

## Appendix 4D

### Half Yearly Report

**Name of Entity:** Blackgold International Holdings Limited  
**ACN:** 145 095 478  
**Reporting Period:** Half year ended 30 April 2016 ("current period")  
**Previous Reporting Period** Half year ended 30 April 2015 ("previous corresponding period")

#### 1. Results for Announcement to the Market

**A\$'000**

Revenues from ordinary activities	Down	9%	to	176,754
Profit / (Loss) from ordinary activities after tax attributed to members	Down	62%	to	2,967
Net profit / (loss) for the period attributed to members	Down	20%	to	5,441
<b>Dividends (distributions)</b>	<b>Amount per security</b>		<b>Franked amount per security</b>	
<i>Current period</i>				
Interim dividend declared	Nil		Nil	
Final dividend paid	Nil		Nil	
<i>Previous corresponding period</i>				
Interim dividend declared	Nil		Nil	
Final dividend paid	Nil		Nil	
Record date for determining entitlements to the dividend	No dividends is paid or provided for during the period			

#### Brief explanation of revenue, net profit and dividends (results commentary)

##### Operating Results

Comparing with the results for the six months ended 30 April 2015 ("HY2015"), profit from ordinary activities decreased by A\$4.8 million or approximately 62%, from \$7.7 million to \$3.0 million for the six months ended 30 April 2016 ("HY2016").

In HY2016, net profit after tax is higher than net profit from ordinary activities mainly due to changes in fair value of financial liabilities at fair value through profit or loss of A\$1.981 million, and net impairment reversal and loss of non-current assets of A\$0.859 million recognised by the Group.

##### Review of Operations

###### Mining operations

Total production for the HY2016 was approximately 520,000 tonnes, derived from the Caotang and Heiwan Mines. This is 13.3% higher than the total production of 459,000 tonnes achieved in the HY2015.

###### Trading

At present, Blackgold operates its trading arm by selling thermal coal to customers only within mainland China. In HY2016, our trading arm sold approximately 1,903,555 tonnes of coal (HY2015: 1,824,900 tonnes), an increase of 4.3% when compared to HY2015 results.

###### Shipping Transportation

GPST continued to operate with its current owned fleet with maximum transportation capacity of approximately 43,000 tonnes.

## 2. Net Tangible assets per security

	Current period Cts	Previous corresponding period cts
Net tangible assets per security	28.36	25.30

## 3. Details of entities over which control has been gained or lost during the period

### Control gained over entities:

Name of entity	Nil
Date from which control was gained	NA
Where material to an understanding of the report – the contribution of such entity to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period	NA

### Control lost over entities:

Name of entity	Nil
Date from which control was lost	NA
Where material to an understanding of the report – the contribution of such entity to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period	NA

## 4. Details of Individual and Total Dividends

	Date dividend is payable	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Interim dividend Current period	Nil	NA	NA	NA
Previous corresponding period	Nil	NA	NA	NA

### Total dividend per security

	Current year	Previous year
Ordinary securities	Nil	Nil

## 5. Dividend reinvestment plan

Details of any dividend reinvestment plans in operation

NA
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The last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan

NA
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## 6. Details of Associates and Joint Ventures:

Name of associate or joint venture entity	Percentage holding	
	Current period	Previous corresponding period
Nil	Nil	Nil

Where material to an understanding of the report – aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period:

NA
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## 7. For foreign entities, details of origin of accounting standards used in compiling the report (e.g. International Financial Reporting Standards)

International Financial Reporting Standards .
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**8. Description of dispute or qualification if the accounts have been audited or subject to review**

NA

**This report is based on:**

Accounts that have been subject to an audit review.



**Dr Chi Ho (James) Tong**

Director

Dated this 30<sup>th</sup> day of June 2016

**BLACKGOLD INTERNATIONAL HOLDINGS  
LIMITED**

(Incorporated in Australia)

ACN 145 095 478

**INTERIM FINANCIAL REPORT  
for the half year ended 30 April 2016  
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# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

(Incorporated in Australia)

ACN 145 095 478

## DIRECTORS' REPORT

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The directors' submit the financial report of the Blackgold International Holdings Limited and its controlled entities for the half year ended 30 April 2016.

### Directors

The names of directors who held office during or since the end of the half year:

- Dr Chi Ho (James) Tong - Non Executive Chairman
- Yuguo Peng
- Jun Ou
- Prof Guangfu Yang
- Zhonghan (John) Wu
- Wei-Her (Sophia) Huang

### Operating Results

The profit after tax of the Group for the half year ended 30 April 2016 ("HY2016") amounted to AUD5,441,000 (6 months ended 30 April 2015 ("HY2015"): AUD AUD6,843,000).

### Review of Operations

#### *Mining Operations*

Total production for the HY2016 was approximately 520,000 tonnes, derived from the Caotang and Heiwan Mines. This is 13.3% higher than the total production of 459,000 tonnes achieved in the HY2015.

#### *Trading*

At present, Blackgold operates its trading arm by selling thermal coal to customers only within mainland China. In HY2016, our trading arm sold approximately 1,903,555 tonnes of coal (HY2015: 1,824,900 tonnes), an increase of 4.3% when compared to HY2015 results.

#### *Shipping Transportation*

GPST continued to operate with its current owned fleet with maximum transportation capacity of approximately 43,000 tonnes.

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

(Incorporated in Australia)

ACN 145 095 478

## **DIRECTORS' REPORT**

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### ***Current Corporate Development***

On 18 May 2016, the Completion End Date under the terms of the convertible bonds issued to LionHeart Holding Group Corp, a wholly owned subsidiary of Vibrant Group Limited, has been extended to 18 May 2017. The Company and Vibrant Group Limited will continue to explore opportunities in relation to an intended RTO.

The Company will continue to provide material updates on the progress of this exercise.

### ***Rounding of Amounts***

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order, amounts in the directors' report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

### ***Auditor's Declaration***

The lead auditor's independence declaration under s 307C of the Corporations Act 2001 is set out on page 3 for the half year financial statements ended 30 April 2016.

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



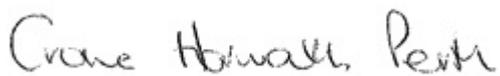
James Tong Chi Ho  
Director

Dated this 30 day of June 2016

**AUDITOR'S INDEPENDENCE DECLARATION**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Blackgold International Holdings Ltd and its controlled entities for the half-year ended 30 April 2016, I declare that, to the best of my knowledge and belief, there have been:

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

**CROWE HORWATH PERTH****PHILIPPA HOBSON**

Partner

Signed at Perth, 30 June 2016

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

(Incorporated in Australia)

ACN 145 095 478

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 APRIL 2016

	Consolidated 30.4.2016 AUD'000	Consolidated 30.4.2015 AUD'000
Note		
Revenue	176,754	194,178
Cost of sales	(166,502)	(179,270)
<b>Gross profit</b>	<b>10,252</b>	<b>14,908</b>
Other income	7,118	3,004
	<b>17,370</b>	<b>17,912</b>
Changes in fair value of financial liabilities at fair value through profit or loss	1,981	-
Distribution and marketing expenses	(1,032)	(1,327)
Administrative expenses	(3,104)	(3,689)
Other expenses	(5,271)	(747)
Finance costs	(4,856)	(4,858)
Impairment of non-current assets	(9,038)	-
Reversal of impairment of non-current assets	9,897	-
Share of loss in an associate using equity method	(61)	(17)
<b>Profit before taxation</b>	<b>5,886</b>	<b>7,274</b>
Income Tax Expense	(445)	(431)
<b>Profit after taxation</b>	<b>5,441</b>	<b>6,843</b>
<b>Other comprehensive income (net of tax)</b>		
<u>Item that may be reclassified subsequently to profit or loss</u>		
- Foreign currency translation exchange differences	(21,234)	18,819
<b>Total comprehensive income for the financial period</b>	<b>(15,793)</b>	<b>25,662</b>
<b>Profit after taxation attributable to:-</b>		
Members of the parent entity	5,441	6,843
<b>Total comprehensive income attributable to:-</b>		
Members of the parent entity	(15,793)	25,662
<b>Earnings per share</b>		
Basic earnings per share (cents)	0.61	0.77
Diluted earnings per share (cents)	0.56	0.77

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

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

(Incorporated in Australia)

ACN 145 095 478

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 APRIL 2016

	Note	Consolidated 30.4.2016 AUD'000	Consolidated 31.10.2015 AUD'000
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents		12,405	18,319
Held-to-maturity investments	5	-	7,389
Trade and other receivables		115,346	225,824
Amount owing from a related party		40	-
Inventories		810	1,894
<b>TOTAL CURRENT ASSETS</b>		<b>128,601</b>	<b>253,426</b>
NON-CURRENT ASSETS			
Investments accounted for using the equity method		371	431
Other financial assets		4,062	4,434
Property, plant and equipment	6	93,147	105,145
Land use rights		89	98
Mine development	7	186,194	201,567
Intangible assets - goodwill		2,281	2,489
Intangible assets - other		1,707	2,235
<b>TOTAL NON-CURRENT ASSETS</b>		<b>287,851</b>	<b>316,399</b>
<b>TOTAL ASSETS</b>		<b>416,452</b>	<b>569,825</b>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables		15,939	150,963
Amount owing to a related party	8	616	641
Amount owing to an associate		-	93
Borrowings	9	113,267	112,714
Financial liabilities	10	18,288	19,944
Provision for taxation		4,089	4,053
<b>TOTAL CURRENT LIABILITIES</b>		<b>152,199</b>	<b>288,408</b>
NON-CURRENT LIABILITIES			
Borrowings	9	4,432	5,329
Provision for restoration costs		1,668	1,775
Deferred tax liabilities		2,221	2,588
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>8,321</b>	<b>9,692</b>
<b>TOTAL LIABILITIES</b>		<b>160,520</b>	<b>298,100</b>
<b>NET ASSETS</b>		<b>255,932</b>	<b>271,725</b>

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

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

(Incorporated in Australia)

ACN 145 095 478

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 APRIL 2016 (CONT'D)

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	Consolidated 30.4.2016 AUD'000	Consolidated 31.10.2015 AUD'000
	Note	
<b>EQUITY</b>		
Share capital	65,363	65,363
Retained earnings	174,980	169,852
Merger deficit reserve	(28,186)	(28,186)
Statutory reserve	4,154	3,841
Foreign currency translation reserve	39,532	60,766
Options reserve	89	89
<b>TOTAL EQUITY</b>	<b>255,932</b>	<b>271,725</b>

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

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

(Incorporated in Australia)

ACN 145 095 478

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 APRIL 2016

	Issued Capital AUD'000	Retained Profits AUD'000	Merger Deficit Reserve * AUD'000	Statutory Reserve AUD'000	Foreign Currency Translation Reserve AUD'000	Options Reserve AUD'000	Total Equity AUD'000
<b>Half year ended 30 April 2015</b>							
<b>Consolidated</b>							
<b>Balance at 1 November 2014</b>	65,363	136,250	(28,186)	3,332	25,171	89	202,019
Comprehensive income:							
Profit after taxation for the financial period	-	6,843	-	-	-	-	6,843
Other comprehensive income:							
- Foreign currency translation exchange differences	-	-	-	-	18,819	-	18,819
Total comprehensive income for the period	-	6,843	-	-	18,819	-	25,662
<b>Other transaction</b>							
- Transfer to statutory reserve	-	(491)	-	491	-	-	-
<b>Balance at 30 April 2015</b>	65,363	142,602	(28,186)	3,823	43,990	89	227,681

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# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

(Incorporated in Australia)

ACN 145 095 478

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 APRIL 2016 (CONT'D)

	Issued Capital AUD'000	Retained Profits AUD'000	Merger Deficit Reserve * AUD'000	Statutory Reserve AUD'000	Foreign Currency Translation Reserve AUD'000	Options Reserve AUD'000	Total Equity AUD'000
<b>Half year ended 30 April 2016</b>							
<b>Consolidated</b>							
<b>Balance at 1 November 2015</b>	65,363	169,852	(28,186)	3,841	60,766	89	271,725
Comprehensive income:							
Profit after taxation for the financial period	-	5,441	-	-	-	-	5,441
Other comprehensive income:							
- Foreign currency translation exchange differences	-	-	-	-	(21,234)	-	(21,234)
Total comprehensive income for the period	-	5,441	-	-	(21,234)	-	(15,793)
<b>Other transaction</b>							
- Transfer to statutory reserve	-	(313)	-	313	-	-	-
<b>Balance at 30 April 2016</b>	65,363	174,980	(28,186)	4,154	39,532	89	255,932

\* - arising from merger accounting during the financial year ended 31 October 2010.

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

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

(Incorporated in Australia)

ACN 145 095 478

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 APRIL 2016

	<b>Consolidated 30.4.2016 AUD'000</b>	<b>Consolidated 30.4.2015 AUD'000</b>
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		
Profit before taxation	5,886	7,274
Adjustment for:-		
Changes in fair value of financial liabilities at fair value through profit or loss	(1,981)	-
Allowance for impairment loss on other receivables	230	140
Amortisation of intangible assets	352	342
Amortisation of land use rights	1	2
Amortisation of mine development	1,780	1,834
Depreciation of property, plant and equipment	5,893	5,515
Impairment of property, plant and equipment	2,106	-
Impairment of mine development	6,932	-
Reversal of impairment of property, plant and equipment	(3,665)	-
Reversal of impairment of mine development	(6,232)	-
Inventories written down	397	119
Share of loss in an associate	61	17
Interest charged on convertible bond	366	1,363
Interest expense	2,936	3,043
Interest income	(120)	(287)
Unrealised loss on foreign exchange	1,632	-
Reversal of allowance for impairment loss on other receivables	-	(47)
Operating profit before working capital changes	16,574	19,315
(Increase)/Decrease in inventories	687	(395)
(Increase)Decrease in receivables	110,219	(23,967)
Increase/(Decrease) in payables	(135,157)	16,744
Cash from operations	(7,677)	11,697
Interest paid	(2,892)	(2,424)
Income tax paid	(776)	(629)
<b>NET CASH (USED IN)/FROM OPERATING ACTIVITIES</b>	<b>(11,345)</b>	<b>8,644</b>
<b>BALANCE CARRIED FORWARD</b>	<b>(11,345)</b>	<b>8,644</b>

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

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

(Incorporated in Australia)

ACN 145 095 478

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 APRIL 2016 (CONT'D)

	<b>Consolidated 30.4.2016 AUD'000</b>	<b>Consolidated 30.4.2015 AUD'000</b>
BALANCE BROUGHT FORWARD	(11,345)	8,644
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Disposal of held-to-maturity investment	7,002	19,343
Purchase of held-to-maturity investment	-	(22,904)
Purchase of property, plant and equipment	(1,050)	(1,495)
Sales proceed from disposal of property, plant and equipment	-	2
Mine development expenditure	(4,078)	(5,240)
Interest received	120	287
<b>NET CASH FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>1,994</b>	<b>(10,007)</b>
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		
Drawdown of short-term borrowings	53,607	59,545
Repayment of short-term borrowings	(43,715)	(65,638)
Net (repayment to)/advances from a related party	-	(7,634)
Proceeds from issuance of convertible bonds	-	17,724
Repayment of deferred consideration	-	(477)
Repayment to an associate	-	(227)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>9,892</b>	<b>3,293</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>541</b>	<b>1,930</b>
<b>EFFECT OF FOREIGN EXCHANGE TRANSLATION</b>	<b>(6,455)</b>	<b>(2,558)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>18,319</b>	<b>15,103</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>12,405</b>	<b>14,475</b>

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

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

(Incorporated in Australia)

ACN 145 095 478

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016

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### 1. GENERAL INFORMATION

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

Registered office: Office J, Level 2  
1139 Hay Street  
West Perth WA 6005  
Australia

Principal place of business: 12th Floor, No. 18, Mian Hua Street  
Yu Zhong District, Chongqing City  
People's Republic of China  
Postal Code 400011

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of Compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with AASB 134: ensures compliance with International Financial Reporting Standard IAS 34: Interim Financial Reporting. The half year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made during the half year.

#### (b) Basis of preparation

These general purpose interim financial statements for half year reporting period ended 30 April 2016 have been prepared in accordance with requirements of the Corporations Act 2001 and AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Blackgold International Holdings Limited and its controlled entities (referred to as the "consolidated group" or "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the 31 October 2015 annual financial statements together with any public announcements made during the following half year.

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

(Incorporated in Australia)

ACN 145 095 478

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (b) Basis of preparation (Cont'd)

##### *Going Concern Basis*

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the section Operating Results and Review of Operations for the year within the Directors Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Directors Report, Statement of Cash Flows and Note 9 of the financial statements.

As highlighted in Note 9 to the financial statements, the Group meets its day-to-day working capital requirements through the utilization of a combination of short term loans, bank bills and letters of credit. The customary practice with banks within People's Republic of China is to provide loan facilities on a short term basis, with annual renewals, which creates uncertainty particularly over the availability of bank finance in the foreseeable future.

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

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

#### (c) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to the matters discussed in Note 2(e) to the financial statements.

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

The critical estimates and judgements are consistent with those applied and disclosed in the 31 October 2015 annual financial statements.

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

(Incorporated in Australia)

ACN 145 095 478

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (e) **New and Revised Accounting Requirements Applicable to the Current Half Year Reporting Period**

The consolidated entity has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

#### *AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'.

AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures.

The consolidated entity will adopt this standard from 1 November 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

(Incorporated in Australia)

ACN 145 095 478

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (e) New and Revised Accounting Requirements Applicable to the Current Half Year Reporting Period (Cont'd)

##### *AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition.

The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied.

Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The consolidated entity will adopt this standard from 1 November 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

(Incorporated in Australia)

ACN 145 095 478

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (e) New and Revised Accounting Requirements Applicable to the Current Half Year Reporting Period (Cont'd)

##### *AASB 16 Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019.

The new standard abolishes the concept of the operating lease, and effectively requires all leases to be treated as finance leases.

The classification of leases as either finance leases or operating leases is eliminated for lessees. All leases will be recognised on balance sheet by capitalising the present value of lease payments and showing them as an asset ('right-of-use' asset), while future lease payments will be recognised as a financial liability. This is similar to the current treatment for finance leases under AASB 117.

The nature of the expense recognised in the income statement will change. Rather than being shown as rent, or as leasing costs, it will be recognised as depreciation on the leased asset, and an interest charge on the lease liability. There is an exemption of IFRS 16 for low value items. For these assets, the expense may be recognised on a straight line basis over the life of the lease in a manner consistent with the current treatment for operating leases. This is expected to apply to commonly leased small items including mobile phones, electronic equipment, and furniture.

Leases of 12 months or less are considered short-term leases and are also exempt from the new requirements. This exemption also applies to any longer term leases which end within 12 months of the date of initial application.

The consolidated entity will adopt this standard from 1 November 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

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

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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016**

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### **3. DIVIDENDS**

No dividends were paid or provided for during the half year.

### **4. OPERATING SEGMENTS**

#### **(a) Identification of Reportable Segments**

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

The Group is managed primarily on the basis of the nature of the business activities. Operating segments are therefore determined on the same basis.

#### **(b) Inter-segment transactions**

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

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016

### 4. OPERATING SEGMENTS (CONT'D)

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

	Mining sales		Coal trading		Mining fees	
	<u>30.4.2016</u>	<u>30.4.2015</u>	<u>30.4.2016</u>	<u>30.4.2015</u>	<u>30.4.2016</u>	<u>30.4.2015</u>
	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
Revenue from external customers	2,292	318	159,536	177,060	10,420	11,669
Inter-segment revenue	5,761	9,714	-	1,074	-	-
<b>Reportable segment revenue</b>	<u>8,053</u>	<u>10,032</u>	<u>159,536</u>	<u>178,134</u>	<u>10,420</u>	<u>11,669</u>
<b>Reportable segment profit/(loss) before taxation</b>	<u>(1,338)</u>	<u>(283)</u>	<u>1,434</u>	<u>(618)</u>	<u>7,616</u>	<u>8,869</u>

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### 4. OPERATING SEGMENTS (CONT'D)

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

	Mining sales		Coal trading		Mining fees	
	<u>30.4.2016</u>	<u>30.4.2015</u>	<u>30.4.2016</u>	<u>30.4.2015</u>	<u>30.4.2016</u>	<u>30.4.2015</u>
	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
Interest income from bank deposit	-	-	120	287	-	-
Finance costs	216	813	4,256	2,112	-	-
Depreciation						
- Property, plant and equipment	3,275	2,873	111	165	1,734	1,727
Amortisation						
- Intangible assets	-	-	-	-	-	-
- Land use rights	-	-	-	-	1	2
- Mine development	746	789	-	-	1,034	1,045
Impairment losses						
- Property, plant and equipment	2,106	-	-	-	-	-
- Mine development	6,932	-	-	-	-	-
Reversal of impairment losses						
- Property, plant and equipment	(3,665)	-	-	-	-	-
- Mine development	(6,232)	-	-	-	-	-

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016

### 4. OPERATING SEGMENTS (CONT'D)

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

	Shipping transportation		Others		Total	
	<u>30.4.2016</u>	<u>30.4.2015</u>	<u>30.4.2016</u>	<u>30.4.2015</u>	<u>30.4.2016</u>	<u>30.4.2015</u>
	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
Revenue from external customers	4,506	5,130	-	1	176,754	194,178
Inter-segment revenue	-	-	159	210	5,920	10,998
<b>Reportable segment revenue</b>	<u>4,506</u>	<u>5,130</u>	<u>159</u>	<u>211</u>	<u>182,674</u>	<u>205,176</u>
<b>Reportable segment profit/(loss) before taxation</b>	<u>585</u>	<u>1,028</u>	<u>(67)</u>	<u>34</u>	<u>8,230</u>	<u>9,030</u>

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### 4. OPERATING SEGMENTS (CONT'D)

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

	Shipping transportation		Others		Total	
	<u>30.4.2016</u>	<u>30.4.2015</u>	<u>30.4.2016</u>	<u>30.4.2015</u>	<u>30.4.2016</u>	<u>30.4.2015</u>
	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
Interest income from bank deposit	-	-	-	-	120	287
Finance costs	-	-	1	-	4,473	2,925
Depreciation						
- Property, plant and equipment	723	702	50	48	5,893	5,515
Amortisation						
- Intangible assets	352	342	-	-	352	342
- Land use rights	-	-	-	-	1	2
- Mine development	-	-	-	-	1,780	1,834
Impairment losses						
- Property, plant and equipment	-	-	-	-	2,106	-
- Mine development	-	-	-	-	6,932	-
Reversal of impairment losses						
- Property, plant and equipment	-	-	-	-	(3,665)	-
- Mine development	-	-	-	-	(6,232)	-

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016

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### 4. OPERATING SEGMENTS (CONT'D)

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

	Mining sales		Coal trading		Mining fees	
	<u>30.4.2016</u>	<u>30.4.2015</u>	<u>30.4.2016</u>	<u>30.4.2015</u>	<u>30.4.2016</u>	<u>30.4.2015</u>
	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
Segment assets	<u>333,609</u>	<u>285,766</u>	<u>294,503</u>	<u>306,912</u>	<u>-</u>	<u>-</u>
Segment asset increases for the period - capital expenditure	<u>5,127</u>	<u>6,735</u>	<u>1</u>	<u>6</u>	<u>-</u>	<u>-</u>
Segment liabilities	<u>119,267</u>	<u>97,473</u>	<u>246,779</u>	<u>259,972</u>	<u>-</u>	<u>-</u>

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### 4. OPERATING SEGMENTS (CONT'D)

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

	Shipping transportation		Others		Total	
	<u>30.4.2016</u>	<u>30.4.2015</u>	<u>30.4.2016</u>	<u>30.4.2015</u>	<u>30.4.2016</u>	<u>30.4.2015</u>
	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
Segment assets	<u>41,780</u>	<u>40,364</u>	<u>45,683</u>	<u>40,956</u>	<u>715,575</u>	<u>673,998</u>
Segment asset increases for the period - capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,128</u>	<u>6,741</u>
Segment liabilities	<u>2,704</u>	<u>5,287</u>	<u>41,269</u>	<u>36,489</u>	<u>410,019</u>	<u>399,221</u>

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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### 4. OPERATING SEGMENTS (CONT'D)

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

	30.04.2016 AUD'000	30.04.2015 AUD'000
<b>i) Revenue</b>		
Reportable segment revenue	182,674	205,176
Elimination of inter-segment revenue	(5,920)	(10,998)
Consolidated revenue	<u>176,754</u>	<u>194,178</u>
<b>ii) Profit</b>		
Reportable segment profit before taxation	8,230	9,030
Unallocated fair value gains	1,981	-
Unallocated corporate expense	(3,942)	177
Unallocated finance costs	(383)	(1,933)
Combined profit before tax	<u>5,886</u>	<u>7,274</u>
<b>iii) Assets</b>		
Reportable segment assets	715,575	673,998
Elimination of inter-segment assets	(306,026)	(251,375)
	409,549	422,623
Unallocated corporate assets	6,903	7,675
Combined total assets per consolidated statement of financial position	<u>416,452</u>	<u>430,298</u>
<b>iv) Liabilities</b>		
Reportable segment liabilities	410,019	399,221
Elimination of inter-segment liabilities	(275,842)	(223,712)
	134,177	175,509
Unallocated corporate liabilities	26,343	27,108
Combined total liabilities per consolidated statement of financial position	<u>160,520</u>	<u>202,617</u>

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016

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### 5. HELD-TO-MATURITY INVESTMENTS

	CONSOLIDATED 30.4.2016 AUD'000	CONSOLIDATED 31.10.2015 AUD'000
Fixed deposits with licensed banks	-	7,389

The fixed deposits with a licensed bank (in PRC) are pledged to licensed banks as security for banking facilities granted to the Group, as disclosed in Note 9 to the financial statements.

For the half year reporting period to 30 April 2015, the effective interest rate of the fixed deposits at the end of the reporting period is at 2.60% per annum. These fixed deposits have maturity period of 6 months from the issuance date.

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016

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### 6. PROPERTY, PLANT AND EQUIPMENT

	AT	ACCUMULATED	ACCUMULATED	NET BOOK
	COST	DEPRECIATION	IMPAIRMENT	VALUE
CONSOLIDATED	AUD'000	AUD'000	LOSSES AUD'000	AUD'000
<b>At 30.04.2016</b>				
Buildings	3,893	(1,176)	(46)	2,671
Vessels	28,698	(10,683)	-	18,015
Plant and machineries	105,902	(32,846)	(2,455)	70,601
Motor vehicles, fixtures and equipment	4,796	(2,864)	(148)	1,784
Construction work-in-progress	76	-	-	76
	143,365	(47,569)	(2,649)	93,147
<b>At 31.10.2015</b>				
Buildings	4,250	(1,220)	(36)	2,994
Vessels	31,327	(10,899)	-	20,428
Plant and machineries	114,549	(30,709)	(4,501)	79,339
Motor vehicles, fixtures and equipment	5,184	(2,882)	(1)	2,301
Construction work-in-progress	83	-	-	83
	155,393	(45,710)	(4,538)	105,145

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### 6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Movements in the carrying amount for each class of property, plant and equipment are as follows:-

	AT			DEPRECIATION	IMPAIRMENT	REVERSAL	FOREIGN	AT
	1.11.2015	ADDITIONS	DISPOSAL	CHARGE	LOSSES*	OF	EXCHANGE	30.04.2016
CONSOLIDATED	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	IMPAIRMENT*	DIFFERENCE	AUD'000
						AUD'000	AUD'000	
<u>Carrying amount</u>								
Buildings	2,994	-	-	(60)	(47)	34	(250)	2,671
Vessels	20,428	-	-	(723)	-	-	(1,690)	18,015
Plant and machineries	79,339	1,001	-	(4,874)	(1,907)	3,631	(6,589)	70,601
Motor vehicles, fixtures and equipment	2,301	49	-	(236)	(152)	-	(178)	1,784
Construction work-in-progress	83	-	-	-	-	-	(7)	76
	105,145	1,050	-	(5,893)	(2,106)	3,665	(8,714)	93,147

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016

### 6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At				DEPRECIATION	IMPAIRMENT	REVERSAL	FOREIGN	At
	1.11.2014	ADDITIONS	TRANSFERS	DISPOSAL	CHARGE	LOSSES*	OF	EXCHANGE	AT
CONSOLIDATED	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	IMPAIRMENT*	DIFFERENCE	31.10.2015
							AUD'000	AUD'000	AUD'000
<u>Carrying amount</u>									
Buildings	2,527	-	12	-	(142)	(14)	116	495	2,994
Vessels	18,348	-	-	-	(1,456)	-	-	3,536	20,428
Plant and machineries	70,071	2,822	-	-	(9,916)	(1,596)	4,392	13,566	79,339
Motor vehicles, fixtures and equipment	1,658	489	-	(4)	(579)	-	401	336	2,301
Construction work-in-progress	79	-	(12)	-	-	-	-	16	83
	92,683	3,311	-	(4)	(12,093)	(1,610)	4,909	17,949	105,145

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

Vessels of the Group with a total net book value of AUD9.981m (RMB49.143m) have been pledged to a licensed bank as security for banking facilities granted to the Group, as disclosed in Note 9 to the financial statements.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016

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### 6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

#### Impairment losses/Reversal of impairment losses

\*Impairment assessment

The Group has determined that the significant decline in global coal prices during the financial period ended 30 April 2016 indicate that the carrying value of coal producing assets may be impaired.

The Group has classified its China based assets as separate Cash Generating Units (CGUs) on a per mine basis and has measured the recoverable amount of each CGU using the value-in-use method, with all fair value measurements categorized as Level 3 in the fair value hierarchy. All CGUs are included in the Coal Mining segment. The Group has estimated its value-in-use based on an estimated future cash flows of each CGU making assumptions in respect to the ability to obtain and renew all necessary permits and licenses to carry out mining activities and businesses in the coal mine and key variables including economically recoverable reserves, future production profiles, commodity prices, operating costs and future development costs necessary to produce the reserves. The commodity price assumptions have been based on a 6-month historical average selling price ended 30 April 2016 at a range between RMB237 to RMB335 per ton.

The future cash flows have been discounted using a pre-tax discount rate of 15.35%. The recoverable amount and impairment loss/reversal calculated under the value-in-use method of CGUs are:

Mine	Recoverable amount	Impairment loss/(reversal)
	AUD'000	AUD'000
Heiwan Mine	43,503	9,038
Caotang Mine	181,850	Nil
Changhong Mine	87,867	(9,897)
Baolong Mine	141,942	Nil

The total impairment loss constitutes AUD6.932m mine development and AUD2.106m of property, plant and equipment.

The total impairment reversal constitutes AUD6.232m of mine development and AUD3.665m of property, plant and equipment.

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016

### 6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

#### Sensitivity to changes in assumptions

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

Below are the details of the impairment (reversal)/loss recognised for each CGU:-

	<b>Heiwan Mine AUD'000</b>	<b>Changhong Mine AUD'000</b>	<b>Total AUD'000</b>
<b>At 30.04.2016</b>			
Carrying amount as at 30.04.2016			
- property, plant and equipment	12,171	29,650	41,821
- mine development	40,069	48,651	88,720
	52,240	78,301	130,541
Value in use	(43,503)	(87,867)	(131,370)
	8,737	(9,566)	(829)
Foreign exchange difference	301	(331)	(30)
Impairment (reversal)/loss	9,038	(9,897)	(859)

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

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016

### 7. MINE DEVELOPMENT

CONSOLIDATED	AT	ACCUMULATED	ACCUMULATED	CARRYING
	COST	AMORTISATION	IMPAIRMENT	AMOUNT
	AUD'000	AUD'000	LOSSES	AUD'000
			AUD'000	
<b>At 30.04.2016</b>				
Mining rights	45,188	(3,114)	(91)	41,983
Mine infrastructure	162,872	(24,166)	(5,127)	133,579
Construction work-in-progress	12,116	-	(1,484)	10,632
	220,176	(27,280)	(6,702)	186,194
<b>At 31.10.2015</b>				
Mining rights	51,377	(3,368)	(2,284)	45,725
Mine infrastructure	171,590	(24,534)	(4,291)	142,765
Construction work-in-progress	13,077	-	-	13,077
	236,044	(27,902)	(6,575)	201,567

Below are the details of the mining rights:-

Carrying amounts	CONSOLIDATED	CONSOLIDATED
	30.04.2016	31.10.2015
	AUD'000	AUD'000
Caotang mine	1,135	1,259
Heiwan mine	2,465	2,651
Changhong mine	16,748	18,196
Baolong mine	21,635	23,619
	41,983	45,725

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016

### 7. MINE DEVELOPMENT (CONT'D)

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

	AT		AMORTISATION	IMPAIRMENT	REVERSAL	FOREIGN	AT
	1.11.2015	ADDITIONS	CHARGE	LOSSES	OF	EXCHANGE	30.04.2016
CONSOLIDATED	AUD'000	AUD'000	AUD'000	AUD'000	IMPAIRMENT	DIFFERENCE	AUD'000
					AUD'000	AUD'000	
Mining rights	45,725	-	(29)	(94)	2,164	(5,783)	41,983
Mine infrastructure	142,765	3,937	(1,751)	(5,303)	4,068	(10,137)	133,579
Construction work-in-progress	13,077	141	-	(1,535)	-	(1,051)	10,632
	201,567	4,078	(1,780)	(6,932)	6,232	(16,971)	186,194

**BLACKGOLD INTERNATIONAL HOLDINGS LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 APRIL 2016**

**7. MINE DEVELOPMENT (CONT'D)**

	AT			AMORTISATION	IMPAIRMENT	REVERSAL OF	FOREIGN	AT
	1.11.2014	ADDITIONS	TRANSFER	CHARGE	LOSSES	IMPAIRMENT	EXCHANGE	31.10.2015
CONSOLIDATED	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	DIFFERENCE	AUD'000
Mining rights	37,179	-		(90)	(899)	219	9,316	45,725
Mine infrastructure	106,646	10,246	2,419	(5,120)	(1,617)	10,525	19,666	142,765
Construction work-in-progress	9,905	361	(2,419)	-	-	3,228	2,002	13,077
	153,730	10,607	-	(5,210)	(2,516)	13,972	30,984	201,567

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016

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### 7. MINE DEVELOPMENT (CONT'D)

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

The mining rights have been pledged to a licensed bank as security for banking facilities granted to the Group, as disclosed in Note 9 to the financial statements.

Please refer to Note 6 for the key assumptions used in the value-in-use calculations in relation to the impairment loss and reversal of impairment recognised as at 30 April 2016.

### 8. AMOUNT OWING TO A RELATED PARTY

	CONSOLIDATED 30.4.2016 AUD'000	CONSOLIDATED 31.10.2015 AUD'000
Principal	570	607
Accrued interest	46	34
	<hr/>	<hr/>
	616	641
	<hr/>	<hr/>

The amount owing represents a loan from a related party (Prima Network Financial Group Limited ("Prima Network"), a company in which Dr. James Tong is a director and shareholder amounting to USD0.433m (2015: USD0.433m) equivalent to approximately AUD0.570m (2015: AUD0.607m) at the end of the reporting period. The loans are subject to interest rate of 5% (2015: 5%) per annum and repayable together with the accrued interest, upon demand.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016

### 9. BORROWINGS

	CONSOLIDATED 30.4.2016 AUD'000	CONSOLIDATED 31.10.2015 AUD'000
Borrowings (secured liabilities):-		
- Loans repayable within one year	113,267	112,714
- Loans repayable after more than one year	4,432	5,329
	117,699	118,043
Loan facilities:-		
Amount of utilised bank facilities:		
- Long and short term loans	107,593	118,043
- bills payable	-	5,322 *
- letters of credit	-	15,761 *
- guarantee	10,106	-
	117,699	139,126
Offset against held-to-maturity investments pledged to the licensed banks (in the PRC) (Note 5)	-	(7,389)
	117,699	131,737
Amount of unutilised bank facilities	32,997	2,170
Total bank facilities granted	150,696	133,907

\* - As at 31 October 2015, included in the facility utilised for bills payable and letters of credit are bill payables and letters of credit amounting to AUD5.322m and AUD15.761m that have been issued to creditors for settlement of amounts owing to them, which will be due within 6 months from the date of drawn-down.

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

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

(Incorporated in Australia)

ACN 145 095 478

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016

### 9. BORROWINGS (CONT'D)

The short-term loan amounting RMB55.000m (AUD11.170m) at 30 April 2016 expired in May 2016. The remainder of the short-term loans are expiring at various times between July 2016 and February 2017. Borrowings in non-current liabilities expire in the period from July 2017 to October 2017. Refer to Note 10 for further details of the status of the Group's borrowing facilities subsequent to year end.

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

	<b>CONSOLIDATED</b> <b>30.4.2016</b> <b>% p.a.</b>	<b>CONSOLIDATED</b> <b>31.10.2015</b> <b>% p.a.</b>
Secured liabilities:-		
Term loans	6.66	7.27

The borrowings are secured as follows:-

- collateral over certain vessels owned by GPST with carrying value of AUD9.981m (2015: 6.945m), equivalent to RMB49.143m (2015: RMB31.327m);
- collateral over mining rights owned by the Group with carrying value of AUD42.032m (2015: AUD46.452m), equivalent to RMB206.952m (2015: RMB209.528m).
- collateral over the entire equity interest in Qijiang Changhong Coal Industry Co., Ltd and Chongqing Baolong Mining Co., Ltd, held by Chongqing Blackgold Mining Co., Ltd. ("Blackgold Mining");
- collateral over the entire equity interest in Blackgold Mining, Chongqing Guoping Shipping Transportation Co., Ltd, Chongqing Caotang Coal Mine Resources Development Co., Ltd and Chongqing Guoping Heiwan Coal Mine Resources Development Co., Ltd, held by Chongqing Guoping Shangmao Trading Co., Ltd. ("Shangmao");
- collateral over the entire equity interest in Shangmao, held by Chongqing Heijin Industrial Co., Ltd. ("Heijin");
- collateral over entire equity interest of Chongqing Guoping Industrial (Group) Co., Ltd. ("CGI") held by Mr Yuguo Peng and Ms Xiaoping Ou;
- corporate guarantees provided by subsidiaries, a related party (CGI), Mr Yuguo Peng and Ms Xiaoping Ou amounting to AUD101.550m (RMB500.000m) and by a customer amounting to AUD40.620m (RMB200.000m);
- collateral over land and estate properties of related parties (CGI and Chongqing Guoping Properties Development Co., Ltd), and personal guarantees of Mr Yuguo Peng and Ms Xiaoping Ou amounting to AUD16.248m (RMB80.000m); and
- collateral over estate properties of Ms Xiaoping Ou, and personal guarantees of Mr Yuguo Peng and Ms Xiaoping Ou amounting to AUD2.437m (RMB12.000m).

The borrowings are repayable within 1 to 2 years from the date of drawn-down.

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

(Incorporated in Australia)

ACN 145 095 478

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016**

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### **9. BORROWINGS (CONT'D)**

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

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

The Group has on 30 April 2016 complied with all the requirements of the covenants.

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

(Incorporated in Australia)

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016

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### 10. FINANCIAL LIABILITIES

	CONSOLIDATED 30.4.2016 AUD'000	CONSOLIDATED 31.10.2015 AUD'000
Financial liabilities- debt component	18,252	17,873
Financial liabilities at fair value through profit and loss- conversion option	36	2,071
	<hr/>	<hr/>
	18,288	19,944
	<hr/>	<hr/>

The face value of the loan as at 30 April 2016 was AUD18.406m (SGD18.750m). The financial liabilities represent the convertible bonds issued by the Company during the financial year.

On 18 November 2014, the Company entered into a binding term sheet with Vibrant Group Limited ("Vibrant") and Blackgold Holdings HongKong Limited ("BHHK") to set out the terms on which the Company grants LionHeart Holding Group Corp ("LionHeart"), a wholly-owned subsidiary of SGX-listed Vibrant, a right to nominate an entity listed on the Singapore Exchange Securities Trading Limited ("SGX Listco") to acquire the issued share capital of BHHK via a reverse take-over ("RTO").

LionHeart agreed to subscribe for convertible bonds with a total face value of SGD25.000m to be issued by BHHK under the following tranches:

- (i) Tranche 1 – SGD15.000m by no later than 28 November 2014;
- (ii) Tranche 2 – SGD3.750m by no later than 28 February 2015; and
- (iii) Tranche 3 – SGD6.250m upon completion. If completion does not take place, tranche 3 shall not be issued and subscribed to and the total value of the issued convertible bonds shall be SGD18.750m (Tranche 1 and 2).

# BLACKGOLD INTERNATIONAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

(Incorporated in Australia)

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016

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### 10. FINANCIAL LIABILITIES (CONT'D)

The salient terms of the convertible bonds as constituted in the convertible bond terms signed with LionHeart dated 8 December 2014 are as follows:-

<b>Terms</b>	<b>Details</b>
Voting rights	The convertible bond shall not provide for any voting rights at shareholders meeting of the Company
Interest rate	7.5% per annum on the outstanding amount from the date of its issue up to but excluding the date the convertible bond is converted in its entirety into shares or redeemed in full. Interest accrues daily, and shall be paid by the Company to the bondholder annually in arrears.
RTO Completion	Means completion of the sale by the Company, and purchase by the SGX Listco, of all the shares in BHK in accordance with the terms of the RTO Agreement.
Redemption	If the RTO Completion occurs before the Completion End Date (18 May 2017* or such other date as the parties may mutually agree in writing), the Company shall upon completion, and simultaneously, with the RTO Completion: (i) Pay to the Bondholder the outstanding amount (including unpaid interest which has accrued); and (ii) Procure that the SGX Listco issues the 25% Consideration Shares to the bondholder.
Conversion	If the RTO Completion does not occur by the Completion End Date, the Company shall, within five business days, issue to the bondholder Conversion Shares, up to the maximum number of Conversion Shares that can be issued by the Company, and deliver to the bondholder a holding statement to show that the bondholder is the sole registered legal and beneficial owner for those shares issued. Number of Conversion Shares are determined as follows: $\text{Conversion Shares} = \frac{\text{Number of Australian Dollar Equivalent of SGD18.750m}}{0.1}$

\*Completion End Date was extended from 18 May 2016 to 18 May 2017 subsequent to the financial period ended 30 April 2016.

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

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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 APRIL 2016**

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### **11. CONTINGENT LIABILITIES**

As at 30 April 2016, a subsidiary of the Group, Heijin, has provided a corporate guarantee to China Minsheng Banking Corp. Ltd. ("China Minsheng") (a licensed bank in the PRC) in relation to bank borrowings between China Minsheng and a customer of Heijin, Jiangsu Huayu Energy Group Co., Ltd. The value of this guarantee is AUD40.011m (RMB197.000m).

Heijin has also received a corporate guarantee from Jiangsu Huayu Energy Group Co., Ltd with a value of AUD40.620m (RMB200.000m). This corporate guarantee will lapse in June 2017.

### **12. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD**

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

- a) The Completion End Date under the terms of the convertible bonds issued to Lionheart Holding Group Corp, a wholly owned subsidiary of Vibrant Group Limited, has been extended for one year, 18 May 2016 to 18 May 2017.
- b) Subsequent to year end, the short term loan amounting to RMB55.000m (AUD11.170m) as at 30 April 2016 expired in May 2016 and had been repaid. The other short term loans are only due at various dates between July 2016 to February 2017. Borrowings in non-current liabilities expire in the period from July 2017 to October 2017.

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

(Incorporated in Australia)

ACN 145 095 478

## **DIRECTORS' DECLARATION**

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The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 4 to 39, are in accordance with the Corporations Act 2001, including:
  - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 30 April 2016 and of its performance for the half year ended on that date.
  
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



**Dr Chi Ho (James) Tong**

Director

Dated this 30 day of June 2016

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF BLACKGOLD INTERNATIONAL HOLDINGS LIMITED**

**Report on the half-year financial report**

We have reviewed the accompanying half-year financial report of Blackgold International Holdings Limited and its controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 30 April 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

**Directors' responsibility for the half-year financial report**

The directors of Blackgold International Holdings Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of consolidated entity's financial position as at 30 April 2015 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Blackgold International Holdings Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we complied with the independence requirements of the *Corporations Act 2001*.

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Blackgold International Holdings Limited and its controlled entities is not in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 April 2016 and of its performance for the half-year ended on that date; and
- b) complying with AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Crowe Horwath Perth

**CROWE HORWATH PERTH****PHILIPPA HOBSON**

Partner

Signed at Perth, 30 June 2016