BLACKHAM
Resources Limited

ANNUAL REPORT

30 JUNE 2017

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Company Directory

DIRECTORS

Milan Jerkovic (Non-Executive Chairman)

Bryan Dixon (Managing Director)

Greg Miles (Non-Executive Director)

COMPANY SECRETARY

Mike Robbins

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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38 Richardson Street
WEST PERTH WA 6005

www.blackhamresources.com.au

SHARE REGISTRY

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250 St Georges Terrace
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SECURITIES EXCHANGE LISTING

Australian Securities Exchange
Code: BLK

SECURITIES ON ISSUE AT 30 JUNE 2017

Ordinary shares:	338,927,691
Unlisted options:	29,191,667
Performance rights:	4,150,000

AUDITOR

RSM Australia Partners
8 St Georges Terrace
PERTH WA 6000

BANKERS

National Australia Bank
100 St Georges Terrace
PERTH WA 6000

ABN: 18 119 887 606

Chairman's Letter

Dear Shareholders,

During the past 12 months, your Company officially joined the ranks of being a Western Australian gold producer. The mills at the Matilda/Wiluna Gold Operation have been operating for just short of a year now, with the plant performing at name plate capacity for the last five months. Even though the operations team have had their issues during the commissioning and production ramp-up period, they have always met the challenges head-on and I would personally like to thank Bryan Dixon, Richard Boffey and the entire crew on site for their continued focus on identifying and implementing solutions to the challenges presented.

With operations stabilising, the focus has shifted to optimising operations, cash management and strengthening and lengthening mine life. As such, a renewed focus on exploration aims to replace and increase oxide reserves and we expect results to be realised over the next 12 months. As we move into our first full financial year of production, the Company has also been diligently working on 'unlocking' the real significant value of the project, the sulphides. The management and project expansion team have worked long and hard to deliver the recently announced Expansion PFS results which confirmed gold production averaging 207,000ozpa is achievable on a very capital efficient basis for a likely long mine life. The PFS demonstrated the improved economies of scale supporting the Matilda/Wiluna Operation's expansion. Historically, over the last 20 years, the operation has relied predominately on underground feed. Blackham's comparative advantage to previous operators is the 15Mt @ 2.3g/t Au (85% at Reserve classification) in open pit feed, which is included in the Expansion PFS Mine Plan. The Expansion PFS provided the following key results:

- Initial Gold Production - 1.47Moz Au over initial 9 years
- Gold Production average - 207,000ozpa (first 6 yrs after expansion)
- LOM All in sustaining costs - A$1,058/oz or US$836/oz
- Project cash flows - $571m with Initial Capex of $114m (based on A$1,600/oz gold price)
- NPV (@8%) - $360m and an IRR of 123% (based on A$1,600/oz gold price)

This current financial year will be the cornerstone to Blackham becoming a long term and profitable gold producer. That means the full Blackham team, including all the management, employees, consultants and contractors, will continue to have the proverbial hands on, results driven approach that got the Matilda/Wiluna Operation into production in the first place.

I would like to thank Bryan Dixon, the Managing Director and the whole Blackham team, for their continued belief and work ethic to make Blackham a long term success story. I would also like to acknowledge and thank our shareholders for their continued support including the recent operational difficulties as we continue our quest to be a very profitable mid-tier gold producer.

The regional scale and quality of our resource base is unique for a company of our size and as we deliver plans to unlock the vast resource base and geological potential, I expect shareholders will be rewarded.

Thank you

Milan Jerkovic
Non-Executive Chairman
23 October 2017

Review of Operations

Over the last six years, Blackham has consolidated the Wiluna Goldfield with a tenement package now covering over 1,100km^2, into one operation that has historically produced over 4.3 million ounces. The Matilda/Wiluna Gold Operation ('Operation') is located in Australia's largest gold belt which stretches from Norseman to Wiluna and passes through Kalgoorlie and Leinster.

The 100% owned Operation recommenced production in October 2016 and comprises a 1.8Mtpa gold plant, BIOX® plant, 17MW new gas and diesel power stations, 300 room camp, bore-fields and underground infrastructure.

HIGHLIGHTS

Since the publishing of the Blackham 2016 Annual Report, the Company has delivered the following results:

- First gold pour from the Operation in October 2016;
- Gold production continues to increase
- Operations have been significantly de-risked
- JORC 2012 Gold Resource of 65Mt @ 3.1g/t for 6.5Moz (51% measured & indicated) – an increase of 27% in one year;
- A mining reserve of 1.2Moz – an increase of 116% in one year; and
- Completion of the Expansion PFS

The management team has continued to focus on the continual improvement and optimisation of the mine plan and the safe and efficient running of the Operation, whilst also exploring other options for a sustainable longer term operation.

OPERATIONS

First gold pour was achieved in the 3rd week of October 2016 and management declared commercial production from the Operation in January 2017. The Company had to revise down its production guidance due to the unexpected impact of heavy rainfall, the underperformance of the underground orebody and lower mill grades in the Jun'17 quarter. Gold production for the 8.5 month production period to 30 June 2017 was 39,413 ounces. From a slow and steady build up in the Dec'16 quarter, production has continued to increase quarter by quarter. Significant improvements in crusher and mill performance were seen during the period but lower than expected mill grades hampered production due to the need to concentrate on waste movement to open up access to the deeper better grade ore zones.

Table 1: Gold production increasing quarter on quarter

Exercise date	Dec'16 Qtr	Mar'17 Qtr	Jun'17 Qtr	YTD
Total Milled (t)	211,200	338,000	416,100	965,300
Mill Feed Grade (g/t Au)	1.5	1.5	1.3	1.4
Overall Plant Recovery	88.5%	93.7%	91.7%	91.7%
Gold Produced (oz)	8,773	14,920	15,720	39,413

Photo 1: Opening Ceremony of the Matilda/Wiluna Gold Operation

OPEN PIT MINING

The Matilda open pits experienced slow ore dig rates, due to the wet conditions experienced in the Mar'17 and Jun'17 quarters which reduced the total ore mined for the period to 30 June 2017. Strip ratios were higher than expected over the period but significantly lower forecast strip ratios and lower mining costs are expected during FY18.

Table 2: Open Pit Mining Summary

Open Pit Mining		Sep'16 Qtr	Dec'16 Qtr	Mar'16 Qtr	Jun'17 Qtr	YTD
HG Ore	t	10,462	306,263	188,839	264,951	770,515
HG Au	g/t	0.86	1.27	1.25	1.28	1.26
LG Ore	t	36,422	209,545	110,524	131,014	487,505
LG Au	g/t	0.57	0.69	0.74	0.71	0.70
Total Ore	t	46,884	515,808	299,363	395,965	1,258,020
Ore	BCM	22,326	245,624	155,673	194,516	618,139
Waste	BCM	1,685,896	2,139,258	2,360,275	2,274,408	8,459,837
Total Material	BCM	1,708,222	2,384,882	2,515,948	2,468,924	9,077,976
Stripping Ratio	BCM:BCM	75.5	8.7	15.2	11.7	13.7

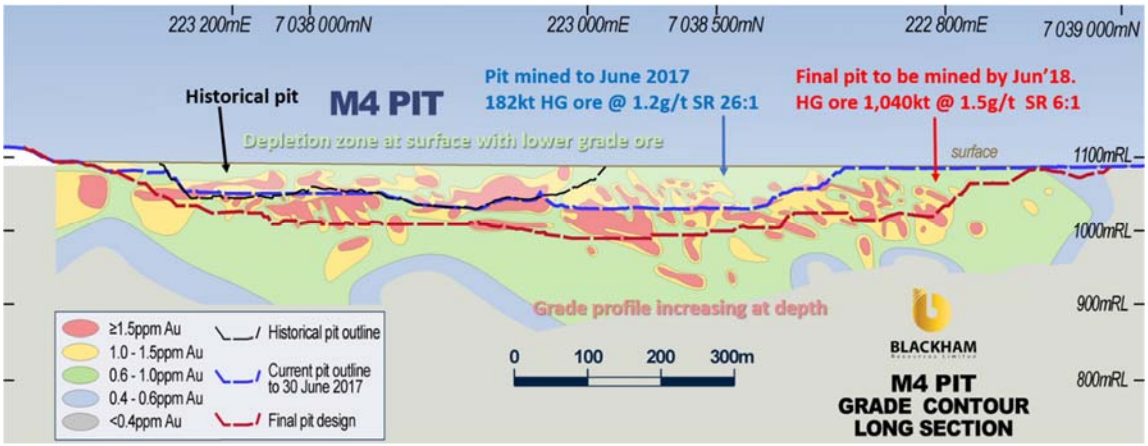

Figure 1: M4 long section looking west showing increasing grade with depth and reduced stripping ratio going forward

The Matilda M4 pit is the main ore source for the mill for FY18 with high grade ore to be mined by June 2018. The bulk of the pit has been grade controlled. The vast majority of this pit has been pre-stripped from surface 1500RL to between 1030 to 1065RLs.

Photo 2: M3/M4 Pit

The Galaxy pit is another main ore source for the mill for FY18 with high grade ore to be mined by February 2018. The entire Galaxy pit has been grade controlled.

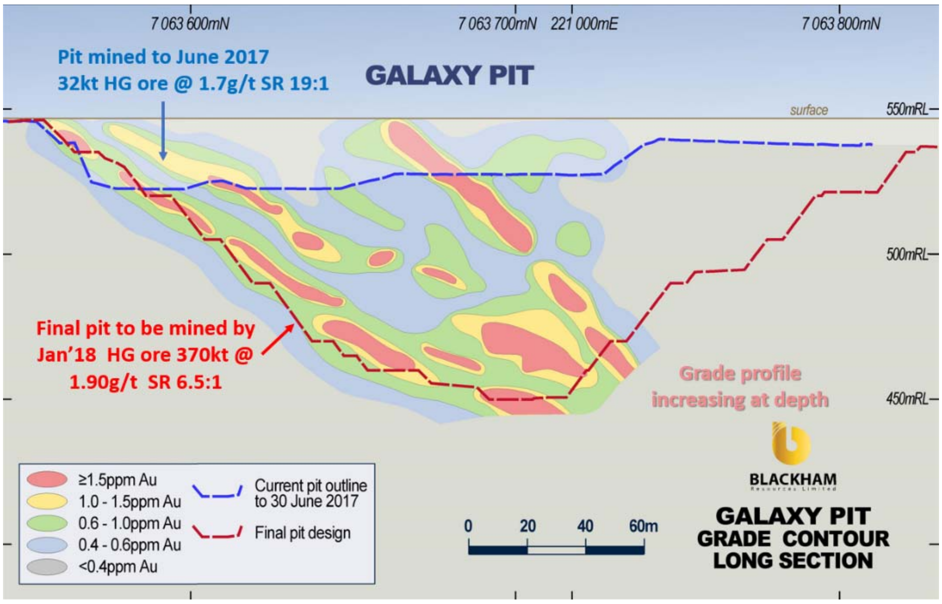

Figure 2: Galaxy long section looking southwest showing increasing grade with depth and reduced stripping ratio going forward

The higher investment in waste stripping during the six months to June 2017 has allowed access to expected higher grade ore in the Sep'17 quarter. Mining at the higher grade Galaxy pit started in early April. Access to the higher grade zones in the M4 pit was achieved during July.

A significant portion of the total FY18 ore feed for the plant has been grade controlled. FY17 grade control grades reconciled to mill reconciled grades to within 2%, giving good certainty on ore grades.

Photo 3: Galaxy Pit

UNDERGROUND MINING

Both development and stope tonnes were lower than forecast for the period to 30 June 2017 resulting in underground gold mined being well below forecast.

Table 3: Underground Mining Summary

Underground Mining:		Sep'16 Qtr	Dec'16 Qtr	Mar'16 Qtr	Jun'17 Qtr	YTD
Ore Mined – Dev	t	1,477	14,253	19,136	6,860	41,726
Ore Mined – Stope	t	446	1,963	6,877	14,584	23,870
Ore Mined	t	1,923	16,216	26,013	21,444	65,596
Au Grade Mined	g/t	4.2	4.9	3.4	4.6	4.2
Mined Metal	oz	262	2,565	2,867	3,189	8,883
Total Lateral Development	m	432	1,453	1,568	919	4,372

Ongoing underground operational issues have hindered gold production from the underground areas of the Operation resulting in management taking a lower risk approach to the mining of Golden Age.

Long hole development ceased in early July 2017 with long hole stopping being completed by October 2017. Air leg mining is expected to continue with a focus on the high grade mineralisation in the remnant areas closer to the East lode fault. Due to the nuggetty and pinching and swelling nature of the orebody, air leg mining is considered a lower risk mining method for Golden Age. Golden Age reserves currently total 60kt @ 6.4g/t for 12,000oz, all of which is planned to be mined by June 2018.

The Golden Age deposit is currently being re-evaluated from a geology and mining view point. Significant resource remains and the Company is currently evaluating the opportunities for additional reserves.

Photo 3: Golden Age Underground

Photo 4: Gold mineralisation in Golden Age

PROCESSING

Gold production for the 8.5 month production period to 30 June 2017 was 39,413 ounces. From a slow and steady build up in the Dec'16 quarter, production has continued to increase quarter by quarter. Significant improvements in crusher and mill performance have been seen during the period but lower than expected mill grades hampered the result.

Table 4: Gold production increasing quarter on quarter

Processing		Dec'16 Qtr	Mar'16 Qtr	Jun'17 Qtr	YTD
Total Milled	t	211,200	338,000	416,100	965,300
Mill Feed Grade	g/t Au	1.5	1.5	1.3	1.4
Overall Plant Recovery	%	88.5%	93.7%	91.7%	91.7%
Gold Produced	oz	8,773	14,920	15,720	39,413

Crushing circuit
The crushing circuit operated at or above nameplate during May and June after being rain affected at the start of April.

Mill throughput
The milling circuit has improved every month since commissioning and achieved 98% of nameplate design in the Jun'17 quarter. Fine ore shortages due to poor weather in the first week of April and secondary crusher maintenance in the last week of June, resulted in lower throughput.

Grade profile
Mill feed head grade profile during the period was hampered by almost a quarter of the feed being from low grade stockpiles which averaged 0.7g/t. The significant investment in waste removal will allow access to higher grade ore in the M4 and Galaxy pits which is expected to provide higher head grades during FY18.

Leach, elution circuits and gold room
The leach circuit is working very well and total plant recoveries averaged 92% for the period to 30 June 2017.

OPERATING COSTS

Table 5: Costs reducing quarter on quarter

Cash Cost and AISC		Mar'16 Qtr	Jun'17 Qtr
C1 Cash Costs	A$/oz	1,123	1,439
Royalties	A$/oz	99	87
Corporate Costs	A$/oz	38	30
Mining Waste Adjustment	A$/oz	441	-66
UG Sustaining Capital	A$/oz	301	268
All-In Sustaining Costs	A$/oz	2,002	1,758

Cash costs and all in sustaining cash cost is decreasing but still high due to:

1. Significant stripping invested in the open pits to access the deeper high grade ore, the benefit of which will start to be seen during this half-year.
2. Significant UG lateral mine development. UG mine development was suspended in July 2017 which will eliminate most of the UG sustaining costs for the Sep'17 Qtr.

Unit costs including mining costs per BCM and processing costs per tonne are in line with the Definitive Feasibility Study. As gold production continues to increase all in sustaining costs per ounce should decrease significantly.

EXPANSION PRELIMINARY FEASIBILITY STUDY

On 30 August 2017, the Company announced the successful results of the Expansion Preliminary Feasibility Study (PFS) on its 100% owned Matilda/Wiluna Gold Operation. The PFS demonstrated robust economics and improved economies of scale supporting the Operation's expansion. Historically, over the last 20 years, the Operation has relied predominately on underground feed. Blackham's comparative advantage to previous operators is the 15Mt @ 2.3g/t Au (85% at Reserve classification) in open pit feed, which is included in the Expansion PFS Mine Plan.

Blackham's principal success to date has been identifying, consolidating and defining orebodies all within 20kms of the existing Wiluna Gold Plant. From the large existing Resource base of 61Mt @3.1g/t for 6.2Moz Au, the Expansion PFS brings into Reserves 1.2Moz (15Mt @ 2.5g/t) – **an increase of 116% in 1 year.**

The Expansion PFS highlights include:

- initial gold production - 1.47Moz Au over initial 9 years
- open Pit Mining Inventory - 15Mt @ 2.3g/t for 1.1Moz
- underground mining inventory - 4Mt @ 4.7g/t for 608koz
- expanded processing capacity - up to 3.3Mtpa
- gold production average - 207,000ozpa (first 6 yrs after expansion)
- LOM all in sustaining costs - A$1,058/oz or US$836/oz
- project cash flows - $571m with Initial Capex of $114m (based on A$1,600/oz gold price)
- NPV (@8%) - $360m and an IRR of 123% (based on A$1,600/oz gold price)

Very few operations in premium mining jurisdictions have defined resources of a scale to support 200,000ozpa of production with a strong grade profile and likely long mine life

RESERVES

Measured and Indicated Resources have been converted to Proven and Probable Ore Reserves based on modifying factors, mine designs and economic evaluation. A detailed financial model for the Project was generated and used by Entech Pty Ltd (Entech) and Intermine Engineering Consultants (Intermine) as part of the PFS process and have been used to determine the economic viability of the Ore Reserve Estimate.

Table 6: Ore Reserves Estimate (August 2017)

Matilda/Wiluna Gold Operation Reserve Summary									
Open Pit Reserves									
Mining Centre	**Proven**			**Probable**			**Total**		
	Mt	**g/t Au**	**Koz Au**	**Mt**	**g/t Au**	**Koz Au**	**Mt**	**g/t Au**	**Koz Au**
Matilda Mine OP	0.9	1.2	37	2.2	1.6	114	3.1	1.5	151
Galaxy OP	0.7	1.3	29	0.1	0.8	4	0.8	1.2	33
Williamson Mine				1.4	1.5	67	1.4	1.5	67
Wiluna Open Pits				7.7	2.7	669	7.7	2.7	669
Stockpiles				0.4	0.9	11	0.4	0.9	11
OP Total	**1.6**	**1.3**	**66**	**11.8**	**2.3**	**865**	**13.4**	**2.2**	**931**
Underground Reserves									
Mining Centre	**Proven**			**Probable**			**Total**		
	Mt	**g/t Au**	**Koz Au**	**Mt**	**g/t Au**	**Koz Au**	**Mt**	**g/t Au**	**Koz Au**
Golden Age	0.04	5.6	7	0.02	8.7	4	0.06	6.4	12
East West UG				0.56	5.0	91	0.56	5.0	91
Bulletin UG				1.15	4.6	168	1.15	4.6	168
UG Total	**0.04**	**5.6**	**7**	**1.73**	**4.7**	**263**	**1.77**	**4.8**	**271**
Grand Total	**1.7**	**1.4**	**73**	**13.6**	**2.6**	**1,128**	**15.2**	**2.5**	**1,201**

1) Bulletin Underground includes reserves from the Essex, Creakshear and Lennon underground mining areas

Calculations have been rounded to the nearest 1,000 t of ore, 0.1 g/t Au grade and 1,000 oz Au metal.

The Ore Reserve Estimate is based on JORC-compliant Mineral Resource Estimates, as depleted to June 2017 that were calculated in conjunction with the Expansion PFS for the Operation and are underpinned by this study. Entech was commissioned by Blackham to provide an independent Ore Reserve Estimate update for the Wiluna underground. The Golden Age underground reserves were estimated by Blackham personnel. Intermine were commissioned by Blackham to provide an independent Ore Reserve Estimate for the open pits.

RESOURCE SUMMARY

The Matilda & Wiluna Gold Operation's 61Mt @ 3.1g/t for 6.2Moz gold Resources are to JORC 2012 standard (see below) and are all within a 20km radius of the Wiluna Gold Plant. 32Mt @ 3.1g/t for 3.0Moz (51%) are in the Measured and Indicated Resource category.

Table 7: Matilda & Wiluna Gold Operation Gold Resources

Matilda/Wiluna Gold Operation Resource Summary												
Open Pit Resources												
Mining Centre	**Measured**			**Indicated**			**Inferred**			**Total**		
	Mt	**g/t Au**	**Koz Au**	**Mt**	**g/t Au**	**Koz Au**	**Mt**	**g/t Au**	**Koz Au**	**Mt**	**g/t Au**	**Koz Au**
Matilda Mine OP	0.9	1.5	44	6.1	1.7	340	4.1	1.4	185	11.1	1.6	569
Galaxy OP	0.7	1.4	32	0.1	3.7	5	0.2	2.8	16	1.0	1.6	53
Williamson Mine				3.3	1.6	170	3.8	1.6	190	7.1	1.6	360
Wiluna Open Pits				13.6	2.6	1,150	3.3	3.3	355	16.9	2.8	1,505
Regent				0.7	2.7	61	3.1	2.1	210	3.8	2.2	271
Stockpiles				0.4	0.9	11				0.4	0.9	11
OP Total	**1.6**	**1.5**	**76**	**24.2**	**2.2**	**1,737**	**14.5**	**2.1**	**956**	**40.3**	**2.1**	**2,769**
Underground Resources												
Mining Centre	**Measured**			**Indicated**			**Inferred**			**Total**		
	Mt	**g/t Au**	**Koz Au**	**Mt**	**g/t Au**	**Koz Au**	**Mt**	**g/t Au**	**Koz Au**	**Mt**	**g/t Au**	**Koz Au**
Golden Age	0.1	4.2	8	0.2	7.1	46	0.6	3.8	75	0.9	4.5	129
Wiluna				8.2	5.5	1,441	14.6	4.4	2,086	23.0	4.8	3,527
Matilda Mine UG				0.1	2.5	10	0.6	3.6	70	0.7	3.6	80
UG Total	**0.1**	**4.2**	**8**	**8.5**	**5.5**	**1,497**	**15.8**	**4.4**	**2,231**	**24.6**	**4.8**	**3,736**
Grand Total	**1.7**	**1.5**	**84**	**32.7**	**3.1**	**3,234**	**30.3**	**3.3**	**3,187**	**64.9**	**3.1**	**6,505**

1) Wiluna Open Pit Resources include the East, West, Happy Jack, Creek Shear, Golden Age North, Gap, Bulletin, Essex, Adelaide and Moonlight ore bodies reported from inside an A$1,800/oz pit optimised resource shell.

2) Mineral Resources are reported inclusive of Ore Reserves and include all exploration and resource definition drilling information, where practicable, up to 30th June 2017.

3) The Measured component of the Matilda and Galaxy open pit Mineral Resources is based on grade control drilling and the grade is reported on a diluted basis.

4) Underground Mineral resources for Matilda are reported below an RL of 950m and above a 2.0g/t lower cut.

5) Indicated and Inferred mineral Resources at Galaxy are below the design pit and reported above a 2.0g/t lower cut.

6) Mineral Resource estimates are not precise calculations. The figures in the above table are rounded to two significant figures.

7) Cut off grades used in the estimations vary between deposits and are given in ASX Announcement 12 October 2017 Appendix 1 Table 1.

8) Resource depleted to 30 June 2017.

Following successful drilling campaigns in late 2016 and 2017, Measured, Indicated and Inferred Resource estimates were updated for the Matilda/Wiluna Gold Operation. Mineral Resources at Wiluna had previously been estimated with a focus on high grade underground mining opportunities using a 4.0g/t lower-cut. Significant lower grade mineralisation which can potentially be extracted from an open pit was not captured by previous interpretations. A geological model was completed incorporating drilling by Blackham with the mineralisation re-interpreted above a 0.3g/t lower-cut for the purposes of assessment of the Wiluna orebodies for open pit mining. For more information on the Matilda & Wiluna Gold Resources please refer to ASX announcement from 3rd August 2017. The resources in Table L are the basis for the Expansion PFS, which are based on drilling results up until June 2017 including 55,000m of drilling into the Wiluna open pits.

Over the last 3 months, Blackham has completed 22,000m of RC and diamond drilling into the north Wiluna open pits. First results, announced in the ASX release "Further outstanding Wiluna drilling results" dated 3rd July 2017, highlighted:

- Further high grade shallow mineralisation on the Happy Jack – Bulletin and Squib Lodes amenable to open pit mining
- Potential extensions along strike and at depth of the Bulletin and Happy Jack open pits and underground development

Future drilling programmes will focus on:

- Drilling the extensions of Matilda and Golden Age free milling resources to reserve confidence
- Lakeway infill drilling to lift Williamson South and Carroll-Prior oxide structures to resource confidence
- Bulletin underground infill to upgrade the majority of the mine plan to reserves
-

EXPANSION FINANCING

Blackham announced it has secured up to AU$72,000,000 in funds to continue to advance its Expansion Definitive Feasibility Study (DFS) and manage its balance sheet whilst it continues to demonstrate improving operational cash flows from the Operation.

The funding arrangement is underpinned by the ability to draw up to AU$72,000,000 ("the Agreement") from The Australian Special Opportunity Fund, a New York-based institutional investor, managed by The Lind Partners (together, "Lind" and "Lind Facility").

The Company plans to utilise its operating cash flows to fund the Expansion but will also require a suitable funding solution. The Lind Facility provides the Company with time to choose the optimal funding solution. Blackham's final funding solution for the Operation's Expansion will ideally mean:

- the securing of a fully funded solution for the Expansion;
- minimising dilution to existing Blackham shareholders;
- providing flexible funding solutions to ensure continuation of exploration and reserve definition; and
- facilitating an increase in the Company's current hedge facilities to manage gold price risk.

Bryan Dixon
Managing Director
23 October 2017

Directors' Report

Your directors submit the financial report of Blackham Resources Limited ('Blackham' or the 'Company') and its controlled entities (the 'Group') for the year ended 30 June 2017.

DIRECTORS

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

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

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

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

Bryan Dixon BCom, CA, ACIS
Managing Director

Mr Dixon has substantial experience in the mining sector and in the management of public and listed companies. Previously, Mr Dixon has been employed by an international accounting firm, Resolute Mining Limited and Archipelago Resources Plc. Mr Dixon is a Chartered Accountant and specialises in acquisition, feasibility, project development, operations and financing of mining projects.

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

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

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

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

Peter Rozenauers BMe (Hons I), MAppFin, MAusImm
Non-executive Director

Mr Peter Rozenauers is a Portfolio Manager with Orion Mine Finance and has over 25 years of experience in the natural resources and finance industry. He earned a BEng (Hons I) in Mining from the University of NSW, a Master in Applied Finance from the University of Technology Sydney and is a Member of the Australasian Institute of Mining and Metallurgy. Prior to Orion, Mr Rozenauers was a Senior Investment Manager for a predecessor business of Orion, and prior to that was Managing Director and Head of Asian Commodities Distribution for Barclays Capital in Singapore, a leading commodity global investment bank. Mr Rozenauers has spent over 13 years working in senior banking roles in Singapore, New York and London. Mr Rozenauers is also Chairman of Lynx Resources, a private company.

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

Alan Thom **BEng (Mining), GDip (AppFin), GDip (Bus), MAusImm, FFin**
Executive Director and Chief Operations Officer – resigned 13 April 2017

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

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

Mike Robbins
Company Secretary

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

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were:

- production of gold from the Matilda/Wiluna Gold Operation; and
- mineral exploration and development.

REVIEW AND RESULTS OF OPERATIONS

Wiluna Gold Plant refurbishment

The refurbishment of Stage 1 of the Wiluna Gold Plant and building and commissioning of the new tailings storage facility was completed by October 2016.

Production

Open pit mining commenced at the Matilda mine in July 2016. Underground mining commenced at Golden Age in July 2016. Gold plant wet commissioning started in September with the first gold pour occurring in October 2016. The Company announced commercial production in January 2017 after 3 months of commissioning.

Table 1 – Gold production increasing quarter on quarter

	Dec'16 Qtr	Mar'17 Qtr	Jun'17 Qtr	YTD
Total Milled (t)	211,200	338,000	416,100	965,300
Mill Feed Grade (g/t Au)	1.5	1.5	1.3	1.4
Overall Plant Recovery	88.5%	93.7%	91.7%	91.7%
Gold produced (oz)	**8,773**	**14,920**	**15,720**	**39,413**

Exploration and Reserve Drilling

Exploration during the year focused on drilling along strike and down dip of mineralisation at Matilda and at Wiluna. A large program of ~78,000m of RC and diamond drilling was completed around the Wiluna deposits as part of the Expansion Study, which is looking at the potential to exploit open pit resources by cutting back existing pits.

Drilling at Matilda targeted extensions to the M6 and M3/M4 deposits as well as testing for continuity of mineralisation between the M1 and M5 pits where RC drilling was limited. Significant shallow mineralisation has been intersected in drilling between the M1 and M5 pits. Infill and extensional drilling at M6 North has confirmed the presence of plunging shoots along strike of the M6 pit.

Underground drilling at Bulletin focussed on upgrading the confidence level of resources from either unclassified or Inferred to Indicated at the Bulletin orebody. Results from this drilling demonstrate the continuity of high-grade, steeply south-plunging shoots.

As a result of this drilling Measured, Indicated and Inferred Resources at the project have grown substantially to 61Mt @ 3.1g/t for 6.1Moz and increase of 1Moz over the June 2016 Mineral Resource. Of this, 12.9Mt @ 2.8g/t for 1.2Moz is contained within open pits at Wiluna.

Expansion Preliminary Feasibility Study

On 30 August 2017, Blackham announced the successful results of the Expansion Preliminary Feasibility Study ("PFS") on its 100% owned Matilda & Wiluna Gold Operation ("Operation"). The PFS demonstrates robust economics and improved economies of scale supporting the Operation's expansion. Historically, over the last 20 years, the Operation has relied predominately on underground feed. Blackham's comparative advantage to previous operators is the 15Mt @ 2.3g/t Au (85% at Reserve classification) in open pit feed, which is included in the Expansion PFS Mine Plan.

Results of the PFS demonstrates robust economics and improved economies of scale supporting he Operation's expansion. The Expansion PFS brings in reserves 1.2Moz (15Mt @ 2.5g/t) which is an increase of 116% in one year.

The Expansion PFS demonstrates robust economics for the expanded, parallel processing of oxide and sulphide ores. This gives Blackham the flexibility to treat both oxide and sulphide ores from June 2019, as an indicative date, which will be confirmed during the Expansion DFS which is targeted for completion at the end of the 1st quarter of 2018.

The expansion PFS has focused on the Wiluna sulphides and their integration with the current free milling ores at Matilda and Wiluna. It has been assumed the expanded operation would be developed through:

- Construction of a new crushing and grinding circuit to increase throughput by 1.5Mtpa
- Construction of a new flotation circuit
- Refurbishment of the existing sulphide treatment plant which has operated for 20 years.
- Construction of a new carbon in leach (CIL) circuit.

On the completion of the Expansion, the free milling circuit and the sulphide circuit would run in parallel as two processing facilities, with total capacity of up to 3.3Mtpa. Significantly, the estimated capital cost per ounce of production is $77/oz, which the Company believes is outstanding compared to industry averages

Results

The loss after tax for the financial year was $6,844,000 (2016: $8,009,000). The Group's net assets at the end of the year were $86,325,000 (2016: $34,109,000).

Equity Placements

On 19 August 2016, the Company announced that it had raised gross proceeds of $25m through a placement of 25 million shares at a price of $1.00 per share.

As announced to the ASX on 10 February 2017, the Company completed a capital placement of $35,000,000 from predominantly institutional investors. The funds were used to accelerate studies to enhance the Stage 2 expansion economics.

Debt financing

The final draw down of $8 million from the Orion project finance facility occurred in September 2016.

Other funding arrangements

As announced to the ASX on 31 August 2017, the Company has secured a funding arrangement which is underpinned by the ability to draw up to $72,000,000 from The Australian Special Opportunity Fund, a New York-based institutional investor, managed by the Lind Partners. This facility provides the Company with time to choose the optimal funding solution to manage its balance sheet and to fund the Expansion Definitive Feasibility Study.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend for the 2017 financial year and no amount has been paid or declared by way of a dividend to the date of this report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Except for the commencement of gold production, there were no significant changes in the state of affairs of the Group during the financial year.

EVENTS SUBSEQUENT TO REPORTING DATE

On 23 July 2017, the Company realised $2.8 million in cash following the close out of 32,139 ounces of forward gold sales contracts at an average price of $1,654/oz. The funds from the above were subsequently paid to Orion as a voluntary debt pre-payment against the non-amortising loan facility

As announced to the ASX on 24 July 2017, the Company issued 400,000 fully paid ordinary shares on the exercise of 400,000 performance rights.

As announced to the ASX on 31 August 2017, the Company has secured a funding arrangement which is underpinned by the ability to draw up to $72,000,000 from The Australian Special Opportunity Fund, a New York-based institutional investor, managed by the Lind Partners ('Lind'). This facility provides the Company with time to choose the optimal funding solution to manage its balance sheet and to fund the Expansion Definitive Feasibility Study.

On 1 September 2017, 3,250,000 fully paid ordinary shares were issued to Lind as collateral that will be credited or returned at the end of the agreement. Lind were also granted 2,000,000 unlisted options exercisable at $0.308 on or before 29 February 2020 and a commencement fee to the value of $200,000 in the form of 732,232 fully paid ordinary shares. Blackham received $1,200,000 on execution as a prepayment for fully paid ordinary shares in early September 2017.

Apart from the above, there are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

MEETINGS OF DIRECTORS

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

	Director's meeting		Audit and Risk Committee		Remuneration and Nomination Committee	
Director	**Eligible**	**Attended**	**Eligible**	**Attended**	**Eligible**	**Attended**
Milan Jerkovic	8	8	n/a	n/a	n/a	n/a
Bryan Dixon	8	8	n/a	n/a	n/a	n/a
Alan Thom(i)	6	6	n/a	n/a	n/a	n/a
Greg Miles	8	7	2	2	3	3
Peter Rozenauers	8	7	2	2	3	3

(i) Mr Thom resigned as a director on 13 April 2017

ENVIRONMENTAL ISSUES

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

OPTIONS

Options on issue at the date of this report date:

Grant date	Expiry date	Exercise price	Number
15 December 2014	14 December 2017	$0.5000	2,000,000
4 February 2015	3 February 2018	$0.3000	1,000,000
29 July 2015	31 December 2017	$0.1800	16,666,667
14 October 2015	13 October 2017	$0.2560	1,550,000
14 October 2015	31 December 2017	$0.2560	700,000
14 October 2015	13 October 2017	$0.2000	500,000
27 November 2015	6 December 2017	$0.2560	500,000
9 February 2016	8 February 2018	$0.4650	500,000
9 February 2016	9 February 2019	$0.4630	175,000
9 February 2016	9 February 2019	$0.3800	175,000
21 March 2016	20 March 2018	$0.3500	3,000,000
4 July 2016	3 July 2019	$0.9100	175,000
12 August 2016	12 August 2018	$0.5700	400,000
12 August 2016	12 August 2019	$0.5700	200,000
21 October 2016	30 April 2018	$0.5100	300,000
2 December 2016	1 June 2019	$1.0000	1,000,000
1 June 2017	31 May 2020	$0.3820	350,000
1 September 2017	29 February 2020	$0.3080	2,000,000
Total			**31,191,667**

PERFORMANCE RIGHTS

Performance rights on issue at the date of this report date:

Grant date	Expiry date	Exercise price	Number
28 July 2015	31 December 2017	$nil	3,000,000
14 October 2015	31 December 2017	$nil	500,000
9 February 2016	31 December 2017	$nil	250,000
Total			**3,750,000**

SHARES ISSUED ON THE EXERCISE OF OPTIONS

The following ordinary shares of the Company were issued during the year ended 30 June 2017 and up to the date of this report on the exercise of options granted:

Exercise date	Exercise price	Number
29 July 2016	$0.2140	150,000
12 August 2016	$0.2500	175,000
12 August 2016	$0.2980	150,000
24 August 2016	$0.1220	200,000
30 August 2016	$0.2300	1,000,000
16 September 16	$0.2500	120,000
25 November 2016	$0.2560	120,000
2 February 2017	$0.2000	1,000,000
25 November 2016	$0.3000	816,666
15 February 2017	$0.3000	183,334
1 June 2017	$0.2980	450,000
Total		**4,365,000**

SHARES ISSUED ON THE EXERCISE OF PERFORMANCE RIGHTS

The following ordinary shares of the Company were issued during the year ended 30 June 2017 and up to the date of this report on the exercise of performance rights granted:

Exercise date	Number
4 July 2016	2,000,000
21 October 2016	2,750,000
24 July 2017	400,000
Total	**5,150,000**

PROCEEDINGS ON BEHALF OF THE GROUP

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

INDEMNIFYING OFFICERS AND AUDITORS

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

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

AUDITOR INDEPENDENCE

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

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF RSM AUSTRALIA PARTNERS

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

AUDITOR

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

ROUNDING

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

Remuneration Report (Audited)

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, including any director (whether executive or otherwise) of the parent company.

REMUNERATION POLICY

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

Consistent with attracting and retaining talented executives, directors and senior management personnel are paid market rates associated with individuals in similar positions within the same industry.

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

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

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

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

The Group's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board, in consultation with independent advisors, determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

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

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

VOTING AND COMMENTS MADE AT THE COMPANY'S 2016 ANNUAL GENERAL MEETING ('AGM')

At the 2016 AGM, 76% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2016. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

KEY MANAGEMENT PERSONNEL

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

Directors	Position
Milan Jerkovic	Non-executive Chairman
Bryan Dixon	Managing Director
Alan Thom	Executive Director - resigned as a director on 13 April 2017
Greg Miles	Non-executive Director
Peter Rozenauers	Non-executive Director
Key Management Personnel (KMP)	**Position**
Richard Boffey	General Manager – Matilda/Wiluna Gold Operation
Bruce Kendall	Chief Geological Officer
Alan Thom	Expansion Study Manager - commenced 13 April 2017
Jeffrey Dawkins	Chief Financial Officer – resigned 30 June 2017
Anthony Rechichi	Chief Financial Officer – commenced 26 June 2017

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

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

REMUNERATION STRUCTURE FOR KEY MANAGEMENT PERSONNEL

Managing Director and Executive Remuneration

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

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

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

Table 1: Contract terms for Key Management Personnel:

Name	Title	Term of Agreement	Notice Period by Executive	Notice Period by Company	Termination benefit
Milan Jerkovic	Non-executive Chairman	Open	3 months notice	3 months notice	n/a
Bryan Dixon	Managing Director	Open	3 - 6 months notice	6 months notice	Up to 12 months
Greg Miles	Non-executive Director	Open	Upon resignation as director	Upon resignation as director	n/a
Richard Boffey	General Manager – Matilda/Wiluna Gold Operations	Open	4 weeks written notice	4 weeks written notice. 6 months written notice in the event of a "change of control".	n/a
Alan Thom	Expansion Study Manager	Open	3 months written notice	3 months written notice	n/a
Bruce Kendall	Chief Geological Officer	Open	1 month written notice	1 months written notice	n/a
Jeffrey Dawkins	Chief Financial Officer	Open	8 weeks written notice	8 weeks written notice	n/a
Anthony Rechichi	Chief Financial Officer	Open	90 days written notice	90 days written notice	n/a

KEY MANAGEMENT PERSONNEL REMUNERATION

Table 2: Remuneration for the year ended 30 June 2017

	Short-term				Post employment	Long term	Share-based payments			Performance related	
2017	**Salary & fees**	**Cash bonus**	**Non-monetary benefits***	**Annual leave expense**	**Super-annuation**	**Long service leave expense**	**Options**	**Performance rights**	**Termination payments**	**At risk – STI**	**At risk - LTI**
	$	$	$	$	$	$	$	$	$	%	%
Directors											
Milan Jerkovic	93,750	-	-	-	8,906	-	-	79,199	-	0%	44%
Bryan Dixon(i)	331,667	30,000	6,115	-	-	-	-	117,595	-	6%	(i)24%
Alan Thom(ii)	216,180	30,000	4,809	-	-	-	-	117,595	-	8%	(ii)32%
Greg Miles(iii)	55,000	-	-	-	-	-	-	-	-	0%	0%
Peter Rozenauers	-	-	-	-	-	-	-	-	-	0%	0%
Other KMP											
Richard Boffey	242,010	20,000	-	20,239	22,991	439	13,005	19,580	-	6%	10%
Alan Thom(ii)	58,820	-	1,306	-	-	-	-	-	-	0%	0%
Bruce Kendall(iv)	220,000	8,462	5,581	16,926	20,900	232	330,427	362,948	-	1%	72%
Jeffrey Dawkins(v)	180,000	-	6,115	(10,424)	17,100	-	11,168	-	24,219	0%	5%
Anthony Rechichi(vi)	8,545	-	-	657	812	-	-	-	-	0%	0%
Total	**1,405,972**	**88,462**	**23,926**	**27,398**	**70,709**	**671**	**354,600**	**696,917**	**24,219**	**3%**	**39%**

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

i) An aggregate amount of $361,667 (2016: $360,000) was paid, or was due and payable to Warrior Strategic Pty Ltd, a company controlled by Mr Bryan Dixon, for the provision of corporate and management services to the Company.

ii) An aggregate amount of $305,000 (2016: $335,000) was paid, or was due and payable to Aston Corporation Pty Ltd, a company controlled by Mr Alan Thom, for the provision of corporate and management services to the Group. On 13 April 2017, Mr Thom resigned as director and commenced as Expansion Study Manager.

iii) An aggregate amount of $55,000 (2016: $43,750) was paid, or was due and payable to Hidden Asset Pty Ltd, a company controlled by Mr Greg Miles, for the provision of corporate and management services to the Group.

iv) At the reporting date, 100% of the performance rights issued to Mr Kendall were exercised.

v) Mr Jeffrey Dawkins resigned as Chief Financial Officer on 30 June 2017.

vi) Mr Anthony Rechichi commenced as Chief Financial Officer on 26 June 2017.

KEY MANAGEMENT PERSONNEL REMUNERATION (CONT'D)

Table 3: Remuneration for the year ended 30 June 2016

	Short-term				Post employment	Long-term	Share-based payment			Performance related	
2016	**Salary & fees**	**Cash bonus**	**Non-monetary benefits***	**Annual leave expense**	**Super-annuation**	**Long service leave expense**	**Options**	**Performance rights**	**Termination payments**	**At risk – STI**	**At risk – LTI**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**	**%**
Directors											
Milan Jerkovic[(i)]	44,345	-	-	-	4,213	-	110,815	112,258	-	0%	82%
Paul Murphy[(ii)]	55,000	-	-	-	-	-	49,804	-	-	0%	48%
Bryan Dixon[(iii)]	300,000	60,000	4,534	-	-	-	-	511,480	-	7%	[(iii)]58%
Alan Thom[(iv)]	275,000	60,000	5,339	-	-	-	-	511,480	-	7%	[(iv)]60%
Greg Miles[(v)]	43,750	-	-	-	-	-	-	-	-	0%	0%
Peter Rozenauers	-	-	-	-	-	-	-	-	-	0%	0%
Total	**718,095**	**120,000**	**9,873**	**-**	**4,213**	**-**	**160,619**	**1,135,218**	**-**	**6%**	**60%**

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

i) Mr Jerkovic commenced on 27 November 2015.

ii) Mr Murphy passed away on 17 May 2016.

iii) An aggregate amount of $360,000 (2015: $222,150) was paid, or was due and payable to Warrior Strategic Pty Ltd, a company controlled by Mr Bryan Dixon, for the provision of corporate and management services to the Company. At the reporting date 1,750,000 out of the 4,500,000 performance rights issues to Mr Dixon were exercised.

iv) An aggregate amount of $335,000 (2015: $233,750) was paid, or was due and payable to Aston Corporation Pty Ltd, a company controlled by Mr Alan Thom, for the provision of corporate and management services to the Group. At the reporting date 1,750,000 out of the 4,500,000 performance rights issues to Mr Thom were exercised.

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

KEY MANAGEMENT PERSONNEL REMUNERATION (CONT'D)

Table 4: Share holdings of key management personnel:

Name	Held at the start of the year	Performance rights exercised	Options Exercised	Disposed	Net Change/Other	Held at the end of the year
Directors						
Milan Jerkovic	1,030,826	250,000	-	-	-	1,280,826
Bryan Dixon[(i)]	3,140,000	2,250,000	450,000	(1,150,000)	-	4,690,000
Alan Thom[(ii)]	1,335,000	2,250,000	-	(1,100,000)	(2,485,000)	-
Greg Miles	1,012,500	-	-	-	-	1,012,500
Peter Rozenauers	127,583	-	-	-	-	127,583
Other KMP						
Richard Boffey	-	-	-	-	-	-
Alan Thom[(ii)]	-	-	-	(485,000)	2,485,000	2,000,000
Bruce Kendall	-	-	-	-	-	-
Jeffrey Dawkins[(iii)]	-	-	-	-	-	-
Anthony Rechichi	-	-	-	-	-	-
Total	**6,645,909**	**4,750,000**	**450,000**	**(2,735,000)**	**-**	**9,110,909**

(i) Mr Dixon received 2,250,000 shares on the successful completion of Milestones 2 & 3 relating to performance rights.

(ii) Mr Thom received 2,250,000 shares on the successful completion of Milestones 2 & 3 relating to performance rights. "Net Change/Other" represents the transition from Director to KMP on 13 April 2017.

(iii) Mr Dawkins resigned on 30 June 2017.

KEY MANAGEMENT PERSONNEL REMUNERATION (CONT'D)

Table 5: Option holdings of key management personnel:

Name	Held at the start of the year	Granted as remuneration: Number	Grant date	Fair value at grant date	Vesting conditions	Expiry	Exercise price	Options Exercised	Expired	Held at the end of the year
Directors										
Milan Jerkovic	500,000	-	-	-	-	-	-	-	-	500,000
Bryan Dixon	900,000	-	-	-	-	-	-	(450,000)	(450,000)	-
Alan Thom	900,000	-	-	-	-	-	-	-	(900,000)	-
Greg Miles	350,000	-	-	-	-	-	-	-	(350,000)	-
Peter Rozenauers	-	-	-	-	-	-	-	-	-	-
Other KMP										
Richard Boffey[(i)]	700,000	-	-	-	-	-	-	-	-	700,000
Alan Thom	-	-	-	-	-	-	-	-	-	-
Bruce Kendall	-	200,000	12 August 2016	$0.604	On 50,000 ounces of gold production	12 August 2018	$0.570	-	-	200,000
	-	200,000	12 August 2016	$0.604	On discovery of 1m inventory ounces	12 August 2018	$0.570	-	-	200,000
	-	200,000	12 August 2016	$0.666	On discovery of 1.5m inventory ounces	12 August 2019	$0.570	-	-	200,000
Jeffrey Dawkins[(ii)]	500,000	-	-	-	-	-	-	-	-	500,000
Anthony Rechichi	-	-	-	-	-	-	-	-	-	-
Total	**3,850,000**	**600,000**						**(450,000)**	**(1,700,000)**	**2,300,000**

(i) Richard Boffey is classified as a KMP from 1 July 2016. The balance held at start of year represents the amount of options held at inception of the KMP classification.

(ii) Jeffrey Dawkins is classified as a KMP from 1 July 2016. The balance held at start of year represents the amount of options held at inception of the KMP classification.

KEY MANAGEMENT PERSONNEL REMUNERATION (CONT'D)

Table 6: Performance rights holdings of key management personnel:

		Granted as Remuneration								
Name	**Held at the start of the year**	**Number**	**Grant date**	**FV at grant date**	**Vesting conditions**	**Expiry**	**Exercise price**	**Rights Exercised**	**Other**	**Held at the end of the year**
Directors										
Milan Jerkovic	500,000	-	-	-	-	-	-	(250,000)	-	250,000
Bryan Dixon	3,750,000	-	-	-	-	-	-	(2,250,000)	-	1,500,000
Alan Thom(i)	3,750,000	-	-	-	-	-	-	(2,250,000)	(1,500,000)	-
Greg Miles	-	-	-	-	-	-	-	-	-	-
Peter Rozenauers	-	-	-	-	-	-	-	-	-	-
Other KMP										
Richard Boffey(ii)	500,000	-	-	-	-	-	-	-	-	500,000
Alan Thom(i)	-	-	-	-	-	-	-	-	1,500,000	1,500,000
Bruce Kendall	-	200,000	12 August 2016	$0.975	On discovery of 1m inventory ounces	12 August 2018	nil	-	-	200,000
	-	200,000	12 August 2016	$0.975	On discovery of 1.5m inventory ounces	12 August 2019	nil	-	-	200,000
Jeffrey Dawkins	-	-	-	-	-	-	-	-	-	-
Anthony Rechichi	-	-	-	-	-	-	-	-	-	-
Total	**8,500,000**	**400,000**						**(4,750,000)**	**-**	**4,150,000**

(i) "Other" represents the transition from Director to KMP on 13 April 2017.

(ii) Richard Boffey is classified as a KMP from 1 July 2016. The balance held at start of year represents the amount of performance rights held at inception of the KMP classification.

CONSEQUENCES OF PERFORMANCE ON SHAREHOLDER WEALTH

The earnings of the Group for the five years to 30 June 2017 are summarised below:

		2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000
Sales revenue	**($'000)**	47,331	-	-	-	-
(Loss) after income tax	**($'000)**	(6,844)	(8,009)	(4,570)	(1,654)	(5,082)
Share price at financial year end	**$ per share**	0.28	0.70	0.16	0.21	0.14
Basic loss per share	**cents per share**	2.28	3.73	3.04	1.79	7.80

LOANS TO KEY MANAGEMENT PERSONNEL

There were no loans to key management personnel during the years ended 30 June 2016 and 30 June 2017.

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

	Transactions with related parties $'000	Balances outstanding $'000
Orion JV Fund Limited	4,257	39,063
Xavier Group Pty Ltd	153	24

CHANGES TO THE REMUNERATION PLAN FROM 1 JULY 2017

In April 2017 Blackham engaged an independent expert to design a transparent and comprehensible remuneration approach that will attract, retain and motivate the right calibre of person for the business. The revised Remuneration Policy is designed to be simple and transparent, to promote the interests of the Company over the medium and long term, encourage a 'pay for performance' culture and be reflective of good governance.

OUTCOME OF THE REVIEW

At the absolute discretion of the board, the Executive Team and key management personnel are eligible to participate in the incentive arrangements of the Company. The incentive plan focuses the efforts of the executive team on business performance, business sustainability, business growth and long term value creation. It provides for clear 'line of sight' objectives to maximise the effectiveness of the participants' total incentive awards; and facilitates the meaningful accumulation of company shares to participants to enforce an ownership mentality which in addition to having a retentive benefit, also further aligns management interests with those of the shareholders. The revised plan has been tailored to increase goal congruence between shareholders and executives. Two methods have been applied to achieve this aim being the Operations and Growth Incentive Plan (short and medium term) and the Value Creation Plan (long term).

Also as part of the overall remuneration framework review, the Managing Director's total fixed remuneration was increased to $487,000 effective from 1 July 2017.

Table 7: Remuneration Framework Overview

Category	Definition of pay category	Element	Purpose
Fixed pay	Pay which is linked to the present value or market rate of the role	Total fixed remuneration	Pay for meeting role requirements
Incentive pay	Pay for delivering the plan and growth agenda for the Group which must create value for shareholders. Incentive pay will be linked to achievement of 'line-of-sight' performance goals *It reflects 'pay for performance'*	Short term incentive	Incentive for the achievement of annual objectives
		Medium term incentive (Deferred STIP portion)	Incentive for the achievement of sustained business value
Reward pay	Pay for creating value for shareholders. Reward pay is linked to shareholder returns. *It reflects 'pay for results'*	Long term reward	Reward for executive performance over the long term

The incentive opportunities under the revised plan have a maximum amount of Total Incentive Opportunity, as show below:

Table 8: Maximum Total Incentive Opportunity as a Percentage of Total Fixed Remuneration Package

Plan:	**BLK Ops & Growth IS**		**BLK Value Creation IS**		
Performance period:	**1 year (STI)**	**2 year (MTI)**	**3 year (LTI)**	**4 year (LTI)**	
Award:	**Cash**	**ZEPO-Shares**	**PEPO**	**ZEPO**	***TIO**
Managing Director	30%	90%	30.0%	30.0%	180%
Chief Operating Officer	30%	70%	32.5%	32.5%	165%
Executives	30%	65%	22.5%	22.5%	140%

PERFORMANCE HURDLES OF THE REVISED PLAN

Participation in the incentive opportunities of the plan is based on successful milestone achievements against these performance hurdles:

Short Term Incentive performance metrics (paid in the form of a cash bonus):

- Company operating cash flow
- Cost per tonne milled (gross basis)
- Production target gold ounces
- Safety measures
- Successful completion of key short term business plan objectives
- An amount determined by the Supervisor's discretion

Medium Term Incentive performance metrics (paid in the form of "zero exercise priced options" ('ZEPO'):

- Same test as for Short Term Incentives but require a 2 year service period to vest

Long term incentive performance metrics (50% in Tranche A at 3 years of service paid in "premium exercise price options" ('PEPO'), then 50% in Tranche B at 4 years of service paid in "zero exercise priced options", with each tranche's performance hurdles tested at each maturity date):

- Total share price increase
- Reserves increased
- Resources maintained

Non-executive director and Company Secretary zero exercise priced options do not have performance metrics and vest and exercise 12 months after grant date. Upon transfer to the relevant non-executive director, the shares will be subject to disposal restrictions under the earlier of:

- the non-executive director ceasing to be a director of Blackham; and
- 3 years from the date of grant of the share rights i.e. 2 years after vest and exercise.

The revised Blackham Employee Option Plan was approved by shareholders on 21 July 2017.

[End of audited Remuneration Report.]

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

Bryan Dixon
Managing Director
Perth, 15 September 2017

Competent Persons Statement

The information contained in the report that relates to Exploration Targets and Exploration Results at the Matilda Gold Project is based on information compiled or reviewed by Mr Bruce Kendall, who is a full-time employee and security holder of the Company. Mr Kendall is a Member of the Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Kendall has given consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information contained in the report that relates to Mineral Resources is based on information compiled or reviewed by Mr Marcus Osiejak, who is a full-time employee and security holder of the Company. Mr Osiejak, is a Member of the Australian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Osiejak has given consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

With regard to the Matilda/Wiluna Gold Operation Mineral Resources, the Company is not aware of any new information or data that materially affects the information included in this report and that all material assumptions and parameters underpinning Mineral Resource Estimates as reported in the market announcements dated 3rd August 2017 continue to apply and have not materially changed.

The information contained in the report that relates to Ore Reserves for the Bulletin Sulphide and East-West underground mines at the Matilda/Wiluna Gold Operation is based on information compiled or reviewed by Matthew Keenan. Mr Keenan confirmed that he has read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012 JORC Edition). He is a Competent Person as defined by the JORC Code 2012 Edition, having more than five years' experience which is relevant to the style of mineralisation and type of deposit described in the Report, and to the activity for which he is accepting responsibility. Mr Keenan is a Member of The Australasian Institute of Mining and Metallurgy, has reviewed the Report to which this consent statement applies and is a full time employee working for Entech Pty Ltd having been engaged by Blackham Resources Ltd to prepare the documentation for the Matilda Gold Project on which the Report is based, for the period ended 30 June 2017. He disclosed to the reporting company the full nature of the relationship between himself and the company, including any issue that could be perceived by investors as a conflict of interest. Mr Keenan verifies that the Report is based on and fairly and accurately reflects in the form and context in which it appears, the information in his supporting documentation relating to Ore Reserves.

The information contained in the report that relates to Ore Reserves for the Golden Age Underground main and Remnant areas at the Matilda/Wiluna Gold Operation is based on information compiled or reviewed by Richard Boffey. Mr Boffey confirmed that he has read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012 JORC Edition). He is a Competent Person as defined by the JORC Code 2012 Edition, having more than five years' experience which is relevant to the style of mineralisation and type of deposit described in the Report, and to the activity for which he is accepting responsibility. Mr Boffey is a Member of The Australasian Institute of Mining and Metallurgy, has reviewed the Report to which this consent statement applies and is a full time employee working for Blackham Resources Limited and prepared and reviewed the documentation for the Golden Age Underground main and Remnant areas at the Matilda Gold Project on which the Report is based, for the period ended 30 June 2017. He disclosed to the reporting company the full nature of the relationship between himself and the company, including any issue that could be perceived by investors as a conflict of interest. Mr Boffey verifies that the Report is based on and fairly and accurately reflects in the form and context in which it appears, the information in his supporting documentation relating to Ore Reserves.

The information contained in the report that relates to Ore Reserves for the Open Pits at the Matilda/Wiluna Gold Operation is based on information compiled or reviewed by Steve O'Grady. Mr O'Grady confirmed that he has read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012 JORC Edition). He is a Competent Person as defined by the JORC Code 2012 Edition, having more than five years' experience which is relevant to the style of mineralisation and type of deposit described in the Report, and to the activity for which he is accepting responsibility. Mr O'Grady is a Member of The Australasian Institute of Mining and Metallurgy, has reviewed the Report to which this consent statement applies and is a full time employee working for Intermine Engineering Consultants having been engaged by Blackham Resources Ltd to prepare the documentation for the Matilda Gold Project on which the Report is based, for the period ended 30 June 2017. He disclosed to the reporting company the full nature of the relationship between himself and the company, including any issue that could be perceived by investors as a conflict of interest. Mr O'Grady verifies that the Report is based on and fairly and accurately reflects in the form and context in which it appears, the information in his supporting documentation relating to Ore Reserves.

The information relating to the Mineral Resource estimate was reported to the ASX on the 3rd of August 2017. The Company is not aware of any new information or data that materially affects the information included in this report and that all material assumptions and parameters underpinning the estimates have not materially changed. The information relating to the Ore Reserve estimate was reported to the ASX on the 30th of August 2017. The Company is not aware of any new information or data that materially affects the information included in this report and that all material assumptions and parameters underpinning the estimates have not materially changed.

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AUDITOR'S INDEPENDENCE DECLARATION

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

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

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

RSM

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 15 September 2017

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Continuing operations			
Revenue from gold and silver sales	1	47,331	-
Cost of goods sold	2	(52,892)	-
Gross loss from operations		**(5,561)**	**-**
Administration expenses		(3,611)	(2,311)
Non-capital exploration expenditure		(830)	(1,180)
Depreciation of non-mine site assets		(43)	(42)
Share-based payments	3	(1,517)	(3,601)
Finance costs	3	(3,168)	(1,643)
Other income	4	317	374
Other expenses		-	(169)
Treasury – realised gain	5	6,309	553
Treasury – unrealised gain	5	1,260	10
Loss before income tax expense for the year from continuing operations		**(6,844)**	**(8,009)**
Income tax expense	6	-	-
Loss after income tax expense for the year from continuing operations		**(6,844)**	**(8,009)**
Other comprehensive income		**-**	**-**
Total comprehensive loss for the year, net of tax		**(6,844)**	**(8,009)**
Basic and diluted loss per share attributable to ordinary equity holders of the parent (cents per share)	7	(2.28)	(3.73)

The accompanying notes form part of these financial statements

BLACKHAM Resources Limited

Consolidated Statement of Financial Position

AS AT 30 JUNE 2017

		Consolidated	
	Note	2017 $'000	2016 $'000
Current assets			
Cash and cash equivalents	16	18,470	31,942
Gold bullion awaiting settlement	17	1,191	-
Trade and other receivables	23	1,647	1,037
Inventories	24	12,804	149
Financial assets	19	1,278	37
Total current assets		**35,390**	**33,165**
Non-current assets			
Other receivables	23	350	-
Inventories	24	1,504	1,572
Plant and equipment	11	49,922	3,146
Mine properties – areas in production	12	87,863	-
Mine properties – areas in development	13	1,206	40,083
Exploration and evaluation expenditure	14	10,662	26,608
Total non-current assets		**151,507**	**71,409**
Total assets		**186,897**	**104,574**
Current liabilities			
Trade and other payables	25	36,015	16,419
Interest-bearing liabilities	18	16,240	94
Total current liabilities		**52,255**	**16,513**
Non-current liabilities			
Interest-bearing liabilities	18	23,383	29,577
Provisions	26	24,934	24,375
Total non-current liabilities		**48,317**	**53,952**
Total liabilities		**100,572**	**70,465**
Net assets		**86,325**	**34,109**
Equity			
Issued capital	21	109,960	52,356
Reserves	22	6,310	4,854
Accumulated losses		(29,945)	(23,101)
Total equity		**86,325**	**34,109**

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated			
	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total $'000
At 1 July 2016	52,356	4,854	(23,101)	34,109
Loss after income tax for the year	-	-	(6,844)	(6,844)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(6,844)	(6,844)
Transactions with owners in their capacity as owners:				
Share-based payments expense	61	1,456	-	1,517
Shares issued, net of transactions costs	57,543	-	-	57,543
At 30 June 2017	**109,960**	**6,310**	**(29,945)**	**86,325**
At 1 July 2015	31,564	1,451	(15,263)	17,752
Loss after income tax for the year	-	-	(8,009)	(8,009)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(8,009)	(8,009)
Transactions with owners in their capacity as owners:				
Share-based payments expense	53	3,548	-	3,601
Expiry of options	-	(145)	145	-
Change to accumulated losses	-	-	26	26
Shares issued, net of transactions costs	20,739	-	-	20,739
At 30 June 2016	**52,356**	**4,854**	**(23,101)**	**34,109**

The accompanying notes form part of these financial statements

BLACKHAM
Resources Limited

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Cash flows from operating activities			
Proceeds from gold sales		46,103	-
Payments to suppliers and employees		(26,833)	(2,351)
Interest received		286	232
Interest paid		(1,218)	(20)
Hedge premium income		6,324	-
Other		13	137
Net cash flows from/(used in) operating activities	16	**24,675**	**(2,002)**
Cash flows from investing activities			
Purchase of plant and equipment		(6,605)	(178)
Proceeds from disposal of plant and equipment		22	5
Payments for exploration and evaluation		(13,760)	(12,844)
Payments for mine properties		(94,401)	(6,103)
Proceeds from pre-production gold sales		12,897	367
Purchase of financial instruments		-	(1,000)
Net cash flows used in investing activities		**(101,847)**	**(19,753)**
Cash flows from financing activities			
Proceeds from issue of equities		61,069	25,015
Payment of share issue costs		(3,528)	(1,246)
Proceeds from loan, net of fees		6,934	21,632
Repayment of finance lease		(158)	(17)
Payments for bank guarantees		(617)	-
Net cash flows from financing activities		**63,700**	**45,384**
Net (decrease)/increase in cash held		(13,472)	23,629
Cash and cash equivalents at beginning of the year		31,942	8,313
Cash and cash equivalents at end of the year		**18,470**	**31,942**

The accompanying notes form part of these financial statements

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

Basis of preparation

These consolidated financial statements and notes represent those of Blackham Resources Limited (the 'Company' or 'Blackham') and its controlled entities (the 'Group').

The financial statements were authorised for issue on 15 September 2017 by the directors of the Company.

The financial report is a general purpose financial report which:

- has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'), International Financial Reporting Standards ('IFRS') and the *Corporations Act 2001*;
- are presented in Australian dollars, which is the Company's and Group's functional and presentation currency, with all values rounded to the nearest thousand dollars ($'000) unless otherwise stated, in accordance with ASIC Instrument 2016/91;.
- have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities;
- Adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2016. Refer to note 35 for further details;
- Does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to note 35 for further details.

GOING CONCERN

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

As disclosed in the financial statements, the consolidated entity incurred a loss of $6,844,000 and had net cash outflows from investing activities of $101,847,000 for the year ended 30 June 2017. As at that date, the consolidated entity had net current liabilities of $16,865,000.

Notwithstanding the above, the Group had net cash inflows from operating activities of $24,675,000 for the year ended 30 June 2017 and net assets of $86,325,000.

The Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following:

On 31 August 2017, Blackham announced it has secured up to $72,000,000 in funds to continue to advance its Expansion Definitive Feasibility Study ("Expansion") (included in the ASX announcement on 30 August 2017) and manage its balance sheet whilst it continues to demonstrate improving operational cash flows from the Matilda and Wiluna Gold Operation. The funding arrangement is underpinned by the ability to draw up to $72,000,000 from The Australian Special Opportunity Fund, a New York-based institutional investor, managed by The Lind Partners.

The Company plans to utilise its operating cash flows to fund the Expansion but will also require a suitable funding solution. The Lind Facility provides the Company with time to choose the optimal funding solution. Blackham's final funding solution for the Operation's Expansion will ideally mean:

• The securing of a fully funded solution for the Expansion;
• minimising dilution to existing Blackham shareholders;
• providing flexible funding solutions to ensure continuation of exploration and reserve definition; and
• facilitating an increase in the Company's current hedge facilities to manage gold price risk.

The facility provides Blackham with certainty of a flexible base level of funding over the next 24 months. The facility amount of up to $72,000,000 is to be made available to Blackham in tranches over 24 months. Shares can be purchased by The Lind Partners from Blackham, approximately monthly, which may be varied from nil to $3,000,000 by mutual consent, subject to compliance with the terms of the Agreement.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets, liabilities and results of all subsidiaries of the Company at the end of the reporting period. A list of controlled entities (subsidiaries) at year end is contained in note 28.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

OTHER ACCOUNTING POLICIES

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements. Where possible, wording has been simplified to provide clearer commentary on the financial report of the Group. Accounting policies determined as non-significant are not included in the financial statements. There have been no changes to the Group's accounting policies that are no longer disclosed in the financial statements.

KEY ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. The judgements, estimates and assumptions material to the financial report are found in the following notes:

Note 2: Cost of goods sold
Note 12: Mine properties – areas in production
Note 13: Mine properties – areas in development
Note 14: Exploration and evaluation expenditure
Note 24: Inventories
Note 26: Provisions
Note 27: Share-based payments

THE NOTES TO THE FINANCIAL STATEMENTS

The notes include information which is required to understand the financial statements and is material and relevant to the operations and the financial position and performance of the Group.

Information is considered relevant and material if, for example:

- The amount is significant due to its size and nature;
- The amount is important for understanding the results of the Group;
- It helps to explain the impact of significant changes in the Group's business; or
- It relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

- Performance for the year;
- Production and growth assets;
- Cash, debt and capital;
- Operating assets and liabilities; and
- Other disclosures.

A brief explanation is included under each section.

Performance for the year

This section focuses on the results and performance of the Group. This covers both profitability and the return to shareholders via earnings per share combined with cash generation.

1. REVENUE FROM GOLD AND SILVER SALES

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Gold and silver sales			
- gold sales at spot price		47,383	-
- loss on gold forward contracts		(88)	-
Total gold sales		47,295	-
- silver sales		36	-
Total gold and silver sales		**47,331**	**-**

Accounting Policies

GOLD SALES

Revenue is recognised and measured at the fair value consideration received or receivable, when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group. The specific recognition criteria for the Group's gold sales is upon dispatch of the gold bullion from the mine site as this is the point at which the significant risks and rewards of ownership and control of the product passes to the customer.

2. COST OF GOODS SOLD

	Consolidated 2017 $'000	Consolidated 2016 $'000
Cost of goods sold		
Costs of production	53,186	-
Royalties	2,789	-
Depreciation of mine plant and equipment	1,420	-
Amortisation of mine properties	11,604	-
Open pit waste removal movements	(5,486)	-
Underground capitalisation	(8,717)	-
Stockpile movements	(847)	-
Gold in circuit movements	(1,057)	-
Total	**52,892**	**-**

Accounting Policies

COSTS OF PRODUCTION

Cash costs of production include direct costs incurred for mining, processing and mine site administration, net of costs capitalised to pre-strip and production stripping assets.

ROYALTIES

Royalty expenses under existing royalty regimes are payable on sales and are therefore recognised as the sale occurs.

DEPRECIATION

Depreciation of mine specific plant and equipment and buildings and infrastructure is charged to the statement of comprehensive income on a unit-of-production basis over the mine inventory of the mine concerned (consistent with the Life of Mine plan), except in the case of assets whose useful life is shorter than the life of the mine, in which case the straight-line method is used. The unit of account is ounces of gold produced.

2. COST OF GOODS SOLD (CONT'D)

Depreciation of non-mine specific plant and equipment is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

- Plant and equipment 10% to 33%
- Motor vehicles 6% to 33%
- Office furniture and equipment 10% to 50%
- Buildings and infrastructure 4%

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

AMORTISATION

Mine properties are amortised on a unit-of-production basis over the mine inventory of the mine concerned (consistent with the Life of Mine plan). The unit of account is ounces of gold produced.

KEY JUDGMENTS

Unit-of-production method of depreciation/amortisation

The Group uses the unit-of-production basis when depreciating/amortising life of mine specific assets which results in a depreciation/amortisation charge proportionate to the depletion of the anticipated remaining life of mine production. Each asset's economic life, which is assessed annually, has due regard for both its physical life limitations and to present assessments of economically recoverable mine plan of the mine property at which it is located. These calculations require the use of estimates and assumptions.

3. EXPENSES

	Consolidated	
	2017 $'000	**2016 $'000**
Share-based payments expense		
Employees/service providers	1,188	2,305
Directors	329	1,296
Share-based payments expense recognised in the statement of comprehensive income	**1,517**	**3,601**

SHARE-BASED PAYMENTS

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

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

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

	Consolidated	
	2017 $'000	**2016 $'000**
Finance costs		
Interest	2,132	74
Borrowing costs	553	275
Unwinding on discount of rehabilitation provision	483	1,294
Total	**3,168**	**1,643**

3. EXPENSES (CONT'D)

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed as part of finance costs in the period incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

UNWINDING OF DISCOUNT ON PROVISIONS

The unwinding of discount on provisions represents the cost associated with the passage of time. Rehabilitation provisions are recognised at the discounted value of the present obligation to restore, dismantle and rehabilitate each mine site with the increase in the provision due to the passage of time being recognised as a finance cost in accordance with the policy described in note 26.

4. OTHER INCOME

		Consolidated	
	Note	**2017 $'000**	**2016 $'000**
Other income			
- interest revenue		298	232
- research and development tax rebate		-	137
- other income		19	5
Total		**317**	**374**

Accounting Policies

OTHER INCOME

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

5. TREASURY GAINS AND LOSSES

		Consolidated	
	Note	**2017 $'000**	**2016 $'000**
Treasury – realised gain/(loss)			
- hedge premium income		6,328	-
- gain on fair value of derivative financial asset		-	1,534
- diminution in fair value of derivative financial assets		(19)	(981)
Total		**6,309**	**553**
Treasury – unrealised gain/(loss)			
Unrealised gain on forward contracts	8	1,269	-
Gain/(loss) on financial assets		(9)	10
Total		**1,260**	**10**

6. INCOME TAX

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
The components of the tax expense/(income) comprise:			
Current tax		-	-
Deferred tax		-	-
Total		-	-

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

Net loss before income tax		(6,844)	(8,009)
Prima facie tax on loss from ordinary activities before income tax at 30% (2016: 30%)		(2,053)	(2,403)
Add the tax effect of:			
Non-deductible expenses		513	1,385
Non-assessable income		-	(501)
Effect of current year temporary differences not recognised		(6,283)	(3,160)
Effect of current year tax losses not recognised		7,823	4,679
Income tax expense		**-**	**-**

(b) Unrecognised deferred tax assets and liabilities

Deferred tax asset not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in above occur.

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Income tax losses		18,814	11,295
Borrowing costs		171	135
Cash and cash equivalents		6	-
Equity raising costs		1,221	549
Provisions, accruals and other payables		7,863	75
Exploration and development expenditure		(3,199)	(6,832)
Financial assets		(381)	(6)
Fixed assets and mine properties		(16,033)	-
Investments in listed shares		-	(3)
Trade and other receivables		(3)	-
Deferred tax assets which have not been recognised		8,459	5,213

The directors have considered it prudent not to bring to account the deferred tax asset of income tax losses until it is probable of deriving assessable income of a nature and amount to enable such benefit to be realised.

(c) Tax losses

The Group has estimated revenue losses for which no deferred tax asset is recognised in the balance sheet of $62,714,000 (2016: $37,650,000) which are available indefinitely for offset against future taxable income subject to meeting the relevant statutory tests.

The Group has estimated capital losses for which no deferred tax asset is recognised in the statement of financial position of nil (2016: $521,000).

6. INCOME TAX (CONT'D)

Accounting Policies

INCOME TAX

The income tax expense/benefit for the year comprises current income tax expense/benefit and deferred tax expense/benefit.

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

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

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

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

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

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

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

7. EARNINGS PER SHARE

	Consolidated	
	2017 $'000	2016 $'000
(Loss) after income tax for the year	(6,844)	(8,009)

	No. of Shares ('000s)	No. of Shares ('000s)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted EPS:	299,513	214,559

Accounting Policies

EARNINGS PER SHARE

Basic earnings per share

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

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

8. PHYSICAL GOLD DELIVERY COMMITMENTS

	Gold for physical delivery		Contracted gold sale price		Value of committed sales		Mark-to-market[(i)]	
	2017	2016	2017	2016	2017	2016	2017	2016
Open contracts	**Ounces**	**Ounces**	**$/oz**	**$/oz**	**$'000**	**$'000**	**$'000**	**$'000**
Within one year								
- Spot deferred contracts	7,120	-	1,703	-	12,124	-	626	-
- Fixed forward contracts	28,203	20,000	1,649	1,701	46,494	34,015	643	(1,529)
	35,323	**20,000**			**58,618**	**34,015**	**1,269**	**(1,529)**

(i) Mark-to-market represents the value of the open contracts at balance date, calculated with reference to the gold spot price at that date. A negative amount reflects a valuation in the counterparty's favour.

Accounting Policies

GOLD FORWARD CONTRACTS

As part of the risk management policy, the Group enters into gold forward contracts to manage the gold price of a proportion of anticipated gold sales. The counterparty of the gold forward contracts is MKS (Switzerland) S.A.

9. OPERATING SEGMENT INFORMATION

The Group has one reportable segment which is gold production for the year ended 30 June 2017 (exploration was the sole segment for the year ended 30 June 2016). The Chief Operating Decision Maker ('CODM') is the Board of Directors and the Executives. There is currently one operating segment identified, being the operating of the of the Matilda/Wiluna Gold Operation based on internal reports reviewed by the Chief Operating Decision Maker in assessing performance and allocation of resources.

Accounting Policies

OPERATING SEGMENTS

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

10. DIVIDENDS PAID OR PROVIDED FOR

There were no dividends paid or provided for during the year (2016: Nil).

Accounting Policies

DIVIDENDS

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Production and growth assets

Included in this section is relevant information about recognition, measurement, depreciation, amortisation and impairment considerations of the core producing and growth (exploration and evaluation) assets of the Group.

11. PLANT AND EQUIPMENT

	Consolidated						
	Plant & Equipment $'000	Motor Vehicles $'000	Furniture & Equipment $'000	Buildings & Infrastructure $'000	Tails Dam $'000	Capital WIP $'000	Total $'000
Net carrying amount at 1 July 2016	**2,352**	**308**	**288**	**4**	**-**	**194**	**3,146**
Additions	-	-	-	-	-	7,174	7,174
Depreciation expense	(892)	(124)	(147)	(170)	(130)	-	(1,463)
Transfers between classes	1,715	536	279	1,786	-	(4,316)	-
Transfers from mine properties – areas in development	30,455	-	479	6,057	4,266	-	41,257
Other	(180)	-	-	-	-	-	(180)
Disposals	-	(12)	-	-	-	-	(12)
Net carrying amount at 30 June 2017	**33,450**	**708**	**899**	**7,677**	**4,136**	**3,052**	**49,922**
At 30 June 2017							
Cost	34,434	857	1,074	7,847	4,266	3,052	51,530
Accumulated depreciation	(984)	(149)	(175)	(170)	(130)	-	(1,608)
Net carrying amount	**33,450**	**708**	**899**	**7,677**	**4,136**	**3,052**	**49,922**
Net carrying amount at 1 July 2015	**2,327**	**26**	**-**	**-**	**-**	**-**	**2,353**
Additions		49	45	-	-	743	837
Depreciation expense	(2)	(26)	(14)	-	-	-	(42)
Transfers between classes	27	259	259	4	-	(549)	-
Disposals	-	-	(2)	-	-	-	(2)
Net carrying amount at 30 June 2016	**2,352**	**308**	**288**	**4**	**-**	**194**	**3,146**
At 30 June 2016							
Cost	2,364	336	316	4	-	194	3,214
Accumulated depreciation	(12)	(28)	(28)	-	-	-	(68)
Net carrying amount	**2,352**	**308**	**288**	**4**	**-**	**194**	**3,146**

PLANT AND EQUIPMENT SECURED UNDER FINANCE LEASES

Refer to note 18 for further information on plant and equipment secured under finance leases.

11. PLANT AND EQUIPMENT (CONT'D)

Accounting Policies

PLANT AND EQUIPMENT

Plant and equipment is carried at historical cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

Gains and losses on disposals of plant and equipment are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

12. MINE PROPERTIES – AREAS IN PRODUCTION

		Consolidated		
2017	**Note**	**Mine Properties $'000**	**Stripping Activity Asset $'000**	**Total $'000**
Cost		94,709	6,687	101,396
Less amortisation		(12,332)	(1,201)	(13,533)
		82,377	**5,486**	**87,863**
Balance at 1 July		-	-	
Transferred from mine properties – areas in development	13	54,109	-	54,109
Borrowing costs capitalised		2,302	-	2,302
Additions		9,217	6,687	15,904
Transferred from exploration and evaluation expenditure	14	28,299	-	28,299
Rehabilitation provision adjustment	26	54	-	54
Amortisation charged to costs of production		-	(1,201)	(1,201)
Amortisation during production		(11,604)	-	(11,604)
Balance at 30 June		**82,377**	**5,486**	**87,863**

Accounting Policies

MINE PROPERTIES – AREAS IN PRODUCTION

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

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

Amortisation is charged using the units-of-production method, with separate calculations being made for each area of interest. The units-of-production basis results in an amortisation charge proportional to the estimated mine inventory (consistent with the Life of Mine plan). Development properties are tested for impairment in accordance with the policy on impairment of assets.

Stripping activity asset

Once access to the ore is attained, all waste that is removed from that point forward is considered production stripping activity. The amount of production stripping costs deferred is based on the extent to which the current strip ratio of ore mined exceeds the life of mine strip ratio of the identified component. A component is defined as a specific volume of the ore body that is made more accessible by the stripping activity, and is identified based on the mine plan.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of the ore body. The production stripping asset is then carried at cost less accumulated amortisation and any impairment losses.

12. MINE PROPERTIES – AREAS IN PRODUCTION (CONT'D)

The production stripping asset is amortised over the expected useful life of the identified component (determined based on economically recoverable mine plan), on a unit-of-production basis. The unit of account is tonnes of ore mined.

KEY JUDGMENTS

Unit-of-production method of depreciation/amortisation

The Group uses the unit-of-production basis when depreciating/amortising life of mine specific assets which results in a depreciation/amortisation charge proportionate to the depletion of the anticipated remaining life of mine production. Each asset's economic life, which is assessed annually, has due regard for both its physical life limitations and to present assessments of economically recoverable mine plan of the mine property at which it is located. These calculations require the use of estimates and assumptions.

Determination of mineral resources, ore reserves and mine plan

The determination of mineral resources and ore reserves impacts the accounting for asset carrying values. The Group estimates its mineral resources and ore reserves in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 (the "JORC" Code). The information on mineral resources and ore reserves was prepared by or under the supervision of Competent Persons as defined in the JORC Code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and the mine plan and may ultimately result in reserves and mine plan being restated.

Stripping asset

The Group capitalises stripping costs incurred during the development and production phase of mining. As a result, the Group distinguishes between the production stripping that relates to the extraction of inventory and that which relates to the stripping asset.

The Group has identified its production stripping for each surface mining operation it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Judgement is required to identify and define these components, and also to determine the expected volumes of waste to be stripped and ore to be mined in each of these identified components.

These assessments are undertaken for each individual identified component based on life of mine strip ratio. Judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each identified component. Changes in the expected strip ratio is accounted for prospectively from the date of change.

13. MINE PROPERTIES – AREAS IN DEVELOPMENT

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Balance at 1 July		40,083	-
Pre-production expenditure capitalised, net of gold sales		28,939	1,710
Transferred to mine properties – areas in production	12	(54,109)	-
Construction expenditure capitalised		26,344	14,914
Transferred to plant and equipment	11	(41,257)	-
Other additions		1,206	-
Borrowing costs capitalised		-	2,019
Transferred from exploration and evaluation expenditure	14	-	17,642
Rehabilitation provision adjustment	26	-	3,798
Balance at 30 June		**1,206**	**40,083**

Accounting Policies

MINE PROPERTIES – AREAS IN DEVELOPMENT

Mine properties under development represent the costs incurred in preparing mines for production and includes plant and equipment under construction and operating costs incurred before production commences. These costs are capitalised to the extent they are expected to be recouped through the successful exploitation of the related mining leases. Once production commences, these costs are transferred to property, plant and equipment and mine properties, as relevant, and are depreciated and amortised using the units-of-production method based on the mine inventory to which they relate or are written off if the mine property is abandoned.

KEY JUDGMENTS

Production start date

The Group assesses the stage of each mine under construction to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the mine and the processing plant is substantially complete and ready for its intended use. At this time, any costs capitalised to 'mine properties – areas in development' are reclassified to 'mine properties – areas in production' and 'property, plant and equipment'. Some of the criteria will include, but are not limited, to the following:

- availability of the plant;
- completion of a reasonable period of testing of the mine plant and equipment;
- ability to produce metal in saleable form (within specifications); and
- ability to sustain ongoing production of metal at commercial rates of production.

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs that qualify for capitalisation relating to mine asset additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

14. EXPLORATION AND EVALUATION EXPENDITURE

		Consolidated	
	Note	2017 $'000	2016 $'000
Reconciliation of movements during the year			
Balance at 1 July		26,608	31,832
Exploration expenditure capitalised during the year		12,945	13,598
Transferred to mine properties – areas in production	12	(28,299)	-
Transferred to mine properties – areas in development	13	-	(17,642)
Written off during the year		(592)	(1,180)
Balance at 30 June		**10,662**	**26,608**

Accounting Policies

EXPLORATION AND EVALUATION EXPENDITURE

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

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

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

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

KEY JUDGMENTS

Exploration and evaluation expenditure

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

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

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

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

EXPLORATION EXPENDITURE COMMITMENTS

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

	Consolidated	
	2017 $'000	2016 $'000
Within one year	3,365	2,366

15. IMPAIRMENT OF ASSETS

The carrying values of non-current assets are reviewed for impairment when indicators of impairment exist or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit ('CGU') to which the asset belongs and where the carrying values exceed the estimated recoverable amount, the assets or CGU are written down to their recoverable amount.

The recoverable amount of an asset is the greater of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The relevant CGU for Blackham Resources Limited is the Matilda/Wiluna Gold Mine.

DETERMINATION OF MINERAL RESOURCES AND ORE RESERVES

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates, deferred stripping costs and provisions for decommissioning and restoration. The information in this report as it relates to ore reserves, mineral resources or mineralisation is reported in accordance with the AusIMM "Australian Code for reporting of Identified Mineral Resources and Ore Reserves". The information has been prepared by or under supervision of competent persons as identified by the Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation which may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs, ore grades and/or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

IMPAIRMENT OF MINE PROPERTIES, PLANT AND EQUIPMENT

The future recoverability of capitalised mine properties and plant and equipment is dependent on a number of key factors including; gold price, discount rates used in determining the estimated discounted cash flows of CGUs, foreign exchange rates, the level of proved and probable reserves and measured, indicated and inferred mineral resources, the estimated value of unmined inferred mineral properties included in the determination of fair value less cost to dispose ('fair value'), future technological changes which could impact the cost of mining, and future legal changes (including changes to environmental restoration obligations).

Fair value is estimated based on discounted cash flows using market based commodity price and exchange assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, based on CGU life of mine ('LOM') plans. Consideration is also given to analysts' valuations, and the market value of the Company's securities. The fair value methodology adopted is categorised as Level 3 in the fair value hierarchy. When LOM plans do not fully utilise existing mineral properties for a CGU, and options exist for the future extraction and processing of all or part of those resources, an estimate of the value of mineral properties is included in the determination of fair value. The Group considers this valuation approach to be consistent with the approach taken by market participants.

The Group has estimated its unmined resource values based on a dollar value per gold equivalent ounce basis, taking into account a range of factors although principally the current market rate for similar resources. However, where the value per ounce from the reserves/resources included in the CGU's discounted cash flow model (i.e. in the LOM) is less than this market rate determination, the lower value per ounce from the CGU's discounted cash flow model is used when calculating that CGU's value of unmined ounces. Where appropriate, the value per ounce is also discounted accordingly for any future costs which would be required to exploit the in-situ resources.

In determining the fair value of CGUs, future cash flows were discounted using rates based on the Group's estimated weighted average cost of capital. When it is considered appropriate to do so, an additional premium is applied with regard to the geographic location and nature of the CGU. Life of mine operating and capital cost assumptions are based on the Group's latest budget and LOM plans. Operating cost assumptions reflect the expectation that costs will, over the long term, have a degree of positive correlation to the prevailing commodity price and exchange rate assumptions.

15. IMPAIRMENT OF ASSETS (CONT'D)

KEY ASSUMPTIONS FOR THIS REVIEW:

Gold price (A$ per ounce): A$1,570/oz – A$1,730/oz.

Commodity prices are estimated with reference to external market forecasts. The rates applied to the valuation have regard to observable market data.

Discount rate % (post tax): 8%-14%

In determining the fair value the CGU, the future cash flows were discounted using rates based on the Blackham's estimated real weighted average cost of capital, with an additional premium applied having regard to the geographic location of the CGU (where applicable).

Value of unmined resources ($A per ounce) is the lower of:
- A$55/oz, and;
- the value per ounce of the gold ounces in the discounted cash flow model of the CGU at the respective gold price and discount rate ranges.

Operating and capital costs:
Life-of-mine operating and capital cost assumptions are based on the Group's latest budget and life-of-mine plans. Operating cost assumptions reflect the expectation that costs will, over the long term, have a degree of positive correlation to the prevailing commodity price and exchange rate assumptions.

Sensitivity analysis
Any variation in the key assumptions used to determine fair value would result in a change of the assessed fair value. It is estimated that changes in the key assumptions would have the following approximate impact on the fair value of the CGU that has been subject to impairment testing:

	Increase $'000	Decrease $'000
Change of:		
Gold price by 2.5%	30,000	(29,500)
Discount rate by 2%	(20,500)	23,500
Value of unmined resources by 2.5%	6,000	(5,000)

Changes in the specific assumptions above are assumed to move in isolation, while all other assumptions are held constant.

Cash, debt and capital

This section outlines how the Group manages its cash, capital, related financing costs and its exposure to various financial risks. It explains how these risks affect the Group's financial position and performance and what the Group does to manage these risks.

16. CASH AND CASH EQUIVALENTS

Accounting Policies

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits available on demand with banks and other short-term highly liquid investments with original maturities of three months or less.

	Consolidated	
	2017 $'000	**2016 $'000**
Cash and cash equivalents in the statement of financial position and statement of cash flows		
Cash at bank and on hand	9,970	16,442
Short-term deposits	8,500	15,500
Total	**18,470**	**31,942**

	Consolidated	
	2017 $'000	**2016 $'000**
Reconciliation of loss after income tax to the net cash flow from operating activities		
Loss after income tax	**(6,844)**	**(8,009)**
Adjustments for		
Depreciation and amortisation	13,191	42
Equity based payments	1,517	3,601
Treasury – unrealised (gain)/loss	(1,241)	(563)
Profit on disposal of fixed asset	(10)	-
Interest	-	54
Non-capital exploration expenditure	830	1,180
Unwinding of discount on rehabilitation provision	483	1,294
Impairment	-	2
Finance costs	1,066	368
Other	-	(5)
Changes in net assets and liabilities		
Receivables	(1,419)	2
Inventories	(2,504)	-
Provisions	107	17
Payables	19,499	15
Net cash inflow/(outflows) from operating activities	**24,675**	**(2,002)**

	Consolidated	
	2017 $'000	**2016 $'000**
Non-cash investing and financing activities		
Acquisition of plant and equipment by means of finance lease	269	345

17. GOLD BULLION AWAITING SETTLEMENT

	Consolidated	
	2017 $'000	2016 $'000
Current		
Gold bullion awaiting settlement	1,191	-

At balance date, gold bullion awaiting settlement comprised 1,313 ounces valued at a weighted average realisable value of $1,534/oz (2016: nil).

Accounting Policies

GOLD BULLION AWAITING SETTLEMENT

Bullion awaiting settlement comprises gold that has been received by the refiner prior to period end but which has not yet been delivered into a sale contract. Gold bullion awaiting settlement is initially recognised at the expected selling price and adjustments for variations in the gold price are made at the time of final settlement, which is within a matter of days.

Due to the short-term nature of the bullion awaiting settlement, the carrying value is assumed to approximate fair value. The maximum exposure to credit risk is the fair value.

18. INTEREST-BEARING LIABILITIES

	Consolidated	
	2017 $'000	2016 $'000
Current interest-bearing liabilities		
Secured loan – non-amortising, including interest payable	16,063	-
Finance lease liabilities	177	94
	16,240	**94**
Non-current interest-bearing liabilities		
Secured loan – non-amortising, including interest payable	-	14,272
Secured loan – project finance facility, including interest payable	23,000	15,016
Finance lease liabilities	383	289
	23,383	**29,577**

Accounting Policies

BORROWINGS AND BORROWING COSTS

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

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

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

LEASES

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

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

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

18. INTEREST-BEARING LIABILITIES (CONT'D)

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

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

INTEREST-BEARING LIABILITIES

SECURED LOANS – ORION FUND JV LIMITED ("ORION")

At balance date, the Group had $16.1 million (2016: $14.3 million) outstanding on the non-amortising term loan, which included $3.1 million of accrued interest (2016: $1.3 million), having a maturity repayment date of 31 December 2017, secured against the Group's assets. The non-amortising loan attracted an interest rate of 12% per annum in the current year (2016: 12%).

The final proceeds of $8 million were received in September 2016.

At balance date, the Group had $23 million (2016: $15 million) outstanding on the project financing facility, secured against the Group's assets, having repayment dates of:

- $7,600,000 on 30 September 2018
- $7,600,000 on 30 November 2018
- $7,800,000 on 28 February 2019

The project financing facility attracted an interest rate of 10% per annum in the current year (2016: 10%).

The Group has entered into a general security deed to secure the Group's obligations under the relevant documents encompassing the Orion Funding Facility. The securities granted to Orion will rank first and have priority over all other indebtedness of the Group. Additionally, obligations under a gold offtake agreement, with a related company of Orion, will also be secured under the general security deed up until the repayment of all amounts owing.

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

FINANCE LEASE LIABILITIES

During the year, the Group entered into hire purchase agreements for the acquisition of computers and mobile equipment which had a written down value of $581,708 at 30 June 2017 (2016: $294,103). The agreements incorporate a fixed rate between of 2% and 5%, monthly repayments and expiry dates between June 2019 and July 2021. Finance lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position revert to the lessor in the event of default.

FINANCING ARRANGEMENTS

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

	Consolidated	
	2017 $'000	**2016 $'000**
Unused at the reporting date		
Secured loan – non-amortising	-	-
Secured loan – project finance facility	-	8,000

19. FINANCIAL ASSETS

		Consolidated	
	Note	2017 $'000	2016 $'000
Derivative financial asset		1,269	19
Other		9	18
Total		**1,278**	**37**

Gold forward contracts have been marked-to-market at 30 June 2017 as per note 8.

Accounting Policies

FINANCIAL ASSETS

Financial assets are initially recognised at fair value, plus transaction costs that are directly attributable to its acquisition and subsequently measured at amortised costs or fair value depending on the business model for those assets and the contractual cash flow characteristics.

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

20. FINANCIAL RISK MANAGEMENT

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

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

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

MARKET RISK

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

Interest rate risks

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

Sensitivity analysis

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

20. FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate sensitivity analysis

At 30 June 2017, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	Consolidated	
	2017 $'000	**2016 $'000**
Change in loss/equity		
Increase in interest rate by 100 basis points	154	249
Decrease in interest rate by 100 basis points	(154)	(249)

CREDIT RISK

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

Credit risk related to balances with banks and other financial institutions is managed by the Board. The Board's policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least A+. All of the Group's surplus funds are invested with AA and A+ Rated financial institutions.

LIQUIDITY RISK

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

Financing arrangements

Refer to note 18 for the analysis of unused borrowing facilities at reporting date.

Remaining contractual maturities

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

2017	**Weighted average interest rate %**	**1 years or less $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Remaining contractual maturities $'000**
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	36,015	-	-	-	36,015
Interest-bearing – fixed rate						
Secured loan – non-amortising	12.0%	16,063	-	-	-	16,063
Secured loan – project finance facility	10.0%	-	23,000	-	-	23,000
Finance lease liability		177	177	206	-	560
Total non-derivatives		**52,255**	**23,177**	**206**	**-**	**75,638**

20. FINANCIAL RISK MANAGEMENT (CONT'D)

2016	Weighted average interest rate %	1 years or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	16,419	-	-	-	16,419
Interest-bearing – fixed rate						
Secured loan – non-amortising	12.0%	-	17,050	-	-	17,050
Secured loan – project finance facility	10.0%	1,517	1,500	15,668	-	18,685
Finance lease liability	3.5%	94	94	195	-	383
Total non-derivatives		**18,030**	**18,644**	**15,863**	**-**	**52,537**

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

FAIR VALUE MEASUREMENTS

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

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

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

FAIR VALUE HIERARCHY

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

- **LEVEL 1**
  Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- **LEVEL 2**
  Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- **LEVEL 3**
  Measurements based on unobservable inputs for the asset or liability.

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

VALUATION TECHNIQUES

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

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

20. FINANCIAL RISK MANAGEMENT (CONT'D)

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

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

	30 June 2017			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Financial assets at fair value through profit or loss:				
- held-for-trading Australian listed shares	9	-	-	9
- gold forward contracts	-	1,269	-	1,269

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

There were no transfers between levels during the financial year.

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

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

Accounting Policies

FAIR VALUE MEASUREMENT

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

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

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

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

20. FINANCIAL RISK MANAGEMENT (CONT'D)

FINANCIAL INSTRUMENTS

RECOGNITION AND INITIAL MEASUREMENT

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

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

CLASSIFICATION AND SUBSEQUENT MEASUREMENT

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

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

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

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

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

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

(ii) *Loan and receivables*

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

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

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

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

20. FINANCIAL RISK MANAGEMENT (CONT'D)

(iv) *Available-for-sale financial assets*

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

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

(v) *Financial liabilities*

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

DERECOGNITION

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

21. ISSUED CAPITAL

	Consolidated	
	2017 $'000	**2016 $'000**
Ordinary shares – issued and fully paid	109,960	52,356

	Number ('000s)	**$'000**
Movement in ordinary shares on issue		
On issue at 1 July 2015	198,384	31,564
Issued on exercise of options	7,082	1,529
Issued on conversion of performance rights	1,500	-
Placement	45,665	20,352
Issued in lieu of payment	636	157
Transaction costs	-	(1,246)
On issue at 30 June 2016	**253,267**	**52,356**
At 1 July 2016	253,267	52,356
Issued on exercise of options	4,365	1,070
Issued on conversion of performance rights	4,750	-
Placement	76,471	60,000
Issued in lieu of payment	75	61
Transaction costs	-	(3,527)
On issue at 30 June 2017	**338,928**	**109,960**

Accounting Policies

ISSUED CAPITAL

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

ORDINARY SHARES

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

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

CAPITAL RISK MANAGEMENT

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

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

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

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

22. RESERVES

	Consolidated	
	Number ('000s)	$'000
Share-based payments reserve consists of:		
Share options	29,192	4,428
Performance rights	4,150	1,882
	33,342	**6,310**
Balance at 1 July 2015	18,195	1,451
Options expired	(1,468)	(145)
Options issued	23,986	2,363
Options exercised	(7,081)	-
Performance rights issued	10,000	1,185
Performance rights converted	(1,500)	-
Balance at 30 June 2016	**42,132**	**4,854**
Balance at 1 July 2016	42,132	4,854
Options expired	(2,400)	-
Options issued	2,425	759
Options exercised	(4,365)	-
Options forfeited	(100)	-
Performance rights issued	400	697
Performance rights converted	(4,750)	-
Balance at 30 June 2017	**33,342**	**6,310**

Accounting Policies

SHARE-BASED PAYMENT RESERVES

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

Operating assets and liabilities

This section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in the capital structure and finance costs section.

Accounting Policies

CURRENT AND NON-CURRENT CLASSIFICATION

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

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

All other assets are classified as non-current.

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

All other liabilities are classified as non-current.

Deferred tax assets and liabilities, when recognised, are classified as non-current.

23. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2017 $'000	**2016 $'000**
Current		
GST receivable	1,070	747
Fuel tax credit receivable	96	114
Trade debtors	5	78
Other debtors	209	98
Bank guarantees (restricted cash)	267	-
Total	**1,647**	**1,037**
Non-current		
Bank guarantees (restricted cash)	350	-
Total	**350**	**-**

Accounting Policies

TRADE AND OTHER RECEIVABLES

Trade receivables are generally due for settlement within 30 days and therefore are classified as current assets. Due to the short-term nature of current receivables, their carrying value is materially the same as their fair value.

GOODS AND SERVICES TAX

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

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

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

24. INVENTORIES

	Consolidated	
	2017 $'000	2016 $'000
Current		
Consumable stores	1,521	149
Ore stockpiles – at cost	7,163	-
Ore stockpiles – at net realisable value	753	-
Gold in circuit – at net realisable value	3,367	-
Total current	**12,804**	**149**
Non-current		
Ore stockpiles – at cost	1,504	1,572

(a) Amounts recognised in profit or loss

Write-downs of inventories to net realisable value amounted to $1.9 million (2016: nil). These were recognised as an expense during the year ended 30 June 2017 and included in "cost of goods sold".

Accounting Policies

INVENTORY

Gold bullion, gold in circuit and ore stockpiles are physically measured or estimated and valued at the lower of cost and net realisable value. Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting ore into gold bullion. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling the final product, including royalties.

Consumable stores are valued at the lower of cost and net realisable value. The cost of consumable stores is measured on an average basis.

Inventories expected to be sold (or consumed in the case of stores) within 12 months after the reporting date are classified as current assets, all other inventories are classified as non-current.

KEY JUDGMENTS

Inventories

Ore stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained gold ounces based on assay data, and the estimated processing plant metal recovery percentage. Stockpile tonnages are verified by periodic surveys.

25. TRADE AND OTHER PAYABLES

	Consolidated	
	2017 $'000	2016 $'000
Current		
Trade payables	22,417	7,663
Accrued expenses	12,504	7,595
Other creditors	657	1,029
Annual leave payable	437	132
Total	**36,015**	**16,419**

Accounting Policies

TRADE AND OTHER PAYABLES

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

25. TRADE AND OTHER PAYABLES (CONT'D)

ANNUAL LEAVE

A liability is recognised for the amount expected to be paid to an employee for annual leave they are presently entitled to as a result of past service. The liability includes allowances for on-costs such as superannuation and payroll taxes, as well as any future salary and wage increases that the employee may be reasonably entitled to.

DEFINED CONTRIBUTION SUPERANNUATION EXPENSE

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

26. PROVISIONS

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Non-Current			
Long service leave		22	-
Rehabilitation		24,912	24,375
Balance at 30 June		**24,934**	**24,375**
Provision for rehabilitation			
Balance at 1 July		24,375	19,283
Provisions re-measured during the year	12, 13	54	3,798
Unwinding of discount	3	483	1,294
Balance at 30 June		**24,912**	**24,375**

The provision for mine rehabilitation and closure on acquired tenements has been recognised at 30 June 2017. The provision is based on the net present value of the current life of mine model.

Accounting Policies

PROVISIONS

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

LONG SERVICE LEAVE

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service up to reporting date, plus related on costs. The benefit is discounted to determine its present value and the discount rate is the yield at the reporting date on high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

KEY JUDGMENTS

Site rehabilitation

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

Other disclosures

27. SHARE-BASED PAYMENTS

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

SUMMARY OF OPTIONS GRANTED

The following table illustrates the number ('No.') and weighted average exercise prices ('WAEP') of, and movements in, share options issued under the Employee Option Plan during the year:

	2017		2016	
	No.	WAEP	No.	WAEP
At beginning of reporting period	33,631,667	0.248	18,195,000	0.275
Granted during the period:				
- Employees and service providers	2,425,000	0.737	22,986,667	0.214
- Directors	-	-	1,000,000	0.361
Forfeited during the period	(100,000)	0.256	-	-
Exercised during the period	(4,365,000)	0.249	(7,081,578)	0.219
Expired during the period	(2,400,000)	0.298	(1,468,422)	0.287
Balance the end of reporting period	**29,191,667**	**0.285**	**33,631,667**	**0.248**
Exercisable at end of reporting period	**27,541,667**	**0.273**	**30,161,667**	**0.243**

		2017	2016
Weighted average remaining contractual life	**years**	0.6 years	1.4 years
Range of exercise prices	**$**	$0.180 – 1.000	$0.122 – 0.500
Weighted average fair value of employee and service providers' options granted during the year	**$**	0.325	$0.100
Weighted average fair value of directors options granted during the year	**$**	n/a	$0.175

OPTION PRICING MODEL

The following table lists the inputs to the Black-Scholes pricing models used for the year ended 30 June 2017:

Allottee	Number of options	Fair value at grant date per option $	Estimated volatility %	Life of option (years)	Exercise price $	Share price at grant date $	Risk free interest rate
Service providers	175,000	$0.449	90%	3	$0.910	$0.815	1.58%
Employees	400,000	$0.604	90%	2	$0.570	$0.975	1.46%
Employees	200,000	$0.667	90%	3	$0.570	$0.975	1.42%
Employees	300,000	$0.405	90%	1.5	$0.510	$0.750	1.66%
Service providers	1,000,000	$0.164	90%	2.5	$1.000	$0.465	1.90%
Service providers	350,000	$0.142	90%	3	$0.382	$0.280	1.66%

27. SHARE-BASED PAYMENTS (CONT'D)

SUMMARY OF PERFORMANCE RIGHTS GRANTED

The following table illustrates the number (No.) of, and movements in, performance rights issued under the Employee Option Plan during the year:

	2017 No.	2016 No.
At beginning of reporting period	8,500,000	-
Granted during the period:		
- Employees and service providers	400,000	-
- Directors	-	10,000,000
Forfeited during the period	-	-
Exercised during the period	(4,750,000)	(1,500,000)
Expired during the period	-	-
Balance the end of reporting period	**4,150,000**	**8,500,000**

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Allottee	Grant date	Number of performance rights	Share price at grant date $	Fair value at grant date $
Employees	12 August 2016	400,000	$0.975	$390,000

		2017	2016
Weighted average remaining contractual life	**years**	0.6 years	1.5 years
Range of exercise prices	**$**	nil	nil
Weighted average fair value of employee and service providers performance rights granted during the year	**$**	0.975	n/a
Weighted average fair value of directors performance rights granted during the year	**$**	n/a	$0.165

KEY ESTIMATES

Equity-based payments

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

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

28. RELATED PARTIES

KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation included in employee benefits expense and share-based payments (note 27) is as follows:

	Consolidated	
	2017 $'000	2016 $'000
Short-term employee benefits	1,545	848
Long-term employee benefits	1	-
Post employment benefits	71	4
Share-based payments	1,052	1,296
Termination benefits	24	-
Total compensation	**2,693**	**2,148**

CONTROLLED ENTITIES

The consolidated financial statements include the assets, liabilities and results of the following wholly-owned subsidiaries:

			% Entity Interest	
Name of controlled entity	**Country of incorporation**	**Consolidated entity company holding the investment**	**2017**	**2016**
Scaddan Energy Pty Ltd	Australia	Blackham Resources Limited	100%	100%
Zanthus Energy Pty Ltd	Australia	Scaddan Energy Pty Ltd	100%	100%
Lignite Pty Ltd	Australia	Scaddan Energy Pty Ltd	100%	100%
Matilda Gold Pty Ltd	Australia	Blackham Resources Limited	100%	100%
Kimba Resources Pty Ltd	Australia	Matilda Gold Pty Ltd	100%	100%
Matilda Operations Pty Ltd	Australia	Matilda Gold Pty Ltd	100%	100%

A controlled entity, Scaddan Energy Pty Ltd, has a 70% (2016: 70%) beneficial interest in the Scaddan Joint Venture whose prime activity is mineral exploration.

PARENT ENTITY

Blackham Resources Limited is the parent entity of the Group.

TRANSACTIONS WITH RELATED ENTITIES

ORION

The following fees were paid to Orion in relation to the Facility Agreement (refer note 18):

- $300,000 discount fee on $8 million project finance facility drawdown (2016: $630,000)
- $3,957,000 interest expense on the project finance facility during the year (2016: nil)

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

XAVIER GROUP PTY LTD ("XAVIER")

Mr Milan Jerkovic is an officer of Xavier, a company who provides consulting services to the Group. During the year, Xavier was paid $152,500 (2016: $54,000) for consulting services provided to the Group. $24,000 (2016: $25,000) was outstanding at balance date.

LOANS TO/ FROM RELATED PARTIES:

There were loans from related parties being Orion, as disclosed in note 18.

29. PARENT ENTITY INFORMATION

The following information is for the parent entity, Blackham Resources Limited, at 30 June 2017. The information presented here has been prepared using consistent accounting policies as detailed in the relevant notes of this report.

	2017 $'000	2016 $'000
Current assets	18,176	32,070
Non-current assets	115,275	31,448
Total assets	**133,451**	**63,518**
Current liabilities	(42,026)	(1,906)
Non-current liabilities	(19)	(29,288)
Total liabilities	**(42,045)**	**(31,194)**
Issued capital	109,960	52,356
Reserves	6,310	4,854
Accumulated losses	(24,864)	(24,886)
Total equity	**91,406**	**32,324**
Total comprehensive profit/(loss) of the parent	**22**	**(5,221)**

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

30. COMMITMENTS

OPERATING LEASES

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

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

	Consolidated	
	2017 $'000	2016 $'000
Not longer than one year	2,154	1,352
Longer than one year, but not longer than five years	6,916	8,065
Longer than five years	-	-
Total	**9,070**	**9,417**

FINANCE LEASES

During the year, the Group entered into hire purchase agreements for the acquisition of motor vehicles. The agreements incorporate a fixed rate between of 2% and 5% (2016: 2.15% and 5%), monthly repayments and expiry dates between January 2019 and July 2021:

	Consolidated	
	2017 $'000	2016 $'000
Not longer than one year	177	94
Longer than one year, but not longer than five years	177	289
Longer than five years	206	-
Total	**560**	**383**
Carrying value of leased assets included in plant and equipment	582	294

30. COMMITMENTS (CONT'D)

CONTRACTUAL COMMITMENTS

On 9 November 2016, the Group entered into an agreement with Synergy for the supply of gas to the Matilda/Wiluna Gold Operation. The terms of this agreement commit the Group to purchasing a minimum amount of gas for the term of the contract. As at 30 June 2017, at the current contract price, the Group had commitments to purchase gas for the remaining term of $689,000 (2016: nil).

On 9 November 2016, the Group entered into agreements with APA, Goldfields Gas Transmission Pty Ltd and DBNGP (WA) Transmission Pty Limited in relation to gas transportation to the Matilda/Wiluna Gold Operation. The terms of the agreements commit the Group to transporting a minimum monthly amount of gas for the term of the contract. As at 30 June 2017, at the current contract prices, the Group had commitments for the use of the pipeline for the remaining term of $2,266,000 (2016: nil).

	Consolidated	
	2017 $'000	**2016 $'000**
Not longer than one year	2,203	-
Longer than one year, but not longer than five years	752	-
Longer than five years	-	-
Total	**2,955**	**-**

CAPITAL COMMITMENTS

Capital commitments relate to the Wiluna plant refurbishment project:

	Consolidated	
	2017 $'000	**2016 $'000**
Committed at the reporting date but not recognised as liabilities payable:		
Plant and equipment	-	14,748

31. CONTINGENT LIABILITIES

CONTINGENT LIABILITIES:

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

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

The Group has given bank guarantees as at 30 June 2017 of $617,000 (2016: Nil) to various suppliers.

32. AUDITORS' REMUNERATION

	Consolidated	
	2017 $'000	**2016 $'000**
Audit services – RSM Australia Partners		
- Auditing or reviewing the financial report	90	45
- Other services	-	-
Total	**90**	**45**

33. SUBSEQUENT EVENTS

On 23 July 2017, the Company realised $2.8 million in cash following the purchase of physical gold ounces at the current reduced spot price to close out a total of 32,139 ounces of forward gold sales contracts at an average price of $1,654/oz.

The funds from the above were subsequently paid to Orion as a voluntary debt pre-payment of the non-amortising loan.

As announced to the ASX on 24 July 2017, the Company issued 400,000 fully paid ordinary shares on the exercise of 400,000 performance rights.

As announced to the ASX on 31 August 2017, the Company has secured a funding arrangement which is underpinned by the ability to draw up to $72,000,000 from The Australian Special Opportunity Fund, a New York-based institutional investor, managed by the Lind Partners. This facility provides the Company with time to choose the optimal funding solution to manage its balance sheet and to fund the Expansion Definitive Feasibility Study.

On 1 September 2017, 3,250,000 fully paid ordinary shares were issued to Lind as collateral that will be credited or returned at the end of the agreement. Lind were also granted 2,000,000 unlisted options exercisable at $0.308 on or before 29 February 2020 and a commencement fee to the value of $200,000 in the form of 732,232 fully paid ordinary shares. Blackham received $1,200,000 on execution as a prepayment for fully paid ordinary shares in early September 2017.

Apart from the above, no event has arisen since 30 June 2017 that would be likely to materially affect the operations of the Group, or the state of affairs of the Group not otherwise disclosed in the Group's financial report.

34. ROUNDING

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

35. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

New standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2017, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. At the date of this report, the Group does not plan to adopt these standards early.

Standard/Interpretation	Description
AASB 9 'Financial Instruments', and the relevant amending standards Effective for annual reporting periods beginning on or after: 1 January 2018 Expected to be initially applied in the financial year ending: 30 June 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 impact of its adoption is yet to be assessed by the Group.
AASB 15 'Revenue from Contracts with Customers' Effective for annual reporting periods beginning on or after:	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,

Standard/Interpretation	Description
1 January 2018 Expected to be initially applied in the financial year ending: 30 June 2018	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 impact of its adoption is yet to be assessed by the Group.
AASB 16 'Leases' Effective for annual reporting periods beginning on or after: 1 January 2019 Expected to be initially applied in the financial year ending: 30 June 2019	The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group doesn't expect that this will have a material impact.

Directors' Declaration

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

1. In the opinion of the directors:

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

      (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

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

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

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2017.

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

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

On behalf of the board

____

Bryan Dixon
Managing Director
Perth, 15 September 2017

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACKHAM RESOURCE LIMITED

Opinion

We have audited the financial report of Blackham Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
Recognition of Revenue - Gold Sales - Refer to Note 1 in the financial statements	
Revenue was considered a key audit matter because it is the most significant account balance in the consolidated statement of comprehensive income and the process of revenue recognition is complex. The complexities in revenue recognition include determination of: • the selling price; • the total ounces of gold sold per sale; and • when risks and rewards have passed to the customer.	Our audit procedures included: • Assessing whether the Group's revenue recognition policies were in compliance with Australian Accounting Standards; • Agreeing on a sample basis the ounces of gold sold to underlying approved production data from the mine site; • Detailed testing of a sample of sales transactions including inspection of the sales contracts in place with customers, checking the foreign currency conversion rate used, and agreeing the selling price to the contract; and • Review of sales transactions before and after year-end to ensure that revenue is recognised in the correct period.
Carrying value of mine properties - Refer to Note 12 and 13 in the financial statements	
The Group holds mine properties with a carrying value of $89.07 million. This asset balance is considered a key audit matter due to the judgment involved in determining the appropriate accounting treatment. Areas of judgment include: • The transfer of the exploration and evaluation asset to mine properties during the year; • Determining the capitalisation of borrowings costs for mine properties under construction; • Application of the units of production method in determining the amortisation charge. This includes determining the appropriate mine reserve estimate and the cost allocation attributable to each asset; and • The recognition and measurement of the deferred stripping asset of $5.4 million, which involves determining the date of commercial production, identifying the components within the ore body being stripped, determining the costs relating to the stripping activity and estimating the stripping ratio over the life of mine.	Our audit procedures included: • Reviewing management's amortisation models, and agreeing key inputs to supporting information. This included an assessment of the work performed by management's expert in respect of the Life of Mine model and the mine reserve estimate, including the competency and objectivity of the expert; • Reviewing management's assessment that the technical feasibility and commercial viability of extracting a mineral resource was demonstrable, and that therefore the existing exploration and evaluation asset should be transferred to mine properties; • Agreeing a sample of the additions, including the transfer of the exploration and evaluation asset to mine properties, during the year to supporting documentation and ensuring that the amounts were capital in nature; and • Assessing whether the recognition of the deferred stripping asset was consistent with the requirements of Interpretation 20: *Stripping Costs in the Production Phase of a Surface Mine,* including the determination of the date of commercial production and the identification of the relevant ore body.

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<table>
<tr><th colspan="2">Impairment of processing plant and mine properties - Refer to Note 11, 12 and 13 in the financial statements</th></tr>
<tr><td>The carrying value of the Group's non-current assets, which includes processing plant and mine properties amounted to $138.99 million at reporting date.

The Group is exposed to volatility in commodity prices and the reduction in production of its operations are factors, which intensify the risk of impairment associated with the Group's non-current assets. The directors have identified that impairment indicators exist at reporting date.

The directors' assessment of the recoverability of these non-current assets is performed using an impairment model which is based on the 'value-in-use' of the cash generating unit ("CGU"). This impairment model is dependent on macro-economic assumptions about future commodity prices and exchange rates as well as the Group's internal assumptions for the future productions level, life of mine and operations costs.

No impairment was recognised for the year ended 30 June 2017.

We determined this area to be a key audit matter due to the significant account balances and the judgement involved in the preparation of the impairment model as discussed above.</td><td>Our audit procedures included:
• Assessing management's determination of allocating the non-current assets to a single CGU based on the nature of the Group's business and the manner in which results are monitored and reported;
• Assessing the appropriateness of the impairment model prepared by management;
• Challenging the reasonableness of key assumptions used in the impairment model, including:
- future production levels and operations costs;
- future commodity prices and exchange rates;
- estimated reserves and resources;
- the discount rate applied; and
- the life of mine;
• Checking the mathematical accuracy of the impairment model and reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets; and
• Assess the adequacy of the impairment disclosures in the financial report.</td></tr>
<tr><th colspan="2">Inventory Valuation and Existence - Refer to Note 24 in the financial statements</th></tr>
<tr><td>The Group's inventory balance of $12.8 million consists primarily of ore stockpiles and gold in circuit. This is considered a key audit matter due to the judgment involved in determining the appropriate carrying value at year end.

Areas of judgment include future estimates of:
• gold prices;
• processing costs;
• ore grades;
• gold production recovery rates; and
• density.</td><td>Our audit procedures included:
• Assessing whether the Group's inventory policies were in compliance with Australian Accounting Standards;
• Verifying the ore stockpile at reporting date by reviewing the survey report provided and reconciling it to the inventory model;
• Reviewing and testing the methodology applied by management in the inventory model, including mathematical accuracy of the model, cost allocation, grade, gold production recovery and physical movement of the ore stockpile and the net recoverable value ("NRV");
• Testing the NRV in the inventory model, including checking the future gold price used with market data, expected processing and selling costs with actual costs incurred; and
• Assessing the competence and objectivity of the management expert used to conduct the physical survey.</td></tr>
</table>

Going Concern - Refer to Basis of Preparation in the Notes to the Financial Statements	
The Group's incurred a net loss of $6.8 million during the year and had net cash outflows from investing activities of $101.8 million. As at 30 June 2017, the Group had net current liabilities of $16.8 million. The directors' have prepared the financial report on a going concern basis. The directors' assessment of the Group's going concern is based on the cash flow budget. This cash flow budget is dependent on macro-economic assumptions about future commodity prices and exchange rates as well as the Group's internal assumptions for the future productions level, life of mine and operations costs. We determined this area to be a key audit matter due to the significant judgement involved in assessing the going concern assumptions as discussed above.	Our audit procedures included: • Assessing the appropriateness and mathematical accuracy of the cash flow budget prepared by management; • Challenging the reasonableness of key assumptions used, including: - future production levels and operations costs; and - future commodity prices and exchange rates. • Critically assessed the directors' reasons of why they believe it is appropriate to prepare the financial report on a going concern basis; and • Assess the adequacy of the going concern disclosures in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2017.

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

Responsibilities

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

RSM

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 15 September 2017

ASX Additional Shareholder Information

SHAREHOLDING

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

Number Held as at 20 October 2017	Fully Paid Ordinary Shares
1 - 1,000	118,007
1,001 - 5,000	2,369,609
5,001 – 10,000	5,158,746
10,001 - 100,000	56,466,454
100,001 and over	285,901,018
Totals	**350,013,834**

The number of holders of less than a marketable parcel of fully paid ordinary shares is 555.

SUBSTANTIAL SHAREHOLDERS

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

Polo Investments Ltd and associated entities	20,650,400

RESTRICTED SECURITIES

The Company has no restricted securities.

VOTING RIGHTS

ORDINARY SHARES

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

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest ordinary fully paid shareholders at 20 October 2017:

Name	Number of Fully Paid Ordinary Shares Held	% Held of Issued Ordinary Capital
J P Morgan Nominees Australia Ltd	57,839,660	16.5
HSBC Custody Nominees (Australia) Ltd	22,609,713	6.7
Citicorp Nominees Pty Ltd	19,217,227	5.5
BNP Paribas Nominees Pty Ltd	13,544,664	3.9
National Nominees Ltd	9,706,858	2.8
Washington H Soul Pattinson and Company	8,000,000	2.3
BNP Paribas Noms Pty Ltd	6,294,106	1.8
Perfectus Management Limited	5,888,495	1.7
Introx Pty Ltd	4,232,776	1.2
Custodial Services Limited	2,827,150	0.8
Kingsreef Pty Ltd	2,489,117	0.7
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd DRP	2,407,435	0.7
Pelzer Holdings Pty Ltd	2,270,115	0.6
Mr Claude Cainero & Mr Hak Hau Kwok	2,097,780	0.6
Warrior Strategic Pty Ltd	1,690,000	0.5
Mr Bernard Pristel	1,580,000	0.4
Mr Deuk Sung Bae & Mrs In Soon Bae	1,533,160	0.4
Mr Terry Brian Dorrell	1,460,000	0.4
Ms Jodie Marwick	1,450,000	0.4
WMG Enterprises Pty Ltd	1,400,000	0.4
Total	**168,538,256**	**48.3**

Schedule of Mineral Tenements & Rights

AS AT 20 OCTOBER 2017

Project	Tenement	Interest held by Blackham
Scaddan	E63/1145 to E63/1146	100%
Scaddan	E63/1202 to E63/1203	100%
Scaddan	M63/0192 to M63/0194	100%
Scaddan	R63/0005	100%
Zanthus	E69/2506	20% of basement rights, 100% above basement
Zanthus	E28/2588	100%
Zanthus	E69/3422	100%
Zanthus	R63/0005	100%
Matilda	E53/1290	100%
Matilda	E53/1297	100%
Matilda	E53/1644	100%
Matilda	E53/1791	100%
Matilda	E53/1794	100%
Matilda	E53/1852	100%
Matilda	L53/0021 to L53/0022	100%
Matilda	L53/0051	100%
Matilda	L53/0062	100%
Matilda	L53/0140	100%
Matilda	M53/0034	100%
Matilda	M53/0041	100%
Matilda	M53/0052 to M53/0054	100%
Matilda	M53/0188	100%
Matilda	M53/0955	100%
Wiluna	E53/1912	100%
Wiluna	E53/1853	100%
Wiluna	E53/1862 to E53/1863	100%
Wiluna	P53/1642 to E53/1646	100%
Wiluna	P53/1666 to E53/1668	100%
Wiluna	M53/0797 to M53/0798	100%
Wiluna	P53/1637	100%
Wiluna	E53/1908	100%
Wiluna	E53/1288	100% of gold and base metal rights
Wiluna	M53/0045	100% of gold and base metal rights
Wiluna	M53/0049	100% of gold and base metal rights
Wiluna	M53/0113	100% of gold and base metal rights
Wiluna	M53/0121 to M53/0123	100% of gold and base metal rights
Wiluna	M53/0147	100% of gold and base metal rights
Wiluna	M53/0224	100% of gold and base metal rights
Wiluna	M53/0253	100% of gold and base metal rights
Wiluna	M53/0796	100% of gold and base metal rights
Wiluna	M53/0910	100% of gold and base metal rights
Wiluna	G53/0018 to G53/0019	100% of gold and base metal rights
Wiluna	G53/0021 to G53/0023	100% of gold and base metal rights
Wiluna	E53/1645	100%
Wiluna	L53/0020	100%
Wiluna	L53/0023 to L53/0024	100%

Project	Tenement	Interest held by Blackham
Wiluna	L53/0030	100%
Wiluna	L53/0032 to L53/0045	100%
Wiluna	L53/0048	100%
Wiluna	L53/0050	100%
Wiluna	L53/0053	100%
Wiluna	L53/0077	100%
Wiluna	L53/0094	100%
Wiluna	L53/0097 to L53/0098	100%
Wiluna	L53/0103	100%
Wiluna	L53/0144	100%
Wiluna	L53/0202	100%
Wiluna	M53/0006	100%
Wiluna	M53/0024 to M53/0027	100%
Wiluna	M53/0030	97.9%
Wiluna	M53/0032	100%
Wiluna	M53/0040	100%
Wiluna	M53/0043 to M53/0044	100%
Wiluna	M53/0050	100%
Wiluna	M53/0064	100%
Wiluna	M53/0069	100%
Wiluna	M53/0071	100%
Wiluna	M53/0092	100%
Wiluna	M53/0095 to M53/0096	100%
Wiluna	M53/0129 to M53/0131	100%
Wiluna	M53/0139	100%
Wiluna	M53/0173	100%
Wiluna	M53/0200	100%
Wiluna	M53/0205	100%
Wiluna	M53/0415	100%
Wiluna	M53/0468	100%
Wiluna	M53/1097	100%
Wiluna	M53/1098	100%
Wiluna	P53/1560	100%
Wiluna	R53/0001	100%