comprising 3.4Mt @ 5.0g/t for 549,000oz which will be mined over the initial 7 years. The underground reserve comprises 1.1Mt @ 5.0g/t for 250,000oz. Reserve infill and extensional drilling is ongoing.

The Company's underground mining contractor, Pybar Mining Services Ltd, commenced underground development work in mid-August 2016 at the high grade Golden Age orebody. Set up work to open the initial development areas has been completed and the mining of ore has now commenced.

Development metres will increase over the coming months with available ore headings increasing to allow the fast tracking of the first production panel. In addition to this will be the potential expansion of the underground operation in the upper portion of Golden Age which has only recently been drilled.

Underground production at the Golden Age, Bulletin and East-West underground mines will be predominantly by "top-down" mechanised longhole open stoping with in-situ pillars retained for stability.

There is a lower level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the Production Target itself will be realised. However, over the last year Blackham has demonstrated a high conversion of Inferred Resources into Reserves and has 4.2Moz of resources sitting outside its mine plan that it continues to conduct mining studies on.

Initial exploration and mining studies focused on the high grade Golden Age middle underground area where development work has commenced. On the 24 August, the Company announced additional high grade results returned between and along strike from historical stopes including:

- 1.9m @ 38.6g/t Au incl 0.9m @ 80.6g/t (73g*m) (GAUD0063)
- 3.7m @ 17.1g/t Au incl 1.0m @ 28.8g/t (63g*m) (GAUD0062)
- 1.9m @ 12.9g/t Au (25g*m) (GAUD0025)
- 2.0m @ 13.4g/t Au incl. 1.0m @ 25.6g/t (27g*m) (GAUD0026)
- 2.7m @ 8.63g/t Au incl 2.0m @ 11.3g/t (23g*m) (GAUD0034)

The diamond drill program was designed to test the grade and continuity of the Golden Age lode between two historical stoped areas outside the current resource. This program is likely to yield a Reserve increase for this portion of Golden Age, situated just 400m below surface and is easily accessible from the existing decline.

Several holes also intersected the Lennon sulphide lode along strike from existing Indicated Resources. Results returned from the Lennon Lode include:

- 6.0m @ 5.1g/t Au (31g*m) (GAUD0061)
- 6.1m @ 10.5g/t Au incl 1.0m @ 54.4g/t (64g*m) (GAUD0062)
- 12.0m @ 7.4g/t Au (89g*m) (GAUD0063)

PLANT REFURBISHMENT AND WET COMMISSIONING

The plant and infrastructure refurbishment is almost complete with the commencement of wet commissioning in early September 2016. The crushing circuit has been commissioned and fine ore has been crushed for feeding into the grinding circuit. The ball mills have been fully refurbished and the gravity circuit has been installed and is ready for use.

Eight tanks in the leach circuit are mechanically complete and the final stages of electrical wiring is in progress. Wet commissioning of the leach tanks has commenced and the leach circuit should be ore ready within days.

The tails dam is ready for use, a 280 room camp is fully operational and the new power station and HV is fully operational.

Photo 4: Primary crusher loading

Photo 5: Fine ore shed filling with ore

Photo 6: New Mill 1 feed hopper installed

Photo 7: Mill 2 charging commencing

As reported in the June 2016 quarterly, Blackham is initially focused on the free-milling resources which it intends to process through the established low risk circuit of crushing, grinding, gravity and carbon in leach. The free-milling open pit Matilda deposits will provide a base load feed stock for the Wiluna gold plant which will be supplemented by the high grade quartz reef deposits and shallow underground deposits.

Table 1: DFS and Revision Summary

	DFS	Revised Mine Plan
Mining Inventory[1]	8.3Mt @ 2.9g/t for 767,000oz	9.3Mt @ 2.9g/t for 873,000oz
Reserves[1]	6.1Mt @ 2.5g/t for 481,000oz	7.0Mt @ 2.5g/t for 560,000oz
Initial Life of Mine	7.3 years	8.3 years
Average Annual Production[2]	101,000ozpa	103,000ozpa
C1 Cash Costs[3]	A$850/oz	A$800/oz
AISC Costs[4]	A$1,160/oz	A$1,120/oz

(1) at $1,600/oz

(2) *Average production over the first 5 years*

(3) *C1 Cash Costs include all mining, processing and general & administration costs over the first 5 years*

(4) *AISC includes C1 Cash Costs plus royalties, refining cost, sustaining capital over the first 5 years*

Blackham continues to grow the life of mine sufficiently to allow a sustainable, ongoing operation through the replacement of production ounces from both the large 5.1Moz resource base and ongoing exploration.

RESERVES

Mining studies based on resources reported in the ASX announcement dated 17th June 2016 were completed for the Golden Age Underground, Matilda, Galaxy and Williamson open pit mines. Only the Measured and Indicated portions of the Mineral Resource were used to estimate the Ore Reserve as per Table 2 (ASX announcement dated 17th June 2016). All Inferred material has had grade set to waste. The Ore Reserve is technically and economically viable without the inclusion of Inferred Mineral Resource material.

Table 2: Matilda Gold Project Reserves June 2016

Mine	Category	Tonnes	Mined g/t	Reserve Oz
Matilda Mine	Proven	195,000	1.9	12,000
Matilda Mine	Probable	3,297,000	1.8	192,000
Golden Age	Probable	112,000	6.0	21,000
Galaxy	Probable	338,000	2.8	30,000
Williamson	Probable	1,517,000	1.4	69,000
Bulletin Sulphides	Probable	938,000	4.7	142,000
East-West Sulphides	Probable	516,000	5.2	87,000
Stockpiles	Probable	124,000	1.7	7,000
Total Proven Reserves		**195,000**	**1.9**	**12,000**
Total Probable Reserves		**6,842,000**	**2.5**	**548,000**
Total Reserves		**7,037,000**	**2.5**	**560,000**

Calculations have been rounded to the nearest 1,000 t of ore, 0. 1 g/t Au grade and 1,000 oz. Au metal.

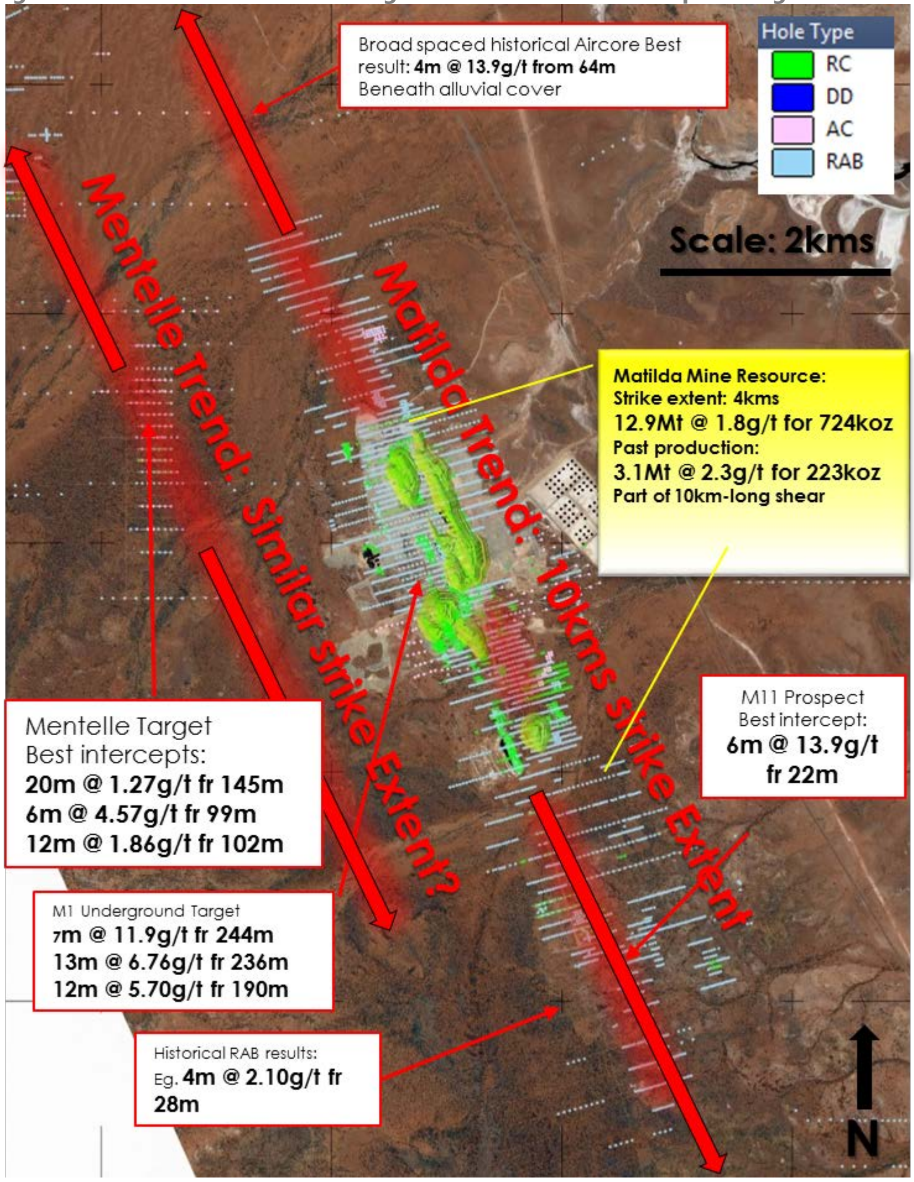
GOLDEN AGE

Blackham has commenced underground mining of the high grade Golden Age orebody. The initial mine plan at Golden Age comprises 206,000t @ 5.8g/t for 38,000oz of free milling ore which will be mined over the first 2 years. The Golden Age underground Reserve comprises 112,000t @ 6.0g/t for 21,000oz. Access to the Golden Age reef is via the Bulletin decline. Mining infrastructure is in place and good geotechnical conditions have allowed easy re-entry to the mine which has an average stope width of 1.5m. The orebody remains open both to the east and up dip.

Drilling during 2016 has been successful in converting Inferred into Indicated Resources allowing stopes to be developed further east. In addition to these extensions, Blackham also plans to recover remanent ore from some of the previously mined areas. The remanent mineralisation which is currently not included in Resources, Inventory or Reserves is planned to be recovered and processed early in the underground mine plan. Blackham completed 18 UG diamond holes for 1,408m in the Golden Age upper extensions during July with a view to quickly adding additional ore to the mine plan.

MATILDA DISTRICT EXPLORATION

Figure 1 - Matilda district-scale targets with historical intercepts along 10km of strike on the Matilda Trend

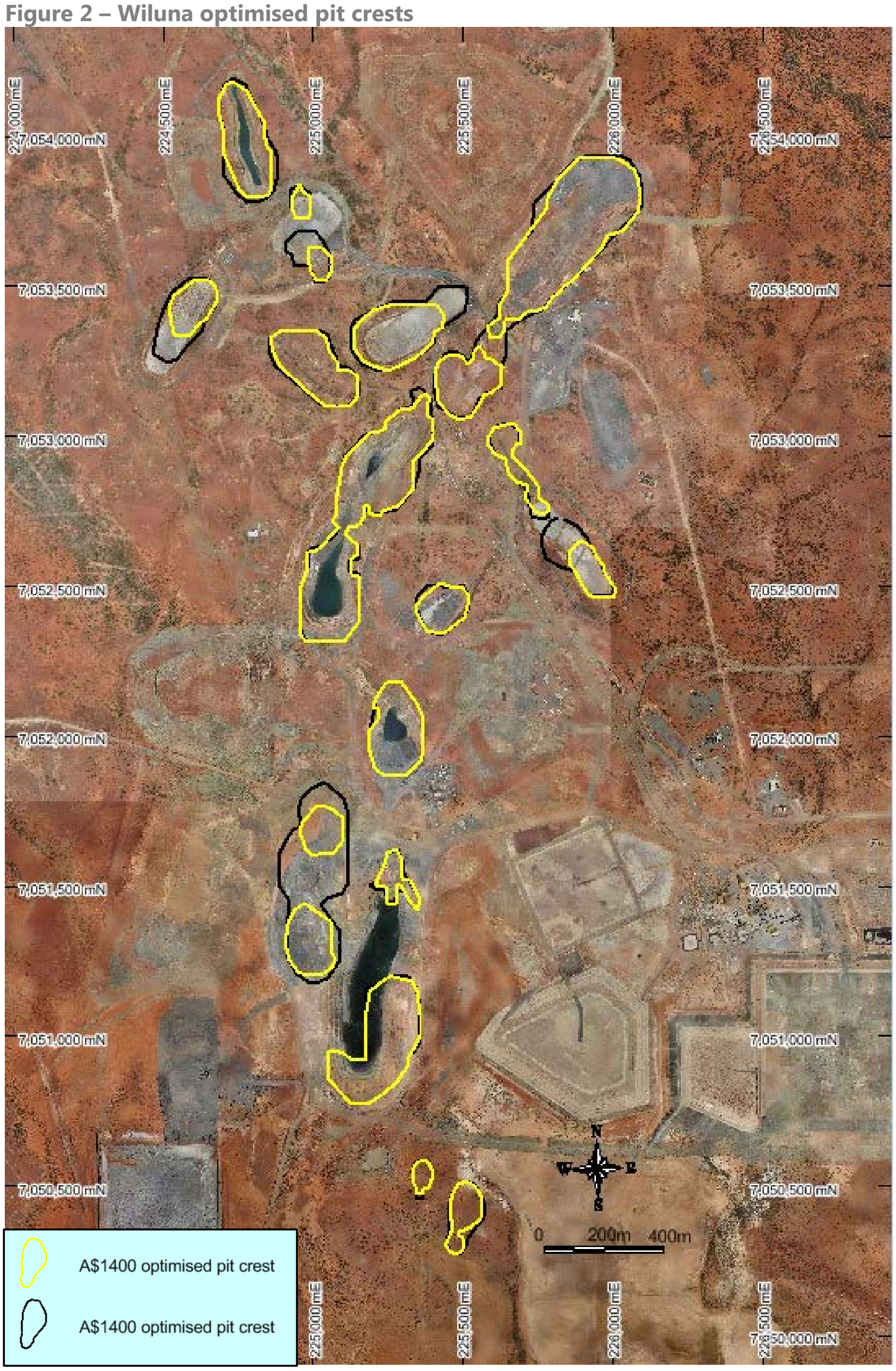


Blackham's exploration strategy is to test the full 10km-long strike extent of the Matilda shear zone to identify further Matilda-sized deposits (~1Moz). Historical drilling intercepts up to 4km along strike from the mine include 4m @ 13.9g/t and 6m @ 13.9g/t. To assist with target definition, a gradient array and dipole-dipole IP geophysical survey was completed at Matilda to determine if sulphides associated with mineralisation could be detected beneath alluvial cover north and south of the mine. Results suggest that the M6 mineralisation continues at depth to the north of the previously mined M6 pit and that there may be additional mineralised structures to the west of M6 which are yet to be drill tested. Results from drill testing along strike from M6 appear to support the IP modelling.

WILUNA OPEN PIT MINING STUDIES

Large scale open pit mining at Wiluna generally ceased in the mid 1990's when focus shifted to mining high-grade underground deposits. Blackham has begun open pit optimisation studies over the entire Wiluna Mine which suggest significant resources remain that may be profitably exploited. A$1,400/oz optimised pit crests are shown in Figure 2. The average diluted grade of these pit optimisations average 3.7g/t and ranges from 1.9g/t to 6.1g/t.

Figure 2 – Wiluna optimised pit crests



The first phase of follow up drilling is currently being completed to fully test the extensions of the optimised pits. These new results will be incorporated into the ongoing open pit and underground mining studies.

GOLD PRICE RISK MANAGEMENT

As announced to the ASX on 21 September 2016, Blackham has forward sold a further 34,250 ounces of gold at an average price of A$1,774 per ounce. With production imminent, the Board believes it is prudent to lock in responsible proportions of its short to medium term production so that the Company can optimally manage its operations and risk exposures in the current volatile price environment. Being able to lock in close to record high AUD gold prices allows even modest hedge commitments to create a high degree of predictable cash flow at this crucial time in the company's transition to being a significant gold producer.

Blackham's total gold hedge commitments represent 35% of the forecast production over the next 18 months and are as follows:

Table 3: Hedge commitments

Quarter	Ounces	Average AUD price per ounce
Q4-16	20,000	$1,704
Q1-17	6,750	$1,770
Q2-17	7,500	$1,772
Q3-17	7,500	$1,775
Q4-17	7,500	$1,777
Q1-18	5,000	$1,779
Total	**54,250**	**A$1,749**

Bryan Dixon
Managing Director
30 September 2016

Directors' Report

Your directors submit the financial report of Blackham Resources Limited ('Blackham' or the 'Company') and its controlled entities (the 'Group') for the year ended 30 June 2016.

DIRECTORS

The names of Directors who held office during or since the end of the financial year:

Milan Jerkovic B.App.Sc (Geol), GDip (Mining), GDip (Mineral Economics), FAusIMM MAICD
Non-Executive Chairman

Mr Jerkovic is a geologist with over 30 years' experience in the mining industry including resource evaluation, operations, financing, acquisition, project development and general management. Mr Jerkovic is currently chairman of Geopacific Resources and principal of the Xavier Group. He was previously the CEO of Straits Resources Limited, has held positions with WMC, BHP, Nord Pacific, Hargraves, Tritton and Straits Asia and was the founding chairman of Straits Asia Resources.

- Appointed: 27 November 2015
- Committee memberships: Audit & Risk (Chairman), Remuneration & Nomination
- Other listed board memberships: Geopacific Resources Limited
- Previous listed board memberships: Nil for the last three years

Bryan Dixon BCom, CA, ACIS
Managing Director

Mr Dixon has substantial experience in the mining sector and in the management of public and listed companies. Previously, Mr Dixon has been employed by KPMG, Resolute Limited Société Générale and Archipelago Resources Plc. Mr Dixon is a Chartered Accountant and specialises in project acquisition, project development, financing and corporate skills to the Group.

- Appointed: 7 July 2006
- Committee memberships: Nil
- Other listed board memberships: Hodges Resources Ltd, Lithium Australia NL
- Previous listed board memberships: Nil for the last three years

Alan Thom BEng (Mining), GDip (AppFin), GDip (Bus), MAusIMM, FFin
Executive Director and Chief Operations Officer

Mr Thom is a mining engineer with extensive experience as a senior manager and executive working in Australia, United Kingdom, Africa, New Zealand and Bangladesh. His experience covers a range of commodities including gold, nickel, uranium and all types of coal. Mr Thom has managed a number of definitive and bankable feasibility studies for significant resource projects. Mr Thom holds a Western Australian First Class Mine Managers Certificate and previously held statutory mine management positions for Newmont in both underground and open pit operations.

- Appointed: 31 July 2008
- Committee memberships: Nil
- Other listed board memberships: Nil
- Previous listed board memberships: Attila Resources Ltd (to April 2015)

Greg Miles BSc, GDip (Geol)
Non-executive Director

Mr Miles graduated from the Australian National University in Canberra as a geologist and has since worked in a number of different commodities and mineral provinces across a broad portfolio of grass-roots to development projects. More recently Mr Miles has been involved as a director of a number of junior mining companies providing technical expertise in exploration, project management and acquisitions. Mr Miles' professional highlights include involvement in the discovery of the 2.3Moz Centenary Deposit at the Darlot Gold Mine in the Eastern Goldfields, WA and the 40Mt Mount Caudan Iron Ore Deposit in the southern Yilgarn, WA.

- Appointed: 17 October 2011
- Committee memberships: Audit & Risk, Remuneration & Nomination (Chairman)
- Other listed board memberships: Cassini Resources Ltd
- Previous listed board memberships: Cove Resources Ltd (to July 2015)

DIRECTORS (CONT'D)

PETER ROZENAUERS BME (HONS I), MAPPFIN, MAUSIMM
Non-executive Director

Mr Peter Rozenauers is a Portfolio Manager with Orion Mine Finance and has over 25 years of experience in the natural resources and finance industry. He holds a Bachelor of Mining Engineering (Hons I) from the University of NSW, a Master of Applied Finance from the University of Technology Sydney and is a Member of the Australasian Institute of Mining and Metallurgy. Prior to Orion, Mr Rozenauers was a Senior Investment Manager for Red Kite Group's Mine Finance business. Before joining Red Kite in 2012, Mr Rozenauers was Managing Director and Head of Asian Commodities Distribution for Barclays Capital in Singapore, a leading commodity global investment bank. Mr Rozenauers has spent over 13 years working in a variety of senior banking roles in Singapore, New York and London.

- Appointed: 17 June 2015
- Committee memberships: Nil
- Other listed board memberships: MacPhersons Resources Ltd
- Previous listed board memberships: Nil for the last three years

PAUL MURPHY BSC
Non-Executive Deputy Chairman – passed away on 17 May 2016

Mr Murphy had been a shareholder of the Company since 2007 and was appointed as Chairman in mid 2014. Paul made a strong contribution to the Blackham Board and his experience, energy and inspiration will be greatly missed.

The board, management and staff of Blackham pass on their sincere sympathy and condolences to his family and friends.

- Appointed: 22 July 2014
- Deceased: 17 May 2016

MIKE ROBBINS
Company Secretary

Mr Robbins has over 20 years resource industry experience gathered at both operational and corporate levels, both within Australia and overseas. During that time, he has held numerous project and head office management positions and is also CFO and Company Secretary for three other listed entities.

REVIEW AND RESULTS OF OPERATIONS

RESULTS

The loss after tax for the financial year was $8,009,000 (2015: $4,570,000). The Group's net assets at the end of the year are $34,109,000 (2015: $17,752,000).

GOLD FORWARD CONTRACTS

At the end of the financial year the Company had a total committed hedging position of 20,000 ounces, being flat forward contracts with a delivery price of $1,701 per ounce.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial year was mineral exploration and development.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

During July 2016, Blackham commenced mining at its Matilda Gold Project in both the open pits and underground. Blackham is currently wet commissioning its Wiluna Gold Plant and gold production is imminent. The Matilda Gold Project is expected to ramp up to its Stage 1 production target of 100,000 ounces per annum over the next six months.

There are no likely developments of which the directors are aware which could significantly affect the results of the Group's operations in subsequent financial years not otherwise disclosed in the Principle Activities and Operating and Financial Review or the Significant Events after Balance Date sections of the Directors' Report.

CORPORATE

FUNDING

As announced to the ASX in May 2015, the Company entered into a $38,500,000 finance arrangement (Facility Agreement) with Orion Mine Finance Group (Orion), comprising of a $13,000,000 Non-Amortising Term Facility (NATL), a $23,000,000 Project Financing Facility (Finance Facility) and a $2,500,000 placement.

At report date, all funds had been drawn down from the Facility Agreement. The funds have been used to facilitate exploration, the completion of the Definitive Feasibility Study (DFS) of the Matilda Gold Project and the refurbishment of the Wiluna Gold Plant and general working capital.

EQUITY PLACEMENTS

As announced to the ASX on 14 March 2016, the Company completed a capital placement of $20,250,000 from predominantly institutional investors. The funds contributed to the exploration, development and the refurbishment of the Wiluna Gold Plant.

DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend for the 2016 financial year and no amount has been paid or declared by way of a dividend to the date of this report.

The Board plans to pay a dividend, at the earliest possible time it is in a position to responsibly do so, following the commissioning of the Matilda Gold Project.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

EVENTS SUBSEQUENT TO REPORTING DATE

The final drawdown of the Orion Finance Facility occurred in August 2016. $8,000,000 was received from Orion and will be used to finalise the refurbishment of the Wiluna Gold Plant.

As announced to the ASX on 19 August 2016, the Company raised $25,000,000 through a capital placement of 25 million shares at $1.00 per share. The raising was oversubscribed and received strong institutional support. The proceeds will be used to:

- expand the oxide and free milling resources and reserves
- to grow the sulphide open pit and underground mine plan and reserves
- fast track the plant expansion study and sulphide circuit refurbishment
- strengthen the balance sheet and increase working capital.

During the July 2016, the Group commenced mining at its Matilda Gold Project in both the open pits and underground.

In September 2016, the Group started wet commissioning its Wiluna Gold Plant and gold production is imminent.
During September 2016, the Company forward sold a further 34,250 ounces of gold at an average price of A$1,774 per ounce over the next 18 months.

Apart from the above, there are no other matters or circumstances that 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 financial years.

COMMITTEE MEMBERSHIP

During the year, the Company chartered the Audit and Risk Committee and the Remuneration and Nomination Committee of the Board of directors. Mr Jerkovic and Mr Miles were nominated as the Chairman of the Audit and Risk Committee and Remuneration and Nomination Committee, respectively.

MEETINGS OF DIRECTORS

The number of directors' meetings held (including meetings of the Committees of the Board) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Director's meeting		Audit and Risk Committee		Remuneration and Nomination Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Milan Jerkovic	5	5	1	1	Nil	Nil
Bryan Dixon	7	7	1	1	n/a	n/a
Alan Thom	7	7	1	1	n/a	n/a
Greg Miles	7	7	1	1	Nil	Nil
Paul Murphy	6	2	n/a	n/a	n/a	n/a
Peter Rozenauers	7	7	1	Nil	Nil	Nil

DIRECTORS' INTERESTS IN THE SHARES, OPTIONS AND PERFORMANCE RIGHTS OF THE COMPANY

The directors' interests in the shares of the Company at the date of this report are set out in the table below.

Director	No. of ordinary shares	No. of options	No. of performance rights
Milan Jerkovic	1,030,826	500,000	500,000
Bryan Dixon	4,090,000	900,000	2,750,000
Alan Thom	2,335,000	900,000	2,750,000
Greg Miles	1,012,500	350,000	-
Peter Rozenauers	127,583	-	-

ENVIRONMENTAL ISSUES

The Group is subject to significant environmental regulations under legislation of the Commonwealth of Australia. The Group aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates. There have been no known material breaches of the environmental obligations of the Group's contracts or licences.

OPTIONS & PERFORMANCE RIGHTS

Options on issue at the date of this report date:

Grant date	Expiry date	Exercise price	Number
30 May 2014	29 May 2017	$0.2980	2,500,000
4 June 2014	1 June 2017	$0.2980	250,000
25 June 2014	24 June 2017	$0.3000	100,000
5 November 2014	1 September 2017	$0.3000	1,000,000
15 December 2014	14 December 2017	$0.5000	2,000,000
4 February 2015	3 February 2018	$0.3000	1,000,000
4 February 2015	3 February 2017	$0.2000	1,000,000
29 July 2015	31 December 2017	$0.1800	16,666,667
14 October 2015	13 October 2017	$0.2560	1,770,000
14 October 2015	31 December 2017	$0.2560	700,000
14 October 2015	13 October 2017	$0.2000	500,000
27 November 2015	6 December 2017	$0.2560	500,000
9 February 2016	8 February 2018	$0.4650	500,000
9 February 2016	9 February 2019	$0.4630	175,000
9 February 2016	9 February 2019	$0.3800	175,000
21 March 2016	20 March 2018	$0.3500	3,000,000
4 July 2016	3 July 2019	$0.9100	175,000
12 August 2016	31 December 2019	$0.5700	600,000
Total			**32,611,667**

SHARES ISSUED ON THE EXERCISE OF OPTIONS

The following ordinary shares of the Company were issued during the year ended 30 June 2016 and up to the date of this report on the exercise of options granted:

Grant date	Exercise price	Number
7 December 2015	$0.2280	1,031,578
7 December 2015	$0.1220	200,000
4 February 2016	$0.1220	200,000
19 February 2016	$0.1220	200,000
18 March 2016	$0.2130	1,500,000
18 May 2016	$0.2130	3,000,000
18 May 2016	$0.2980	200,000
26 May 2016	$0.2700	750,000
29 July 2016	$0.2140	150,000
12 August 2016	$0.2500	175,000
12 August 2016	$0.2980	150,000
24 August 2016	$0.1220	200,000
30 August 2016	$0.2300	1,000,000
16 September 2016	$0.2500	120,000
Total		**8,876,578**

PERFORMANCE RIGHTS ON ISSUE

At the date of this report, there are 6,900,000 performance rights on issue with various vesting conditions and an expiry dates of 31 December 2017 and 31 December 2019.

PROCEEDINGS ON BEHALF OF GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of these proceedings. The Group was not a party to any such proceedings during the year.

INDEMNIFYING OFFICERS AND AUDITOR

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer, or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal. No indemnification has been paid with respect to the Groups auditor.

The Group has insurance policies in place for Directors and Officers insurance.

AUDITORS

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

There are no officers of the company who are former partners of RSM Australia Partners.

The auditors have not provided any non-audit services to the Group in the current or prior financial years.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is attached to the Director's Report.

ROUNDING OFF

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/91 and in accordance with that class order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director of Blackham Resources Limited.

REMUNERATION POLICY

The remuneration policy of the Group has been designed to align directors' objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain high calibre directors to run and manage the company, as well as create goal congruence between directors and shareholders.

The Company is part of an exploration and development Group and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior management personnel are paid market rates associated with individuals in similar positions within the same industry.

The Company does not offer any variable remuneration incentive plans or bonus schemes to non-executive directors or any retirement benefits and, as such, there are no performance related links to the existing remuneration policies.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

The Group's policy for determining the nature and amount of remuneration for board members is as follows:

All remuneration paid to directors is valued at the cost to the Group and expensed. Any shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using an appropriate valuation methodology.

The Group's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board, in consultation with independent advisors, determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. 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.

GROUP PERFORMANCE, SHAREHOLDER WEALTH AND DIRECTORS' AND EXECUTIVES' REMUNERATION

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Directors and executives are encouraged to buy shares in Blackham. In addition, directors and executives may be issued shares and/or options to encourage the alignment of personal and shareholder interest.

VOTING AND COMMENTS MADE AT THE COMPANY'S 2015 ANNUAL GENERAL MEETING ('AGM')

At the 2015 AGM, 94% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2015. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

DETAILS OF REMUNERATION

The key management personnel of the Company consisted of the following directors and executives.

Name	Position
Milan Jerkovic	Non-executive Chairman (from 27 November 2015)
Paul Murphy	Non-executive Deputy Chairman (deceased 17 May 2016)
Bryan Dixon	Managing Director
Alan Thom	Executive Director and Chief Operations Officer
Greg Miles	Non-executive Director
Peter Rozenauers	Non-executive Director

There have been no changes since the end of the reporting period to the key management personnel of the Company.

The details of their remuneration have been set out in the followings tables.

REMUNERATION STRUCTURE FOR DIRECTORS

EXECUTIVES

Remuneration of executive directors is based on the following components approved by the Remuneration and Nomination Committee;

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

Short-term incentives ('STI') are designed to align the targets of the business units with the performance hurdles of executives, such has bonus payments. Whereas Long-term incentives ('LTI') include long service leave and share-based payments.

The employment conditions of the Managing Director, Bryan Dixon and Executive Director, Alan Thom are by way of service contracts of employment.

Name:	**Bryan Dixon**
Title:	Managing Director
Agreement commenced:	1 April 2015
Term of agreement:	Until terminated by either party. The service contracts contain three to six month resignation periods. The Company may terminate an employment contract without cause by providing three to twelve months written notice or making payment in lieu of notice, based on the individual's annual salary component.
Details:	Base salary for the year ended 30 June 2016 of $300,000, subject on an annual basis to a formal performance appraisal, there is no guarantee provided that the appraisals would result in the fee payable under the agreement. 4,500,000 performance rights (non-vesting) and $120,000 cash bonus upon achievement of performance conditions between 1 June 2015 and 31 December 2017.

Name:	**Alan Thom**
Title:	Executive Director and Chief Operations Officer
Agreement commenced:	1 April 2015
Term of agreement:	Until terminated by either party. The service contracts contain three to six month resignation periods. The Company may terminate an employment contract without cause by providing three to twelve months written notice or making payment in lieu of notice, based on the individual's annual salary component.
Details:	Base salary for the year ended 30 June 2016 of $275,000, subject on an annual basis to a formal performance appraisal, there is no guarantee provided that the appraisals would result in the fee payable under the agreement. 4,500,000 performance rights (non-vesting) and $120,000 cash bonus upon achievement of performance conditions between 1 June 2015 and 31 December 2017.

The above service contracts for Mr Dixon and Mr Thom were approved by the Board and announced to the ASX on 30 July 2015.

REMUNERATION STRUCTURE FOR DIRECTORS (CONT'D)

NON-EXECUTIVE DIRECTORS

Remuneration of non-executive directors is based on fees approved by the Remuneration and Nomination Committee and is set at levels to reflect market conditions and encourage the continued services of the directors.

Mr Milan Jerkovic (non-executive chairman) has a letter of engagement with the Company and is paid an annual fee of $75,000 per year plus statutory superannuation. The Company may terminate the employment contract without cause by providing three months' notice.

Mr Jerkovic (or his nominee) was granted 500,000 unlisted options, exercisable at $0.465 on or before 8 February 2018 and 500,000 performance rights. The performance rights will vest upon the satisfaction of particular conditions on or before 31 December 2017 (or such other date as the Board may agree).

Mr Greg Miles (non-executive director) has a letter of engagement with the Company and is paid an annual fee of $40,000 per year. The contract denotes a minimum term of three years from 1 June 2014.

KEY MANAGEMENT PERSONNEL REMUNERATION

Table 1: Remuneration for the year ended 30 June 2016

	Short-term			Post employment	Share-based payment				
2016	**Salary & fees**	**Cash bonus**	**Non-monetary benefits***	**Super-annuation**	**Options**	**Performance rights**	**Termination payments**	**Total**	**Performance related**
	$	$	$	$	$	$	$	$	%
Directors									
Milan Jerkovic(i)	44,345	-	-	4,213	110,815	112,258	-	271,631	82.1%
Paul Murphy(ii)	55,000	-	-	-	49,804	-	-	104,804	47.5%
Bryan Dixon(iii)	300,000	60,000	4,534	-	-	511,480	-	876,014	65.2%
Alan Thom(iv)	275,000	60,000	5,339	-	-	511,480	-	851,819	67.1%
Greg Miles(v)	43,750	-	-	-	-	-	-	43,750	0.0%
Peter Rozenauers	-	-	-	-	-	-	-	-	-
Total	**718,095**	**120,000**	**9,873**	**4,213**	**160,619**	**1,135,218**	**-**	**2,148,018**	**65.9%**

* Non-monetary benefits are presented at actual cost plus any fringe benefits tax paid or payable by the Group

Table 2: Remuneration for the year ended 30 June 2015

	Short-term		Post employment	Share-based payment				
2015	**Salary & fees**	**Non-monetary benefits**	**Super-annuation**	**Options**	**Performance rights**	**Termination payments**	**Total**	**Performance related**
	$	$	$	$	$	$	$	%
Directors								
Paul Murphy(ii)	57,424	-	-	16,533	-	-	73,957	22.3%
Bryan Dixon(iii)	222,150	-	-	-	-	-	222,150	0.0%
Alan Thom(iv)	233,750	-	-	-	-	-	233,750	0.0%
Greg Miles(v)	43,333	-	-	-	-	-	43,333	0.0%
Peter Rozenauers	-	-	-	-	-	-	-	-
Total	**556,657**	**-**	**-**	**16,533**	**-**	**-**	**573,190**	**2.9%**

i) Mr Jerkovic commenced on 27 November 2015.

ii) Mr Murphy passed away on 17 May 2016.

iii) An aggregate amount of $360,000 (2015: $222,150) was paid, or was due and payable to Warrior Strategic Pty Ltd, a company controlled by Mr Bryan Dixon, for the provision of corporate and management services to the Company.

iv) An aggregate amount of $335,000 (2015: $233,750) was paid, or was due and payable to Aston Corporation Pty Ltd, a company controlled by Mr Alan Thom, for the provision of corporate and management services to the Group.

v) An aggregate amount of $43,750 (2015: $43,333) was paid, or was due and payable to Hidden Asset Pty Ltd, a company controlled by Mr Greg Miles, for the provision of corporate and management services to the Group.

KEY MANAGEMENT PERSONNEL REMUNERATION (CONT'D)

Table 3: The proportion of remuneration linked to performance and the fixed proportion:

	Fixed remuneration		At risk- STI		At risk- LTI	
	2016	2015	2016	2015	2016	2015
	%	%	%	%	%	%
Directors						
Milan Jerkovic	18%	-	0%	-	82%	-
Paul Murphy	52%	78%	0%	0%	48%	22%
Bryan Dixon	35%	100%	7%	0%	(i)58%	0%
Alan Thom	33%	100%	7%	0%	(ii)60%	0%
Greg Miles	100%	100%	0%	0%	0%	0%
Peter Rozenauers	0%	0%	0%	0%	0%	0%

i) At the reporting date 1,750,000 out of the 4,500,000 performance rights issues to Mr Dixon were exercised

ii) At the reporting date 1,750,000 out of the 4,500,000 performance rights issues to Mr Thom were exercised

Table 4: The proportion of the cash bonus paid/payable or forfeited is as follows:

	Cash bonus paid/payable		Cash bonus not yet achieved		Cash bonus forfeited	
	2016	2015	2016	2015	2016	2015
	%	%	%	%	%	%
Directors						
Bryan Dixon	50%	0%	50%	0%	0%	0%
Alan Thom	50%	0%	50%	0%	0%	0%

Table 5: Share holdings of key management personnel:

Name	Held at the start of the year	Performance rights exercised	Options Exercised	Net Change/Other	Held at the end of the year
Milan Jerkovic(i)	-	-	-	1,030,826	1,030,826
Paul Murphy(ii)	7,361,809	-	-	(7,361,809)	-
Bryan Dixon(iii)	1,300,000	750,000	1,500,000	(410,000)	3,140,000
Alan Thom(iv)	-	750,000	1,400,000	(815,000)	1,335,000
Greg Miles	304,500	-	1,131,578	(423,578)	1,012,500
Peter Rozenauers	127,583	-	-	-	127,583
Total	**9,093,892**	**1,500,000**	**4,031,578**	**(7,979,561)**	**6,645,909**

(i) Mr Jerkovic was appointed as a director on 27 November 2015. "Net change/other" represents his shareholding at commencement plus off market transfers.

(ii) Mr Murphy passed away 17 May 2016. "Net change/other" reflects his final interest.

(iii) Mr Dixon on 2 November 2015 received 750,000 shares on the successful completion of Milestone 1 relating to performance rights.

(iv) Mr Thom on 2 November 2015 received 750,000 shares on the successful completion of Milestone 1 relating to performance rights.

Table 6: Option holdings of key management personnel:

Name	Held at the start of the year	Granted as Remuneration	Options Exercised	Other	Held at the end of the year
Milan Jerkovic	-	500,000	-	-	500,000
Paul Murphy(i)	2,000,000	500,000	-	(2,500,000)	-
Bryan Dixon	2,400,000	-	(1,500,000)	-	900,000
Alan Thom(ii)	2,400,000	-	(1,400,000)	(100,000)	900,000
Greg Miles(iii)	1,850,000	-	(1,131,578)	(368,422)	350,000
Peter Rozenauers	-	-	-	-	-
Total	**8,650,000**	**1,000,000**	**(4,031,578)**	**(2,968,422)**	**2,650,000**

(i) Mr Murphy passed away 17 May 2016. "Other" reflects the final interest.

(ii) "Other" represents expired options.

(iii) "Other" represents expired options.

KEY MANAGEMENT PERSONNEL REMUNERATION (CONT'D)

Table 7: Performance rights holdings of key management personnel:

Name	Held at the start of the year	Granted as Remuneration	Rights Exercised	Other	Held at the end of the year
Milan Jerkovic	-	500,000	-	-	500,000
Paul Murphy[(i)]	-	-	-	-	-
Bryan Dixon	-	4,500,000	(750,000)	-	3,750,000
Alan Thom[(ii)]	-	4,500,000	(750,000)	-	3,750,000
Greg Miles[(iii)]	-	-	-	-	-
Peter Rozenauers	-	-	-	-	-
Total	**-**	**9,500,000**	**(1,500,000)**	**-**	**8,000,000**

SHARE BASED COMPENSATION

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
22 November 2015	Upon first gold pour	6 December 2017	$0.256	$0.128
9 February 2016	Immediately	8 February 2018	$0.465	$0.222

CONSEQUENCES OF PERFORMANCE ON SHAREHOLDER WEALTH

The earnings of the Group for the five years to 30 June 2016 are summarised below

	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000
Loss after income tax	8,009	4,570	1,654	5,082	1,320

The factors that are considered to affect total shareholder return are summarised below

	2016 cents	2015 cents	2014 cents	2013 cents	2012 cents
Share price at financial year end	0.70	0.16	0.21	0.14	0.15
Basic loss per share (cents per share)	3.73	3.04	1.79	7.80	3.00

END OF AUDITED REMUNERATION REPORT.

Signed in accordance with a resolution of the Board of Directors pursuant to section 298(2)(a) of the Corporations Act 2001.

Bryan Dixon
Managing Director
Perth, 30 September 2016

Competent Persons Statement

The information contained in the report that relates to Exploration Targets and Exploration Results at the Matilda Gold Project is based on information compiled or reviewed by Mr Cain Fogarty, who is a full-time employee of the Company. Mr Fogarty is a Member of the Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is 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 Fogarty has given consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information contained in the report that relates to all other Mineral Resources is based on information compiled or reviewed by Mr Marcus Osiejak, who is a full-time employee of the Company. Mr Osiejak, is a Member of the Australian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is 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 Osiejak has given consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

With regard to the Matilda Gold Project Mineral Resources, the Company is not aware of any new information or data that materially affects the information included in this report and that all material assumptions and parameters underpinning Mineral Resource Estimates as reported in the market announcements dated 14 March 2016 and 17 June 2016 continue to apply and have not materially changed.

The information contained in the report that relates to Ore Reserves at the Matilda Gold Project is based on information compiled or reviewed by Matthew Keenan. Mr Keenan confirmed that he has read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012 JORC Edition). He is a Competent Person as defined by the JORC Code 2012 Edition, having more than five years' experience which is relevant to the style of mineralisation and type of deposit described in the Report, and to the activity for which he is accepting responsibility. Mr Keenan is a Member of The Australasian Institute of Mining and Metallurgy, has reviewed the Report to which this consent statement applies and is a full time employee working for Entech Pty Ltd having been engaged by Blackham Resources Ltd to prepare the documentation for the Matilda Gold Project on which the Report is based, for the period ended 13 June 2016. He disclosed to the reporting company the full nature of the relationship between himself and the company, including any issue that could be perceived by investors as a conflict of interest. Mr Keenan verifies that the Report is based on and fairly and accurately reflects in the form and context in which it appears, the information in his supporting documentation relating to Ore Reserves.

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Blackham Resources Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

RSM

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 30 September 2016

TUTU PHONG
Partner

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Revenue			
Interest revenue		232	13
Gain on fair value of derivative financial assets		1,534	-
Other income		142	432
Total revenue	2	**1,908**	**445**
Expenses			
Administration expenses		(399)	(377)
Compliance and regulatory expenses		(713)	(625)
Personnel and consultancy costs		(1,199)	(692)
Depreciation		(42)	(13)
Interest paid		(74)	(44)
Finance costs		(275)	(587)
Diminution in fair value of derivative financial assets		(981)	(627)
Share-based payments	3	(3,601)	(321)
Unwinding of discount in rehabilitation provision	15	(1,294)	(1,438)
Exploration expenditure written off	12	(1,180)	(284)
Other expenses		(169)	-
Gain/(loss) on financial assets		10	(7)
Total expenses		**(9,917)**	**(5,015)**
(Loss) before income tax expense for the year		**(8,009)**	**(4,570)**
Income tax expense	6	-	-
(Loss) after income tax expense for the year		**(8,009)**	**(4,570)**
Other comprehensive income		**-**	**-**
Total comprehensive (loss) for the year, net of tax		**(8,009)**	**(4,570)**
Basic and diluted (loss) per share attributable to ordinary equity holders of the parent (cents per share)	4	(3.73)	(3.04)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Current assets			
Cash and cash equivalents	7	31,942	8,313
Trade and other receivables	8	1,037	128
Inventories	11	149	-
Financial assets	9	37	1,709
Total current assets		**33,165**	**10,150**
Non-current assets			
Plant and equipment	10	3,146	2,353
Inventories	11	1,572	-
Mine properties under development	13	40,083	-
Exploration and evaluation expenditure	12	26,608	31,832
Total non-current assets		**71,409**	**34,185**
Total assets		**104,574**	**44,335**
Current liabilities			
Trade and other payables	14	16,419	1,300
Interest-bearing liabilities	16	94	-
Total current liabilities		**16,513**	**1,300**
Non-current liabilities			
Interest-bearing liabilities	16	29,577	6,000
Provisions	15	24,375	19,283
Total non-current liabilities		**53,952**	**25,283**
Total liabilities		**70,465**	**26,583**
Net assets		**34,109**	**17,752**
Equity			
Issued capital	17	52,356	31,564
Reserves	18	4,854	1,451
Accumulated losses		(23,101)	(15,263)
Total equity		**34,109**	**17,752**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Consolidated			
	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total $'000
At 1 July 2015	31,564	1,451	(15,263)	17,752
Loss after income tax for the year	-	-	(8,009)	(8,009)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(8,009)	(8,009)
Transactions with owners in their capacity as owners:				
Share-based payments	53	3,548	-	3,601
Expiry of options	-	(145)	145	-
Change to accumulated losses	-	-	26	26
Shares issued, net of transactions costs	20,739	-	-	20,739
At 30 June 2016	**52,356**	**4,854**	**(23,101)**	**34,109**
At 1 July 2014	23,247	1,675	(11,238)	13,684
Loss after income tax for the year	-	-	(4,570)	(4,570)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(4,570)	(4,570)
Transactions with owners in their capacity as owners:				
Issue of options	-	321	-	321
Expiry of options	-	(545)	545	-
Shares issued, net of transactions costs	8,317	-	-	8,317
At 30 June 2015	**31,564**	**1,451**	**(15,263)**	**17,752**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Cash flows from operating activities			
Payments to suppliers and employees		(2,351)	(2,249)
Proceeds from gold sales		367	-
Payments for exploration and evaluation		(12,844)	(3,830)
Interest received		232	13
Interest paid		(20)	(19)
Proceeds from R&D tax claim		137	560
Net cash used in operating activities	7	**(14,479)**	**(5,525)**
Cash flows from investing activities			
Purchase of plant and equipment		(178)	(263)
Proceeds from disposal of plant and equipment		5	-
Payments for mine development		(6,103)	-
Purchase of financial instruments		(1,000)	-
Proceeds from sale of investments		-	100
Net cash used in investing activities		**(7,276)**	**(163)**
Cash flows from financing activities			
Proceeds from issue of equities		25,015	7,973
Payment of share issue costs		(1,246)	(583)
Borrowing costs		(368)	-
Proceeds from loan		22,000	6,000
Repayment of finance lease		(17)	-
Net cash provided by financing activities		**45,384**	**13,390**
Net increase in cash held		23,629	7,702
Cash and cash equivalents at beginning of the year		8,313	611
Cash and cash equivalents at end of the year	7	**31,942**	**8,313**

The accompanying notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and notes represent those of Blackham Resources Limited (the 'Company' or 'Blackham') and its controlled entities (the 'Group'). The financial statements are presented in Australian dollars which is the Company's and Group's functional and presentation currency.

The financial statements were authorised for issue on 30 September 2016 by the directors of the Company.

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 ('AASB') and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB 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 International Accounting Standards Board. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated. 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.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1 (s).

(A) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets, liabilities and results of all subsidiaries of the Company at the end of the reporting period. A controlled entity is any entity over which the Company has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Subsidiaries are all those entities over which the Company has control. The Company controls an entity when the Company 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of financial position and statement of changes in equity. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Company loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 22.

(B) INCOME TAX

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

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

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

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, 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.

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

(C) CURRENT AND NON-CURRENT CLASSIFICATION

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

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

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(D) PLANT AND EQUIPMENT

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of 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 present.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

DEPRECIATION

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the estimated asset's useful life commencing from the time the asset is held ready for use.

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

Plant and equipment – 5% to 40%
Motor vehicles – 20% to 33%
Office furniture and equipment – 10% to 50%
Buildings and infrastructure – 4%

The purchase in March 2014 of the Wiluna Gold Plant has been capitalised to plant & equipment. In future, the asset will be amortised over the life of the mine according to the rate of depletion of the economically recoverable reserves.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 included in profit or loss.

(E) EXPLORATION AND MINE DEVELOPMENT EXPENDITURE

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

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

Once a development decision has been taken, the carrying amount of the exploration and evaluation expenditure in respect of the area of interest is aggregated with the mine development expenditure and classified under non-current assets as development properties.

A development property is reclassified as a mining property at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management.

Depreciation 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 a depreciation charge proportional to the depletion of proved, probable and estimated reserves. Development properties are tested for impairment in accordance with the policy on impairment of assets.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Costs of site restoration are provided over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis.

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

(F) LEASES

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the Group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(G) 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 (i.e. trade date accounting is adopted).

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

CLASSIFICATION AND SUBSEQUENT MEASUREMENT

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

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

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) *Financial assets at fair value through profit and 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 value being included in profit or loss.

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

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

(iii) *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 Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

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

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

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

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

IMPAIRMENT

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen, impairment losses are recognised in profit or loss.

Any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(H) 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 amount. Any excess of the asset's carrying amount 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. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(I) EMPLOYEE BENEFITS

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows. Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

(J) EQUITY BASED PAYMENTS

Equity-settled share-based compensation benefits are provided to employees and consultants. Equity-settled transactions are awards of shares, or options over shares that are provided to employees and consultants in exchange for the rendering of services under an employee share plan.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is determined using an option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period.

(K) 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.

(L) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(M) REVENUE AND OTHER INCOME

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

Interest revenue is recognised using the effective interest rate method. Other revenue is recognised when it is received or when the right to receive payment is established.

All revenue is stated net of the amount of goods and services tax ('GST').

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(N) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office ('ATO').

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(O) TRADE AND OTHER RECEIVABLES

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

Other receivables are recognised at amortised cost less any provision for impairment.

(P) INVENTORY

Inventories are stated at the lower of cost or net realisable value.

(Q) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(R) DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on the nature of the derivative.

Derivatives are classified as current or non-current depending on the expected period of realisation.

(S) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

KEY ESTIMATES

Equity-based payments

Equity-based compensation benefits can be provided to directors, executives and contractors.

The fair value of options granted to directors, executives and contractors is recognised as an expense with a corresponding increase in contributed equity. The fair value is measured at grant date and recognised over the period during which the directors, executives and contractors becomes unconditionally entitled to the options.

The fair value at grant date is determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected divided yield and the risk-free interest rate for the term of the option.

Fair value measurement hierarchy is disclosed in note 1(u).

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(S) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

KEY JUDGMENTS

Exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

Rehabilitation provision

A provision has been made for the present value of anticipated costs for future rehabilitation of land explored or mined. The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

(T) BORROWING AND BORROWING COSTS

Loans and borrowings are initially recognised at the fair value of the consideration received.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Borrowing costs are expensed as incurred. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

(U) FAIR VALUE MEASUREMENTS

The Company measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- Financial assets held for trading
- Derivative financial instrument – receivable in relation to equity swap

The Company does not subsequently measure any liabilities at fair value on a non-recurring basis.

FAIR VALUE HIERARCHY

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

LEVEL 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

LEVEL 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

LEVEL 3

Measurements based on unobservable inputs for the asset or liability.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

VALUATION TECHNIQUES

The Company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation technique selected by the Company is:

Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

When selecting a valuation technique, the Company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following table provides the fair values of the Company's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

	Note	30 June 2016			
		Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements					
Financial assets at fair value through profit or loss:					
- held-for-trading Australian listed shares		18	-	-	18
- gold put option		19	-	-	19

	Note	30 June 2015			
		Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements					
Financial assets at fair value through profit or loss:					
- held-for-trading Australian listed shares		8	-	-	8
Derivative financial instrument					
- receivable relation to equity swap agreement		1,701	-	-	1,701

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(V) NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

New standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2015, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Company are set out below. At the date of this report, the Company does not plan to adopt these standards early.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2018
AASB 15 'Revenue from Contracts with Customers'	1 January 2018	30 June 2018
AASB 16 'Leases'	1 January 2019	30 June 2019

(W) ISSUED CAPITAL

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

(X) EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(Y) GOING CONCERN

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

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

(Z) ROUNDING OF AMOUNTS

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/91 and in accordance with that class order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

2. REVENUE

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Operating activities			
- interest received		232	13
- R&D rebate		137	155
- other revenue		-	47
- loan forgiven		-	200
- profit on sale of financial assets		5	30
- gain on fair value of derivative financial asset		1,534	-
Total		**1,908**	**445**

3. LOSS FOR THE YEAR

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Loss before income tax includes the following specific expenses:			
Equity based payments			
Employees/consultants		2,305	305
Directors	24	1,296	16
Total		**3,601**	**321**

4. EARNINGS PER SHARE

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Loss after income tax for the year		(8,009)	(4,570)

	Number of Shares	
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted EPS:	214,558,894	150,549,878

5. AUDITORS REMUNERATION

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Audit services – RSM Australia Partners			
- Auditing or reviewing the financial report		45	34
- Other services		-	-
Total		**45**	**34**

6. INCOME TAX

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
The components of the tax expense/(income) comprise:			
Current tax		-	-
Deferred tax		-	-
Total		-	-

(a) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

	Note	2016 $'000	2015 $'000
Net loss before tax		(8,009)	(4,570)
Prima facie tax on loss from ordinary activities before income tax at 30% (2015: 30%)		(2,403)	(1,371)
Add:			
Tax effect of:			
Non-deductible expenses		1,385	731
Non-assessable income		(501)	(47)
Effect of current year temporary differences not recognised		(3,160)	(200)
Effect of current year tax losses not recognised		4,679	887
Income tax expense		**-**	**-**

(b) Deferred tax

	Note	2016 $'000	2015 $'000
Deferred tax assets			
Accrued expenses		7	6
Borrowing costs		135	174
Equity raising costs		549	378
Provision for employee entitlements		68	22
Tax losses		6,082	3,525
		6,841	**4,105**
Offset by deferred tax liabilities		(6,841)	(4,105)
		-	-
Deferred tax liabilities			
Exploration and development expenditure		(6,832)	(4,105)
Investments in listed shares		(3)	-
Option premium		(6)	-
		(6,841)	**(4,105)**
Offset by deferred tax asset		6,841	4,105
		-	-
Deferred tax assets not recognised			
Tax losses		5,213	3,290

Deferred tax assets relating to temporary differences and tax losses have only been recognised to the extent of deferred tax liabilities. Potential deferred tax assets attributable to the balance of tax losses have not been brought to account at 30 June 2016 because the Directors do not believe it is appropriate to regard the realisation of the deferred tax assets as probable at this time.

The benefit of tax losses will only be obtained if:

- the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the tax losses;
- the Group continues to comply with conditions for deductibility imposed by law; and
- no changes in tax law adversely affect the Group in realising the benefit from the deductions for the losses

6. INCOME TAX (CONT'D)

The Group has estimated revenue losses for which no deferred tax asset is recognised in the statement of financial position of $37,650,000 (2015: $22,717,000) which are available indefinitely for offset against future taxable income subject to meeting the relevant statutory tests.

The Group has estimated capital losses for which no deferred tax asset is recognised in the statement of financial position of $521,000 (2015: $16,000) which are available indefinitely for offset against future capital gains subject to meeting the relevant statutory tests.

7. CASH AND CASH EQUIVALENTS

		Consolidated	
	Note	2016 $'000	2015 $'000
Cash and cash equivalents in the balance sheet and cash flow statement			
Cash at bank and on hand		31,942	8,313

At balance date, the Group had $8,000,000 (2015: $30,000,000) undrawn, committed borrowing facilities available. Refer to note 16.

		Consolidated	
	Note	2016 $'000	2015 $'000
Reconciliation of loss after income tax to the net cash flow from operating activities			
Loss after income tax		**(8,009)**	**(4,570)**
Adjustments for			
Depreciation		42	13
Equity based payments		3,601	321
Fair value (gain)/loss on other financial assets at fair value through profit and loss		(10)	7
Profit on sale of financial assets		(5)	(30)
Interest		54	26
Exploration expenditure written off		1,180	284
Loan forgiven		-	(200)
Diminution in value of derivative financial asset		(1,534)	627
Unwinding of discount on rehabilitation provision		1,294	1,438
Diminution in fair value of derivative financial assets		981	-
Impairment		2	-
Finance costs		275	-
Changes in net assets and liabilities			
Receivables		2	329
Provisions		17	6
Exploration and evaluation expenditure		(12,477)	(3,981)
Payables		108	205
Net cash outflows from operating activities		**(14,479)**	**(5,525)**

		Consolidated	
	Note	2016 $'000	2015 $'000
Non-cash investing and financing activities			
Acquisition of plant and equipment by means of finance lease		345	-

8. TRADE AND OTHER RECEIVABLES

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Current			
GST receivable		747	95
Fuel tax credit receivable		114	-
Trade debtors		78	30
Other debtors		98	3
Total		**1,037**	**128**

9. FINANCIAL ASSETS

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Derivative financial asset- Lanstead (i)		-	1,701
Derivative financial asset- gold put options (i)		19	-
At fair value through profit and loss (ii)		18	8
Total		**37**	**1,709**

(i) The fair value of the derivative financial assets as at 30 June 2016 has been estimated as follows:

	Note	Notional number of shares outstanding No.	Fair Value $'000
Derivative financial asset- Lanstead			
Value recognised on inception		26,973,572	3,600
Consideration received up to 30 June 2015		(14,140,390)	(1,252)
Interest and fee adjustments		-	(20)
Gain/(loss) on revaluation of derivative		-	(627)
Value of derivative financial asset at 30 June 2015		**12,833,182**	**1,701**
Consideration received		(12,833,182)	(3,235)
Gain/(loss) on revaluation		-	1,542
Interest and fee adjustments		-	(8)
Value of derivative financial asset at 30 June 2016		**-**	**-**

The Company entered into two equity swap arrangements in the previous financial year. Monthly instalments amounting to $1,908,000 were expected in this financial year. Total payment received amounted to $3,235,000 (2015: $1,252,000). Both deals were completed at 30 June 2016.

	Note	Fair Value $'000
Derivative financial asset - Gold options		
Value of derivative financial asset at 30 June 2015		**-**
Additions – gold put options		1,000
Gain/(loss) on revaluation of derivative		(981)
Value of derivative financial asset at 30 June 2016		**19**

During the financial year, the Group entered into derivatives for gold put options at a cost of $1,000,000. This consisted of 19,154 put options at a strike price of $1,575/oz. At 30 June, the options were valued at $19,000.

9. FINANCIAL ASSETS (CONT'D)

(ii) Reconciliation of the fair values at the end of the current financial year are set out as below:

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Opening fair value		8	85
Revaluation adjustments		10	(17)
Disposals		-	(60)
Total		**18**	**8**

10. PLANT AND EQUIPMENT

	Consolidated					
	Plant & Equipment $'000	Motor Vehicles $'000	Furniture & Equipment $'000	Buildings & Infrastructure $'000	Capital WIP $'000	Total $'000
Net carrying amount at 1 July 2015	**2,327**	**26**	**-**	**-**	**-**	**2,353**
Additions		49	45	-	743	837
Depreciation expense	(2)	(26)	(14)	-	-	(42)
Transfers between classes	27	259	259	4	(549)	-
Disposals	-	-	(2)	-	-	(2)
Net carrying amount at 30 June 2016	**2,352**	**308**	**288**	**4**	**194**	**3,146**
At 30 June 2016						
Cost	2,364	336	316	4	194	3,214
Accumulated depreciation	(12)	(28)	(28)	-	-	(68)
Net carrying amount	**2,352**	**308**	**288**	**4**	**194**	**3,146**
Net carrying amount at 1 July 2014	**2,261**	**-**	**-**	**-**	**-**	**2,261**
Additions	77	28	-	-	-	105
Depreciation expense	(11)	(2)	-	-	-	(13)
Net carrying amount at 30 June 2015	**2,327**	**26**	**-**	**-**	**-**	**2,353**
At 30 June 2015						
Cost	2,393	28	-	-	-	2,421
Accumulated depreciation	(66)	(2)	-	-	-	(68)
Net carrying amount	**2,327**	**26**	**-**	**-**	**-**	**2,353**

PLANT AND EQUIPMENT SECURED UNDER FINANCE LEASES

Refer to note 16 for further information on plant and equipment secured under finance leases.

11. INVENTORIES

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Current			
Consumable stores		149	-
Non-current			
Ore stockpiles		1,572	-

During the year, the Group entered into an agreement with Intermin Resources Ltd (Intermin) to purchase their calcine tailings stockpile located next to the Wiluna Gold Plant. The purchase is $1,500,000 with an initial payment of $800,000 in May 2016 and the balance due in December 2016.

12. EXPLORATION AND EVALUATION ASSETS

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Balance at 1 July		31,832	28,137
Exploration expenditure capitalised during the year		13,598	2,541
Transferred to mine properties under development	13	(17,642)	-
Other cost of tenements acquired		-	1,438
Exploration expenditure written off		(1,180)	(284)
Balance at 30 June		**26,608**	**31,832**

The value of the Groups interest in exploration expenditure is dependent upon:

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

The Groups exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

13. MINE PROPERTIES UNDER DEVELOPMENT

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Balance at 1 July		-	-
Pre-production expenditure capitalised		1,710	-
Construction expenditure capitalised		14,914	-
Borrowing costs capitalised		2,019	-
Transferred from exploration expenditure	12	17,642	-
Rehabilitation provision adjustment	15	3,798	-
Balance at 30 June		**40,083**	**-**

14. TRADE AND OTHER PAYABLES

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Current			
Trade creditors		7,663	720
Accrued expenses		7,595	447
Other creditors		1,029	60
Employee benefits – annual leave payable		132	73
Total		**16,419**	**1,300**

Employee benefits have been reclassified from provisions to trade and other payables. Comparatives for the previous financial year have been amended to reflect this.

15. PROVISIONS

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Non-Current			
Balance at 1 July		19,283	17,845
Provisions re-measured during the year	13	3,798	-
Unwinding of discount		1,294	1,438
Balance at 30 June		**24,375**	**19,283**

The provision for mine rehabilitation and closure on acquired tenements has been recognised at 30 June 2016. The provision is based on the net present value of the current life of mine model.

Employee benefits have been reclassified from provisions to trade and other payables. Comparatives for the previous financial year have been amended to reflect this.

16. NET DEBT AND FINANCE COSTS

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Current interest-bearing liabilities			
Finance lease liabilities		94	-
		94	**-**
Non-current interest-bearing liabilities			
Secured loan – non-amortising		14,272	6,000
Secured loan – project finance facility		15,016	-
Finance lease liabilities		289	-
		29,577	**6,000**
Less: cash and cash equivalents		(31,942)	(8,313)
Net (cash)/debt		**(2,271)**	**(2,313)**

16. NET DEBT AND FINANCE COSTS (CONT'D)

INTEREST BEARING LIABILITIES

SECURED LOANS - ORION

During the year, the terms of the Orion facility were amended. The non-amortising loan was increased by $7 million and the project financing facility was decreased by $7 million.

At balance date, the Group had $14.3 million (2015: $6 million) outstanding on the non-amortising term loan, which included 1.3 million of accrued interest (2015: nil), having a maturity date of 31 December 2017, secured against the Blackham Group's assets.

The non-amortising loan attracted an interest rate of 12% per annum (2.5% base interest plus 9.5% margin rate) in the current year (2015: 12%). A one-off discount fee was paid to Orion of $180,000 on the $7 million drawdown of the non-amortising loan. Net proceeds from the loan were received on 8 December 2015.

At balance date, the Group had $15 million (2015: nil) outstanding on the project financing facility, secured against the Group's assets, having repayment dates of:

- $5,000,000 on 30 September 2018
- $5,000,000 on 30 November 2018
- $5,000,000 on 28 February 2019

The project financing facility attracted an interest rate of 10% per annum (2.5% base interest plus 7.5% margin rate) in the current year (2015: nil).
The project financing facility agreement also includes a one-off discount fee paid to Orion of $450,000 on the $15 million drawdown of the project finance facility. Net proceeds from the loan were received on 28 June 2016.

The Group has entered into a general security deed and the Matilda mortgages to secure the Group's obligations under the relevant documents encompassing the Orion Funding Facility. The securities granted to Orion will rank first and have priority over all other indebtedness of the Group. Obligations under the Purchase and Sale Agreement will also be fully secured under the general security deed and the Matilda mortgages up until the repayment of all amounts owing under the Relevant Documents (excluding the Purchase and Sale Agreement).

The Group has entered into various tripartite agreements and priority and consent deeds with third parties who are counterparties to agreements with the Group members and whose rights under those agreements may be affected by the entry into the various financing and security agreements between the Group and Orion.

FINANCE LEASE LIABILITIES

During the year, the Group entered into numerous hire purchase agreements for the acquisition of motor vehicles which had a written down value of $294,103 at 30 June 2016 (2015: $nil). The agreements incorporate a fixed rate between of 2.15% and 5%, monthly repayments and expiry dates between January 2019 and April 2021. Finance lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position revert to the lessor in the event of default.

FINANCING ARRANGEMENTS

Unrestricted access was available at the reporting date to the following lines of credit:

		Consolidated	
	Note	2016 $'000	2015 $'000
Unused at the reporting date			
Secured loan – non-amortising		-	-
Secured loan – project finance facility		8,000	30,000

17. ISSUED CAPITAL

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Ordinary shares – issued and fully paid		52,356	31,564

	Number ('000s)	$'000
Movement in ordinary shares on issue		
At 1 July 2014	116,906	23,247
Placement	58,518	6,332
Share equity agreement	19,130	2,200
Issued in lieu of payment	3,830	388
Transaction costs	-	(603)
At 30 June 2015	**198,384**	**31,564**
At 1 July 2015	198,384	31,564
Issued on exercise of options	7,082	1,529
Issued on conversion of performance rights	1,500	-
Placement	45,665	20,352
Issued in lieu of payment	636	157
Transaction costs	-	(1,246)
At 30 June 2016	**253,267**	**52,356**

ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

SHARE BUY-BACK

There is no current on-market share buy-back.

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents (see note 16).

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

The Group is not actively pursuing additional investments in the short term as it looks to grow cash flow from its existing businesses.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

18. RESERVES

SHARE-BASED PAYMENTS RESERVE

The share-based payments reserve is used to record items recognised as expenses on valuation of share options and performance rights issued.

	Consolidated	
	Number ('000s)	$'000
Balance at 1 July 2014	16,095	1,675
Options expired	(4,700)	(545)
Options issued	6,800	321
Balance at 30 June 2015	**18,195**	**1,451**
Balance at 1 July 2015	18,195	1,451
Options expired	(1,468)	(145)
Options issued	23,986	2,363
Options exercised	(7,081)	-
Performance rights issued	10,000	1,185
Performance rights converted	(1,500)	-
Balance at 30 June 2016	**42,132**	**4,854**

19. EQUITY BASED PAYMENTS

Options and performance rights are issued to suppliers, directors, employees and consultants. The options and performance rights issued may be subject to performance criteria, and are issued to directors and employees of the Company to increase goal congruence between executives, directors and shareholders. Options and performance rights granted carry no dividend or voting rights.

Options are issued to vendors as part of purchase consideration and also to directors, employees and consultants as part of their remuneration as disclosed in the Remuneration Report. The options issued may be subject to performance criteria, and are issued to directors and employees of the Company to increase goal congruence between executives, directors and shareholders. Options granted carry no dividend or voting rights.

SUMMARY OF OPTIONS GRANTED

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued under the Share Based Payment Scheme during the year:

	2016		2015	
	No.	WAEP	No.	WAEP
At beginning of reporting period	18,195,000	0.275	16,095,000	0.253
Granted during the period:				
- Consultant and employees	22,986,667	0.214	4,800,000	0.235
- Directors	1,000,000	0.361	2,000,000	0.500
Exercised during the period	(7,081,578)	0.219	-	-
Expired during the period	(1,468,422)	0.287	(4,700,000)	0.247
Balance the end of reporting period	**33,631,667**	**0.248**	**18,195,000**	**0.275**
Exercisable at end of reporting period	**30,161,667**	**0.243**	**18,195,000**	**0.275**

a) The compensation options outstanding at 30 June 2016 had a weighted average remaining life of 1.40 years (2015 – 1.44 years).

b) The weighted average fair value of the employee and consultant options granted during 2016 was $0.100 (2015 - $0.064) whilst the weighted average fair value of the directors options granted during 2016 was $0.175 (2015 - $0.01).

19. EQUITY BASED PAYMENTS (CONT'D)

The following table lists the inputs to the Black-Scholes pricing models used for the year ended 30 June 2016:

Allottee	Number of Options	Fair Value at Grant Date per Option	Estimated Volatility	Life of Option (years)	Exercise Price	Share Price at Grant Date	Risk Free Interest Rate
Consultants	16,666,667	$0.069	90%	2.4	$0.180	$0.145	1.84%
Employees	1,770,000	$0.102	90%	2.0	$0.256	$0.225	1.78%
Employees	700,000	$0.107	90%	2.2	$0.256	$0.225	1.78%
Employees	500,000	$0.116	90%	2.0	$0.200	$0.225	1.78%
Director	500,000	$0.128	90%	2.0	$0.256	$0.260	2.03%
Director	500,000	$0.222	90%	2.0	$0.465	$0.460	1.75%
Consultant	175,000	$0.264	90%	3.0	$0.463	$0.460	1.75%
Consultant	175,000	$0.284	90%	3.0	$0.380	$0.460	1.75%
Consultant	3,000,000	$0.244	90%	2.0	$0.350	$0.445	2.13%

SUMMARY OF PERFORMANCE RIGHTS GRANTED

Allottee	Fair value at grant date	Expiry date
Directors	$0.145	31 December 2017
Employees	$0.230	31 December 2017
Directors	$0.460	31 December 2017

On 28 July 2015, 9,000,000 performance rights were issued to directors. As at 30 June 2016, the milestone pertaining to 1,500,000 performance rights had been achieved.

On 14 October 2015, 500,000 performance rights were issued to employees. As at 30 June 2016, none of the milestones of the performance rights had been achieved.

On 9 February 2016, 500,000 performance rights were issued to directors. As at 30 June 2016, none of the milestones of the performance rights had been achieved.

20. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, held-for-trading investments, derivative financial instruments, cash and short-term deposits.

The Board of Directors has overall responsibility for the oversight and management of the Group's exposure to a variety of financial risks (including market risk, credit risk and liquidity risk).

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risks

The Group's exposure to market interest rates relates to cash deposits held at variable rates. The Board constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions.

Sensitivity analysis

The Company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate sensitivity analysis

At 30 June 2016, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	Consolidated	
	2016 $'000	2015 $'000
Change in loss/equity		
Increase in interest rate by 100 basis points	249	83
Decrease in interest rate by 100 basis points	(249)	(83)

CREDIT RISK

The maximum exposure to credit risk at reporting date is the carrying amount (net of provision of doubtful debts) of those assets as disclosed in the statement of financial position and notes to the financial statements. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Credit risk related to balances with banks and other financial institutions is managed by the board. The Board's policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least A+. All of the Group's surplus funds are invested with AA and A+ Rated financial institutions, the amount is $31,942,000 (2015: $8,313,000).

LIQUIDITY RISK

The responsibility for liquidity risk management rests with the Board. The Group manages liquidity risk by maintaining sufficient cash or credit facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments.

Financing arrangements

Refer to note 16 for the analysis of unused borrowing facilities at reporting date.

Remaining contractual maturities

The following tables detail the Groups remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

2016	Weighted average interest rate %	1 years or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	16,419	-	-	-	16,419
Interest-bearing- fixed rate						
Secured loan – non-amortising	12%	-	17,050	-	-	17,050
Secured loan – project finance facility	10%	1,517	1,500	15,668	-	18,685
Finance lease liability	3.5%	94	94	195	-	383
Total non-derivatives		**18,030**	**18,644**	**15,863**	**-**	**52,537**

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

2015	Weighted average interest rate %	1 years or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	1,300	-	-	-	1,300
Interest-bearing- fixed rate						
Secured loan – non-amortising	12%	-	-	8,110	-	8,110
Total non-derivatives		**1,300**	**-**	**8,110**	**-**	**9,410**

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

21. PARENT ENTITY INFORMATION

The following details information related to the parent entity, Blackham Resources Limited, at 30 June 2016. The information presented here has been prepared using consistent accounting policies as detailed in the relevant notes of this report.

	2016 $'000	2015 $'000
Current assets	32,070	10,052
Non-current assets	31,448	9,657
Total assets	**63,518**	**19,709**
Current liabilities	(1,906)	(530)
Non-current liabilities	(29,288)	(6,000)
Total liabilities	**(31,194)**	**(6,530)**
Issued capital	52,356	31,564
Reserves	4,854	1,451
Accumulated losses	(24,886)	(19,836)
Total equity	**32,324**	**13,179**
Total comprehensive loss of the parent	**5,221**	**2,851**

There are no guarantees entered into by the parent entity in relation to the debts of its subsidiaries.

There are no contingent liabilities of the parent entity as at the reporting date.

There are no contractual commitments by the parent entity for the acquisition of property, plant and equipment at reporting date.

The accounting policies of the parent entity are consistent with those of the Group as disclosed in note 1.

22. OPERATING SEGMENT

The Group operated in one geographical area being Western Australia and one industry, being exploration, for the year ended 30 June 2016 which was the same as reported in the financial report for the year ended 30 June 2015. The Chief Operating Decision Makers are the Board of Directors and the management of the Group. There is currently only one operating segment identified, being Western Australian exploration activities based on internal reports reviewed by the Chief Operating Decision Makers in assessing performance and allocation of resources.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements.

During the year end 30 June 2016 there were nil major customers (2015: nil).

23. CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

	Country of Incorporation	% Entity Interest	
		2016	**2015**
Parent Entity			
Blackham Resources Limited	Australia		
Controlled Entities			
Scaddan Energy Pty Ltd	Australia	100%	100%
Zanthus Energy Pty Ltd	Australia	100%	100%
Lignite Pty Ltd	Australia	100%	100%
Matilda Gold Pty Ltd	Australia	100%	100%
Kimba Resources Pty Ltd	Australia	100%	100%
Matilda Operations Pty Ltd	Australia	100%	100%

A controlled entity, Scaddan Energy Pty Ltd, has a 70% (2015: 70%) beneficial interest in the Scaddan Joint Venture whose prime activity is mineral exploration.

24. KEY MANAGEMENT PERSONNEL COMPENSATION

Names and positions held of key management personnel in office at any time during the financial year are:

Name	Position
Milan Jerkovic	Non-executive Chairman (from 27 November 2015)
Paul Murphy	Non-executive Deputy Chairman (deceased 17 May 2016)
Bryan Dixon	Managing Director
Alan Thom	Executive Director and Chief Operations Officer
Greg Miles	Non-executive Director
Peter Rozenauers	Non-executive Director

Detailed key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

The total of the remuneration paid to key management personnel for the year are as follows:

	Note	Consolidated	
		2016 $'000	**2015 $'000**
Short-term employee benefits		848	557
Post employment benefits		4	-
Share-based payments	3	1,296	16
Total		**2,148**	**573**

25. RELATED PARTY TRANSACTIONS

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

PARENT ENTITY:

Blackham Resources Limited is the parent entity.

TRANSACTIONS WITH RELATED ENTITIES:

ORION

The following fees were paid to Orion in relation to the Facility Agreement (refer note 16):

- $180,000 discount fee on $7 million non-amortising loan drawdown.
- $450,000 discount fee on $15 million project finance facility drawdown.

In accordance with the terms of the Facility Agreement Mr Peter Rozenauers, an officer of Orion, was accepted onto the Board in the role of non-executive director on 17 June 2015.

XAVIER

Mr Milan Jerkovic is an officer of Xavier Group Pty Ltd (Xavier), a company who provides consulting services to the Group. During the year, Xavier was paid $54,000 for consulting services provided.

LOANS TO/ FROM RELATED PARTIES:

There were loans to related parties being Orion, as disclosed in note 16.

26. COMMITMENTS

OPERATING LEASES

Operating lease commitments includes contracted amounts for offices and supply of electricity to the Wiluna Gold Project under non-cancellable operating leases expiring within one to ten years with. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Future minimum rentals payable under non-cancellable operating leases at 30 June are as follows:

	Consolidated	
	2016 $'000	**2015 $'000**
Not longer than one year	1,352	-
Longer than one year, but not longer than five years	8,065	-
Longer than five years	-	-
Total	**9,417**	**-**

FINANCE LEASES

During the year, the Group entered into numerous hire purchase agreements for the acquisition of motor vehicles. The agreements incorporate a fixed rate between of 2.15% and 5%, monthly repayments and expiry dates between January 2019 and April 2021:

	Consolidated	
	2016 $'000	**2015 $'000**
Not longer than one year	94	-
Longer than one year, but not longer than five years	289	-
Longer than five years	-	-
Total	**383**	**-**

26. COMMITMENTS (CONT'D)

EXPLORATION EXPENDITURE COMMITMENTS

In order to maintain current rights of tenure to mining tenements, the Group has the following discretionary exploration expenditure requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable as follows:

	Consolidated	
	2016 $'000	**2015 $'000**
Within one year	676	3,229

CAPITAL COMMITMENTS

Capital commitments relate to the Wiluna plant refurbishment project:

	Consolidated	
	2016 $'000	**2015 $'000**
Committed at the reporting date but not recognised as liabilities payable:		
Plant and equipment	14,748	-

27. CONTINGENT ASSETS AND LIABILITIES

CONTINGENT ASSETS:

There are no contingent assets as at the reporting date (2015: nil).

CONTINGENT LIABILITIES:

As part of the sale and purchase agreement of the Wiluna Gold Project from Apex Minerals NL (Receivers and Managers Appointed)(In Liquidation) and Apex Gold Pty Ltd (Receivers and Managers Appointed)(In Liquidation), the following contingent liabilities exist:

- $500,000 in cash on first gold production from the Matilda tenements;
- $250,000 in cash on production of 50,000 ounces of gold from the Matilda tenements;
- $1,300,000 in cash (or shares at Blackham's election) on production of 50,000 ounces of gold from the Wiluna tenements; and
- $1,300,000 in cash (or shares at Blackham's election) on production of 100,000 ounces of gold from the Wiluna tenements.

28. SUBSEQUENT EVENTS

The final drawdown of the Orion Finance Facility occurred in August 2016. $8,000,000 was received from Orion and will be used to finalise mining and development and the refurbishment of the Wiluna Gold Plant.

As announced to the ASX on 19 August 2016, the Company raised $25,000,000 through a capital placement of 25 million shares at $1.00 per share.

During July 2016, the Group commenced mining at its Matilda Gold Project in both the open pits and underground operations.

In September 2016, wet commissioning began at the Group's Wiluna Gold Plant and gold production is imminent.

During September 2016, the Company forward sold a further 34,250 ounces of gold at an average price of A$1,774 per ounce over the next 18 months.

Apart from the above, no event has arisen since 30 June 2016 that would be likely to materially affect the operations of the Group, or the state of affairs of the Group not otherwise disclosed in the Group's financial report.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Blackham Resources Limited, I state that:

1. In the opinion of the directors:

   (a) The financial statements, notes and additional disclosures included in the directors' report designated as audited, are in accordance with the *Corporations Act 2001*, including:

      (i) Giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

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

   (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2016.

3. The directors draw attention to the note 1, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the board

____

Bryan Dixon
Managing Director
Perth, 30 September 2016

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
BLACKHAM RESOURCES LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Blackham Resources Limited, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and 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 1, 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. These Auditing 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 and fair presentation of the financial report 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Blackham Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Blackham Resources 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 30 June 2016 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 1.

Report on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2016. 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 Blackham Resources Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

RSM

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 30 September 2016

ASX Additional Shareholder Information

SHAREHOLDING

The distribution of members and their holdings of equity securities in the Company is:

Number Held as at 21 September 2016	Fully Paid Ordinary Shares
1 - 1,000	145,497
1,001 - 5,000	2,288,602
5,001 – 10,000	4,103,936
10,001 - 100,000	38,800,800
100,001 and over	236,798,268
Totals	**282,137,103**

The number of holders of less than a marketable parcel of fully paid ordinary shares is 165.

SUBSTANTIAL SHAREHOLDERS

The following shareholders and the amounts of securities held by them and reported to the Company in the Register of Substantial Shareholders at the date of this report are:

Hunter Hall Investment Management Ltd and associated entities	30,700,108
Polo Investments Ltd and associated entities	20,650,400

RESTRICTED SECURITIES

The Company has no restricted securities.

VOTING RIGHTS

ORDINARY SHARES

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest ordinary fully paid shareholders at 21 September 2016:

Name	Number of Fully Paid Ordinary Shares Held	% Held of Issued Ordinary Capital
J P Morgan Nominees Australia Ltd	45,865,586	16.26%
HSBC Custody Nominees (Australia) Ltd	33,125,737	11.74%
Citicorp Nominees Pty Ltd	16,717,832	5.92%
National Nominees Ltd	15,205,742	5.39%
S A Coupe Pty Ltd (Coupe Super Fund)	10,900,000	3.86%
Brispot Nominees Pty Ltd (House Head Nominee A/C	5,923,781	2.10%
Perfectus Management Ltd	5,888,495	2.09%
ABN Amro Clearing Sydney Nominees Pty Ltd	5,148,883	1.82%
UBS Nominees Pty Ltd	4,720,000	1.67%
Reejo Enterprises Pty Ltd (Lederman Retirement A/C)	4,650,000	1.65%
Kingsreef Pty Ltd (NB & DL Family A/C)	4,193,211	1.49%
BNP Paribas Nominees Pty Ltd	3,721,223	1.32%
Warrior Strategic Pty Ltd	2,250,000	0.80%
WMG Enterprises Pty Ltd	1,750,000	0.62%
Mr DS Bae & Mrs IS Bae <Bae Family A/C>	1,546,502	0.55%
Bernard Pristel	1,420,000	0.50%
Widerange Corporation Pty Ltd	1,325,298	0.47%
Dr G Whisson & Mrs T Whisson (Aqua Research & Market)	1,150,000	0.41%
Technica Pty Ltd (Technica P/L Super Fund)	1,118,551	0.40%
David George Metford (STL Super Fund)	1,050,000	0.37%
Total	**167,670,841**	**59.43%**

Schedule of Mineral Tenements & Rights

AS AT 23 SEPTEMBER 2016

Project	Tenement	Interest held by Blackham
Scaddan	E63/0521	70%
Scaddan	E63/1145 to E63/1146	70%
Scaddan	E63/1202 to E63/1203	70%
Scaddan	E63/1734	100%
Scaddan	E63/1780	100%
Scaddan	E74/0561	100%
Scaddan	M63/0192 to M63/0194	70%
Zanthus	E69/2506	20% of basement rights, 100% above basement
Matilda	E53/1290	100%
Matilda	E53/1297	100%
Matilda	E53/1644	100%
Matilda	E53/1791	100%
Matilda	E53/1852	100%
Matilda	L53/0021 to L53/0022	100%
Matilda	L53/0051	100%
Matilda	L53/0062	100%
Matilda	L53/0140	100%
Matilda	M53/0034	100%
Matilda	M53/0041	100%
Matilda	M53/0052 to M53/0054	100%
Matilda	M53/0188	100%
Matilda	M53/0955	100%
Matilda	P53/1559	100%
Matilda	E53/1287	100% of gold and base metal rights
Lakeway	E53/1853	100%
Lakeway	E53/1862 to E53/1863	100%
Lakeway	M53/0797 to M53/0798	100%
Lakeway	P53/1637	100%
Lakeway	E53/1288	100% of gold and base metal rights
Lakeway	M53/0045	100% of gold and base metal rights
Lakeway	M53/0049	100% of gold and base metal rights
Lakeway	M53/0113	100% of gold and base metal rights
Lakeway	M53/0121 to M53/0123	100% of gold and base metal rights
Lakeway	M53/0147	100% of gold and base metal rights
Lakeway	M53/0224	100% of gold and base metal rights
Lakeway	M53/0253	100% of gold and base metal rights
Lakeway	M53/0796	100% of gold and base metal rights
Lakeway	M53/0910	100% of gold and base metal rights
Lakeway	P53/1355 to P53/1357	100% of gold and base metal rights
Lakeway	P53/1372	100% of gold and base metal rights
Lakeway	P53/1396 to P53/1397	100% of gold and base metal rights
Lakeway	G53/0021 to G53/0022	100% of gold and base metal rights
Wiluna	E53/1645	100%
Wiluna	L53/0020	100%
Wiluna	L53/0023 to L53/0024	100%
Wiluna	L53/0030	100%

Project	Tenement	Interest held by Blackham
Wiluna	L53/0032 to L53/0045	100%
Wiluna	L53/0048	100%
Wiluna	L53/0050	100%
Wiluna	L53/0053	100%
Wiluna	L53/0077	100%
Wiluna	L53/0094	100%
Wiluna	L53/0097 to L53/0098	100%
Wiluna	L53/0103	100%
Wiluna	L53/0144	100%
Wiluna	L53/0202	100%
Wiluna	M53/0006	100%
Wiluna	M53/0024 to M53/0027	100%
Wiluna	M53/0030	97.9%
Wiluna	M53/0032	100%
Wiluna	M53/0040	100%
Wiluna	M53/0043 to M53/0044	100%
Wiluna	M53/0050	100%
Wiluna	M53/0064	100%
Wiluna	M53/0069	100%
Wiluna	M53/0071	100%
Wiluna	M53/0092	100%
Wiluna	M53/0095 to M53/0096	100%
Wiluna	M53/0129 to M53/0131	100%
Wiluna	M53/0139	100%
Wiluna	M53/0173	100%
Wiluna	M53/0200	100%
Wiluna	M53/0205	100%
Wiluna	M53/0415	100%
Wiluna	M53/0468	100%
Wiluna	M53/1097	100%
Wiluna	P53/1560	100%
Wiluna	R53/0001	100%