



blackmountain
resources limited

AND CONTROLLED ENTITIES
ABN 55 147 106 974

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2015

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Corporate Information

This financial report includes the consolidated financial statements of Black Mountain Resources Limited and controlled entities ('Group'). The Group's functional presentation currency is AUD (\$).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Director's Report.

Directors

Mr Peter Landau – Executive Director
Mr John Ryan – Executive Director
Mr Jason Brewer – Non-Executive Director

Company Secretary

Ms Jane Flegg

Registered Office

Suite 5, 531 Hay Street
Subiaco WA 6008

Share Registry

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

Auditors

RSM Australia Partners
8 St Georges Terrace
Perth WA 6000

Solicitors

Steinepreis Paganin
Level 4, 16 Milligan Street
Perth WA 6000

Stock Exchange

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

Website

www.blackmountainresources.com.au

Directors' Report

Your directors present their report on the consolidated entity of Black Mountain Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

Directors

The persons who were directors of Black Mountain Resources Limited during the half -year and up to the date of this report are:

Mr Peter Landau (Executive Director)
Mr John Ryan (Executive Director)
Mr Jason Brewer (Non-Executive Director)

Results

The consolidated statement of comprehensive income shows a consolidated net loss for the half-year ended 31 December 2015 of \$1,149,026 (2014: net loss of \$7,087,519).

Review of Operations for the Half-Year ended 31 December 2015

US SILVER PROJECTS

Over the past 3½ years the Company has expended approx. A\$8.0m on exploration, evaluation and mine permitting and has completed underground mine development, appointed mining contractors and purchased mine equipment at the New Departure Silver Project (**New Departure**), the Conjecture Silver Project (**Conjecture**) and the Tabor Gold and Silver Project (**Tabor**). The Company has further purchased a processing facility and has been focused on the recommencement of underground mining activities.

Exploration and development work at the US Silver Projects in the past 12 months has however been limited primarily due to the continued low silver prices and the Company's focus on refinancing its existing indebtedness and recapitalising the Company's balance sheet to permit the Company to proceed with mining operations. As a result during the half year the Company relinquished its interest in Tabor and activities at New Departure were suspended with the operation placed on care and maintenance.

Work, albeit minimal, is continuing at Conjecture with a view of commencing a further drilling program, completing refurbishment works at the processing facilities and completing further geological and detailed mine planning work with a view to recommencing mine development and operating activities later in 2016 subject to an appreciation in prevailing silver prices and in the Company completing a recapitalisation of the Company.

CORPORATE

Pursuant to the Company's Offer Document dated 24 August 2015, the Company undertook a capital raising by way of a fully underwritten renounceable entitlement issue to shareholders comprising 687,845,825 Shares at an issue price of A\$0.01 per Share to raise up to A\$6,878,458 (before expenses) (**Rights Issue**).

The Rights Issue was completed as part of a recapitalisation of the Company that had involved an extended period of negotiation with the Company's creditors and secured and unsecured debt holders. The Rights Issue was part of a broad recapitalisation and restructuring of the Company's balance sheet.

Directors' Report (cont'd)

As announced by the Company on 7 September 2015, the Company received subscriptions and shortfall applications to the value of A\$2,729,467 and 272,946,655 Shares were issued, following consultation with ASX, under the Rights Issue on 11 September 2015.

Subsequent to the Rights Issue closing date, the Company was suspended from trading pursuant to Listing Rule 17.3 on 11 September 2015. The Company was suspended from trading to enable ASX to review the proposed capital raising and terms of the DMS Transaction (as announced by the Company on 29 July 2015).

It had been intended that the resultant shortfall of 414,899,170 shares to the value of A\$4,148,992 were to be placed by the underwriter to the Rights Issue within 3 months of the closing date in accordance with the provisions of the Offer Document (being 2 December 2015).

As a result of the Company's suspension from trading pursuant to Listing Rule 17.3, the Company and the underwriter to the Rights Issue was unable to complete the placement of the 414,899,170 Rights Issue Shortfall Shares within the required 3 months after the close of the offer.

As the Company did not complete the placement of Rights Issue Shortfall Shares within the required period, the Company will now seek approval to place the Rights Issue Shortfall Shares from Shareholders under Listing Rule 7.1 and by way of a full-form prospectus required under section 710 of the Corporations Act.

During and subsequent to the half-year end, the Company progressed its discussions with the ASX in respect to the previously announced DMS Transaction, which is currently being funded by private interests, and to another potential corporate transaction that if successfully completed to the satisfaction of the ASX would be likely to reinstate the Company's securities to trading on completion of the new corporate transaction, provided that the Company can demonstrate to ASX at that time that it complies with Chapter 12 of the Listing Rules.

As at the date of this report, the Company's shares remain suspended.

Subsequent Events

Subsequent to the half-year end, the Company announced that it had entered into a Binding Heads of Agreement with African Phosphate Pty Limited ("**African Phosphate**") to acquire Namakera Mining Company Limited ("**Namakera Mining**") which operates a high quality producing vermiculite mine and a high grade phosphate project with historical production located in Uganda (refer ASX Announcement of 5 February 2016).

The acquisition is subject to several terms and conditions the key being:-

- Completion of an equity and/or debt capital raising by the Company to raise up to A\$4m to be used to fund amongst other things, investment into the Namakera Vermiculite Mine, fund a Bankable Feasibility Study to expand existing mining and processing operation, complete further exploration work at the Busumbu Phosphate Project, meet ongoing funding requirements at the US Silver Projects and meet general working capital requirements; and

Directors' Report (cont'd)

- The Company obtaining all necessary shareholder and regulatory approvals pursuant to the ASX Listing Rules, Corporations Act 2001 (Cth) or any other applicable law or regulations, including but not limited to, approval to reinstatement to official quotation on ASX of the Company, and all necessary third party consents to allow the Company to lawfully complete the Acquisition.

Consideration

At completion of the Acquisition, the Company will provide the following in consideration:

- a. 400,000,000 Shares at completion of the Transaction payable to the vendors financiers and advisors; and
- b. a 1.00% p.a. royalty on revenue received from mineral production

The Company will further commit to investing up to US\$2.5m in new capital investment into the operation (exploration, evaluation, mine development and the purchase/upgrade of mine and processing plant equipment) over the next two years and will also assume vendor finance obligations of US\$3.0m that is to be repaid from a percentage of net profits over the first 5 years of operations.

ASX Listing Rule Chapter 11 and Chapter 10 submissions

The Company has made a submission to the ASX in relation to the application of ASX Listing Rule 11.1.2 and 11.1.3 to the proposed acquisition and in respect to ASX Listing Rule 10.1.

The ASX has confirmed to the Company that based solely on the information provided to ASX, the Company will not be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules pursuant to Listing Rule 11.1.3. However, the Company will be required to obtain approval of its shareholders for the proposed acquisition of 100% of the share capital in Gulf for the purpose of Listing Rule 11.1.2.

The Company will despatch a notice of meeting to shareholders seeking the relevant approvals to proceed with the proposed acquisition, with such notice to contain detailed information relating to the acquisition including amongst other things an Independent Technical Report.

The ASX has confirmed that Listing Rule 10.1 applies to the acquisition of the option from African Phosphate and the acquisition of 100% of the share capital in Gulf, and shareholder approval under that rule must be obtained. To that end, listing rule 10.10 requires that the Notice of Meeting contains an Independent Expert's Report and a voting exclusion statement.

Following satisfaction of the above, ASX has advised that it would be likely to reinstate the Company's securities to trading on completion of the transaction, estimated to be at the end of April 2016, provided that the Company can demonstrate to ASX at that time that it complies with Chapter 12 of the Listing Rules.

Directors' Report (cont'd)

Auditor's Independence Declaration

The Auditor's Independence Declaration included within these financial statements forms part of the Director's Report for the half-year ended 31 December 2015.

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



Peter Landau
Executive Director

Perth, Western Australia, 4 April 2016

Competent Persons Statement

The information included in this report that relates to historical mining data and exploration results is based on information compiled by Mr. James Baughman, a technical consultant to the Company. Mr. Baughman is a qualified geologist and has sufficient experience in exploration and mine development which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Baughman has reviewed this release and consents to the inclusion in the release of the matters based on his information in the form and context in which it appears.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Black Mountain Resources Limited for the half-year ended 31 December 2015, 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 review; and
- (ii) Any applicable code of professional conduct in relation to the review.

RSM

RSM AUSTRALIA PARTNERS

D J Wall

Perth, WA
Dated: 4 April 2016

D J WALL
Partner

Statement of Comprehensive Income

For the half-year ended 31 December 2015

	Consolidated	
	Half-Year 31 Dec 2015 \$	Half-Year 31 Dec 2014 \$
Other income	-	53,750
Finance costs	(167,816)	(130,298)
Employee and director benefits expense	(174,686)	(98,205)
Financial and company secretarial management expenses	(150,000)	(174,607)
ASX and share registry fees	(48,212)	(117,773)
Consultants and travel	(554,876)	(260,271)
Depreciation	(10,950)	(28,537)
Impairment for exploration assets	-	(6,315,924)
Other expenses	(91,188)	(101,573)
Loss before income tax expense	(1,197,728)	(7,173,438)
Income tax expense	-	-
Loss for the half-year	(1,197,728)	(7,173,438)
Other comprehensive income, net of tax		
<i>Items that may be reclassified subsequently to operating result</i>		
Foreign currency translation differences	(6,196)	549,378
Total comprehensive loss for the half-year	(1,203,924)	(6,624,060)
Loss attributable to:		
Owners of the Company	(1,149,027)	(7,087,519)
Non-controlling Interests	(48,701)	(85,919)
	(1,197,728)	(7,173,438)
Total comprehensive loss attributable to:		
Owners of the Company	(1,044,984)	(6,289,252)
Non-controlling Interests	(158,940)	(334,808)
	(1,203,924)	(6,624,060)
Basic and diluted loss per share (cents per share)	(0.39)	(7.49)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 31 December 2015

	Note	Consolidated	
		31 December 2015	30 June 2015
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		50,100	13,477
Trade and other receivables		2,259	37,665
Other assets		3,000	3,000
Total Current Assets		55,359	54,142
Non-Current Assets			
Plant and equipment		-	59,577
Exploration and evaluation expenditure	3	-	-
Total Non-current Assets		-	59,577
TOTAL ASSETS		55,359	113,719
LIABILITIES			
Current Liabilities			
Trade and other payables		3,274,062	2,902,118
Interest bearing liabilities		1,647,052	3,715,310
Total Current Liabilities		4,921,114	6,617,428
TOTAL LIABILITIES		4,921,114	6,617,428
NET (LIABILITIES)		(4,865,755)	(6,503,709)
EQUITY			
Issued capital	4	23,627,094	20,785,216
Reserves		3,385,307	3,281,264
Accumulated losses		(29,529,937)	(28,380,910)
Parent interest		(2,517,536)	(4,314,430)
Non-controlling interest		(2,348,219)	(2,189,279)
TOTAL EQUITY		(4,865,755)	(6,503,709)

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the half-year ended 31 December 2015

Consolidated	Issued capital	Accumulated losses	Option reserve	Foreign currency translation reserve	Non- controlling interest	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2014	20,785,216	(7,774,739)	1,557,813	563,048	(1,535,653)	13,595,685
Loss for the half-year	-	(7,087,519)	-	-	(85,919)	(7,173,438)
Other comprehensive income	-	-	-	798,267	(248,889)	549,378
Total comprehensive loss for the half-year	-	(7,087,519)	-	798,267	(334,808)	(6,624,060)
Balance at 31 December 2014	20,785,216	(14,862,258)	1,557,813	1,361,315	(1,870,461)	6,971,625
Balance at 1 July 2015	20,785,216	(28,380,910)	1,557,813	1,723,451	(2,189,279)	(6,503,709)
Loss for the half-year	-	(1,149,027)	-	-	(48,701)	(1,197,728)
Other comprehensive income	-	-	-	104,043	(110,239)	(6,196)
Total comprehensive loss for the half-year	-	(1,149,027)	-	104,043	(158,940)	(1,203,924)
Issue of shares	2,908,905	-	-	-	-	2,908,905
Share issue costs	(67,027)	-	-	-	-	(67,027)
Balance at 31 December 2015	23,627,094	(29,529,937)	1,557,813	1,827,494	(2,348,219)	(4,865,755)

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the half-year ended 31 December 2015

	Consolidated	
	Half Year 31 Dec 2015 \$	Half Year 31 Dec 2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(246,645)	(25,350)
Net cash (used in) operating activities	(246,645)	(25,350)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation	-	(68,009)
Proceeds from disposal of plant and equipment	27,600	63,740
Net cash provided by / (used in) investing activities	27,600	(4,269)
CASH FLOW FROM FINANCING ACTIVITIES		
Cash received from issuance of shares	1,037,000	-
Share issue Costs	(65,000)	-
Repayment of borrowings	(716,332)	-
Net cash provided by financing activities	255,668	-
Net increase / (decrease) in cash held	36,623	(29,619)
Cash and cash equivalents at the beginning of the half-year	13,477	61,785
Cash and cash equivalents at end of half-year	50,100	32,166

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the half-year ended 31 December 2015

Note 1 – Summary of Significant Accounting Policies

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2015 has been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These half-year financial statements do not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements.

It is recommended that the half-year financial statements be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Black Mountain Resources Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies have been consistently applied with those of the previous financial year and corresponding interim reporting period, except in relation to the matters disclosed below.

New and Revised Accounting Standards

The consolidated entity has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the consolidated entity.

Notes to the Financial Statements

For the half-year ended 31 December 2015

Note 1 – Summary of Significant Accounting Policies (continued)

Going concern

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

As disclosed in the financial statements, the consolidated entity incurred a loss of \$1,197,728 and had net cash outflows from operating activities of \$246,645 for the half-year ended 31 December 2015. As at that date, the consolidated entity had net current liabilities and net liabilities of \$4,865,755.

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

- As disclosed in Note 7, the company plans to issue additional shares to raise funds in the next 12 months in accordance with Corporation Act 2001, which has proven to be successful in the past;
- As disclosed in the statement of financial position, the consolidated entity has interest bearing liabilities of \$1,647,052 and, included in trade and other payables, an interest accrual of \$995,782, which are classified as current as at 31 December 2015. The directors plan to negotiate repayment terms of these loans in its favour, when they become due and payable. The company has been previously able to extend the loan repayment dates;
- The consolidated entity has received confirmation from related party creditors amounting to \$1,358,835 as at 31 December 2015, to defer the payment of their debts until the consolidated entity has sufficient cash on hand and the ability to make repayment; and
- The ability to scale down its operations in order to curtail expenditure, in the event insufficient cash is available to meet projected expenditure.

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

If the consolidated entity is unable to raise further funding and successfully extend the repayment terms of the interest bearing liabilities, there exists a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and therefore it may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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

Notes to the Financial Statements

For the half-year ended 31 December 2015

Note 2 – Segment Information

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. The Company does not have any customers, operates only in the mineral exploration industry within the geographical segments of Australia and USA.

	Australia \$	USA \$	Total \$
31 December 2015			
Revenue			
Other revenues from external customers	-	-	-
Interest revenue	-	-	-
Total segment revenue	-	-	-
Result			
Segment result	(1,035,390)	(162,338)	(1,197,728)
Assets and Liabilities at 31 December 2015			
Segment assets			
- Cash and cash equivalents	50,044	56	50,100
- Other assets	3,000	-	3,000
- Trade and other receivables	2,259	-	2,259
Total assets as per the statement of financial position	55,303	56	55,359
Segment liabilities			
- Trade and other payables	2,957,082	316,980	3,274,062
- Interest bearing liabilities	1,647,052	-	1,647,052
Total liabilities as per the statement of financial position	4,604,134	316,980	4,921,114
31 December 2014			
Revenue			
Other revenues from external customers	-	-	-
Interest revenue	-	-	-
Total segment revenue	-	-	-
Result			
Segment result	(571,116)	(6,602,322)	(7,173,438)

Notes to the Financial Statements

For the half-year ended 31 December 2015

Note 2 – Segment Information (continued)

	Australia	USA	Total
	\$	\$	\$
Assets and Liabilities at 31 December 2014			
Segment assets			
- Exploration expenditure	-	12,631,848	12,631,848
- Plant and equipment	-	98,597	98,597
- Cash and cash equivalents	1,216	30,950	32,166
- Other assets	9,747	-	9,747
- Trade and other receivables	8,842	29,775	38,617
	<hr/>		
Total assets as per the statement of financial position	19,805	12,791,170	12,810,975
	<hr/> <hr/>		
Segment liabilities			
- Trade and other payables	1,405,471	179,688	1,585,159
- Interest bearing liabilities	4,254,191	-	4,254,191
	<hr/>		
Total liabilities as per the statement of financial position	5,659,662	179,688	5,839,350
	<hr/> <hr/>		

Note 3 – Deferred exploration expenditure

The Company was required to impair its exploration assets in full at 30 June 2015, predominantly due to the prevailing silver price, however recognises that upon a return to a higher silver price, along with the ability to recommence development of either of both assets, the impairment can be reversed back onto the balance sheet if justified as recoverable.

Notes to the Financial Statements

For the half-year ended 31 December 2015

	31 December 2015	30 June 2015
	\$	\$

Note 4 – Issued Capital

Issued Capital

Ordinary shares	23,627,094	20,785,216
	<u>23,627,094</u>	<u>20,785,216</u>

(a) Movements for the period:

<i>Ordinary shares</i>	No of Shares	\$
Opening Balance	119,625,361	20,785,216
Placement shares	17,943,804	179,438
Rights Issue Shares	5,446,655	54,467
Conversion Debt to Equity under the Rights Issue	164,800,000	1,648,000
Conversion of convertible loans under the Rights Issue	102,700,000	1,027,000
Share issue costs	-	(67,027)
Closing Balance	<u>410,515,820</u>	<u>23,627,094</u>

Note 5 – Dividends

No dividend has been declared or paid during the half-year ended 31 December 2015 (2014: Nil).

Note 6 – Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting date.

Note 7 – Events Subsequent to Reporting Date

Subsequent to the half-year end, the Company announced that it had entered into a Binding Heads of Agreement with African Phosphate Pty Limited (“**African Phosphate**”) to acquire Namakera Mining Company Limited (“**Namakera Mining**”) which operates a high quality producing vermiculite mine and a high grade phosphate project with historical production located in Uganda (refer ASX Announcement of 5 February 2016).

The acquisition is subject to several terms and conditions the key being:-

- Completion of an equity and/or debt capital raising by the Company to raise up to A\$4m to be used to fund amongst other things, investment into the Namakera Vermiculite Mine, fund a Bankable Feasibility Study to expand existing mining and processing operation, complete further exploration work at the Busumbu Phosphate Project, meet ongoing funding requirements at the US Silver Projects and meet general working capital requirements; and

Notes to the Financial Statements

For the half-year ended 31 December 2015

Note 7 – Events Subsequent to Reporting Date (Con't)

- The Company obtaining all necessary shareholder and regulatory approvals pursuant to the ASX Listing Rules, Corporations Act 2001 or any other applicable law or regulations, including but not limited to, approval to reinstatement to official quotation on ASX of the Company, and all necessary third party consents to allow the Company to lawfully complete the Acquisition.

Consideration

At completion of the Acquisition, the Company will provide the following in consideration:

- 400,000,000 Shares at completion of the Transaction payable to the vendors financiers and advisors; and
- a 1.00% p.a. royalty on revenue received from mineral production.

Other than the above, no matter or circumstance has arisen since the end of the half-year which has significantly affected or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company as reporting for the half-year ended 31 December 2015.

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (a) Complying with the Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*; and
 - (b) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year then ended.
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.



Executive Director
Peter Landau

Dated this 4 April 2016



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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
BLACK MOUNTAIN RESOURCES LIMITED**

We have reviewed the accompanying half-year financial report of Black Mountain Resources Limited, which comprises the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company 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 internal 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 a 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 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 Black Mountain Resources Limited, 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 other 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.

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RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Independence

In conducting our review, 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 Black Mountain Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

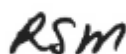
Conclusion

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 Black Mountain Resources Limited 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 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1 to the financial statements, which indicates that the consolidated entity incurred a loss of \$1,197,728 and had net cash outflows from operating activities of \$246,645 during the half-year ended 31 December 2015. As at that date, the consolidated entity had net current liabilities and net liabilities of \$4,865,755. These financial conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.



RSM AUSTRALIA PARTNERS



Perth, WA
Dated: 4 April 2016

D J WALL
Partner