BLACKGOLD INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Australia)
ACN 145 095 478

FINANCIAL REPORT
for the financial year ended 31 October 2016

CONTENTS

CORPORATE DIRECTORY

Directors

Dr Chi Ho (James) TONG
Non-Executive Chairman

Mr Yuguo PENG
Executive Director & Group CEO

Mr Jun OU
Executive Director

Mr Zhonghan (John) WU
Independent Director

Prof Guangfu YANG
Independent Director

Ms Wei-Her (Sophia) HUANG
Independent Director

Joint Company Secretaries

Mr Nicholas Ong
Mr Daniel Smith

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Lawyers (People's Republic of China)

Grandall Law Firm (Shanghai)
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968 West Beijing Road
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People's Republic of China

Independent Geologists

Al Maynard & Associates Pty Ltd
Suite 9/280 Hay Street
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Auditor

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Australia

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DIRECTORS' REPORT

The directors present their report, together with the financial statements of the Group, being Blackgold International Holdings Limited and its controlled entities, for the financial year ended 31 October 2016.

Principal Activities and Significant Changes in Nature of Activities

The principal activities of the Group are the mining of coal (currently from its Caotang and Heiwan mines), the trading of coal and shipping transportation.

There have been no significant changes in the nature of these principal activities during the financial year.

On 28 October 2016, the Company announced that it had entered into a Scheme Implementation Agreement with Vibrant Group Limited ("Vibrant") pursuant to which Vibrant will, if approved by Blackgold shareholders, acquire all of the shares in Blackgold by way of a Scheme of Arrangement ("Scheme"), in return for providing A$0.045 per Scheme share to Blackgold shareholders (save for shares in Blackgold already held or controlled by Vibrant).

The implementation of the Scheme is subject to a number of conditions precedent set out in the Scheme Implementation Agreement, including Blackgold shareholders approving the Scheme, the Court approving the Scheme, there being no material adverse change in relation to Blackgold, Foreign Investment Review Board (FIRB) approval in Australia, Ministry of Commerce (MOFCOM) approval in People's Republic of China, and any third-party consents or approvals if required. FIRB approval was obtained on 14 December 2016. The Scheme Implementation Agreement contains termination events.

The Scheme Implementation Agreement includes obligations on the parties regarding no shop, no talk, a right to match competing proposals and a break fee which is payable in certain circumstances, full details of which are set out in the Scheme Implementation Agreement included in the same announcement dated 28 October 2016.

If Blackgold shareholders approve the Scheme and it is implemented, then Vibrant will acquire 100% of the Blackgold shares in return for paying the scheme consideration of A$0.045 per Scheme Share to Blackgold shareholders (save for shares in Blackgold already held or controlled by Vibrant). After implementation, Blackgold will become a wholly-owned subsidiary of Vibrant and Blackgold will cease to be listed on the ASX.

As at the date of this report, the Scheme Booklet has been given to ASIC for review.

Operating Results and Review of Operations for the Year

Operating Results

The loss after income tax of the consolidated group amounted to AUD41.758 million in the current financial year ended 31 October 2016 ("FY2016"), a decrease from the previous financial year ended 31 October 2015 ("FY2015") profit after tax of AUD34.111 million. This included an impairment recognised on mine development and property, plant and equipment of AUD49.209 million (a net reversal of impairment of AUD14.755 million was recognised in FY2015). Excluding these impairment adjustments, the current year profit after income tax would have decreased 61.5% to AUD7.451 million compared to the previous financial year of AUD19.356 million. The general weakening of coal prices affected the coal mining and coal trading sales, resulting in lower profits in the current financial year. Further discussion on the Group's operations is provided below.

Review of Operations

i. Mining operations

Blackgold produced approximately 861,124 tonnes of raw coal in FY2016, primarily at the Caotang and Heiwan Mines. Total production in FY2016 was approximately 18.2% lower than the 1,052,774 tonnes achieved in FY2015.

ii. Trading

Our trading arm had sold approximately 3.7 MT of coal in FY2016, a decrease of 4.6% when compared to FY2015.

iii. Shipping Transportation

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

Operating Results and Review of Operations for the Year

Financial Position

The net assets of the consolidated group have decreased by AUD73.111 million, or 26.9% to AUD198.614 million as at 31 October 2016 from AUD271.725 as at 31 October 2015. This decrease is mainly due to the appreciation of the Australian dollar against Chinese Renminbi and also the impairment of non-current assets. The Group's operations and assets are essentially in China, the currency change resulted in a decrease in foreign currency translation reserve of AUD31.353 million in FY2016.

As at 31 October 2016, the Group's net current liabilities position had improved slightly to AUD23.464 million compared to AUD34.982 million as at 31 October 2015. The trade and other receivables balance as at 31 October 2016 had decreased by AUD116.645 million, but net off by larger decreases in trade and other payables of AUD126.389 million, and borrowings of AUD15.684 million.

Non-current assets decreased in the financial year as the Group recognised an impairment and had more depreciation expenses compared to capital expenditures in mine development and property, plant and equipment, resulting in decreases of AUD53.013 million and AUD35.435 million respectively. These amounts also included the effect of the impairment adjustment in FY2016 of AUD49.209 million.

Non-current liabilities decreased in the current financial year as the Group had no long-term borrowings due after more than one year compared to FY2015.

As the investment in mines are wholly-held and controlled by the Group, the directors believe that the Group has good control over future production levels.

Changes in controlled entities, associates and divisions

No changes in the current financial year.

Dividends

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

Significant Events After the Financial Year

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

Subsequent to the year-end, the Group has repaid the bills payable of RMB49.760m which expired in November 2016. The Group has also repaid its short-term loans of RMB125.430m and RMB23.000m which expired in November 2016 and February 2017 respectively, and new loans have been drawn down for another year, expiring in November 2017 and February 2018 respectively. The other short-term loans are only due at various dates between May to October 2017.

Future Developments, Prospects and Business Strategies

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

i. monitor market selling prices to review existing production volumes so as to maximise profit margins; and
ii. analysing the feasibility and possibility of a direct integration of possible complimentary and/or downstream business such as blending of coal and others.

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

JORC Code Compliant Reserves and Resources

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

On 20 January 2017, the Company announced an Independent Geological Report ("R&R Report") to update its resource and reserve in accordance with the JORC Code (2012) of its four coal mining properties, which indicated that the Proved and Probable Coal Reserves of the Caotang Mine, Baolong Mine, Changhong Mine and Heiwan Mine was 99.0 million tonnes[1] ("MT") as at 31 July 2016.

The table below shows the average coal quality of the Proved and Probable Reserves at each of Blackgold's mines:

Average Raw Coal Quality of the Coal Reserves						
Mine	Moisture (%) ad	Ash (%) ad	Volatile Matter (%) ad	Fixed Carbon (%) ad	Sulphur (%) ad	CV (kcal/kg) ar
Caotang	0.7	34.7	7.2	57.9	0.7	4,910
Heiwan	0.8	26.3	6.9	65.8	0.7	5,660
Baolong	0.5	28.3	6.8	63.3	0.6	5,515
Changhong	0.5	18.6	9.0	68.5	2.6	6,863
"ad" = air dried basis "ar" = as received basis						

The physical and chemical characteristics of Blackgold's coals are categorized as anthracite coal with dry volatile matter contents ranging from 1% to 10%, as defined by the State Standard of China Coal Classification System (GB5751-86) and ASTM. The data indicates that the vast majority of the Company's coal is suitable for the thermal energy market and some of it is suitable for use in Pulverized Coal Injection (PCI) systems. The dry ash contents of most of the Company's coals indicate that beneficiation (coal washing) will be required prior to facilitate utilisation in some instances.

Please refer to ASX Announcement dated 20 January 2017 for full details of the Reserve estimate. This information was prepared under the JORC Code 2012 Edition. The Company is not aware of any new information or data that materially affects the information included above and, in the case of estimates of mineral resources and ore reserves, confirms that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

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

JORC CODE COMPLIANT DATA FOR BLACKGOLD COAL PROPERTIES AS OF 31 July 2016 [1]									
Mine	Reserve Category			Raw Coal Quality					
	Proved	Probable	Total	Moisture (%) ad	Ash (%) ad	Volatile Matter (%) ad	Fixed Carbon (%) ad	Sulphur (%) ad	CV (kcal/kg) ar
Caotang	18.6	3.1	21.7	0.7	34.7	7.2	57.9	0.7	4,910
Heiwan	3.1	0.4	3.5	0.8	26.3	6.9	65.8	0.7	5,660
Baolong	29.1	26.1	55.2	0.5	28.3	6.8	63.3	0.6	5,515
Changhong	11.9	6.7	18.6	0.5	18.6	9.0	68.5	2.6	6,863
Total	**62.7**	**36.3**	**99.0**						

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

Environmental Issues

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

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

Comparison with previous year's estimates

There is no significant difference between the 2 years' reserves except for normal production in FY2016.

Governance arrangements and internal controls

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

The drilling and underground sampling was carried out following prescribed Chinese standards for diamond drilling and underground sampling of coal seams. These standards, if followed correctly, meet the requirements of the JORC Code (2012) for sampling coal seams.

Governance arrangements and internal controls (Continued)

The drilling was carried out using conventional NQ wire-line diamond drilling equipment and logged by qualified geologists with the lithologies and core recoveries recorded. All core within the coal seams is recorded as exceeding 95% recovery. The whole core within the coal seam was collected for analysis, after logging by the supervising geologist, and stored in sealed plastic bags labelled with unique codes before being transported to the laboratory. The drill collars are accurately surveyed by qualified surveyors. All the drill holes are vertical and, where the seams are dipping, the true seam thickness is calculated by correcting for the dip of the seam.

The coal seams are mapped, measured and sampled at approximately 50 m intervals along the underground development drives as they progress in the coal seams under the supervision of qualified geologists. All sample locations are surveyed by the mine surveyor. All the samples and seam measurements are taken perpendicular to the seam boundaries as true widths.

All the samples are transported to the laboratory in sealed bags that are themselves stored in strong, sealed polyweave bags.

AM&A believes that the drilling and underground sampling and measurement methods and quality control protocols used by the Company are of a high standard that meets the requirements of the JORC Code (2012) for resource modelling.

All the coal samples are analysed at independent certified laboratories (Intertek Testing Services Co., Ltd. Shanghai) following sample preparation and analytical methods and protocols described in Chinese Standard for Proximate Analysis of Coal GB/T 212-2008.

All the samples are analysed as follows:

- Total moisture content (Mt) is the amount of moisture in the sample as it is collected prior to being air dried. (Can only be done with drill core samples)
- Moisture Content air dried (Mad) is the amount of moisture in the sample after the sample has been fully dried by being left open to the air at room temperature.
- Ash content air dried (Ad) is a measure of ash left after combustion.
- Volatile content air dried (Vd) is a measure of the volatile gases liberated after air drying at a standard temperature.
- Sulphur content air dried (Std) is a measure of the sulphur content after air drying.
- Fixed Carbon content air dried (Fcd) is the carbon content of the sample after air drying.
- Calorific value (CV) is the amount of heat energy generated by combusting the coal, expressed as kcal/kg.

AM&A believes that the sample preparation and analytical methods and quality control protocols used by the laboratories are of a high standard that meets the requirements of the JORC Code (2012) for resource modelling and estimation.

Data Verification

AM&A has visited all the Company's mines annually since 2011 to 2014 and again in 2016 to monitor the progress of the mines, discuss the mining and sampling procedures and verify the coal quality and seam thicknesses in the operating stopes.

A suite of channel and production dump samples were collected by AM&A in 2011 from the Caotang and Heiwan mines to compare assays between the local laboratory at Fengjie, where the exploration and mine samples were analysed, and SGS, an ISO accredited laboratory in Tianjin. Four channel samples were collected from K1 and one from K2 along with five "product" samples from stockpiles using a spear sampler at both mines.

AM&A's check assays generally showed slightly better quality results than the Fengjie Laboratory where the initial exploration and mine samples were analysed. AM&A is of the opinion that this finding indicates an element of conservatism in earlier documented Chinese assay results and the ongoing estimates. It is AM&A's opinion that the reliability of the Company's coal quality and seam thickness data meets the standards expected for resource modelling and estimation to be reported in accordance with the JORC Code 2012 Edition.

Estimation and Reporting of Mineral Resources

The coal volumes were estimated by gridding the coal limits, i.e. within the tenement boundary and the mapped outcrop, using 20 m x 20 m cells in MineMap© software. The coal qualities and thickness were interpolated into the cells using an inverse distance squared (ID^2) algorithm. Two interpolation passes were done, the first with a 4,000 m search radius then the second with a 1,000 m search radius. The first pass allowed all the model cells to be filled (for Target Mineralisation) while the second pass was used for resource estimation.

The coal seams that have been sampled or drilled with at least six points and within 500 m of a sample point were considered to be Measured, between 500 m and 1,000 m Indicated, between 1,000 m and 2,000 m Inferred and beyond 2,000 m Exploration Target. If the seam was sampled at two to six points, the coal within 500 m of a sample point was considered as Indicated and 500 m to 1,000 m as Inferred and beyond 1,000 m Exploration Target.

The volume was calculated by multiplying the area of the coal modelled by the average modelled coal seam thickness. This volume was then multiplied by the bulk density to calculate the tonnes.

Procedures and Parameters for Coal Reserve Estimation

Normally not all of a resource is eventually mined. Some coal is lost as spillage and left behind on floors and roofs as well as coal left behind un-mined as safety pillars for various reasons. Pillar dimensions at the three projects vary according to ground condition, seam thickness and pillar purpose.

The amount of coal lost during mining as spillage and left behind on roofs and floors is usually estimated based on experience in similar seams. The percentage lost is generally greatest in narrow seams and where the country rock is soft and unstable. The amount lost in pillars depends on the configuration of the mine development, the mining method used and the stability of the country rock.

The recovery factors assumed by AM&A for converting the resources to reserves are the same used by Behre Dolbear (BD) in the Company's last resource/reserve update in 2015 which were in turn based on the life-of-mine designs created by China Coal International Engineering Chongqing Coalmine Design Institute. These mining recovery rates were determined by AM&A to be reasonable and consistent with actual mine production records.

Competent Person Statement

The information in this R&R Report which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Brian Varndell and Mr Philip A. Jones, and peer reviewed by Mr Allen Maynard:

- Mr Brian Varndell is a Fellow of the Australasian Institute of Mining and Metallurgy and independent consultant to the Company. Mr Varndell is an associate of Al Maynard & Associate Pty Ltd and has over 40 years of exploration and mining experience in a variety of mineral deposit styles including iron ore mineralisation.
- Mr Philip A. Jones is a Corporate Member of the Australasian Institute of Mining and Metallurgy, a Member of the Australian Institute of Geoscience and independent consultant to the Company. Mr Jones is an associate of Al Maynard & Associates and has over 35 years of exploration and mining experience in a variety of mineral deposit styles including iron mineralisation.
- Mr Allen Maynard is a Member of the Australian Institute of Geosciences ("AIG"), a Corporate Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") and independent consultant to the Company. Mr Maynard is the Director and principal geologist of Al Maynard & Associates Pty Ltd and has over 35 years of exploration and mining experience in a variety of mineral deposit styles.

Mr Varndell, Mr Jones and Mr Maynard have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves".(JORC Code). Mr Varndell, Mr Jones and Mr Maynard consent to inclusion in the report of the matters based on this information in the form and context in which it appears.

The writers are qualified to provide such reports for the purpose of inclusion in public company documents. This R&R Report has been prepared in accordance with the relevant requirements of the Listing Rules of the Australian Securities Exchange Limited, Australian Securities and Investment Commission ("ASIC") Regulatory Guidelines 111 & 112 and the Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert reports (the Valmin Code) which is binding on Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists (AIG").

DIRECTORS' REPORT

Information on the Directors

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

Dr Chi Ho (James), Tong	- ***Non-Executive Chairman***
Qualifications	- Dr Tong received a Doctor of Philosophy (PhD) in Finance and Banking from the American University of London in 2014. He also holds a Master's degree in Computer Science and Applications from Queen's University of Belfast in December 1990. He has been a member of the British Computer Society since January 1998.
Experience	- Board member since 8 July 2010. Dr Tong has gathered over 20 years of experience in venture capital investment by establishing and investing in companies specialized in providing e-commerce software, and making investments to assist various companies to raise funds via initial public offerings. With strong business acumen, a number of his investments in Chinese ventures were subsequently listed on recognised overseas stock exchanges. These investments include Wanxiang International Limited (since May 2007, the Company was delisted from the Singapore Stock Exchange in March 2012) and JES International Limited, a listed Company on the Singapore Stock Exchange.
Interest in Shares and Options	- Indirect interest through its investment in Prima Network Financial Group Limited of 51,050,000 ordinary shares in the Company.
Special Responsibilities	- N/A.
Directorships held in other listed entities during the three years prior to the current year	- Director of Wanxiang International Limited (since May 2007, the Company was delisted from Singapore Stock Exchange in March 2012) and JES International Limited (from April 2006 to June 2013). JES International Limited is a listed company listed on the Singapore Exchange. Also director of Jiangyin Zhongnan Heavy Industries Co., Ltd, a company listed on the China SME Board.

Information on the Directors (Cont'd)

Yuguo, Peng	-	***Executive Director and Chief Executive Officer***
Qualifications	-	Mr. Peng obtained a bachelor's degree in Architectural Engineering from Chongqing Construction Engineering College (currently known as Chongqing Jianzhu University) in August 1988. Mr. Peng obtained a bachelor's degree in Economic Management and a master's degree in Information Technology and Management, respectively, in October 1999 and July 2001 from Chongqing University. In October 2010, Mr. Peng completed the capital strategic training course for directors held by the continuing education college of Tsinghua University.
Experience	-	Board member since 2 September 2010. Mr. Peng's career began in the Fengjie County Baidi Town Local Enterprises Office. From August 1979 to April 1983, he worked as an accounting clerk at Fengjie County Baidi Town Local Enterprises Office. From May 1983 to November 1990, Mr. Peng worked in the local government department of Shima Village, Fengjie County in the PRC where he last served as accounting manager and deputy mayor. From December 1990 to June 1994, Mr. Peng worked in the Fengjie County Baidi Town Local Enterprises Office, where he last served as the office director and was involved in coal trading. From July 1994 to December 2000, Mr. Peng worked in the Fengjie County People's Congress Committee Office where he last served as the deputy director and was involved in coal trading. Mr. Peng is a brother-in-law of Mr. Ou, Jun, who is our Executive Director.
Interest in Shares and Options	-	Indirect interest through its investment in Lucky Magic Enterprises Limited of 544,500,000 ordinary shares in the Company.
Special Responsibilities	-	N/A.
Directorships held in other listed entities during the three years prior to the current year	-	NIL.

Information on the Directors (Cont'd)

Jun, Ou	- ***Executive Director***
Qualifications	- Mr. Ou received a bachelor's degree in Economic Management from Chongqing Institute of Commerce (currently known as Chongqing Technology and Business University) in July 1991 and a master's degree in Economic Management from Southwest University in October 2005.
Experience	- Board member since 7 July 2011. Mr Ou is the head of our sales department since February 2012. He has been a director of Heijin Industrial since July 2011 and Guoping Shipping since February 2004. Mr. Ou has over 20 years of experience working in the coal industry. Mr. Ou's career began in Qiaoxing Coal Resource Development Co., Ltd., which operated the Heiwan Mine at the time. From January 1991 to May 2002, Mr. Ou was the head of the Anqing Office of Qiaoxing Coal Resource Development Co., Ltd. responsible for monitoring the operation of the Heiwan Mine. From June 2002 to December 2002, Mr. Ou worked at Guoping Industrial as an assistant to the general manager responsible for managing the operation of the Heiwan Mine. From February 2004 to January 2012, he was the legal representative of Guoping Shipping responsible for managing its coal transportation business. Mr. Ou is a brother-in-law of Mr. Yuguo, Peng.
Interest in Shares and Options	- 333,000 ordinary shares in the Company.
Special Responsibilities	- N/A.
Directorships held in other listed entities during the three years prior to the current year	- NIL.

Information on the Directors (Cont'd)

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

Qualifications - Mr. Wu holds a Master of Commerce degree from the University of New South Wales in Australia and is a member of CPA Australia and a fellow member of the Chartered Institute of Management Accountants of the United Kingdom. He is also a Chartered Global Management Accountant (CGMA) and a consultant of CPA Australia.

Experience - Board member since 4 February 2013.

Mr Wu has extensive experience in corporate finance, accounting and administration, capital raisings and ASX compliance and regulatory requirements. He was the Chief Financial Officer of Traditional Therapy Clinics Ltd (ASX: TTC), listed on the ASX since September 2015. He is also a director of JAZ Pacific Australia Pty Ltd, an Australian coal trading company, and a director of BBY Group Ltd., a corporate advisory company in Hong Kong.

Mr Wu has gained extensive experience in finance and accounting from multinational corporations. He has held various financial management positions with multinational companies in Hong Kong, Australia, and New Zealand such as Toyota, Nestle, British America Tobacco and Deloitte.

Interest in Shares and Options - N/A.

Special Responsibilities - N/A.

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

Information on the Directors (Cont'd)

Professor Guangfu, Yang	-	***Independent Non-Executive Director***
Qualifications	-	Prof. Yang received a bachelor's degree in Physics in December 1980 and a master's degree in Physics in December 1982 from Harbin Institute of Technology.
Experience	-	Member since 7 July 2011. Prof. Yang has acquired extensive knowledge in physics through teaching and conducting researches at tertiary institutions for more than 24 years. Prof. Yang taught at Chongqing University from April 1981 to September 1991 and was conferred professorship in April 1992 by Chongqing University. From September 1991 to October 1993, Prof. Yang was the deputy mayor of Fuling City of Sichuan Province in the PRC to manage the Science and Technology Commission. From June 1993 to July 1994, he was the group leader for the preparation of Sichuan Sanxia Institute, currently known as Chongqing Sanxia Institute. Prof. Yang subsequently worked as the first dean of Sichuan Sanxia Institute from July 1994 to March 1999. From March 1999 to September 2001, he worked as a senior researcher at Sichuan Sanxia Institute. From October 2001 to July 2007, he joined Chongqing Institute of Technology, currently known as Chongqing University of Technology, as a professor. From July 2009 to July 2010, Prof. Yang acted as the president of Chongqing Vocational College of Media.
Interest in Shares and Options	-	N/A.
Special Responsibilities	-	N/A.
Directorships held in other listed entities during the three years prior to the current year	-	NIL.

Information on the Directors (Cont'd)

Wei-Her (Sophia), Huang	-	***Independent Non-Executive Director***
Qualifications	-	Ms. Huang received a bachelor's degree in Commerce from the National Taipei University in June 1969.
Experience	-	Board member since 4 February 2013. Ms. Huang has been the vice chairman of the Friends of Taiwan Society (Australia) incorporated since November 2012. She has also been the supervisor of the Taiwan Global Alliance for Democracy and Peace Sydney Office from 2008 to 2011. Since July 2011, Ms. Huang has been appointed as a member of the overseas compatriot affairs committee of the Overseas Chinese Affairs Council, R.O.C (Taiwan). In addition, she has been the overseas council adviser of the Overseas Chinese National Salvation Federation since January 2010. Ms. Huang has 10 years of experience working in the land development industry. From 1988 to 1997, Ms. Huang worked as a manager at the properties business development department of East Asia Textiles Limited in Taiwan. She was in charge of the business of East Asia Textiles Limited in Taiwan involving the procurement of land lots for potential residential development and the provision of advice on the feasibility of land investment. Ms. Huang started her involvement in social community work in 2008. Ms. Huang served as the vice director of the Taiwan Global Alliance for Democracy and Peace Sydney Office from 2008 to 2011. From 2007 to 2012, Ms. Huang served as the chief financial officer of The Friends of Taiwan Society (Australia) Inc.
Interest in Shares and Options	-	N/A.
Special Responsibilities	-	N/A.
Directorships held in other listed entities during the three years prior to the current year	-	Nil.

Joint Company Secretaries

The Joint Company Secretaries are Mr Nicholas Ong and Mr Daniel Smith. Messer's Ong and Smith are directors of corporate consulting firm, Minerva Corporate Pty Ltd. Minerva Corporate specialises in corporate governance, financial accounting and transactional services.

Meetings of Directors

During the financial year, 8 meetings of directors, 3 meetings of Audit Committee and 0 meeting of Nomination and Remuneration Committee were held. Attendances by each director during the year were as follows:-

	Directors' Meetings		Audit Committee Meetings		Nomination & Remuneration Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Dr. Chi Ho (James), Tong	8	8	3	3	0	0
Yuguo, Peng	8	8	3	3	0	0
Zhonghan (John), Wu	8	8	3	3	0	0
Wei-Her (Sophia), Huang	8	7	3	3	0	0
Prof. Guangfu, Yang	8	8	3	3	0	0
Jun, Ou	8	8	3	3	0	0

Indemnifying Officers or Auditor

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

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

Proceedings on Behalf of Company

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

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

Non-audit Services

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

(a) all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

(b) the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

There were no non-audit services provided by Crowe Horwath during the financial year ended 31 October 2016.

Auditor's Independence Declaration

The lead auditor's independence declaration for the financial year ended 31 October 2016 has been received and can be found on page 29 of the Annual Report.

Share options

No equity securities were issued during the financial year.

ASIC Class Order 98/100 Rounding of Amounts

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

Events after the Reporting Date

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

Corporate Governance

The directors of the Company support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the Company's website for details of corporate governance policies:

http://www.blackgoldglobal.net/

Remuneration Report (Audited)

Remuneration Policy

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

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

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

Key management personnel who are residents of the PRC do not receive a superannuation guarantee contribution required by the Australian Government, which is currently 9.5%, effective 1 July 2014.

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

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

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

Remuneration Report (Audited) (Cont'd)

Relationship Between Remuneration Policy and Company Performance

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

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

	2014 **AUD'000**	**2015** **AUD'000**	**2016** **AUD'000**
Revenue	336,082	419,401	350,288
Profit/(loss) after tax	4,967	34,111	(41,758)
Basic earnings/(loss) per share	0.56 cents	3.84 cents	(4.70) cents
Dividends paid	NA	NA	NA

Remuneration Report (Audited) (Cont'd)

Employment Details of Members of Key Management Personnel and Other Executives

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

	Position Held as at 31 October 2016 and any Change during the Year	Contract Details (Duration and Termination)	Proportions of Elements of Remuneration Related to Performance		Proportions of Elements of Remuneration Not Related to Performance	
			Cash-based Incentives %	Non-salary Cash-based Incentives %	Fixed Salary/ Fees %	Total %
Group Key Management Personnel						
Dr Chi Ho (James), Tong	Non-Executive Chairman	NB1	-	-	100	100
Yuguo, Peng	Executive Director & CEO	31.8.2015 to 31.8.2020	-	-	100	100
Jun, Ou	Executive Director	NB1	-	-	100	100
Prof. Guangfu, Yang	Non-Executive Director	NB1	-	-	100	100
Zhonghan (John), Wu	Non-Executive Director	NB1	-	-	100	100
Wei-Her (Sophia), Huang	Non-Executive Director	NB1	-	-	100	100

Remuneration Report (Audited) (Cont'd)

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

	Position Held as at 31 October 2016 and any Change during the Year	Contract Details (Duration and Termination)	Proportions of Elements of Remuneration Related to Performance		Proportions of Elements of Remuneration Not Related to Performance	
			Cash-based Incentives %	Non-salary Cash-based Incentives %	Fixed Salary/ Fees %	Total %
Group Key Management Personnel (Continued)						
It Phong, Tin	Chief Financial Officer	NB1	-	-	100	100
Zhongxiao, Zhu	Deputy General Manager**	NB1	-	-	100	100
Yijiang, Peng	Deputy General Manager, Enterprise Management	NB1	-	-	100	100
Wenming, Yao	Chief Geologist	NB1	-	-	100	100
Jun, Shao	Deputy General Manager and Chief of Production Technology Department ***	NB1	-	-	100	100
Lin, Ou	Non-Executive Director (BHHK)	NB1	-	-	100	100

** resigned in September 2016.
*** resigned in February 2016.

Remuneration Report (Audited) (Cont'd)

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

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

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

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

Changes in Directors and Executives Subsequent to Year-end

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

Remuneration Report (Audited) (Cont'd)

Remuneration Details for the Year Ended 31 October 2016

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

	Short-term Benefits			Post-employment Benefits			
2016	Salary and Fees AUD'000	Non-monetary AUD'000	Other ** AUD'000	Pension and Super-annuation * AUD'000	Other *** AUD'000	Long-term benefits AUD'000	Total AUD'000
Group Key Management Personnel							
Dr Chi Ho (James), Tong	50	-	-	-	-	-	50
Yuguo, Peng	300	-	-	-	-	-	300
Jun, Ou	55	-	1	-	1	-	57
Zhonghan (John), Wu	30	-	-	3	-	-	33
Professor Guangfu, Yang	15	-	-	-	-	-	15
Wei-Her (Sophia), Huang	30	-	-	3	-	-	33
It Phong, Tin	185	-	1	-	12	-	198
Shaokui, Chen #	-	-	-	-	-	-	-
Zhongxiao, Zhu ##	28	-	1	-	1	-	30
Yijiang, Peng	22	-	1	-	-	-	23
Wenming, Yao	27	-	-	-	-	-	27
Jun, Shao ###	14	-	-	-	-	-	14
Lin, Ou	20	-	-	-	-	-	20
Total Key Management Personnel	776	-	4	6	14	-	800

* Superannuation is only payable to directors who are resident in Australia.
** Other short-term benefits comprise housing provident fund, injury insurance, maternity insurance and medical insurance.
*** Other post-employment benefits comprise retirement insurance and unemployment insurance.
# Not key management personnel in FY2016.
left in September 2016.
left in February 2016.

Remuneration Report (Audited) (Cont'd)

Remuneration Details for the Year Ended 31 October 2016 (Cont'd)

	Short-term Benefits			Post-employment Benefits			
2015	Salary and Fees AUD'000	Non-monetary AUD'000	Other ** AUD'000	Pension and Super-annuation * AUD'000	Other *** AUD'000	Long-term benefits AUD'000	Total AUD'000
Group Key Management Personnel							
Dr Chi Ho (James), Tong	54	-	-	-	-	-	54
Yuguo, Peng	300	-	2	-	-	-	302
Jun, Ou	70	-	1	-	2	-	73
Zhonghan (John), Wu	30	-	-	3	-	-	33
Professor Guangfu, Yang	15	-	-	-	-	-	15
Wei-Her (Sophia), Huang	30	-	-	3	-	-	33
It Phong, Tin #	66	-	-	-	-	-	66
Shaokui, Chen	37	-	1	-	-	-	38
Zhongxiao, Zhu	50	-	2	-	2	-	54
Yijiang, Peng	69	-	3	-	2	-	74
Wenming, Yao	31	-	-	-	-	-	31
Jun, Shao	27	-	1	-	-	-	28
Lin, Ou	25	-	-	-	-	-	25
Total Key Management Personnel	804	-	10	6	6	-	826

* Superannuation is only payable to directors who are resident in Australia.
** Other short-term benefits comprise housing provident fund, injury insurance, maternity insurance and medical insurance.
*** Other post-employment benefits comprise retirement insurance and unemployment insurance.
# appointed in July 2015.

Remuneration Report (Audited) (Cont'd)

Securities Received that Are Not Performance Related

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

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

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

Options and Rights Granted

No options or rights were granted to key management personnel during the year other than as disclosed in Note 37 to the financial statements.

There were no unexercised employee options outstanding at 31 October 2016 (2015: Nil).

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

Dr Chi Ho (James), Tong
Director

Dated this 17th day of March 2017

Crowe Horwath™

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Blackgold International Holdings Limited for the year ended 31 October 2016, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Crowe Horwath, Perth

CROWE HORWATH PERTH

PHILIPPA HOBSON
Partner

Signed at Perth, 17 March 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016

	NOTE	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
REVENUE	5	350,288	419,401
COST OF SALES		(325,255)	(387,053)
GROSS PROFIT		25,033	32,348
OTHER INCOME		7,433	12,371
		32,466	44,719
CHANGES IN FAIR VALUE OF FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	25	989	2,659
DISTRIBUTION AND MARKETING EXPENSES		(1,454)	(2,779)
ADMINISTRATIVE EXPENSES		(5,771)	(8,378)
OTHER EXPENSES	-	(8,373)	(4,762)
FINANCE COSTS	6	(9,751)	(11,166)
IMPAIRMENT OF NON-CURRENT ASSETS	16,18	(49,209)	(4,126)
REVERSAL OF IMPAIRMENT OF NON-CURRENT ASSETS	16,18	-	18,881
SHARE OF PROFIT AND LOSS IN AN ASSOCIATE USING EQUITY METHOD	14	(57)	39
(LOSS)/PROFIT BEFORE TAXATION	7	(41,160)	35,087
INCOME TAX EXPENSE	8	(598)	(976)
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(41,758)	34,111

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

	NOTE	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Item that may be reclassified subsequently to profit or loss			
- Exchange differences on translating foreign controlled entities		(31,353)	35,595
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(73,111)	69,706
EARNINGS PER SHARE			
Basic (loss)/earnings per share (cents)	38	(4.70)	3.84
Diluted (loss)/earnings per share (cents)	38	(4.70)	3.49

STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2016

	NOTE	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	13,315	18,319
Held-to-maturity investments	10	-	7,389
Trade and other receivables	11	109,179	225,824
Amount due from a related company	12	70	-
Inventories	13	6,625	1,894
TOTAL CURRENT ASSETS		129,189	253,426
NON-CURRENT ASSETS			
Investment accounted for using the equity method	14	375	431
Other financial assets	15	3,884	4,434
Property, plant and equipment	16	69,710	105,145
Land use rights	17	83	98
Mine development	18	148,554	201,567
Intangible assets – goodwill	19	2,181	2,489
Intangible assets – other	20	1,307	2,235
TOTAL NON-CURRENT ASSETS		226,094	316,399
TOTAL ASSETS		355,283	569,825
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	21	24,574	150,963
Amount owing to a related party	22	622	641
Amount owing to an associate	23	264	93
Borrowings	24	102,359	112,714
Financial liabilities	25	21,096	19,944
Deferred consideration	26	-	-
Provision for taxation	27	3,738	4,053
TOTAL CURRENT LIABILITIES		152,653	288,408

STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2016 (CONT'D)

	NOTE	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
NON-CURRENT LIABILITIES			
Borrowings	24	-	5,329
Provision for restoration costs	28	2,036	1,775
Deferred tax liabilities	29	1,980	2,588
TOTAL NON-CURRENT LIABILITIES		4,016	9,692
TOTAL LIABILITIES		156,669	298,100
NET ASSETS		198,614	271,725
EQUITY			
Share capital	30	65,363	65,363
Retained earnings		127,656	169,852
Merger deficit reserve	31	(28,186)	(28,186)
Statutory reserve	32	4,368	3,841
Foreign currency translation reserve	33	29,413	60,766
Options reserve	34	-	89
TOTAL EQUITY		198,614	271,725

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

CONSOLIDATED	SHARE CAPITAL AUD'000	RETAINED EARNINGS AUD'000	MERGER DEFICIT RESERVE AUD'000	STATUTORY RESERVE AUD'000	FOREIGN CURRENCY TRANSLATION RESERVE AUD'000	OPTIONS RESERVE AUD'000	TOTAL EQUITY AUD'000
Balance at 1.11.2014	65,363	136,250	(28,186)	3,332	25,171	89	202,019
Comprehensive income:							
Profit for the year attributable to members of the parent entity	-	34,111	-	-	-	-	34,111
Other comprehensive income, net of tax							
- Foreign currency translation exchange differences	-	-	-	-	35,595	-	35,595
Total comprehensive income for the year attributable to members of the parent entity	-	34,111	-	-	35,595	-	69,706
Other transaction							
- Transfer to statutory reserve	-	(509)	-	509	-	-	-
Balance at 31.10.2015	65,363	169,852	(28,186)	3,841	60,766	89	271,725

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

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES

(Incorporated in Australia)
ACN 145 095 478

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

CONSOLIDATED	SHARE CAPITAL AUD'000	RETAINED EARNINGS AUD'000	MERGER DEFICIT RESERVE AUD'000	STATUTORY RESERVE AUD'000	FOREIGN CURRENCY TRANSLATION RESERVE AUD'000	OPTIONS RESERVE AUD'000	TOTAL EQUITY AUD'000
Balance at 1.11.2015	65,363	169,852	(28,186)	3,841	60,766	89	271,725
Comprehensive income:							
Loss for the year attributable to members of the parent entity	-	(41,758)	-	-	-	-	(41,758)
Other comprehensive income, net of tax							
- Foreign currency translation exchange differences	-	-	-	-	(31,353)	-	(31,353)
Total comprehensive income for the year attributable to members of the parent entity	-	(41,758)	-	-	(31,353)	-	(73,111)
Other transaction							
- Transfer to statutory reserve	-	(527)	-	527	-	-	-
- Transfer to retained earnings	-	89	-	-	-	(89)	-
Balance at 31.10.2016	65,363	127,656	(28,186)	4,368	29,413	-	198,614

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

BLACKGOLD INTERNATIONAL HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES
(Incorporated in Australia)
ACN 145 095 478

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016

	NOTE	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before taxation		(41,160)	35,087
Adjustment for:-			
Allowance for impairment loss on other receivables		225	191
Changes in fair value of financial liabilities at fair value through profit or loss		(989)	(2,659)
Amortisation of land use rights		3	4
Amortisation of mine development		3,404	5,210
Amortisation of intangible assets		687	710
Depreciation of property, plant and equipment		11,625	12,093
Impairment of property, plant and equipment		14,507	1,610
Impairment of mine development		34,702	2,516
Reversal of impairment of property, plant and equipment		-	(4,909)
Reversal of impairment of mine development		-	(13,972)
Inventories written down		380	129
Interest expense		5,625	6,227
Interest expense on financial liabilities		2,083	3,748
(Gain)/loss on disposal of property, plant and equipment		-	(4)
Share of (profit)/loss in an associate		57	(39)
Interest income		(5,639)	(585)
Unrealised loss/(gain) on foreign exchange		1,397	(10,110)
Reversal of impairment loss on receivables		(450)	(90)
Operating profit before working capital changes		26,457	35,157
(Increase)/decrease in inventories		(5,111)	(764)
(Increase)/decrease in receivables		116,820	(139,166)
Increase/(decrease) in payables		(126,389)	52,847
Cash from/(used in) operations		11,777	(51,926)
Interest paid		(5,137)	(5,982)
Income tax paid		(703)	(1,479)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		5,937	(59,387)
BALANCE CARRIED FORWARD		5,937	(59,387)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

	NOTE	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
BALANCE BROUGHT FORWARD		5,937	(59,387)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,485)	(3,311)
Mine development expenditure		(8,521)	(10,607)
Purchase of held-to-maturity investments		-	(7,059)
Disposal of held-to-maturity investments		6,836	20,063
Sale proceeds from disposal of property, plant and equipment		-	8
Interest received		5,639	585
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		1,469	(321)
NET CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from convertible bonds		-	18,750
Net advances from/(repayments to) an associate		175	(134)
Net advances from/(repayments to) a related party		38	(7,570)
Drawdown of borrowings		103,457	112,772
Repayment of borrowings		(104,558)	(68,081)
Repayment of deferred consideration		-	(495)
NET CASH (USED IN)/FROM FINANCING ACITIVITIES		(888)	55,242
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		6,518	(4,466)
EFFECT OF FOREIGN EXCHANGE TRANSLATION		(11,522)	7,682
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		18,319	15,103
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	9	13,315	18,319

1. GENERAL INFORMATION

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

Registered office	:	Unit 5, Ground Floor 1 Centro Avenue Subiaco WA 6008 Australia
Principal place of business	:	12th Floor, No. 18, Mian Hua Street Yu Zhong District, Chongqing City People's Republic of China Postal Code 400011

The financial statements were authorised for issue on 17 March 2017 by the directors of the Company.

2. BASIS OF PREPARATION

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

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

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

2. BASIS OF PREPARATION (CONT'D)

(a) Going Concern Basis

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the section titled *Operating Results and Review of Operations for the year* within the Directors Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Directors Report, Statement of Cash Flows and Note 24 of the financial statements. In addition, Note 41 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity risk.

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

Subsequent to the year-end, the Group has repaid the bills payable of RMB49.760m which expired in November 2016. The Group has also repaid the short-term loans of RMB125.430m and RMB23.000m which expired in November 2016 and February 2017 respectively, and new loans have been drawn down for another year, expiring in November 2017 and February 2018 respectively. The other short-term loans are only due at various dates between May to October 2017.

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

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

2. BASIS OF PREPARATION (CONT'D)

(b) New, revised or amending Accounting Standards and interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the *Australian Accounting Standards Board* (AASB) that are mandatory for the current reporting period.

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

Any new, revised or amending *Accounting Standards or Interpretations* that are not yet mandatory have not been early adopted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 October 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

(a) Principles of Consolidation (Cont'd)

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

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

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

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

(a) Principles of Consolidation (Cont'd)

Goodwill

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

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

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

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

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

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

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

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

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

(b) Investments in subsidiaries

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

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

(c) Investments in Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for in the financial statements by applying the equity method of accounting. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carring amount, fair value of the retained investments and proceeds from disposal is recognised in profit or loss.

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

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

(d) Segment Reporting

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

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

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

(e) Foreign Currency Transactions and Balances

Functional and presentation currency

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

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

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

Transactions and balances

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

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

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

Group companies

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

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

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

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

(f) Property, Plant and Equipment

(i) Owned Assets

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

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

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

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

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

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

(ii) Depreciation

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

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

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

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

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

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

(g) Land Use Rights

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

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

(h) Mine development

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

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

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

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

(i) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits available on demand with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

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

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

(j) Intangible Assets - Other than Goodwill

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

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

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

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

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

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

(k) Inventories

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

For partly processed and saleable coal, cost is based on the weighted average cost method and includes:
- labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of coal;
- production overheads, including attributable mining and manufacturing overheads; and
- transportation expenditure in bringing such inventories to their existing location and condition, together with an appropriate portion of fixed and variable overhead expenditure.

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Impairment of Assets

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

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

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

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

(m) Share Capital

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

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

(n) Statutory Reserve

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

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

(o) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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

(p) Provisions for Closedown, Restoration and Environmental Costs

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

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

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

(q) Financial Instruments

Recognition and initial measurement

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

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

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

(q) Financial Instruments (Cont'd)

Classifications and subsequent measurement

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

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

Amortised cost is calculated as:

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

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

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

(q) Financial Instruments (Cont'd)

Classifications and subsequent measurement (Cont'd)

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

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

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

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

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

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

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

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

(q) Financial Instruments (Cont'd)

Classifications and subsequent measurement (Cont'd)

(iii) Available-for-sale financial assets

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

They are subsequently measured at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

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

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

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

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

(q) Financial Instruments (Cont'd)

Classifications and subsequent measurement (Cont'd)

(iv) Held-to-maturity investments

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

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

(v) Financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

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

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

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

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

(q) Financial Instruments (Cont'd)

Impairment

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

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

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

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

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

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

(q) Financial Instruments (Cont'd)

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(r) Trade and Other Receivables

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

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

(s) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid, within the trade terms, 30 to 90 days from recognition of the liability.

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

(t) Borrowing Costs

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

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

(u) Revenue Recognition

(i) Sale of Goods

Revenue from sale of goods comprises of the following:-
(a) Mining operations - sales of coal extracted from mines owned by the Group
(b) Coal trading - purchase of coals from external parties and subsequent sale of coal.

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

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

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

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

(u) Revenue Recognition (Cont'd)

(ii) Mining fees

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

(iii) Shipping Transportation Income

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

(iv) Interest Income

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

(v) Employee Benefits

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

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

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

(w) Earnings per Share

Basic earnings per share

Basic earnings per share are calculated by dividing:

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

Diluted earnings per share

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

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

(x) Income Taxes

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

(i) Current Tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous financial years. The statutory tax rate in the PRC is 25%. However, certain PRC subsidiaries have the option to elect to pay income tax based on revenue during a particular calendar year. Refer to Note 8 for further details.

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

(x) Income Taxes (Cont'd)

(i) Current Tax (Cont'd)

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

(ii) Deferred Tax

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

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

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

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

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

(x) Income Taxes (Cont'd)

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

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

(iv) Australian Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(y) Fair value measurement

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

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

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

(y) Fair value measurement (Cont'd)

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

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

(z) Comparative Figures

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

(aa) Rounding of Amounts

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

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

(ab) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 October 2016. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below:

AASB 9 Financial Instruments

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

A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the Group 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 Group's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

New simpler hedge accounting requirements with a principle-based approach 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 Group will adopt this standard from 1 November 2018 but the impact of its adoption is yet to be assessed by the Group.

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

(ab) New Accounting Standards and Interpretations not yet mandatory or early adopted (Cont'd)

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Depreciation of Property, Plant and Equipment

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

(ii) Carrying Value of Non-Current Assets

The Group considers annually whether there have been any indicators of impairment and then, if indicators exist, tests whether non-current assets, including goodwill, have suffered any impairment, in accordance with the accounting policy stated in Note 1(l). The recoverable amounts of assets and cash generating units have been determined based on fair value less costs to sell and is estimated based on recent market transaction information. These calculations require the use of assumptions. Refer to Notes 16, 18, 19 and 20 for further details on the carrying amounts of non-current assets subject to impairment testing.

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

(iii) Impairment of Receivables

The Group makes allowance for impairment based on an assessment of the recoverability of trade and other receivables. An impairment assessment is applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such differences may impact the carrying amount of trade and other receivables and accordingly, an impairment loss may be recognised in the financial year in which such estimate has been changed. No bad debt expense was recorded during the financial year (2015: Nil). However, an allowance for other receivables of AUD225,000 (2015: AUD191,000) was recognised during the financial year.

(iv) Provision for Closedown, Restoration and Environmental Costs

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

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

These uncertainties include:-

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

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

(iv) Provision for Closedown, Restoration and Environmental Costs (Cont'd)

The provision for closedown, restoration and environmental clean-up costs has been determined based on the contractual legal obligation to the PRC Government based on the current mining activities by discounting the expected expenditures to their net present value using the Group's WACC of 6.00% (2015: 8.00%). However, in so far as the effect of the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in the future. The amounts provided in relation to close down, restoration and environmental clean-up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are updated accordingly.

(v) Income Taxes

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

(vi) Reserve Estimates

The Group estimates its coal reserves and coal resources based on information computed by Competent Persons as defined in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (the 'JORC Code'). Reserves determined in this way are used in the calculation of depreciation, amortisation and impairment charges, the assessment of mine lives and for forecasting the timing of the payment of decommissioning and restoration costs.

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

(vii) Reserve Estimates (Cont'd)

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

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

In January 2017, the Company provided an update of its resource and reserve of its four coal mining properties in accordance with the JORC Code (2012). Based on the said R&R Report dated 20 January 2017, the estimation of coal reserves as at 31 July 2016 were as follows:-

	Caotang Mt	Heiwan Mt	Baolong Mt	Changhong Mt	Total Mt
Proved	18.6	3.1	29.1	11.9	62.7
Probable	3.1	0.4	26.1	6.7	36.3
Total Reserves	21.7	3.5	55.2	18.6	99.0

5. REVENUE

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Coal Mining	5,916	1,699
Coal Trading	313,439	378,900
Mining fees	22,224	28,084
Shipping transportation	8,709	10,717
Others	-	1
	350,288	419,401

6. FINANCE COSTS

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Bank charges	309	1,194
Interest expense	5,625	6,224
Interest expense on financial liabilities	2,082	3,748
Loss on foreign exchange	1,735	-
	9,751	11,166

7. (LOSS)/PROFIT BEFORE TAXATION

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
(Loss)/Profit before taxation include the following specific item:-		
Other income:		
- Realised foreign exchange gain	224	106

8. INCOME TAX EXPENSE

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Current tax:		
- For the financial year	916	1,323
- (Over)/under provision in the previous financial year	(14)	(33)
	902	1,290
Deferred tax:		
- Relating to origination and reversal of temporary differences (Note 29)	(304)	(314)
	598	976

The following subsidiaries in the PRC have different tax bases instead of the PRC statutory tax rate of 25% of profit before taxation ("PBT"). The details are as follows:-

	Tax Base 1 Jan to 31 Dec 2016 AUD'000	Tax Base 1 Jan to 31 Dec 2015 AUD'000
Chongqing Caotang Coal Mine Resources Development Co., Ltd and Chongqing Guoping Heiwan Coal Mine Resources Development Co., Ltd	2.5% of revenue *	2.5% of revenue
Qijiang Changhong Coal Industry Co., Ltd	Not applicable	3.75% of revenue
Chongqing Guoping Shipping Transportation Co., Ltd ("GPST")	15% of PBT **	15% of PBT **

* Based on the China Tax Office notification letters dated 31 March 2016 and 14 March 2016, these PRC subsidiaries are entitled to the tax bases as shown, for the period from 1 January 2016 to 31 December 2016. These subsidiaries may elect for an annual renewal for the subsequent calendar year commencing 1 January 2017.

** GPST was granted a preferential income tax rate of 15% based on PBT in 12 July 2012, by the relevant PRC Tax Authority, effective from 1 January 2012.

8. INCOME TAX EXPENSE (CONT'D)

The statutory company tax rate in Australia is 30%. A reconciliation of the income tax expense applicable to the profit before taxation at the Australia statutory tax rate to the income tax expense at the PRC Enterprise Income Tax rate is as follows:-

	CONSOLIDATED 2016 AUD'000	**CONSOLIDATED 2015 AUD'000**
(Loss)/Profit before taxation	(41,160)	35,087
Prima facie income tax expense:		
- pre-tax (loss)/profit at 30% (2015: 30%)	(9,920)	451
- revenue at 2.5% (2015: 2.5% and 3.75%)	300	277
Tax effects of:		
Non-taxable gains	(8)	(840)
Non-taxable losses	9,574	2,510
Effect of lower overseas tax rate	970	(1,075)
(Over)/under provision in the previous financial year	(14)	(33)
Others	(304)	(314)
Income tax expense for the financial year	598	976

Under the "tie-breaker" rules of the Australia PRC double taxation agreement, the Group is considered resident in the PRC at the reporting date. As a result, no income tax was payable in Australia on the Group's profit for the financial years ended 31 October 2015 and 2016.

9. CASH AND CASH EQUIVALENTS

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

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Chinese Renminbi	13,195	18,297
Australian Dollar	17	10
United States Dollar	103	-
Singapore Dollar	-	11
Hong Kong Dollar	-	1
	13,315	18,319

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

10. HELD-TO-MATURITY INVESTMENTS

For the previous financial year ended 31 October 2015, there were fixed deposits pledged to licensed banks (in PRC) as security for banking facilities granted to the Company (Note 24).

The effective interest rate of these fixed deposits as at 31 October 2015 is 2.28% per annum. These fixed deposits had maturity periods of 6 to 12 months from the issuance date.

In the current financial year ended 31 October 2016, these fixed deposits had been transferred to the bank accounts upon maturity.

11. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Trade receivables	63,017	221,352
Other receivables	2,439	2,732
Less: Impairment losses:-		
At 1 November	(260)	(130)
Addition during the financial year	(225)	(191)
Reversal during the financial year	450	90
Foreign exchange difference	20	(29)
At 31 October	(15)	(260)
	2,424	2,472
Deposits	-	20
Prepayment	42,802	1,640
Advances to suppliers	-	340
Note receivables *	936	-
	109,179	225,824

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

The currency profile of the receivables is as follows:-

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Chinese Renminbi	109,128	225,757
Australian Dollar	-	5
United States Dollar	51	62
	109,179	225,824

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

12. AMOUNT DUE FROM A RELATED COMPANY

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

13. INVENTORIES

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
At cost:-		
Coal	11	644
Coal (Goods-in-transit)	6,079	-
Consumables	255	294
	6,345	938
At net realisable value:-		
Coal	200	837
Consumables	80	119
	280	956
	6,625	1,894
Recognised in profit or loss:		
Coal:-		
Net realisable value write down	380	129

14. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Unquoted shares, at cost	410	410
Share of post-acquisition profit/(loss)	(35)	21
	375	431

Details of the associate are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest 2016	Effective Equity Interest 2015	Principal Activities
Blackgold Megatrade Pte Ltd	The Republic of Singapore	49%	49%	Manage storage and terminal handling and facilitate coal trade flows within the Asia Region.

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

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
<u>At 31 October</u>		
Current assets	837	1,003
Current liabilities	3	1
Net assets	834	1,002
<u>12-month period ended 31 October</u>		
Revenue	-	-
Profit/(loss) for the financial year/Total comprehensive income/(expenses) for the financial year	(116)	79
Group's share of profit/(loss) for the financial year	(57)	39

15. OTHER FINANCIAL ASSETS

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Investment in a limited liability partnership Company, at cost		
At 1 November	4,434	3,706
Foreign exchange difference	(550)	728
At 31 October	3,884	4,434

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

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

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

16. PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED	AT COST AUD'000	ACCUMULATED DEPRECIATION AUD'000	ACCUMULATED IMPAIRMENT LOSSES AUD'000	NET BOOK VALUE AUD'000
At 31.10.2016				
Buildings	3,723	(1,178)	(240)	2,305
Vessels	27,441	(10,883)	-	16,558
Plant and machineries	102,589	(36,035)	(17,134)	49,420
Motor vehicles, fixtures and equipment	4,644	(2,950)	(339)	1,355
Construction work-in-progress	72	-	-	72
	138,469	(51,046)	(17,713)	69,710
At 31.10.2015				
Buildings	4,250	(1,220)	(36)	2,994
Vessels	31,327	(10,899)	-	20,428
Plant and machineries	114,549	(30,709)	(4,501)	79,339
Motor vehicles, fixtures and equipment	5,184	(2,882)	(1)	2,301
Construction work-in-progress	83	-	-	83
	155,393	(45,710)	(4,538)	105,145

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

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

CONSOLIDATED	AT 1.11.2015 AUD'000	ADDITIONS AUD'000	TRANSFERS AUD'000	DISPOSAL AUD'000	DEPRECIATION CHARGE AUD'000	IMPAIRMENT LOSSES AUD'000	REVERSAL OF IMPAIRMENT AUD'000	FOREIGN EXCHANGE DIFFERENCE AUD'000	AT 31.10.2016 AUD'000
Carrying amount									
Buildings	2,994	-	-	-	(116)	(220)*	-	(353)	2,305
Vessels	20,428	-	-	-	(1,410)	-	-	(2,460)	16,558
Plant and machineries	79,339	2,377	-	-	(9,649)	(13,931)*	-	(8,716)	49,420
Motor vehicles, fixtures and equipment	2,301	108	-	-	(450)	(356)*	-	(248)	1,355
Construction work-in-progress	83	-	-	-	-	-	-	(11)	72
	105,145	2,485	-	-	(11,625)	(14,507)	-	(11,788)	69,710

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

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

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

Vessels of the Group with a total net book value of AUD9.129m (2015: AUD AUD6.945m) have been pledged to a licensed bank as security for banking facilities granted to the Group, as disclosed in Note 24 to the financial statements.

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

Impairment losses/Reversal of impairment losses

*Impairment assessment

The Group has determined that the significant decline in global coal prices during the financial year ended 31 October 2016 indicate that the carrying value of coal producing assets may be impaired.

The Group has classified its China based assets as separate Cash Generating Units (CGUs) on a per mine basis and has measured the recoverable amount of each CGU using the value-in-use method, with all fair value measurements categorized as Level 3 in the fair value hierarchy. All CGUs are included in the Coal Mining segment.

The Group has estimated value-in-use based on an independent valuation report commissioned for that purpose. The independent valuation report estimates future cash flows of each CGU making assumptions in respect to the ability to obtain and renew all necessary permits and licenses to carry out mining activities and businesses in the coal mine and key variables including economically recoverable reserves, future production profiles, commodity prices, operating costs and future development costs necessary to produce the reserves. The commodity price assumptions have been based on a 15 month historical average selling price ended 31 January 2017 at a range between RMB272 to RMB349 per ton (2015: RMB264 to RMB375 per ton).

The future cash flows have been discounted using a range of pre-tax discount rate of between 16.31% to 17.31% (2015: 15.75% to 16.75%). The recoverable amount and impairment loss/reversal calculated under the value-in-use method of CGUs are:

Mine	Recoverable amount AUD'000	Impairment loss AUD'000
Heiwan Mine	29,538	23,168
Caotang Mine	192,530	Nil
Changhong Mine	48,084	26,041
Baolong Mine	46,899	Nil

The total impairment loss constitutes AUD34.702m mine development and AUD14.507m of property, plant and equipment.

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

Sensitivity to changes in assumptions

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

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

	Heiwan Mine AUD'000	Changhong Mine AUD'000	Total AUD'000
At 31.10.2016			
Carrying amount			
- property, plant and equipment	11,706	26,115	37,821
- mine development	40,239	46,111	86,350
	51,945	72,226	124,171
Value in use	(29,538)	(48,084)	(77,622)
	22,407	24,142	46,549
Foreign exchange difference	761	1,899	2,660
Net impairment loss	23,168	26,041	49,209
At 31.10.2015			
Carrying amount as at 31.10.2015			
- property, plant and equipment	8,429	36,210	44,639
- mine development	27,921	55,742	83,663
	36,350	91,952	128,302
Value in use	(57,574)	(88,924)	(146,498)
	(21,224)	3,028	(18,196)
Foreign exchange difference	2,343	1,098	3,441
Impairment (reversal)/loss	(18,881)	4,126	(14,755)

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

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

17. LAND USE RIGHTS

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
At cost	172	196
Accumulated amortisation	(89)	(98)
Carrying amount	83	98

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

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
At 1 November	98	86
Amortisation during the financial year	(3)	(4)
Foreign exchange difference	(12)	16
At 31 October	83	98

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

18. MINE DEVELOPMENT

CONSOLIDATED	AT COST AUD'000	ACCUMULATED AMORTISATION AUD'000	ACCUMULATED IMPAIRMENT LOSSES AUD'000	CARRYING AMOUNT AUD'000
At 31.10.2016				
Mining rights	45,004	(3,001)	(2,571)	39,432
Mine infrastructure	158,186	(24,661)	(32,369)	101,156
Construction work-in-progress	11,643	-	(3,677)	7,966
	214,833	(27,662)	(38,617)	148,554

CONSOLIDATED	AT COST AUD'000	ACCUMULATED AMORTISATION AUD'000	ACCUMULATED IMPAIRMENT LOSSES AUD'000	CARRYING AMOUNT AUD'000
At 31.10.2015				
Mining rights	51,377	(3,368)	(2,284)	45,725
Mine infrastructure	171,590	(24,534)	(4,291)	142,765
Construction work-in-progress	13,077	-	-	13,077
	236,044	(27,902)	(6,575)	201,567

Below are the details of the mining rights:-

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Carrying amount		
Caotang mine	1,064	1,259
Heiwan mine	2,088	2,651
Changhong mine	15,591	18,196
Baolong mine	20,689	23,619
	39,432	45,725

18. MINE DEVELOPMENT (CONT'D)

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

CONSOLIDATED	AT 1.11.2015 AUD'000	ADDITIONS AUD'000	TRANSFERS AUD'000	AMORTISATION CHARGE AUD'000	IMPAIRMENT LOSSES AUD'000	REVERSAL OF IMPAIRMENT AUD'000	FOREIGN EXCHANGE DIFFERENCE AUD'000	AT 31.10.2016 AUD'000
Mining rights	45,725	-	-	(54)	(603)	-	(5,636)	39,432
Mine infrastructure	142,765	8,322	-	(3,350)	(30,215)	-	(16,366)	101,156
Construction work-in-progress	13,077	199	-	-	(3,884)	-	(1,426)	7,966
	201,567	8,521	-	(3,404)	(34,702)	-	(23,428)	148,554

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

18. MINE DEVELOPMENT (CONT'D)

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

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

Please refer to Note 16 for the key assumptions used in the value-in-use calculations in relation to the impairment loss and reversal of impairment recognised as at 31 October 2016.

19. INTANGIBLE ASSETS - GOODWILL

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
At 1 November	2,489	2,081
Foreign exchange difference	(308)	408
At 31 October	2,181	2,489

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

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

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Shipping segment	2,181	2,489

The Group has assessed the recoverable amounts of goodwill allocated and determined that no impairment loss is required to be recognised. The recoverable amount of the cash-generating unit above is determined based on value-in-use approach. This assessment is determined under Level 3 of the fair value hierarchy. The recoverable amount of the CGU has used a discounted cash flow model. The future cash flows have been discounted using a pre-tax rate of 14.3% (2015: 8.0%). This is derived from the present value of the future cash flows from the shipping transportation segments computed based on the projections of financial budgets approved by management covering a period of 5 years.

20. INTANGIBLE ASSETS - OTHER

CONSOLIDATED	AT COST AUD'000	ACCUMULATED AMORTISATION AUD'000	CARRYING AMOUNT AUD'000
At 31.10.2016			
Customer base *	2,803	(2,510)	293
Operating permit *	1,308	(294)	1,014
	4,111	(2,804)	1,307
At 31.10.2015			
Customer base *	3,200	(2,197)	1,003
Operating permit *	1,493	(261)	1,232
	4,693	(2,458)	2,235

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

CONSOLIDATED	AT 1.11.2015 AUD'000	AMORTISATION CHARGE AUD'000	FOREIGN EXCHANGE DIFFERENCE AUD'000	AT 31.10.2016 AUD'000
Customer base *	1,003	(618)	(92)	293
Operating permit *	1,232	(69)	(149)	1,014
	2,235	(687)	(241)	1,307

CONSOLIDATED	AT 1.11.2014 AUD'000	AMORTISATION CHARGE AUD'000	FOREIGN EXCHANGE DIFFERENCE AUD'000	AT 31.10.2015 AUD'000
Customer base *	1,397	(639)	245	1,003
Operating permit *	1,092	(71)	211	1,232
	2,489	(710)	456	2,235

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

21. TRADE AND OTHER PAYABLES

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Unsecured liabilities:-		
Trade payables	11,646	77,913
Bill payables	-	58,405
Other payables and accruals	12,111	14,168
Advances from customers	817	477
	24,574	150,963

The currency profile of the payables is as follows:-

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Chinese Renminbi	24,033	150,135
Australian Dollar	114	457
United States Dollar	329	280
Hong Kong Dollar	84	76
Singapore Dollar	14	15
	24,574	150,963

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

22. AMOUNT OWING TO A RELATED PARTY

	CONSOLIDATED 2016 AUD'000	**CONSOLIDATED 2015 AUD'000**
Current (Unsecured):		
- Principal	608	607
- Accrued interest	14	34
	622	641

The amount owing represents loans from a related party (Prima Network Financial Group Limited ("Prima Network"), a company in which Dr. James Tong is a director and shareholder) which consist of a USD0.234m and an AUD0.300m (2015: USD0.433m) equivalent to approximately AUD0.608m (2015: AUD0.607m) at the end of the reporting period. The loans are subject to interest rate of 5% per annum (2015: 5% per annum) and repayable together with the accrued interest.

The maturity profile of the loans is as follows:-

	Principal AUD'000	**Accrued Interest AUD'000**	**Total AUD'000**	**Date of Repayment**
Loan 1	308	7	315	31 December 2016
Loan 2	300	7	307	31 December 2016

23. AMOUNT OWING TO AN ASSOCIATE

The amount owing is non-trade in nature, unsecured and repayable on demand. As at 31 October 2016, the amount owing is subject to an interest rate of 1.0% per annum over the market SWAP rate, calculated on a 365-day basis (2016: 1.3% per annum; 2015: interest-free).

24. BORROWINGS

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Borrowings (secured liabilities):-		
- Loans repayable within next year	102,359	112,714
- Loans repayable after more than one year	-	5,329
	102,359	118,043
Loan facilities:-		
Amount of utilised bank facilities:		
- Loans	102,196	118,043
- Bills payable	9,663 *	5,322 *
- Letters of credit	-	15,761 *
	111,859	139,126
Offset against held-to-maturity investments pledged to the licensed banks (in the PRC) (Note 10)	-	(7,389)
	111,859	131,737
Amount of unutilised bank facilities	777	2,170
Total bank facilities granted	112,636	133,907

* Included in these facilities are bills payable and letters of credit amounting to AUD9.663m (2015: AUD5.322m) and Nil (2015: AUD15.761m), respectively that have been issued to creditors for settlement of amounts owing to them, which will be due within 6 to 12 months from the date of drawn-down.

During the financial year ended 31 October 2016, due to negotiations, some short-term loans were not repaid on time when due, which resulted in the Company incurring additional interest expenses. However, the loans were subsequently repaid and the Company continued to draw-down new loans from that bank as at 31 October 2016.

The short-term loans totalling RMB125.430m (AUD24.359m) and RMB23.000m (AUD4.467m) as at 31 October 2016 expired in November 2016 and February 2017 respectively. The remainder of the short-term loans totalling RMB377.810m (AUD73.371m) will expire at various times between May 2017 to October 2017. Refer to Note 47 for further details of the status of the Group's borrowing facilities subsequent to the year end.

24. BORROWINGS (CONT'D)

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

	CONSOLIDATED 2016 % p.a.	CONSOLIDATED 2015 % p.a.
Secured liabilities:-		
Loans	5.28	7.27

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

As at 31 October 2016, the borrowings are secured as follows:-

- collateral over certain vessels owned by GPST with carrying value of AUD9.129m (2015: AUD6.945m), equivalent to RMB47.010m (2015: RMB31.327m), as disclosed in Note 16 to the financial statements;
- collateral over mining rights owned by the Group with carrying value of AUD39.432m (2015: AUD45.725m), equivalent to RMB203.042m (2015: RMB206.246m), as disclosed in Note 18 to the financial statements;
- collateral over the entire equity interest in Qijiang Changhong Coal Industry Co., Ltd and Chongqing Baolong Mining Co., Ltd, held by Chongqing Blackgold Mining Co., Ltd. ("Blackgold Mining");
- collateral over the entire equity interest in Blackgold Mining, Chongqing Guoping Shipping Transportation Co., Ltd, Chongqing Caotang Coal Mine Resources Development Co., Ltd and Chongqing Guoping Heiwan Coal Mine Resources Development Co., Ltd, held by Chongqing Guoping Shangmao Trading Co., Ltd. ("Shangmao");
- collateral over the entire equity interest in Shangmao, held by Chongqing Heijin Industrial Co., Ltd. ("Heijin");
- collateral over entire equity interest of Chongqing Guoping Industrial (Group) Co., Ltd. ("CGI") held by Mr Yuguo Peng and Ms Xiaoping Ou;
- corporate guarantees provided by subsidiaries, a related party (CGI), Mr Yuguo Peng and Ms Xiaoping Ou amounting to AUD194.200m (RMB1,000.000m) and by a customer amounting to AUD38.840m (RMB200.000m); and
- collateral over land and estate properties of related parties (CGI and Chongqing Guoping Properties Development Co., Ltd), and personal guarantees of Mr Yuguo Peng and Ms Xiaoping Ou amounting to AUD15.536m (RMB80.000m).

24. BORROWINGS (CONT'D)

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

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

(i) the borrower has not used the loan funds for the purpose stated in the agreement, or fails to meet the terms and conditions of withdrawals and repayment of loan fund;

(ii) the borrower has significant financial difficulties, or exceeded the limit of financial borrowings which stated in the agreement;

(iii) gross default on any indebtedness which is not discharged at maturity or when called or goes into default under, or commits a breach of, any instrument or agreement relating to such indebtedness; and

(iv) the borrower provided false or concealed any important facts in the statement of financial position, statement of profit or loss and other comprehensive income, or refuse to accept the supervision on production, management and financial activity from banks for loan purpose, or the borrower provided untrue or inaccurate or misleading fact on the statement of facts stated in agreement.

As at 31 October 2016, the Group has complied with all the requirements of the covenants. As mentioned above, due to negotiations, some short-term loans were not repaid on time when due during the year, which resulted in the Company incurring additional interest expenses. However, the loans were subsequently repaid and the Company continued to draw-down new loans from that bank as at 31 October 2016.

25. FINANCIAL LIABILITIES

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Financial liabilities - debt component	20,069	17,873
Financial liabilities at fair value through profit and loss – conversion option	1,027	2,071
	21,096	19,944

The face value of the loan as at 31 October 2016 is AUD20.399m. The financial liabilities represent the convertible bonds issued by the Company in the previous financial year.

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

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

(i) Tranche 1 – SGD15.000m (issued in November 2014);
(ii) Tranche 2 – SGD3.750m (issued in February 2015); and
(iii) Tranche 3 – SGD6.250m (to be issued only upon completion).

The Completion End Date under the terms of the convertible bonds issued to LionHeart has been extended for one year from 18 May 2016 to 18 May 2017. On 10 February 2017, Lionheart has agreed with the Group to extend the Completion End Date for at least three months from 18 May 2017 if the Scheme of Arrangement with Vibrant is not completed on or before 18 May 2017, as disclosed in Note 47 to the financial statements.

On 28 October 2016, the Company announced that it had entered into a Scheme Implementation Agreement with Vibrant pursuant to which Vibrant will, if approved by Blackgold shareholders, acquire all of the shares in Blackgold by way of a Scheme of Arrangement ("Scheme"), in return for providing A$0.045 per Scheme share to Blackgold shareholders (save for shares in Blackgold already held or controlled by Vibrant).

25. FINANCIAL LIABILITIES (CONT'D)

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

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

$$\text{Number of Conversion Shares} = \frac{\text{Australian Dollar Equivalent of SGD18.750m}}{0.1}$$

26. DEFERRED CONSIDERATION

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Interest component (Liability)		
At 1 November	-	433
Additions during the financial year	-	-
Repayment during the financial year	-	(495)
Foreign exchange difference	-	62
At 31 October	-	-

The deferred consideration is in relation to the remaining unsettled purchase consideration for the acquisition of GPST from CGI by Shangmao. As at 31 October 2015, the principal amount and the interest component have been fully settled.

27. PROVISION FOR TAXATION

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
At 1 November	4,053	3,553
Provision for taxation:		
- For the financial year	916	1,323
- Over provision in the previous financial year	(14)	(33)
Tax paid during the financial year	(703)	(1,479)
Foreign exchange difference	(514)	689
At 31 October	3,738	4,053

28. PROVISION FOR RESTORATION COSTS

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
At 1 November	1,775	1,392
Addition during the financial year	508	105
Reversal during the financial year	-	-
Foreign exchange difference	(247)	278
At 31 October	2,036	1,775

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

29. DEFERRED TAX LIABILITIES

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
At 1 November	2,588	2,438
Recognised in profit or loss (Note 8)	(304)	(314)
Foreign exchange difference	(304)	464
At 31 October	1,980	2,588

The deferred tax liabilities are attributable to the following:-

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Fair value of identifiable assets acquired as part of the acquisition of GPST	1,980	2,588

30. SHARE CAPITAL

	CONSOLIDATED 2016		CONSOLIDATED 2015	
	Number of shares 000	AUD'000	Number of shares 000	AUD'000
Issued capital	888,004	65,363	888,004	65,363

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

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

31. MERGER DEFICIT RESERVE

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

32. STATUTORY RESERVE

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
At 1 November	3,841	3,332
Transfer from profit or loss	527	509
At 31 October	4,368	3,841

The statutory reserve represents amounts transferred from profit after taxation of the subsidiaries under the PRC laws and regulations.

33. FOREIGN CURRENCY TRANSLATION RESERVE

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

34. OPTIONS RESERVE

	CONSOLIDATED 2016		CONSOLIDATED 2015	
	Number of options 000	AUD'000	Number of options 000	AUD'000
Options:				
At 1 November	88,800	89	88,800	89
Expiry of options	(88,800)	(89)	-	-
At 31 October	-	-	88,800	89

All the options issued have expired on 31 July 2016.

35. EMPLOYEE BENEFITS EXPENSE

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Staff costs:		
- salaries and wages	5,929	8,944
- defined contributions	276	255
- other benefits	961	1,051

36. RELATED PARTY TRANSACTIONS

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

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

	CONSOLIDATED 2016 AUD'000	**CONSOLIDATED 2015 AUD'000**
Related Parties:		
- rental charges from related party *	55	57
- shipping revenue from related party **	255	-

* These transactions were carried out with Chongqing An Yi Jia Industrial Holding Co., Ltd (previously known as "Chongqing Guoping Ming Yang Logistics Co., Ltd."), which is 65.00% owned by the sister of Mr. Jun Ou.

** These transactions were carried out with Shanghai Yu Feng International Logistics Co., Ltd, which is 99.87% owned by the brother in-law of Mr. Jun Ou.

Mr. Ou is a brother-in-law of Mr. Yuguo, Peng, our Chief Executive Officer and Executive Director.

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

37. KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the financial year ended 31 October 2016.

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

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Short-term employee benefits:		
- salaries and fees	776	804
- other	4	10
Post-employment benefits:		
- pension and superannuation	6	6
- other	14	6
	800	826

37. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

KMP Shareholdings

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

	←---------------------------- Ordinary shares ------------------------→				
	Balance at beginning of year '000	**Disposed during the year '000**	**Acquired during the year '000**	**Other changes during the year '000**	**Balance at end of year '000**
31 October 2016					
Yuguo, Peng (Note 1)	544,500	-	-	-	544,500
Dr Chi Ho (James), Tong (Note 2)	51,050	-	-	-	51,050
Jun, Ou	333	-	-	-	333
31 October 2015					
Yuguo, Peng (Note 1)	544,500	-	-	-	544,500
Dr Chi Ho (James), Tong (Note 2)	51,050	-	-	-	51,050
Jun, Ou	333	-	-	-	333
Jun, Shao	9	-	-	-	9

37. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

KMP Shareholdings (Cont'd)

	←---- Options ----→				
	Balance at beginning of year ‘000	**Expired during the year ‘000**	**Acquired during the year ‘000**	**Other changes during the year ‘000**	**Balance at end of year ‘000**
31 October 2016					
Yuguo, Peng (Note 1)	54,450	(54,450)	-	-	-
Dr Chi Ho (James), Tong (Note 2)	5,105	(5,105)	-	-	-
Jun, Ou	-	-	-	-	-
31 October 2015					
Yuguo, Peng (Note 1)	-	-	54,450	-	54,450
Dr Chi Ho (James), Tong (Note 2)	-	-	5,105	-	5,105
Jun, Ou	-	-	-	-	-
Jun, Shao	-	-	-	-	-

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

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

Other KMP Transactions

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

For details of other transactions with KMP, refer to Note 36 Related Party Transactions.

There have been no loans to KMP.

38. EARNINGS PER SHARE

	CONSOLIDATED 2016	CONSOLIDATED 2015
Loss/(Profit) for the year attributable to members of the parent entity (AUD'000)	(41,758)	34,111
Basic (loss)/earnings per share:		
Weighted average number of ordinary shares at 31 October	888,003,622	888,003,622
Basic (loss)/earnings per share (cents)	(4.70)	3.84
Diluted (loss)/earnings per share:		
Weighted average number of ordinary shares at 31 October	888,003,622	976,803,984
Diluted (loss)/earnings per share (cents)	(4.70)	3.49

39. FOREIGN EXCHANGE RATES

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

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Chinese Renminbi	0.1942	0.2217
Hong Kong Dollar	0.1696	0.1808
Singapore Dollar	0.9447	1.0000
United States Dollar	1.3152	1.4008

40. SEGMENTAL REPORTING

Identification of Reportable Segments

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

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

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

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

Inter-segment transactions

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

40. SEGMENTAL REPORTING (CONT'D)

(a) Segment results, assets and liabilities

	Coal mining		Coal trading		Mining fees	
	2016 AUD'000	**2015 AUD'000**	**2016 AUD'000**	**2015 AUD'000**	**2016 AUD'000**	**2015 AUD'000**
Revenue from external customers	5,917	1,699	313,439	378,900	22,223	28,084
Inter-segment revenue	6,104	19,645	-	1,114	-	-
Reportable segment revenue	12,021	21,344	313,439	380,014	22,223	28,084
Reportable segment profit/(loss) before taxation	(47,004)	11,205	365	(740)	16,283	21,748

40. SEGMENTAL REPORTING (CONT'D)

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

	Coal mining		**Coal trading**		**Mining fees**	
	2016 AUD'000	**2015 AUD'000**	**2016 AUD'000**	**2015 AUD'000**	**2016 AUD'000**	**2015 AUD'000**
Interest income from bank deposit	-	1	119	583	-	-
Finance costs	1,356	2,590	6,277	4,680	-	-
Depreciation						
- Property, plant and equipment	6,391	6,590	212	308	3,514	3,637
Amortisation						
- Land use right	-	-	-	-	3	4
- Mine development	1,058	2,599	-	-	2,346	2,611
- Intangible assets	-	-	-	-	-	-
Impairment losses						
- Mine development	34,702	2,516	-	-	-	-
- Property, plant and equipment	14,507	1,610	-	-	-	-
Reversal of impairment losses						
- Mine development	-	(13,972)	-	-	-	-
- Property, plant and equipment	-	(4,909)	-	-	-	-

40. SEGMENTAL REPORTING (CONT'D)

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

	Shipping transportation		Others		Total	
	2016 AUD'000	2015 AUD'000	2016 AUD'000	2015 AUD'000	2016 AUD'000	2015 AUD'000
Revenue from external customers	8,709	10,717	-	1	350,288	419,401
Inter-segment revenue	-	-	179	409	6,283	21,168
Reportable segment revenue	8,709	10,717	179	410	356,571	440,569
Reportable segment profit/(loss) before taxation	1,395	2,821	(135)	82	(29,096)	35,116

40. SEGMENTAL REPORTING (CONT'D)

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

	Shipping transportation		Others		Total	
	2016 AUD'000	**2015 AUD'000**	**2016 AUD'000**	**2015 AUD'000**	**2016 AUD'000**	**2015 AUD'000**
Interest income from bank deposit	-	1	-	-	119	585
Finance costs	-	1	1	1	7,634	7,272
Depreciation						
- Property, plant and equipment	1,411	1,456	98	102	11,626	12,093
Amortisation						
- Land use right	-	-	-	-	3	4
- Mine development	-	-	-	-	3,404	5,210
- Intangible assets	687	710	-	-	687	710
Impairment losses						
- Mine development	-	-	-	-	34,702	2,516
- Property, plant and equipment	-	-	-	-	14,507	1,610
Reversal of impairment losses						
- Mine development	-	-	-	-	-	(13,972)
- Property, plant and equipment	-	-	-	-	-	(4,909)

40. SEGMENTAL REPORTING (CONT'D)

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

	Coal mining		Coal trading		Mining fees	
	2016 AUD'000	**2015 AUD'000**	**2016 AUD'000**	**2015 AUD'000**	**2016 AUD'000**	**2015 AUD'000**
Segment assets	277,569	358,164	281,529	423,590	-	-
Segment asset increases for the period:						
- capital expenditure	11,005	13,434	1	483	-	-
Segment liabilities	114,971	130,126	236,874	373,081	-	-

40. SEGMENTAL REPORTING (CONT'D)

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

	Shipping transportation		Others		Total	
	2016 AUD'000	2015 AUD'000	2016 AUD'000	2015 AUD'000	2016 AUD'000	2015 AUD'000
Segment assets	41,008	43,529	39,744	44,424	639,850	867,707
Segment asset increases for the period:						
- capital expenditure	-	-	-	-	11,006	13,917
Segment liabilities	2,648	3,169	35,589	39,533	390,082	545,909

40. SEGMENTAL REPORTING (CONT'D)

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

		2016 AUD'000	2015 AUD'000
(i)	**Revenue**		
	Reportable segment revenue	356,571	440,569
	Elimination of inter-segment revenue	(6,283)	(21,168)
	Consolidated revenue	350,288	419,401
(ii)	**(Loss)/Profit**		
	Reportable segment (loss)/profit before taxation	(36,618)	35,116
	Unallocated fair value gain	989	2,659
	Unallocated corporate gains/expenses	(3,414)	1,206
	Unallocated finance costs	(2,117)	(3,894)
		(41,160)	35,087
(iii)	**Assets**		
	Reportable segment assets	639,850	869,707
	Elimination of inter-segment assets	(291,178)	(307,330)
		348,672	562,377
	Unallocated assets:		
	- investments accounted for using the equity method	375	431
	- other financial assets	3,884	4,434
	- intangible assets - goodwill	2,181	2,489
	- unallocated capital expenditure	-	1
	- corporate assets	171	93
	Combined total assets per consolidated statement of financial position	355,283	569,825

40. SEGMENTAL REPORTING (CONT'D)

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

		2016 AUD'000	2015 AUD'000
(iv)	**Liabilities**		
	Reportable segment liabilities	390,082	545,909
	Elimination of inter-segment liabilities	(261,654)	(275,957)
		128,428	269,952
	Unallocated liabilities		
	- provision for taxation	3,738	4,053
	- deferred tax liabilities	1,980	2,588
	- corporate liabilities	22,523	21,507
	Combined total liabilities per consolidated statement of financial position	156,669	298,100

(c) Geographical information

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

(d) Major customers

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

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000	Segment
Customer A	275,975	284,665	Coal mining, coal trading and shipping transportation
Customer B	30,019*	61,718	Coal trading and shipping transportation

* this customer with revenue of less than 10 percent in the current financial year ended 31 October 2016 is presented for comparison purposes.

41. FINANCIAL INSTRUMENTS

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

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

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

	NOTE	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Financial assets			
Cash and cash equivalents	9	13,315	18,319
Held-to-maturity investments	10	-	7,389
Receivables	11	66,377	223,844
Amount due from a related company	12	70	-
Available-for-sale financial assets	15		
- at cost			
• Unquoted investment		3,884	4,434
Total financial assets		83,646	253,986
Financial liabilities			
Financial liabilities at amortised cost:			
- trade and other payables	21	24,574	150,963
- amount owing to a related party	22	622	641
- amount owing to an associate	23	264	93
- borrowings	24	102,359	118,043
- financial liabilities	25	21,096	19,944
- deferred consideration	26	-	-
Total financial liabilities		148,915	289,684

41. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies

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

(i) Market Risk

(a) Foreign Currency Risk

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

(b) Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from its borrowings and related party loans. The interest rate profiles are disclosed in Note 22, 23, 24 and 25 to the financial statements. The Group constantly monitors its interest rate risk and does not utilise forward contracts or other arrangements for trading or speculative purposes.

Interest rate risk sensitivity analysis

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

(c) Equity Price Risk

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

41. FINANCIAL INSTRUMENTS (CONT'D)

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

(i) Market Risk (Cont'd)

(d) Commodity Price Risk

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

(ii) Credit Risk

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

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individual exposures. At 31 October 2016, allowance for impairment made was approximately AUD225,000 (2015: AUD191,000).

Credit risk concentration profile

The Group's concentration of credit risk relates to the amounts owing by one customer which constituted approximately 92.5% of its total trade receivables at the end of the reporting period.

Exposure to credit risk

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

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

41. FINANCIAL INSTRUMENTS (CONT'D)

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

(ii) Credit Risk (Cont'd)

Ageing analysis

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

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Not past due and not impaired	62,283	219,640
Past due but not impaired:		
- less than 3 months	174	811
- 3 to 6 months	356	349
- over 6 months	204	552
	63,017	221,352

Trade receivables that are past due but not impaired

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

Trade receivables that are neither past due nor impaired

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

41. FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Liquidity and Cash Flow Risks

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:
- preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

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

41. FINANCIAL INSTRUMENTS (CONT'D)

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

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

CONSOLIDATED	Weighted Average Effective Rate %	Carrying Amount AUD'000	Contractual Undiscounted Cash Flows AUD'000	Within 1 Year AUD'000	1 - 5 Years AUD'000	Over 5 Years AUD'000
2016						
Trade and other payables	-	24,574	24,574	24,574	-	-
Amount owing to a related party	5.00	622	645	645	-	-
Amount owing to an associate	1.30	264	265	265	-	-
Borrowings	5.28	102,359	107,764	107,764	-	-
Financial liabilities	7.50	21,096	22,148	22,148	-	-
Deferred consideration	-	-	-	-	-	-
		148,915	155,395	155,395	-	-

41. FINANCIAL INSTRUMENTS (CONT'D)

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

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

CONSOLIDATED	Weighted Average Effective Rate %	Carrying Amount AUD'000	Contractual Undiscounted Cash Flows AUD'000	Within 1 Year AUD'000	1 - 5 Years AUD'000	Over 5 Years AUD'000
2015						
Trade and other payables	-	150,963	150,963	150,963	-	-
Amount owing to a related party	5.00	641	646	646	-	-
Amount owing to an associate	-	93	93	93	-	-
Borrowings	7.27	118,043	127,012	120,908	6,104	-
Financial liabilities	7.50	19,944	22,053	22,053	-	-
Deferred consideration	-	-	-	-	-	-
		289,684	300,767	294,663	6,104	-

41. FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management

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

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

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

(c) Fair Value Estimation

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

42. PARENT ENTITY INFORMATION

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

STATEMENT OF FINANCIAL POSITION

	2016 AUD'000	2015 AUD'000
ASSETS		
CURRENT ASSETS		
Receivables	48	68
Amount owing by subsidiaries	36,661	39,120
Cash and cash equivalents	10	10
TOTAL CURRENT ASSETS	36,719	39,198
NON-CURRENT ASSETS		
Investment in subsidiaries	27,500	27,500
Property, plant and equipment	1	3
TOTAL NON-CURRENT ASSETS	27,501	27,503
TOTAL ASSETS	64,220	66,701
LIABILITIES		
CURRENT LIABILITIES		
Payables	456	816
Financial liabilities	21,096	19,944
TOTAL CURRENT LIABILITIES	21,552	20,760
TOTAL LIABILITIES	21,552	20,760
NET ASSETS	42,668	45,941
EQUITY		
Share capital	65,363	65,363
Accumulated losses	(22,695)	(19,511)
Options reserve	-	89
TOTAL EQUITY	42,668	45,941

42. PARENT ENTITY INFORMATION (CONT'D)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2016 AUD'000	2015 AUD'000
Total loss	(3,273)	(4,337)
Total comprehensive expenses	(3,273)	(4,337)

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

Contingent Liabilities
The directors are not aware of any contingent liabilities or assets as at the date of these financial statements (2015: Nil).

Contractual Commitments
At 31 October 2016, Blackgold International Holdings Limited had not entered into any contractual commitments (2015: Nil) except for the Scheme of Arrangement with Vibrant as disclosed in this report.

43. AUDITORS' REMUNERATION

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Remuneration of the auditor of the parent entity for:		
- auditing and reviewing the financial statements	111	293
- services in relation to other corporate exercises	-	71
Remuneration of affiliated firm to the other auditors of subsidiaries entities for:		
- auditing and reviewing the financial statements	199	80
	310	444

44. CONTROLLED ENTITIES

Subsidiaries of Blackgold International Holdings Limited are as follows:-

	Entities	Country of incorporation	Principal place of business	Principal activities	Ownership Interest 2016	Ownership Interest 2015
(a)	Blackgold Holdings HongKong Ltd. ("BHHK")	Hong Kong SAR	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong	Investment holding.	100%	100%
(b)	Chongqing Heijin Industrial Co. Ltd * ("Heijin")	The People's Republic of China ("PRC")	No. 40, Level 5, Yongan Street, Yongan Town, Fengjie County, Chongqing Province, PRC	Investment holding and trading of coal.	100%	100%
(c)	Chongqing Guoping Shangmao Trading Co., Ltd ** ("Shangmao")	PRC	No. 40, Yongan Street Yongan Town, Fengjie County, Chongqing Province, PRC	General traders, mainly trading of coal.	100%	100%
(d)	Chongqing Baolong Mining Co., Ltd **** ("Baolong")	PRC	Guangdong Middle Road, Wuxia Town, Wushan County, Chongqing Province, PRC	Mining operations.	100%	100%
(e)	Qijiang Changhong Coal Industry Co., Ltd **** ("Changhong")	PRC	Wanlong Village Shihao Town, Qijiang County, Chongqing Province, PRC	Mining operations.	100%	100%
(f)	Chongqing Blackgold Coal Washing Co., Ltd **** ("Coal Washing")	PRC	No. 40, Yongan Street Yongan Town, Fengjie County, Chongqing Province, PRC	Washing and selection of coal, the storage and loading of coal, the sale of construction materials and steel materials, and the manufacturer of machineries business.	100%	100%

44. CONTROLLED ENTITIES (CONT'D)

	Entities	Country of incorporation	Principal place of business	Principal activities	Ownership Interest 2016	Ownership Interest 2015
(g)	Chongqing Guoping Heiwan Coal Mine Resources Development Co., Ltd *** ("Heiwan")	PRC	Fourteenth Community, Xinfang Village, Caotang Town, Fengjie County, Chongqing Province, PRC	Mining operations.	100%	100%
(h)	Chongqing Caotang Coal Mine Resources Development Co., Ltd *** ("Caotang")	PRC	Third Community, Baishui Village, Fenhe Town, Fengjie County, Chongqing Province, PRC	Mining operations.	100%	100%
(i)	Chongqing Guoping Shipping Transportation Co., Ltd *** ("GPST")	PRC	No. 24, Fengcheng, Changshou County, Chongqing Province, PRC	Shipping Transportation and agency services	100%	100%
(j)	Chongqing Blackgold Mining Co., Ltd.*** ("Blackgold Mining")	PRC	No. 40, Yongan Street Yongan Town, Fengjie County, Chongqing Province, PRC	Investment holding	100%	100%

* Interest held by BHHK
** Interest held by Heijin
*** Interest held by Shangmao
**** Interest held by Blackgold Mining

45. CAPITAL COMMITMENTS

	CONSOLIDATED 2016 AUD'000	CONSOLIDATED 2015 AUD'000
Capital expenditure:-		
Approved and not contracted for	150,262	179,862
Approved and contracted for	-	-
	150,262	179,862

Capital expenditure commitments are in relation to the expansion of Group's current mining activities at its Caotang, Baolong, Changhong and Heiwan mines (2015: Caotang, Baolong and Heiwan mines).

46. CONTINGENT LIABILITIES

As at 31 October 2016, a subsidiary of the Group, Heijin, has provided a corporate guarantee to China Minsheng Banking Corp. Ltd. ("China Minsheng") (a licensed bank in the PRC) in relation to bank borrowings between China Minsheng and a customer of Heijin, Jiangsu Huayu Energy Group Co., Ltd. The value of this guarantee is AUD38.257m (RMB197.000m).

Heijin has also received a corporate guarantee from Jiangsu Huayu Energy Group Co., Ltd with a value of AUD38.840m (RMB200.000m). This corporate guarantee will lapse in June 2017.

47. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

(a) Subsequent to the year-end, the Group has repaid the bills payable of RMB49.760m which expired in November 2016. The Group has also repaid its short-term loans of RMB125.430m and RMB23.000m which expired in November 2016 and February 2017 respectively, and new loans have been drawn down for another year, expiring in November 2017 and February 2018 respectively. The other short-term loans are only due at various dates between May to October 2017.

(b) On 10 February 2017, in relation to the Convertible Bond Agreement entered into with Vibrant Group Limited as disclosed in Note 25 to the financial statements, Lionheart has agreed with the Group to extend the Completion End Date for at least three months from 18 May 2017 if the Scheme of Arrangement with Vibrant is not completed on or before 18 May 2017.

DIRECTORS' DECLARATION

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

1. the financial statements and notes, as set out on pages 30 to 128, are in accordance with the *Corporations Act 2001* and:

    a. comply with Australian Accounting Standards, which as stated in accounting policy Note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

    b. give a true and fair view of the financial position as at 31 October 2016 and of the performance for the financial year ended on that date of the Group;

2. the Chief Executive Officer and Chief Financial Officer have each declared that:
    a. the financial records of the Company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
    b. the financial statements and Notes for the financial year comply with the Accounting Standards; and
    c. the financial statements and Notes for the financial year give a true and fair view; and

3. in the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

4. the directors have been given the declaration required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

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

Director

Dr Chi Ho (James), Tong

Dated this 17th day of March 2017

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

Report on the Financial Report

We have audited the accompanying financial report of Blackgold International Holdings Limited, which comprises the consolidated statement of financial position as at 31 October 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

(a) the financial report of Blackgold International Holdings Limited is in accordance with the Corporations Act 2001, including:
   (i) giving a true and fair view of the consolidated entity's financial position as at 31 October 2016 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 28 of the directors' report for the year ended 31 October 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Blackgold International Holdings Limited for the year ended 31 October 2016 complies with section 300A of the Corporations Act 2001.

Crowe Horwath Perth

CROWE HORWATH PERTH

PHILIPPA HOBSON
Partner

Signed at Perth, 17 March 2017

ADDITIONAL SECURITIES INFORMATION AS AT 3 MARCH 2017

Additional information required by the Australian Securities Exchange, and not shown elsewhere in this report is as follows.

(a) Ordinary Shares

(ii) *Distribution of ordinary shares*

- 888,003,622 fully paid shares. All issued ordinary shares carry one vote per share and carry the rights to dividends. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(iii) The number of shareholders, by size of holding, in each class is:

Category (size of holding)	No. of shareholders	No. of shares	%
1 – 1,000	15	255	-
1,001 – 5,000	43	137,478	0.02
5,001 – 10,000	255	2,285,750	0.26
10,001 – 100,000	147	5,281,595	0.59
100,001 – and over	76	880,298,544	99.13
TOTAL	**536**	**888,003,622**	**100.00**

The number of security investors holding less than a marketable parcel of 12,820 securities ($0.039 on 3/03/2017) is 324.

(a) Ordinary Shares (Cont'd)

(iv) Twenty largest holders of quoted equity securities (fully paid shares)

Name	No. of shares	%
LUCKY MAGIC ENTERPRISES LIMITED	544,500,000	61.32
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	52,833,147	5.95
PRIMA NETWORK FINANCIAL GROUP LIMITED	51,050,000	5.75
SINGAPORE ENTERPRISES PTE LTD	49,790,318	5.61
EAST ASIA SUCCESS LIMITED	25,044,017	2.82
CITICORP NOMINEES PTY LTD	19,449,247	2.19
BNP PARIBAS NOMS PTY LTD	18,378,057	2.07
MR ZHONGYU YU	17,003,122	1.91
ZHONGYU YU	15,359,801	1.73
GLORY UNION HOLDING LIMITED	13,500,000	1.52
J P MORGAN NOMINEES AUSTRALIA LIMITED	8,220,515	0.93
LINK SUCCESS ASIA HOLDINGS LIMITED	7,634,444	0.86
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	6,330,664	0.71
MR ZHIPING SUN	4,083,213	0.46
LINK SUCCESS ASIA HOLDINGS LIMITED	3,810,000	0.43
MR YEOW GEE GOH	3,708,000	0.42
BNP PARIBAS NOMS PTY LTD	3,370,995	0.38
MR YEOW LIAN GOH	3,312,000	0.37
MR YEOW HWA GOH	2,997,000	0.34
BNP PARIBAS NOMS PTY LTD <DRP>	2,832,208	0.32
TOTAL	**853,039,748**	**96.06%**

Details of Substantial Shareholders
The Company had received the following substantial shareholder notices:

Name	Relevant Interest No. of shares
Mr Yuguo Peng & Lucky Magic Enterprises Limited	544,500,000
Dr Chi Ho (James) Tong & Prima Network Financial Group Limited	51,050,000
Mr Khua Kian Keong #	51,651,103
Singapore Enterprises Private Limited #	51,651,103

In addition to the shares held by him, Mr. Khua Kian Keong has a deemed relevant interest under Section 608(3)(b) of the Corporations Act in the shares which Singapore Enterprises Private Limited has a relevant interest.

(b) Details of securities which are subject to escrow provisions

Not applicable.

(c) Additional Class of Securities

There are no other class of securities as at 31 October 2016

(d) Interest in Mining Tenements

Holder	Mining Permit Number	Location	% interest
Chongqing Caotang Coal Mine Resources Development Co., Ltd	C50000020090-41130019437	Chongqing Province, People's Republic of China	100%
Chongqing Guoping Heiwan Coal Mine Resources Development Co., Ltd	C50000020090-41130019439	Chongqing Province, People's Republic of China	100%
Chongqing Baolong Mining Co., Ltd	C5000002009041 130020052	Chongqing Province, People's Republic of China	100%
Qijiang Changhong Coal Industry Co., Ltd	C5000002009041 130018279	Chongqing Province, People's Republic of China	100%

(e) Cash Usage

Since the date of listing on the ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

(f) General Information

Registered Office:	Unit 5, Ground Floor 1 Centro Avenue Subiaco WA 6008 Australia Tel: + 61 8 9486 4036 Fax: +61 8 9486 4799
Principal Place of Business	12th Floor, No. 18, Mian Hua Street Yu Zhong District, Chongqing, 400011 People's Republic of China Tel : +86 23 6377 6619 Fax : +86 23 6377 7154
Share Registry	Link Market Services Limited Level 4, 152 St Georges Terrace Perth WA 6000 Tel : +61 1300 554 474
Stock Exchange Listing	The Company's securities are quoted on the Australian Stock Exchange Limited under ASX:BGG and ASX:BGGO.