Altura Mining Limited

ABN 39 093 391 774

ANNUAL FINANCIAL REPORT

30 JUNE 2017

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Corporate Directory

DIRECTORS

James Brown – Managing Director
Paul Mantell – Executive Director
Allan Buckler – Non-Executive Director
Dan O'Neill – Non-Executive Director
Beng Teik Kuan – Non-Executive Director
Zhao Tong – Non-Executive Director

COMPANY SECRETARY

Damon Cox

REGISTERED OFFICE

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AUDITORS

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Level 6, 10 Eagle Street
Brisbane QLD 4000

SHARE REGISTRY

Link Market Services Limited
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250 St George's Terrace
Perth WA 6000

AUSTRALIAN SECURITIES EXCHANGE

Code: AJM

Your directors have pleasure in presenting the annual financial report of Altura Mining Limited ("Altura" or "the Company") and its controlled entities ("the Group") for the financial year ended 30 June 2017.

DIRECTORS

The names of the directors in office at any time during or since the end of the financial year are:

Mr James Brown
Mr Paul Mantell
Mr Allan Buckler
Mr Dan O'Neill
Mr Beng Teik Kuan
Mr Zhao Tong (appointed 7 March 2017)

COMPANY SECRETARIES

The names of the secretaries in office during the financial year and up to the date of this report are as follows:

Mr Damon Cox
Mr Noel Young (resigned 30 June 2017)

PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was the continued development of its 100% owned Pilgangoora Lithium Project in the Pilbara region of Western Australia, including completion of the definitive feasibility study, delineation of an economic lithium reserve, sourcing of the final finance required for construction and commissioning of the project, and commencement of construction of the mine.

OPERATING AND FINANCIAL REVIEW

Overview

Altura Mining Limited is an ASX listed entity that is focused on the development and commencement of operations of the Pilgangoora Lithium Project in Western Australia. The Company also has interests in the Delta Coal project in Indonesia, and the Tabalong Coal project both of which are in the process of being divested.

Operating results

The Group's operating loss after providing for income tax and non-controlling interests for the year ended 30 June 2017 was $6,165,006 (2016: loss $31,618,000). The loss in 2017 related to the Group's administrative and corporate costs, and a foreign exchange loss in the year. Exploration, evaluation and development costs of the Pilgangoora Lithium Project were capitalised during both the 2017 and 2016 financial years.

The 2017 loss was considerably less than the 2016 loss as there were significant impairment costs incurred and non-lithium related exploration costs that were written off in the 2016 year.

Strategy

The Company's objective is to create shareholder value through the development of profitable mining operations and other supplementary mining activities that deliver strong cash flows for the Group, and resultant regular dividends for shareholders.

Altura is focused on construction, commissioning and then commencement of production and sales of spodumene from its lithium project. All regulatory approvals have been received and the Company is now fully funded into production and first sales which is planned to occur during the first half of calendar 2018.

The Company also holds coal assets in Indonesia which it is in the process of divesting as soon as reasonably possible.

Pilgangoora Lithium

Altura completed its Definitive Feasibility Study (DFS) on the project in September 2016, and commenced onsite construction work at the mine site in March 2017. The DFS confirmed the very robust nature of the World-class low cost lithium project, which has been further enhanced in 2017 due to stronger market pricing for spodumene as a result of a very tight market for the product.

The project is fully funded following completion of a US$110 million finance package in July 2017.

The key outcomes of the DFS included:

- Annual spodumene concentrate production of 219,000 tonnes over a 13.2 year mine life;
- Project Net Present Value (NPV) of $411 million pre-tax and an Internal Rate of Return of 58.1%;
- Life of Mine (LOM) cash cost of A$315.90 per tonne of spodumene concentrate;
- Gross margin of A$402 per tonne (life of mine average) based on a market price at the time of US$538.80;
- Average life of mine EBITDA of A$80.6 million;
- A capital estimate of A$139.7 million including deferred capital;
- A very attractive LOM strip ratio of 2.9:1; and
- A payback period of 1.8 years.

Since the completion of the DFS, higher prices in the market place for 6% spodumene concentrate would result in annual EBITDA's of A$156 million to A$183 million, with the higher end pricing returning EBITDAs of more than double those quoted in the DFS. In January 2017, Altura announced an increased Reserve of 30.1 million tonnes which extends the life of the mine to 20 years (as compared with 13 years in the DFS).

Based on the current construction progress, the mine will be in a commissioning phase from late 2017 with first production and shipments due in the first half of calendar 2018. Altura has entered into a number of important contracts with key suppliers:

1. A 5-year mining contract has been signed with NRW. The deposit will be mined by conventional bulk mining methods utilising hydraulic excavators, dump trucks and drill and blast coupled to a ROM stockpile.
2. A process plant civil and concrete construction contract has been awarded to Civmec, with some 5,000m^3 of concrete required for the project;
3. The logistics and transport supplier is Qube Holdings Pty Ltd. The scope includes loading of the product at the mine stockyard, transporting the product in side tipping road trains to Port Hedland, construction and operation of a product storage shed at Port Hedland, and transport to the port and ship loading using the patented Rotabox™ system;
4. Kalgoorlie Power Systems has been contracted to provide an 11MW diesel fuelled power station for a 5-year period. The power station comprises dual fuel diesel and gas generators such that opportunities for cleaner and more cost-efficient gas may be utilised in the future should a suitable source be available.

The Company has in place two Binding Offtake Agreements (BOAs) with China based groups Shaanxi J&R Optimum Energy Co Ltd and Lionergy Limited, in which the parties will each take a minimum of 100,000 tonnes of 6% Li_2O grade spodumene concentrate annually for an initial 5 year period. Annual pricing will be agreed with reference to current market pricing information, including but not limited to prices published or announced by other companies in the market, movement in carbonate pricing and with reference to any indices that may become available in the future. For the first 3 years of the BOAs, there is a floor price of US$550 per tonne of 6% spodumene, and there is also a ceiling price of US$950 per tonne for the same period, the floor price being very important from the Company's perspective to ensure that it can repay its loan on the project in the next 3 years.

Coal Assets

Delta Coal

During the year, Altura continued to hold its interest in the one-third owned Delta coal mine on the island of Kalimantan in Indonesia. The Delta mine produces a medium energy thermal coal and during the 2016/17 financial year the mine was placed under Indonesian court administration to resolve the claims of production contractors. There is no fixed period for the administration and during this process the Group does not have access the any operational or financial information.

It is the stated intention of the Company that the coal asset will be divested as soon as possible.

Tabalong Coal

The Tabalong Coal Project is a premium grade thermal coal deposit located in South Kalimantan, Indonesia. The project consists of five (5) Mining Licences (IUPs), with all five (5) IUPs granted for Operation Production. Altura holds 70% of three IUPs and 56% of the remaining two.

Divestment of Coal Assets

During the year, the Company stated its intention to divest its interests in both the Delta and Tabalong coal assets. It is pursuing a number of options including the possible sale of the coal assets or an asset integration with other similar operations.

Financial position

The net assets of the consolidated group increased in 2017, with non-current assets significantly higher due to the completion of the lithium project DFS and the commencement of the construction phase of the Lithium Project. Funds were sourced from a $41.6 million placement to Shaanxi J&R Optimum Energy Co Ltd during the year.

Risk

Development of Altura's lithium project is subject to the ability of the Company and its advisors to successfully complete construction of the lithium project, and to successfully commission the project into production in a timely manner.

The Company is also subject to movements in international commodity prices, and being an Australian based company, foreign exchange movements.

DIVIDENDS

There were no dividends paid or declared during the year ended 30 June 2017 (2016: Nil).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no other significant changes in the nature of the Group's principal activities during the financial year, other than as discussed in the financial report and elsewhere in this Directors Report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to the end of the financial year, Altura completed a project funding package for construction and commissioning of the Pilgangoora Lithium Project in the Pilbara region of Western Australia (see ASX release on 28 July 2017). Completion of the funding package was the final prerequisite to enable the Company to complete construction and commissioning of the mine and to move into production in the first half of calendar 2018.

The key details of the facility are:

- Senior secured loan notes issued to raise a total of US$110 million
- Leading US and Swiss based investment management groups to provide the loan note facility package
- Funding to be provided in two (2) tranches with Tranche 1 (approximately US$33 million before costs) settlement occurring on 4 August 2017 and Tranche 2 (US$77 million before costs) scheduled to settle by 21 September 2017

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Group will focus on completing the construction of the Pilgangoora Lithium Project and commencement commercial operations as soon as possible. The Group intends to divest is interests in the coal projects as soon as practical so it can focus on its lithium project.

ENVIRONMENTAL PERFORMANCE

The Group is committed to achieving a high standard of environmental performance. The Board of Directors is responsible for regular monitoring of environmental exposures and compliance with environmental regulations. The Group complied with its environmental performance obligations during the year.

INFORMATION ON DIRECTORS

Mr James Brown (Managing Director)

Qualifications
Graduate Diploma in Mining from University of Ballarat

Experience
Mr Brown is a mining engineer with more than 30 years' experience in the coal mining industry in Australia and Indonesia, including 22 years at New Hope Corporation. He was appointed as Managing Director of Altura in September 2010 and was previously Altura's Group General Manager since December 2008. His coal development and operations experience includes the New Acland and Jeebropilly mines in South East Queensland, the Adaro and Multi Harapan Utama operations in Indonesia and Blair Athol in the Bowen Basin in Central Queensland.

Other current directorships in listed entities
Sayona Mining Limited

Former directorships in last 3 years
None

Special responsibilities
Chief Executive Officer

Interests in shares
27,518,301 ordinary shares in Altura Mining Limited

Mr Paul Mantell (Executive Director)

Qualifications
Bachelor of Commerce from the University of Queensland and a Fellow of CPA Australia

Experience
Mr Mantell is an accountant with more than 35 years' corporate experience in the mining and associated industries. He has been involved in all aspects of accounting and finance, financial reporting, taxation and administration, including the responsibilities of an ASX listed entity. He has previously arranged finance for mining and infrastructure projects both in Australia and Indonesia and has set up corporate, administrative and financial systems to support new and expanding mining operations. He was appointed a director on 25 May 2009.

Other current directorships in listed entities
None

Former directorships in last 3 years
None

Special responsibilities
Chief Financial Officer

Interests in shares and options
33,003,084 ordinary shares in Altura Mining Limited

INFORMATION ON DIRECTORS (continued)

Mr Allan Buckler (Non-Executive Director)

Qualifications
Certificate in Mine Surveying and Mining, First Class Mine Managers Certificate and a Mine Surveyor Certificate issued by the Queensland Government's Department of Mines

Experience
Mr Buckler has over 45 years' experience in the mining industry and has taken lead roles in the establishment of several leading mining and port operations in both Australia and Indonesia. Significant operations such as PT Adaro Indonesia, PT Indonesia Bulk Terminal and New Hope Coal Australia have been developed under his leadership. He is a former Director and Chief Operations Officer of New Hope Corporation. Mr Buckler was appointed a director on 18 December 2008.

Other current directorships in listed entities
Sayona Mining Limited

Former directorships in last 3 years
None

Special responsibilities
Member of the Audit & Risk Committee
Member of the Remuneration & Nomination Committee

Interests in shares and options
177,293,692 ordinary shares in Altura Mining Limited

Mr Dan O'Neill (Independent Non-Executive Director)

Qualifications
Bachelor of Science in geology from the University of Western Australia

Experience
Mr O'Neill was appointed a director on 18 December 2008. He has held positions with a number of Australian and multinational exploration companies and has managed exploration programs in a diverse range of environments and locations including Botswana, North America, South East Asia, North Africa and Australasia. During his 35 years' experience, he has held executive management positions with ASX listed companies and has worked on a range of commodities including diamonds, gold, base metals, coal, oil and gas.

Other current directorships in listed entities
Sayona Mining Limited

Former directorships in last 3 years
None

Special responsibilities
Chairman of the Remuneration & Nomination Committee
Member of the Audit & Risk Committee

Interests in shares and options
14,433,336 ordinary shares in Altura Mining Limited

INFORMATION ON DIRECTORS (continued)

Mr Beng Teik Kuan (Independent Non-Executive Director)

Qualifications
Bachelor of Engineering (University of Malaya)

Experience
Mr Kuan is an engineer with considerable experience in bulk handling and terminal operations, including responsibility for the development and management of the Pulau Laut Coal Terminal in South Kalimantan, Indonesia. He also has experience in Indonesia, Malaysia and Singapore with tin dredging operations, managing rubber, palm oil and cocoa processing factories, and managing palm oil bulk terminals. He was appointed a director on 28 November 2007.

Other current directorships in listed entities
None

Former directorships in last 3 years
None

Special responsibilities
Chairman of the Audit & Risk Committee
Member of the Remuneration & Nomination Committee

Interests in shares and options
20,900,000 ordinary shares in Altura Mining Limited

Mr Zhao Tong (Non-Executive Director)

Qualifications
Bachelor of Science (Peking University, China)

Experience
Mr Zhao Tong has over 25 years' experience in the international trade of metals and minerals, and has worked for China Shaanxi Metals and Minerals International Trade Co. Ltd. Mr Tong has been the Director of the Lithium Division of J&R Optimum since October 2016. He was appointed a Director in March 2017.

Other current directorships in listed entities
None

Former directorships in last 3 years
None

Special responsibilities
Nil

Interests in shares and options
Nil

COMPANY SECRETARY

Mr Damon Cox
Mr Cox is a Chartered Secretary, and a CPA. He has over 30 years' experience in various roles including corporate governance, compliance, treasury and strategic policy advice.

REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for directors and other key management personnel.

Remuneration Policy

The Company's policy is to remunerate fairly and in line with companies of similar size, operations and in the same industry. Individual remuneration decisions are made by the Remuneration & Nomination Committee taking into account the following factors:

- The responsibility of the role;
- Experience of the employee;
- Past performance and future expectations; and
- Industry conditions and trends.

In order to retain and attract key management personnel of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the Remuneration & Nomination Committee may seek the advice of external advisors in connection with the structure of remuneration packages.

Remuneration packages may contain the following key elements:

a) Primary benefits - salary/fees, bonuses and non-monetary benefits including the provision of a motor vehicle;
b) Post-employment benefits - including superannuation and prescribed retirement benefits; and
c) Equity - performance rights and share options granted under the Long-Term Incentive Plan as disclosed in Note 24 to the financial statements.

None of the Company's personnel remuneration packages are linked directly to the Company's profitability or other measure of performance. The Company maintains a Long-Term Incentive Plan under which employees may be granted performance rights and share options which vest subject to service conditions being met. Directors may also be allocated performance rights and/or options as an incentive. During the 2017 year, directors were issued with shares on the vesting of previously issued performance rights.

Performance-based remuneration

The Company currently has performance based remuneration in place as disclosed in Note 24.

Group Performance, Shareholder Wealth and Director and Executive Remuneration

The Group has recorded the following earnings from continuing operations over the last five years:

	2017	**2016**	**2015**	**2014**	**2013**
Revenues and sundry income	1,600,959	1,485,611	4,779,039	7,610,019	7,370,049
EBITDA *	(6,417,320)	(11,290,052)	(15,861,975)	(5,588,222)	(535,167)
NPBT *	(6,448,799)	(30,839,474)	(16,947,795)	(6,530,675)	(1,044,269)
NPAT *	(5,914,752)	(31,618,016)	(17,268,152)	(7,017,662)	(979,641)
Dividends paid	-	-	-	-	-

* Definitions: EBITDA = Earnings before interest, tax, depreciation and amortisation
NPBT = Net profit before tax
NPAT = Net profit after tax & minority interest

REMUNERATION REPORT (Audited) (continued)

Key Management Personnel Remuneration Policy

The Remuneration & Nomination Committee reviews the remuneration packages of all directors and key management personnel on an annual basis. Remuneration packages are reviewed and determined with due regard to relevant market conditions and individual's experience and qualification and are benchmarked against comparable industry salaries.

Payment of bonuses and share based compensation benefits is discretionary.

Employment Contracts of Key Management Personnel

Contracts of employment are given to key management personnel at time of employment. Details are as follows:

James Brown, Managing Director - the agreement is of no fixed term and allows for payment of a monthly cash salary in US dollars, reviewed each year, plus allowances. Three months' notice of termination by either party is required, with a separation allowance equivalent to one year's salary and entitlements to be paid if employment is terminated by the Company.

Paul Mantell, Executive Director – the agreement is of no fixed term and allows for payment of an annual cash salary, reviewed each year, and superannuation. Provision of a motor vehicle or equivalent allowance and other non-cash benefits is included. Three months' notice of termination by either party is required, with a separation allowance equivalent to one year's gross salary to be paid if employment was terminated by the Company.

Chris Evans, General Manager, Operations - the agreement is of no fixed term and allows for payment of an annual cash salary, reviewed each year, and superannuation. Three months' notice of termination by either party is required, with a separation allowance equivalent to one month's salary for every completed year of service up to a maximum of six months' salary will be paid if employment was terminated by the Company.

Noel Young, Group Financial Controller – the agreement is of no fixed term and allows for payment of an annual cash salary in US dollars, reviewed each year, plus allowances. Two months' notice of termination by either party is required, with a separation allowance equivalent to six month's gross salary to be paid if employment is terminated by the Company.

Damon Cox, Company Secretary - the agreement is of no fixed term and allows for payment of an annual cash salary, reviewed each year, and superannuation. Provision of a motor vehicle is included. Two months' notice of termination by either party is required, with a separation allowance equivalent to six month's gross salary to be paid if employment is terminated by the Company.

REMUNERATION REPORT (Audited) (continued)

Key Management Personnel Remuneration

2017	Short-term benefits			Post employment	Share based payments		Total	Performance rights as a percentage of Total
Name	Cash salary and fees $	Bonus $	Non-monetary benefits $	Super-annuation $	Performance rights $	Bonus $	$	%
Non-executive directors								
A Buckler	60,000	-	-	5,700	3,885	-	69,585	5.6%
D O'Neill	72,000	-	-	6,840	3,885	-	82,725	4.7%
B Kuan	54,000	-	-	24,840	3,885	-	82,725	4.7%
Z Tong #	19,000	-	-	-	-	-	19,000	-
Sub total non-executive directors	205,000	-	-	37,380	11,655	-	254,035	
Executive directors								
J Brown	413,790	-	91,391	-	38,852	-	544,033	7.1%
P Mantell	322,000	-	12,650	28,025	19,425	-	382,100	5.1%
Other key management personnel								
C Evans	220,000	35,000	-	24,225	3,213	-	282,438	1.1%
N Young	226,788	-	75,229	-	7,770	-	309,787	2.5%
D Cox	132,500	-	23,353	12,587	7,770	-	176,210	4.4%
Total for key management personnel compensation	1,315,078	35,000	202,623	64,837	77,030	-	1,694,568	
Total compensation	**1,520,078**	**35,000**	**202,623**	**102,217**	**88,685**	**-**	**1,948,603**	

Mr Zhao Tong joined the Altura Board in March 2017
No termination payments or long service leave payments were made during the year

REMUNERATION REPORT (Audited) (continued)

2016	Short-term benefits			Post employment	Share based payments		Total	Performance rights as a percentage of Total
Name	**Cash salary and fees $**	**Bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**Performance rights $**	**Bonus $**	**$**	**%**
Non-executive directors								
A Buckler	30,000	-		2,850	4,770	88,200	125,820	3.8
D O'Neill	36,000	-		3,420	4,770	88,200	132,390	3.6
B Kuan	23,000	-		16,420	4,770	88,200	132,390	3.9
P Mantell #	-	-	6,624	-	23,850	88,200	118,674	20.1
Sub total non-executive directors	89,000	-	6,624	22,690	38,160	352,800	509,274	
Executive directors								
J Brown	346,223	-	94,913	-	47,700	88,200	577,036	8.3
P Mantell ^	111,834	-	3,312	14,012	-	-	129,158	-
Other key management personnel								
C Evans	191,026	-	-	18,147	9,540	16,500	235,213	4.1
N Young	205,737	-	69,223	3,810	9,540	-	288,310	3.3
D Cox	125,000	-	20,177	11,875	9,540	-	166,592	5.7
Total for key management personnel compensation	979,820	-	187,625	47,844	76,320	104,700	1,396,309	
Total compensation	**1,068,820**	**-**	**194,249**	**70,534**	**114,480**	**457,500**	**1,905,583**	

Non-executive director until 29 February 2016
^ Executive director from 1 March 2016
No termination payments or long service leave payments were made during the year.

REMUNERATION REPORT (Audited) (continued)

The following shares were issued to directors and key management personnel on the vesting of performance rights during the year ended 30 June 2017:

	Number issued	Issue date	Value per share at issue date $
J Brown	1,000,000	9/12/16	0.1415
P Mantell	500,000	9/12/16	0.1415
A Buckler	100,000	9/12/16	0.1415
D O'Neill	100,000	9/12/16	0.1415
BT Kuan	100,000	9/12/16	0.1415
C Evans	400,000	9/12/16	0.1415
N Young	200,000	9/12/16	0.1415
D Cox	200,000	9/12/16	0.1415
	2,600,000		

Options

There were no new options issued to directors and key management personnel as part of their remuneration for the year ended 30 June 2017, and there are no options on issue as at 30 June 2017.

Performance Rights

In 2014 the Company established a new Long-Term Incentive Plan (LTIP) to assist in the reward and retention of directors and employees.

A total of 8,100,000 rights were granted in December 2014 to directors (with shareholder approval), key management personnel and other senior staff. A further 1,450,000 rights were granted to key management personnel and other senior staff in the year ended 30 June 2016, and another 1,350,000 were granted in the year ended 30 June 2017. The rights awarded during the year were granted for no consideration. No amount is payable on the vesting of the rights. The rights will vest and automatically convert to ordinary shares in the Company following the satisfaction of the service conditions.

The following performance rights were on issue to directors and key management personnel as at 30 June 2017:

	Granted number	Vesting 30 Nov 2017
J Brown	1,000,000	1,000,000
P Mantell	500,000	500,000
A Buckler	100,000	100,000
D O'Neill	100,000	100,000
BT Kuan	100,000	100,000
C Evans	400,000	400,000
N Young	200,000	200,000
D Cox	200,000	200,000
	2,600,000	2,600,000

End of Audited Remuneration Report

MEETINGS OF DIRECTORS

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year there were 6 Directors' meetings, 3 Audit & Risk Committee meetings and 3 Remuneration & Nomination Committee meetings held.

	Directors' Meetings		Audit & Risk Committee		Remuneration & Nomination Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
J Brown	6	6	-	-	-	-
P Mantell	6	6	-	-	-	-
A Buckler	6	5	3	2	3	2
D O'Neill	6	6	3	3	3	3
B Kuan	6	6	3	3	3	3
Z Tong	2	2	-	-	-	-

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into Deeds of Indemnity with all of its directors in accordance with the Company's Constitution. During the financial year the Company paid a premium to insure the directors, officers and managers of the Company and its controlled entities. The insurance contract requires that the amount of the premium paid is kept confidential.

OPTIONS

At the date of signing this report, there were no unissued ordinary shares of Altura Mining Limited under option.

WARRANTS

Under the terms of the US$110 million debt facility announced on 28 July 2017, the lenders are to receive a total of 72,644,513 warrants. Since the Company does not currently have sufficient placement capacity under the ASX Listing Rules to immediately issue the warrants, the approval of shareholders will need to be obtained at the Company's annual general meeting in November 2017. Following shareholder approval, the warrants will be issued.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the 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 party to any such proceedings during the year.

NON-AUDIT SERVICES

The Company's auditor, PKF Hacketts Audit, did not provide any non-audit services to the Company during the year ended 30 June 2017.

ROUNDING OF AMOUNTS

The company is of a kind referred to ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with the instrument.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2017 has been received and is included on page 15 of the annual report.

Signed in accordance with a resolution of the Directors made pursuant to Section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors,

BT Kuan
Director
Perth, 20 September 2017

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ALTURA MINING LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017, 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.

PKF HACKETTS

PKF HACKETTS AUDIT

Liam Murphy
Partner

Brisbane, 20 September 2017

PKF Hacketts Audit
ABN 33 873 151 348

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Consolidated Statement of Profit and Loss

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $'000	2016 $'000
Continuing operations			
Revenue	5(a)	1,271	1,350
Cost of sales	5(c)	(1,069)	(2,112)
Operating profit / (loss)		202	(762)
Other income			
Foreign exchange movement gain/(loss)		(1,371)	1,006
Sundry income	5(b)	331	135
Expenses			
Administration costs		(3,030)	(3,837)
Employee benefits expense	5(f)	(2,272)	(2,668)
Exploration costs written off	15	-	(3,895)
Other expenses	5(d)	(167)	(51)
Financing costs	5(e)	-	(277)
Impairment on equity accounted asset	17,26(c)	(18)	(18,480)
Impairment of property, plant and equipment	14	-	(261)
Share of net profit / (loss) of equity accounted investee, net of tax	26(c)	(124)	(1,513)
Profit / (loss) before income tax		(6,449)	(30,603)
Income tax (expense) / benefit	7(a)	534	(778)
Profit / (loss) after income tax from continuing operations		**(5,915)**	**(31,381)**
Discontinued operations			
Loss from discontinued operations after tax	3	(250)	(237)
Net profit / (loss) for the year		**(6,165)**	**(31,618)**
Profit / (loss) attributable to:			
Owners of Altura Mining Limited		(6,127)	(31,499)
Non-controlling interest		(38)	(119)
		(6,165)	**(31,618)**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings / (loss) per share (cents per share)	6	(0.44)	(3.48)
Diluted earnings / (loss) per share (cents per share)	6	(0.44)	(3.48)
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings / (loss) per share (cents per share)	6	(0.45)	(3.50)
Diluted earnings / (loss) per share (cents per share)	6	(0.45)	(3.50)

The above Consolidated Statement of Profit and Loss should be read in conjunction with the accompanying Notes.

Consolidated Statement of Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $'000	2016 $'000
Profit / (loss) for the year		(6,165)	(31,618)
Other comprehensive income / (loss) for the year			
Items that may be reclassified to profit and loss			
Changes in the fair value of available-for-sale financial assets		(509)	760
Exchange differences on translation of foreign controlled entities		1,438	(409)
Other comprehensive income / (loss) for the year, net of tax		929	351
Total comprehensive income / (loss) for the year		(5,236)	(31,267)
Total comprehensive income / (loss) attributable to:			
Members of the parent entity		(5,221)	(31,132)
Non-controlling interest		(15)	(135)
		(5,236)	(31,267)

The above Consolidated Statement of Other Comprehensive Income should be read in conjunction with the accompanying Notes.

Consolidated Balance Sheet

AS AT 30 JUNE 2017

	Note	2017 $'000	2016 $'000
Current assets			
Cash and cash equivalents	8	13,271	22,132
Trade and other receivables	9	3,336	1,126
Held to maturity investments	11	52	50
Inventories	10	1	1
Current tax prepaid		272	248
Other current assets	12	333	461
Assets classified as held for sale	3	8,820	-
Total current assets		26,085	24,018
Non-current assets			
Other receivables	9	-	2,482
Available-for-sale financial assets	13	824	1,333
Property, plant and equipment	14	850	526
Exploration and evaluation	15	1,226	14,394
Mine development at cost	16	59,353	-
Investments accounted for using the equity method	17	-	144
Deferred tax asset	21(c)	-	-
Total non-current assets		62,253	18,879
Total assets		**88,338**	**42,897**
Current liabilities			
Trade and other payables	18	9,198	2,072
Borrowings	19	15,677	-
Short term provisions	20	842	847
Liabilities classified as held for sale	3	1,753	-
Total current liabilities		27,470	2,919
Non-current liabilities			
Borrowings	19	-	18,437
Provisions	22	3,918	-
Total non-current liabilities		3,918	18,437
Total liabilities		**31,388**	**21,356**
Net assets		**56,950**	**21,541**
Equity			
Contributed equity	23	146,556	105,840
Reserves	24	595	(240)
Accumulated losses		(90,460)	(84,333)
Capital and reserves attributable to owners of Altura Mining Limited		56,691	21,267
Non-controlling interest		259	274
Total equity		**56,950**	**21,541**

The above Consolidated Balance Sheet should be read in conjunction with the accompanying Notes.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2017

	Contributed equity	Accumulated losses	Option & performance rights reserve	Change in fair value - market valuation	Foreign currency translation reserve	Non-controlling interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 30 June 2015	**78,904**	**(53,672)**	**1,019**	**43**	**(883)**	**409**	**25,820**
Total comprehensive income for the year	**-**	**(31,499)**	**-**	**760**	**(393)**	**(135)**	**(31,267)**
Transactions with owners in their capacity as owners:							
Issue of shares – employee bonus payment	546	-	-	-	-	-	546
Issue of shares – loan repayment	360	-	-	-	-	-	360
Contributions of equity, net of transaction costs	25,847	-	-	-	-	-	25,847
Transfer from share based payment reserve to equity	183	-	(183)	-	-	-	-
Employee share schemes – value of employee services	-	-	235	-	-	-	235
Transfer from option reserve on expiry of options	-	838	(838)	-	-	-	-
Sub-Total	26,936	838	(786)	-	-	-	26,988
Balance as at 30 June 2016	**105,840**	**(84,333)**	**233**	**803**	**(1,276)**	**274**	**21,541**

	Contributed equity	Accumulated losses	Option & performance rights reserve	Change in fair value - market valuation	Foreign currency translation reserve	Non-controlling interests	Total
Balance as at 30 June 2016	**105,840**	**(84,333)**	**233**	**803**	**(1,276)**	**274**	**21,541**
Total comprehensive income for the year	**-**	**(6,127)**	**-**	**(509)**	**1,415**	**(15)**	**(5,236)**
Transactions with owners in their capacity as owners:							
Issue of shares – employee bonus payment	70	-	-	-	-	-	70
Issue of shares – Share purchase plan	773	-	-	-	-	-	773
Contributions of equity, net of transaction costs	39,640	-	-	-	-	-	39,640
Transfer from share based payment reserve to equity	233	-	(233)	-	-	-	-
Employee share schemes – value of employee services	-	-	162	-	-	-	162
Sub-Total	40,716	-	(71)	-	-	-	40,645
Balance as at 30 June 2017	**146,556**	**(90,460)**	**162**	**294**	**139**	**259**	**56,950**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		1,473	2,293
Payments to suppliers and employees		(7,731)	(6,369)
Sundry income		62	82
Interest received		319	23
Interest paid		-	(8)
Income tax paid		320	(75)
Net cash used in operating activities	29(b)	(5,557)	(4,054)
Cash flows from investing activities			
Expenditure on exploration and evaluation activities		(8,566)	(3,100)
Purchase of property, plant and equipment		(35,019)	(12)
Proceeds / (payments) from held to maturity investments		-	1,230
Proceeds from sale of property, plant and equipment		4	168
Net cash (used in) / provided by investing activities		(43,581)	(1,714)
Cash flows from financing activities			
Proceeds from the issue of shares - net of transaction costs		40,309	25,848
Payment of hire purchase liabilities		-	(11)
Repayment of borrowings		-	(20)
Net cash provided by (used in) financing activities		40,309	25,817
Net increase / (decrease) in cash and cash equivalents held		(8,829)	20,049
Cash and cash equivalents at the beginning of year		22,132	2,092
Effect of exchange rate changes on cash holdings in foreign currencies		5	(9)
Cash and cash equivalents at the end of year	29(a)	13,308	22,132
Non cash investing and financing activities			
Share based payments	24	(70)	(546)
Repayment of Directors and management loan facility by the issue of shares		-	(360)

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes.

This financial report includes the consolidated financial statements and notes of Altura Mining Limited (the 'Company') and controlled entities ('Consolidated Group' or 'Group'). Altura Mining Limited is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

The separate financial statements of the parent entity, Altura Mining Limited, have not been presented within this financial report as permitted by amendments made to the *Corporations Act 2001*.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The financial statements were authorised for issue on 20 September 2017 by the directors of the Company.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial report is a general purpose financial report that has 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.*

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The following is a summary of the material accounting policies adopted by the Consolidated Group in the preparation of the financial report. The financial report has been prepared on an accruals basis. The accounting policies have been consistently applied, unless otherwise stated.

i) Going concern principle of accounting

Notwithstanding the Group's reporting of an operating loss after income tax of $5.9 million for the year, generating negative cash flows from operations of $5.6 million and as at 30 June 2017 having a deficiency of net current assets of $1.4 million, the financial statements have been prepared on a going concern basis as the Company's directors believe that the Group will be able to pay its debts as and when they fall due and payable.

This year's current liabilities include liabilities of $1.8 million associated with the Tabalong group which have been reclassified as current as the asset has now been classified as held for sale. Also included within current liabilities this year are borrowings of $15.7 million (30 June 2016: non-current $16.8 million) representing the amount owing to the vendors of Evora Mining Inc. which will be repaid within the next 12 months.

Given the above, the Group's ability to continue as a going concern is dependent on the sale of the Tabalong asset to extinguish these liabilities, the forecast return to profitability and the ongoing support of shareholders. Directors are confident that the Tabalong asset listed for sale will be sold within the next 12 months based on current interest which has increased recently due to strengthening coal prices in the market. Directors are also confident that the fully funded Pilgangoora Lithium project will be successfully completed and commissioned into production for Q1 2018, and is forecast to generate considerable cash flow sufficient to return the group to profitability and achieve positive cash flows from operations.

The directors are confident that the sale of its coal assets and commencement of commercial production and sale of lithium will address the deficiency in net current assets within 12 months. This together with the ongoing support of lenders and shareholders will ensure the consolidated entity is a going concern and will be able to pay its debts as and when they fall due and payable.

ii) New accounting standards for application in future periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ii) New accounting standards for application in future periods (continued)

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective

Although the directors do not anticipate that the adoption of AASB 9 will have a material impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

This Standard is not expected to significantly impact the Group's financial statements.

AASB 16: Leases (applicable for annual reporting periods beginning on or after 1 January 2019).
When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets;
- depreciation of right-to-use asset in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognize the cumulative effect of retrospective applications as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

iii) Impact of standards issued but not yet applied by the Group

The Group has not applied any accounting standards or amendments for the first time for the annual reporting period commencing 1 July 2016.

iv) Historical cost convention

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Critical accounting estimates

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

b) Carrying value of exploration and evaluation expenditure

The Group has capitalised exploration and evaluation expenditure of $1.226 million as at 30 June 2016 (2016: $14.394 million). This amount is after a transfer to Mine development at cost of $15.459 million during the year for drilling and analysis, feasibility study and employee remuneration costs for the lithium project and a reclassification exploration expenditure to Assets held for sale of $6.092 million. Exploration and evaluation expenditure is capitalised as an intangible asset until the Company has completed its assessment of the existence or otherwise of recoverable resources. The ultimate recovery of the carrying value of exploration expenditure is dependent upon the successful development and commercial exploitation or, alternatively, sale of the interest in the tenements.

Until exploration and evaluation activities have reached a stage where the assessment is complete, including the forecasting of cash flows to assess the fair value of the expenditure, there is an uncertainty as to the carrying value of the expenditure.

The Directors are of the opinion that the exploration expenditure is recoverable for the amount stated in the financial report.

c) Principles of consolidation

i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Altura Mining Limited ('Company' or 'Parent Entity') as at 30 June 2017 and the results of the subsidiaries for the year then ended. Altura Mining Limited and its subsidiaries together are referred to in this financial report as the Group or Consolidated Entity.

The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

A list of controlled entities is contained in Note 26 to the financial statements. All Australian controlled entities have a June financial year-end and all other controlled entities have a December financial year end.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Group.

Where controlled entities have entered or left the Group during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Non-controlling interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Group, are shown separately within the equity section of the Consolidated Balance Sheet and in the Consolidated Income Statement. Losses applicable to the non-controlling interest in a consolidated subsidiary are allocated against the controlling interest except to the extent that the non-controlling interest has a binding obligation and is able to make additional investment to cover the losses. If in future years the subsidiary reports profits, such profits are allocated to the controlling interest until the non-controlling interest's share of losses previously absorbed by the controlling interest have been recovered.

The acquisition method of accounting is used to account for business combinations by the Group.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding between 20% and 50% of voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investments in associates includes goodwill identified on acquisition.

The Group's share of its associates post-acquisition profit or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment.

iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to the owners of Altura Mining Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

d) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred with the exception of stamp duty. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain on acquisition of subsidiaries.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Income tax

The charge for current income tax expense is based on the result for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates (and laws) that have been enacted, or substantially enacted by the end of the reporting period and are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences and unused tax losses can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Altura Mining Limited and some of its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax amounts, except for any deferred tax liabilities (or assets) resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2005. The tax consolidated group has entered a tax sharing agreement under which the wholly-owned entities fully compensate Altura Mining Limited for any current tax payable assumed and are compensated by Altura Mining Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Altura Mining Limited under the tax consolidated legislation.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements within the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating decision maker. The Chief Operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors.

g) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property
Freehold land and buildings are measured on the cost basis.

The carrying amount of land and buildings is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

Plant and equipment
Plant and equipment are measured on the cost basis. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets.

Mine development
Mine development assets include all mining related development expenditure that is not included under land, buildings and plant and equipment. These capitalised costs are amortised over the life of the mine on a unit of production basis following the commencement of commercial production.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward mine development costs in relation to that area of interest. Mine development is written down immediately to its recoverable amount if the carrying value is greater than its estimated recoverable amount (on a CGU basis).

Depreciation
The depreciable amount of all fixed assets excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leased assets are depreciated over the asset's useful life or over the shorter of the assets useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20% - 50%
Leased plant and equipment	12.5%
Mine development	units of production

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Exploration and evaluation expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each separately identifiable area of interest. These costs are only carried forward where the right of tenure for the area of interest is current and to the extent that they are expected to be recouped through the successful development and commercial exploitation of the area, or alternatively sale of the area, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Exploration and evaluation expenditure assets acquired in a business combination are recognised at their fair value at the acquisition date.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, the exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining development.

Accumulated costs in relation to an abandoned area are written off in full against the result in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

i) Leases

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

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

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease terms if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the period of the lease.

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

j) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised immediately in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units, "CGUs"). For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Investments and other financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investment and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and in the case of assets classified as held to maturity, re-evaluates this designation at the end of each reporting period.

i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

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. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in current trade and other receivables and non-current trade and other receivables (refer to Note 9).

iii) Held-to-maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held to maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held to maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally listed marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

v) Recognition and de-recognition

Purchases and sales of financial assets are recognised on trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs except where the financial asset is classified as fair value through profit or loss in which case transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income and reclassified to profit or loss as gains and losses from investment securities.

vi) Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

Available-for-sale financial assets, financial assets at fair value through profit or loss and held to maturity investments are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in shares in unlisted companies, which do not have a quoted market price and whose fair value cannot be reliably measured, are classified as available-for-sale and are measured at cost. Gains or losses are recognised in profit or loss when the investments are derecognised or impaired.

vii) Impairment

The Group assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is reclassified from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

l) 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 substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

m) Employee benefits

i) Wages and salaries, annual leave and sick leave

Liabilities for employee benefits for wages, salaries, annual leave and accumulating sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on wage and salary rates that the Group expects to pay as at reporting date including related on costs, such as superannuation, workers compensation, insurance and payroll tax and are included in trade and other payables. Non-accumulating, non-monetary benefits such as housing and cars are expensed by the Group as the benefits are used by the employee.

Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee salary and wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

ii) Long service leave

The Group's net obligation in respect of long term service benefits is the amount of future benefit that employees have earned in return for their service to the reporting date. The obligation is calculated using expected future increases in wages and salary rates including related on costs and expected settlement dates, and is discounted using an appropriate discount rate.

The current liability for long service leave represents all unconditional obligations where employees have fulfilled the required criteria and also those where employees are entitled to a pro rata payment in certain circumstances and is included in the current provisions. The non-current provision for long service leave includes the remaining long service leave obligations.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

iii) Superannuation

Contributions made by the Group to defined contribution superannuation funds are recognised as an expense in the period in which they are incurred.

iv) Equity-settled compensation

The Group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

n) Significant accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. The resulting accounting estimates, will, by definition, seldom equal the related actual results. Management has identified the following significant accounting policies for which significant judgements, estimates and assumptions are made.

i) Significant accounting estimates and assumptions

Critical accounting estimates and judgements

Following is a summary of the key assumptions concerning the future, and other key sources of estimation and accounting judgements at reporting date that have not be disclosed elsewhere in these financial statements.

a. Determination of coal resources and reserves

The Company estimates its coal ore resources and reserves based on information compiled by Competent Persons defined in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (December 2012), which is prepared by the Joint Ore Reserves Committee ("JORC") of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, known as 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 rehabilitation costs.

The amount of reserves that may actually be mined in the future and the Company's estimate of reserves from time to time in the future may vary from current reserve estimates.

b. Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If after expenditure is capitalised information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in the Consolidated Statement of Profit or Loss in the period when the new information becomes available.

c. Impairment

The Group assess impairment by evaluation of conditions and events specific to the Company that may be indicative of impairment triggers. Goodwill is assessed for impairment at each reporting period. Recoverable amounts of relevant assets are reassessed using the higher of fair value less costs to sell and value in use calculations which incorporate various key assumptions (refer to Note 16 and 18).

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Significant accounting estimates and judgements (continued)

d. Rehabilitation

The calculation of the provisions for rehabilitation and the related mine development assets rely on estimates of the cost to rehabilitate an area which is currently disturbed based on legislative requirements and future costs. The costs are estimated on the basis of a mine closure plan. Cost estimates take into account expectations about future events including the mine lives, the time of rehabilitation expenditure, regulations, inflation and discount rates. When these expectations change in the future, the provision and where applicable, the mine development assets are recalculated in the period in which they change.

e. Derivatives

The fair value of financial instruments must be estimated for recognition and measurement purposes.

The fair value of financial instruments traded in active markets such as available-for-sale securities is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques that use observable market data at the reporting date where it is available.

f. Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

g. Share-based payment transactions

From time to time the Company has issued options to directors and employees. The Company measures fair value of share-based payments using the Black-Scholes Pricing Model, using the assumptions detailed in Note 24. This formula takes into account the terms and conditions under which the instruments were granted.

h. Mines under construction

Expenditure is transferred from 'Exploration and evaluation assets' to 'Mine Development' which is a sub-category of 'Mine properties' once the work completed to date supports the future development of the property and such development receives appropriate approvals.

After transfer of the exploration and evaluation assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised in 'Mine Development'. Development expenditure is net of proceeds from the sale of spodumene concentrate extracted during the development phase to the extent that it is considered integral to the development of the mine. Any costs incurred in testing the assets to determine if they are functioning as intended, are capitalised, net of any proceeds received from selling any product produced while testing. Where these proceeds exceed the cost of testing, any excess is recognised in the statement of profit or loss and other comprehensive income. After production starts, all assets included in 'mine development' are then transferred to 'producing mines' which is also a sub-category of 'mine properties'

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

p) 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 resources will be required to settle the obligation and the amount has been reliably estimated.

i) Rehabilitation costs

Provision is made for the Group's estimated liability arising under specific legislative requirements and the conditions of its exploration permits and mining leases for future costs expected to be incurred in restoring mining areas of interest. The estimated liability is based on the restoration work required using existing technology as a result of activities to date. The liability includes the cost of reclamation of the site, including infrastructure removal and land fill costs. An asset is created as part of the mine development asset, to the extent that the development relates to future production activities, which is offset by a current and non-current provision for rehabilitation.

q) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue is recognised in the profit or loss as follows:

i) Sale of goods

Revenue from the sale of bulk commodities is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery, usually on a Free On Board ("FOB") basis.

ii) Royalty revenue

Royalties are recognised as revenue when the right to receive payment is established.

iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

iv) Interest

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

v) Services

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

s) 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 relevant taxation authorities. 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 balance sheet 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.

t) Foreign operations

The financial performance and 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 balance sheet date; and
- income and expenses are translated at monthly average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve as a separate component of equity. These differences are recognised in the income statement upon disposal of the foreign operation.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Foreign currency transactions and balances

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.
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 period end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, 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 equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

v) Goodwill and intangibles

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised, it is tested for impairment at each reporting date or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

w) Financial liabilities and equity

Non-derivative financial liabilities (including trade and other payables and interest-bearing liabilities excluding financial guarantees) are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

All non-derivative financial liabilities are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

x) Comparative figures

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

y) Inventories

Consumable stores
Inventories of consumable supplies and spare parts expected to be used in the supply of services are valued at cost.

Bulk commodities
Bulk commodity stockpiles are physically surveyed or estimated and valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling final product. Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods.

z) 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.

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.

aa) Deferred mining cost

During the commercial production stage of open pit operations, production stripping costs comprises the accumulation of expenses incurred to enable access to the ore body (coal or iron ore), and includes direct removal costs and machinery and plant running costs.

Production stripping costs are capitalised as part of an asset if it can be demonstrated that it is probable that future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved. The asset is called “stripping activity asset”.

The stripping asset is amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied.

Production stripping costs that do not satisfy the asset recognition criteria are expensed.

2. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, loans, finance leases, cash and short term deposits. These activities expose the Group to a variety of financial risks: market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group manages these risks in accordance with the Group's financial risk management policy. The Group uses different methods and assumptions to measure and manage different types of risks to which it is exposed at each balance date.

The Board reviews and approves policies for managing each of the Group's financial risk areas. The Group holds the following financial instruments:

	2017 $'000	2016 $'000
FINANCIAL ASSETS		
Cash and cash equivalents	13,271	22,132
Trade and other receivables	3,336	1,126
Receivables non-current	-	2,482
Held to maturity investments	52	50
Available-for-sale investments	824	1,333
	17,483	27,123
FINANCIAL LIABILITIES		
Trade and other payables	9,198	2,072
Borrowings	15,677	18,437
	24,875	20,509

a) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, securities prices and coal prices will affect the Group's income or the value of its holdings of financial investments.

i) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily in respect to the US dollar. Revenue is denominated in US dollars and a strengthening of the Australian dollar against the US dollar has an adverse impact on earnings and cash flow settlement. In particular, on commencement of sales from Altura Lithium, revenue from sales of spodumene will be received in US dollars. Liabilities for some loans are denominated in currencies other than the Australian dollar and a weakening of the Australian dollar against other currencies has an adverse impact on earnings and cash flow settlement. In particular, Altura Lithium's loan for construction and commissioning of the mine is in US dollars (US$110 million), and therefore repayment of the loan will be made in US dollars.

The Group's overseas subsidiaries have a US dollar functional currency. This exposes the Group to foreign exchange fluctuations upon conversion to AUD.

At 30 June 2017, the Group held funds in foreign currency amounting to US$366,000 (2016: US$205,000)

The Group does not currently enter into any hedging arrangements.

2. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk sensitivity analysis

At 30 June 2017, the effect on profit and equity as a result of changes in the value of the Australian dollar to the US dollar that management considers to be reasonably possible, with all other variables remaining constant is as follows:

	2017 $'000	2016 $'000
Change in profit		
— Improvement in AUD to USD by 11%	(403)	(2,761)
— Decline in AUD to USD by 11%	403	2,761
Change in equity		
— Improvement in AUD to USD by 11%	(403)	(2,761)
— Decline in AUD to USD by 11%	403	2,761

ii) Price risk

The Group is exposed to coal price risk and equity securities price risk. The Group currently does not have any hedges in place against the movements in the spot price of coal.

The Group's equity investments are publicly traded on the United States of America OTCBB and are not quoted on any market Index. The table below summarises the impact of increases/decreases in the value on the Group's equity investments as at balance date. The analysis is based on the assumption that the equity pricing had increased/decreased by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

	2017 $'000	2016 $'000
Change in profit		
— Increase in equity value by 10%	-	-
— Decrease in equity value by 10%	-	-
Change in equity		
— Increase in equity value by 10%	82	133
— Decrease in equity value by 10%	(82)	(133)

iii) Interest rate risk

At balance date the Group's debt was fixed rate. For further details on interest rate risk refer to Note 2d.

Interest rate sensitivity analysis

At 30 June 2017, the effect on profit and equity as a result of changes in the interest rate that management considers to be reasonably possible, with all other variables remaining constant would be as follows:

	2017 $'000	2016 $'000
Change in profit		
— Increase in interest rate by 1%	100	200
— Decrease in interest rate by 1%	(100)	(200)
Change in equity		
— Increase in interest rate by 1%	100	(200)
— Decrease in interest rate by 1%	(100)	200

Term deposits have been treated as a floating rate due to the short term nature of the deposits.

2. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk

Credit risk refers to the risk that a third party will default on its contractual obligations resulting in financial loss to the Consolidated Group. The Consolidated Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk.

c) Liquidity risk

Liquidity risk includes the risk that the Group will not be able to meet its financial obligations as they fall due. The Group will be impacted in the following ways:

i) Will not have sufficient funds to settle transactions on the due date;
ii) Will be forced to sell financial assets at a value which is less than what they are worth; or
iii) May be unable to settle or recover a financial asset at all.

The Group manages liquidity risk by monitoring forecast cash flows.

d) Financial instrument composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations for the settlement period for all other financial instruments. As such the amounts may not reconcile to the balance sheet.

Consolidated Group

	Weighted average effective interest rate		Floating interest rate		Fixed interest rate maturing: Within 1 year		1 to 5 years		Over 5 years		Non-interest bearing		Total	
	2017 %	2016 %	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Financial assets:														
Cash & cash equivalents	1.50	1.75	13,271	22,132	-	-	-	-	-	-	-	-	13,271	22,132
Trade and other receivables		-	-	-	-	-	-	-	-	-	3,336	1,126	3,336	1,126
Available for sale investments		-	-	-	-	-	-	-	-	-	824	1,333	824	1,333
Receivables non-current		-	-	-	-	-	-	-	-	-	-	2,482	-	2,482
Term deposit	1.70	2.65	-	-	52	50	-	-	-	-	-	-	52	50
Total financial assets			13,271	22,132	52	50	-	-	-	-	4,160	4,941	17,483	27,123
Financial liabilities:														
Trade & sundry payables		-	-	-	-	-	-	-	-	-	9,198	2,072	9,198	2,072
Borrowings		-	-	-	-	-	-	-	-	-	15,677	18,437	15,677	18,437
Total financial liabilities			-	-	-	-	-	-	-	-	24,875	20,509	24,875	20,509

2. FINANCIAL RISK MANAGEMENT (continued)

	2017 $'000	2016 $'000
Trade and sundry payables are expected to be paid as follows:		
Less than 6 months	9,198	2,072
More than 6 months	-	-
	9,198	2,072

e) Fair value measurements

i) Fair value hierarchy

The Group uses various methods in estimating the fair value of financial instruments. AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level in accordance with the following fair value measurement hierarchy:

a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2017 and 30 June 2016.

2017	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Listed investments	824	-	-	824
Total assets	824	-	-	824
2016				
Assets				
Listed investments	1,333	-	-	1,333
Total assets	1,333	-	-	1,333

ii) Valuation techniques

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets and liabilities held by the Group is the closing price. These instruments are included in level 1.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- Other techniques, such as discounted cash flow analysis, are used to determine the fair value for the remaining financial instruments.

3. DISCONTINUED OPERATIONS

a) Description

During the report period the board has made several information packages available to various groups for the purpose of attracting offers for the sale of the Tabalong tenements in Kalimantan, Indonesia. Currently no formal offers have been received. The board considers that the presentation of the Tabalong Group as held for sale confirms its intent to dispose of these assets.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

b) Financial performance and cash flow information of discontinued operations

The financial performance and cash flow information presented are for the period ending June 2017.

	2017 $'000	2016 $'000
Revenue	-	-
Expenses	(250)	(237)
Loss before income tax	(250)	(237)
Income tax expense	-	-
Loss from discontinued operations after income tax	(250)	(237)
Net cash (outflow) from financing activities	(38)	(14)
Net decrease in cash generated by the division	(38)	(14)

c) Carrying amounts of assets and liabilities classified as held for sale

The carrying amounts of assets and liabilities as at 30 June 2017 were:

Cash	38
Other receivables *	2,685
Property, plant and equipment	5
Exploration at cost	6,092
Total assets of disposal group held for sale	8,820
Other payables	204
Borrowings ^	1,549
Total liabilities of disposal group held for sale	1,753

^ These funds were advanced by the minority shareholder in the Tabalong coal project in accordance with the loan agreement. The facility has no defined repayment term.

* These unsecured amounts are due from a minority party in the Tabalong coal project. Their recoverability is dependent on the commercial exploitation of certain mining tenements in the project. The timing of which is currently unknown, and as such the amounts have not been discounted. No losses are expected on these amounts.

4. SEGMENT INFORMATION

The Group reports the following operating segments to the chief operating decision maker, being the Board of Directors of Altura Mining Limited, in assessing performance and determining the allocation of resources. Unless otherwise stated, all amounts reported to the Board are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

The coal mining segment derives its revenue from coal sold to customers. As the Group's investment in coal is equity accounted, no revenue from this activity is included in this segment note. The lithium mining segment is currently under construction and upon completion it will derive its revenue from the sale of lithium to customers. The exploration services segment provides a range of drilling services to its customers, predominately mining and exploration companies. The mineral exploration segment revenue comprises royalties received and interest earned on funds raised to carry out the exploration activities.

An internally determined service rate is set for all intersegment transactions. All such transactions are eliminated on consolidation of the Group's financial statements.

	Coal mining $'000	Lithium mining $'000	Exploration services $'000	Mineral exploration $'000	Eliminations $'000	Total $'000
2017						
Revenue						
External sales	-	-	768	-	-	768
Other income	-	-	9	825	-	834
Other segments	-	-	178	-	(178)	-
Total segment revenue	-	-	955	825	(178)	1,602
Unallocated revenue						-
Total consolidated revenue						1,602
Segment result	(142)	-	(1,123)	(5,184)	-	(6,449)
Other segments						-
Unallocated expenses net of unallocated revenue						-
Profit / (loss) before income tax and finance costs						(6,449)
Finance costs						-
Profit / (loss) from discontinued operations						(250)
Profit / (loss) before income tax						(6,699)
Income tax (expense)/benefit						534
Net profit / (loss) for the year						(6,165)
Assets and liabilities						
Segment assets	-	59,353	1,461	18,704	-	79,518
Unallocated assets						8,820
Total assets						88,338
Segment liabilities	15,677	11,965	1,175	818	-	29,635
Unallocated liabilities						1,753
Total liabilities						31,388
Other segment information						
Capital expenditure	-	47,529	190	470	-	48,189
Exploration expenditure	-	-	-	855	-	855
Depreciation and amortisation	-	-	240	95	-	335

4. SEGMENT INFORMATION (continued)

	Coal mining $'000	Exploration services $'000	Mineral exploration $'000	Eliminations $'000	Total $'000
2016					
Revenue					
External sales	-	1,350	-	-	1,350
Other income	-	112	23	-	135
Other segments	-	308	-	(308)	-
Total segment revenue	-	1,770	23	(308)	1,485
Unallocated revenue					-
Total consolidated revenue					1,485
Segment result	(19,993)	(2,541)	(7,792)	-	(30,326)
Other segments					-
Unallocated expenses net of unallocated revenue					-
Profit / (loss) before income tax and finance costs					(30,326)
Finance costs					(277)
Profit / (loss) from discontinued operations					(237)
Profit / (loss) before income tax					(30,840)
Income tax (expense)/benefit					(778)
Net profit / (loss) for the year					(31,618)
Assets and liabilities					
Segment assets	144	1,835	40,918	-	42,897
Unallocated assets					-
Total assets					42,897
Segment liabilities	16,833	1,849	2,674	-	21,356
Unallocated liabilities					-
Total liabilities					21,356
Other segment information					
Capital expenditure	-	-	12	-	12
Exploration expenditure	-	-	3,100	-	3,100
Depreciation and amortisation	-	511	43	-	554

4. SEGMENT INFORMATION (continued)

Geographical segments

The Group's geographical segments are determined based on the location of the Group's assets.

2017	**Australia $'000**	**Indonesia $'000**	**Other $'000**	**Eliminations $'000**	**Total $'000**
Revenue					
External sales	-	768	-	-	768
Other income	825	9	-	-	834
Other segments	-	178	-	(178)	-
Total segment revenue	825	955	-	(178)	1,602
Unallocated revenue					-
Total revenue					1,602
Segment assets	77,790	1,478	250	-	79,518
Unallocated assets					8,820
Total assets					88,338
Segment liabilities	12,694	16,852	89	-	29,635
Unallocated liabilities					1,753
Total liabilities					31,388
Capital expenditure	48,189	-	-	-	48,189
Exploration expenditure	967	158	-	-	855
Depreciation and amortisation	164	171	-	-	335

2016	**Australia $'000**	**Indonesia $'000**	**Other $'000**	**Eliminations $'000**	**Total $'000**
Revenue					
External sales	-	1,350	-	-	1,350
Other income	25	110	-	-	135
Other segments	-	308	-	(308)	-
Total segment revenue	25	1,768	-	(308)	1,485
Unallocated revenue					-
Total revenue					1,485
Segment assets	31,704	10,952	241	-	42,897
Unallocated assets					-
Total assets					42,897
Segment liabilities	551	20,619	186	-	21,356
Unallocated liabilities					-
Total liabilities					21,356
Capital expenditure	12	-	-	-	12
Exploration expenditure	3,027	73	-	-	3,100
Depreciation and amortisation	161	393	-	-	554

The Group has a number of customers to whom it provides services. The Group supplies three external customers in the services segment who account for 26% (US$184,000), 18% (US$168,000) and 16% (US$145,000) of external revenue (2016: 68%).

	2017 $'000	2016 $'000
5. PROFIT / (LOSS) FROM ORDINARY ACTIVITIES		
(a) Revenue		
Revenue from services	768	1,350
Revenue from royalties	503	-
Total sales revenues from ordinary activities	1,271	1,350
(b) Other revenues		
Interest received from other corporations	321	23
Profit on sale of assets	9	111
Other revenue	1	1
Total other revenues from ordinary activities	331	135
Total revenue	1,602	1,485
(c) Cost of sales		
Drilling costs	827	1,609
Depreciation of plant & equipment	242	503
Total cost of sales	1,069	2,112
(d) Other expenses		
Depreciation of plant & equipment	93	51
Other expenses	8	-
Loss on sale of assets	66	-
Total other expenses from ordinary activities	167	51
(e) Financing costs		
Interest expense	-	277
Total financing costs	-	277
(f) Employee benefits expense		
Employee share scheme expense	162	235
Bonus paid by way of issue of shares to directors and staff	70	545
Other employee benefits expense	2,040	1,888
Total employee benefits expense	2,272	2,668

6. EARNINGS / (LOSS) PER SHARE

	2017 cents per share	2016 cents per share
(a) Basic earnings / (loss) per share		
From continuing operations, attributable to the ordinary equity holders of the Company	(0.44)	(3.48)
From discontinued operations	(0.01)	(0.02)
Total basic earnings per share attributable to the ordinary equity holders of the Company	(0.45)	(3.50)
(b) Diluted earnings / (loss) per share		
From continuing operations, attributable to the ordinary equity holders of the Company	(0.44)	(3.48)
From discontinued operations	(0.01)	(0.02)
Total basic earnings per share attributable to the ordinary equity holders of the Company	(0.45)	(3.50)

	2017 number	2016 number
(c) Weighted average number of ordinary shares used as the denominator in calculating the basic and diluted earnings per share. Listed and unlisted options are not considered as potential ordinary shares and are not included in the calculation because they are antidilutive for the year end 30 June 2017. These options could potentially dilute basic earnings per share in the future.	1,358,286,271	900,582,172

	2017 $'000	2016 $'000
(d) Earnings used in the calculation of basic earnings per share reconciles to net profit in the income statement as follows:		
Net profit / (loss)	(5,958)	(31,332)
Less - profit /(loss) from discontinued operations	(169)	(167)
Earnings used in the calculation of basic EPS	(6,127)	(31,499)

(e) As at 30 June 2017, there were 4,300,000 management performance rights outstanding, these potential ordinary shares would reduce the loss per share from continuing ordinary operations on conversion, and hence these potential ordinary shares are not dilutive.

7. INCOME TAX EXPENSE

	2017 $'000	2016 $'000
(a) The components of tax expense comprise:		
Current Tax		
Current year	-	-
Adjustments in respect of prior periods	(534)	254
Deferred Tax		
Current year deferred tax	-	524
Total income tax expense/(benefit) per income statement	(534)	778
(b) Income tax expense is attributable to:		
Profit / (loss) from continuing operations	(534)	778
Profit / (loss) from discontinued operations	-	-
	(534)	778
(c) The prima facie tax on profit / (loss) before income tax is reconciled to the income tax as follows:		
Profit / (loss) from continuing operations	(6,449)	(30,603)
Profit / (loss) from discontinued operations	(250)	(237)
Profit / (loss) before tax	(6,699)	(30,840)
Income tax calculated at the Australian rate of 27.5%(2016: 30%)	(1,842)	(9,252)
Increase in income tax due to:		
Non-deductible expenses	1,083	7,750
Share compensation costs	64	234
Effect of current year tax losses derecognised	666	1,881
Under / (over) provision in prior year	(534)	254
Difference in overseas tax rates	29	(89)
Income tax expense	(534)	778

Deferred tax assets arising from tax losses are only recognised to the extent that there are equivalent deferred tax liabilities. The remaining tax losses have not been recognised as an asset because recovery of the losses is not regarded as probable:

	2017 $'000	2016 $'000
Tax losses not recognised at 27.5% (2016: 30%)	9,503	9,584

(d) Tax consolidation system

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002.

Altura Mining Limited and certain of its wholly-owned Australian subsidiaries are eligible to consolidate for tax purposes and have elected to form an income tax group under the Tax Consolidation Regime effective 1 July 2005. The implementation of the tax consolidation group was formally recognised by the ATO on 22 July 2005 with start date for income tax consolidation 1 July 2005 and Altura Mining Limited as the head entity of the group.

Entities within the tax-consolidated group have entered into a tax-sharing agreement with the head entity. Under the terms of this agreement, Altura Mining Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on standalone tax payer basis. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

	2017 $'000	2016 $'000
8. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	13,271	22,132

9. RECEIVABLES

	2017 $'000	2016 $'000
CURRENT		
Trade and other receivables	4,410	1,977
Provision for doubtful debts	(1,074)	(851)
	3,336	1,126
NON-CURRENT		
Other receivables – related parties *	-	2,482
	-	2,482

* These unsecured amounts are due from a minority party in the Tabalong coal project. Their recoverability is dependent on the commercial exploitation of certain mining tenements in the project. The timing of which is currently unknown, and as such the amounts have not been discounted. No losses are expected on these amounts. In the current period this amount is presented in assets classified as held for sale.

	0-30 days $000	31-60 days $000	61-90 days $000	90+ days $000	Total $000
2017 Consolidated	2,825	43	38	430	3,336
2016 Consolidated	307	83	736	-	1,126

As at 30 June 2017, $511,000 (2016, $819,000) trade receivables were past due.

	2017 $'000	2016 $'000
10. INVENTORIES		
Consumables and stores – at cost	1	1
	1	1

11. HELD TO MATURITY INVESTMENTS

	2017 $'000	2016 $'000
Term deposits	52	50
	52	50

The term deposits are held to their maturity of less than one year and carry a weighted average fixed interest rate of 1.70% (2016: 2.65%). Due to their short term nature their carrying value is assumed to approximate their fair value. Information about the Group's exposure to credit risk is disclosed in Note 2.

	2017 $'000	2016 $'000
12. OTHER CURRENT ASSETS		
Financial assets (security deposits)	128	132
Prepayments	205	329
	333	461

13. AVAILABLE-FOR-SALE FINANCIAL ASSESTS

Listed investments at fair value	824	1,333
	824	1,333

In November 2012 the Group acquired a 14.7% interest in Lithium Corporation, Nevada USA by way of a non-brokered private placement. Lithium Corporation is quoted on the US OTCBB (Over The Counter Bulletin Board).

14. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles $'000	Office equipment $'000	Plant and equipment $'000	Land $'000	Exploration $'000	Plant and equipment under lease $'000	Total $'000
2017							
Gross carrying amount							
Balance at 30 June 2016	713	616	7,342	-	108	-	8,779
Additions	339	132	-	-	190	-	661
Transfer	-	-	-	-	-	-	-
Exchange difference	(18)	(10)	(150)	-	-	-	(178)
Disposals	(33)	(1)	-	-	-	-	(34)
Balance at 30 June 2017	1,001	737	7,192	-	298	-	9,228
Accumulated depreciation							
Balance at 30 June 2016	686	565	6,894	-	108	-	8,253
Depreciation expense	56	66	190	-	23	-	335
Impairment expense	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-
Exchange difference	(21)	(25)	(131)	-	-	-	(177)
Disposals	(32)	(1)	-	-	-	-	(33)
Balance at 30 June 2017	689	605	6,953	-	131	-	8,378
Net book value as at 30 June 2017	**312**	**132**	**239**	**-**	**167**	**-**	**850**

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Motor vehicles $'000	Office equipment $'000	Plant and equipment $'000	Land $'000	Exploration $'000	Plant and equipment under lease $'000	Total $'000
2016							
Gross carrying amount							
Balance at 30 June 2015	755	599	7,208	16	108	61	8,747
Additions	-	12	-	-	-	-	12
Transfer	63	-	-	-	-	(63)	-
Exchange difference	18	16	134	-	-	2	170
Disposals	(123)	(11)	-	(16)	-	-	(150)
Balance at 30 June 2016	713	616	7,342	-	108	-	8,779
Accumulated depreciation							
Balance at 30 June 2015	658	478	6,089	-	107	33	7,365
Depreciation expense	52	72	418	-	1	11	554
Impairment expense	-	-	261	-	-	-	261
Transfer	46	-	-	-	-	(46)	-
Exchange difference	35	26	126	-	-	2	189
Disposals	(105)	(11)	-	-	-	-	(116)
Balance at 30 June 2016	686	565	6,894	-	108	-	8,253
Net book value as at 30 June 2016	**27**	**51**	**448**	**-**	**-**	**-**	**526**

15. EXPLORATION AND EVALUATION

	2017 $'000	2016 $'000
Exploration and evaluation expenditure at cost:		
Carried forward from previous year	14,394	14,949
Transfer to mine development costs	(15,459)	-
Incurred during the year	8,382	3,340
Transferred to assets classified as held for sale	(6,092)	-
	1,226	18,289
Written off during the year	-	(3,895)
Total exploration and evaluation expenditure	1,226	14,394

The recovery of expenditure carried forward is dependent upon the discovery of commercially viable mineral and other natural resource deposits, their development and exploitation, or alternatively their sale.

The Company's title to certain mining tenements is subject to Ministerial approval and may be subject to successful outcomes of native title issues.

	2017 $'000	2016 $'000
16. MINE DEVELOPMENT AT COST		
Mine development costs:		
Carried forward from previous year	-	-
Transfer from exploration and evaluation	15,459	-
Incurred during the year	43,894	-
Total mine development costs	59,353	-
17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		
Non-Current Assets		
Investments in associates (refer to Note 1c(ii) and Note 26 (b))	-	144
	-	144

Impairment assessment

An impairment charge of $18,000 was recognised during the 12 months ended 30 June 2017 to the Group's investment in the Delta Coal operations. The recoverable amount is based on the Director's assessment of the likely return to the Company on sale of the asset.

	2017 $'000	2016 $'000
18. TRADE AND OTHER PAYABLES		
Trade payables	9,198	2,072
	9,198	2,072
19. BORROWINGS		
Current borrowings		
Interest bearing		
Vendor loan #	15,677	-
Total current borrowings	15,677	-
Non-current borrowings		
Non-interest bearing		
Loan from other entities ^	-	1,604
Vendor loan #	-	16,833
Total non-current borrowings	-	18,437

The vendor loan totalling $15.7 million (30 June 2016: $16.8 million) represents the amount owing to the vendors of Evora Mining Inc.

^ These funds were advanced by the minority shareholder in the Tabalong coal project in accordance with the loan agreement. The facility has no defined repayment term and is disclosed as non-current. In the current period this amount is presented in liabilities classified as held for sale.

	2017 $'000	2016 $'000
20. CURRENT PROVISIONS		
Employee benefits	842	847
	842	847
Movements in provisions		
Short term employee benefits		
Opening balance	847	777
Provision increase / (decrease)	200	132
Expense incurred	(205)	(62)
Balance at year end	842	847

The aggregate employee entitlement liability recognised and included in the financial statements is as follows:

	2017 $'000	2016 $'000
Provision for employee entitlements:		
Current	842	847
Total	842	847

21. CURRENT TAXATION & DEFERRED TAX LIABILITIES & ASSETS

	2017 $'000	2016 $'000
(a) Liabilities		
Current		
Income tax paid / payable	-	-
Non-Current		
Deferred tax liability comprises:		
Unrealised foreign exchange gain	1,586	2,140
Tax allowances relating to exploration	4,560	2,483
Other	6	3
	6,152	4,627
(b) Assets		
Non-Current		
Deferred assets comprise:		
Provisions	254	254
Revenue losses	15,154	13,887
Revenue losses not recognised	(9,503)	(9,584)
Property, plant and equipment	6	7
Other	241	63
	6,152	4,627
(c) Reconciliation of:		
Gross movements		
The overall movement in the deferred tax account is as follows:		
Opening balance - net deferred taxes	-	505
(Charge) / credit to income statement	-	(524)
(Charge) / credit to equity	-	19
Closing balance - net deferred taxes	-	-

	2017 $'000	2016 $'000

22. REHABILITATION PROVISION

	2017 $'000	2016 $'000
Non-current provision		
Rehabilitation and demobilisation	3,918	-
	3,918	-
Movements in provisions		
Rehabilitation and demobilisation		
Opening balance	-	-
Provision increase/(decrease)/(disposed)	3,918	-
Expense incurred	-	-
Balance at year end	3,918	-

23. CONTRIBUTED EQUITY

Issued capital

	2017 $'000	2016 $'000
1,541,678,000 (2016: 1,222,459,902) ordinary shares issued and fully paid	146,556	105,840

	2017 Number	2017 $'000	2016 Number	2016 $'000
Fully paid ordinary shares				
Balance at the beginning of the financial year	1,222,459,902	105,840	837,676,732	78,904
Issue of shares to directors and staff #	450,000	70	11,450,000	545
Issue of shares on vesting of performance rights ##	3,600,000	233	2,900,000	183
Share purchase plan	3,869,000	773	-	-
Share placement and lead managers fee			137,037,037	23,000
Share placement	306,000,000	41,616		
Exercise of Listed Options	5,299,098	105	197,396,133	3,948
Repayment of Director and Management loans by the issue of shares	-	-	36,000,000	360
Share issue costs	-	(2,081)	-	(1,100)
Balance at the end of the financial year	1,541,678,000	146,556	1,222,459,902	105,840

Nil shares were issued to directors and other key management personnel in 2017 (2016 11,000,000).
2,600,000 shares were issued to directors and other key management personnel in 2017 (2016 2,400,000).

Fully paid ordinary shares carry one vote per share and carry the rights to dividends. Ordinary shares have no par value.

Reserves

The option and performance rights reserve records items recognised as expenses on the valuation of share options and performance rights.

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

The change in fair value reserve records valuation differences arising on the market valuation of available for sale financial assets.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes to the consolidated entity's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements. The Board 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 and by share issues.

24. SHARE BASED PAYMENTS

a) Options

The Company previously had in place an Employee Share Option Plan (ESOP) under which employees and directors of the Group may be issued on a discretionary basis with options over ordinary shares of Altura Mining Limited. In 2014 this plan was replaced with a Long-Term Incentive Plan referred to below in (b).

There were no employee share options on issue as at 30 June 2017:

	2017		2016	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding at the beginning of the year	-	-	9,000,000	0.20
Granted	-	-	-	-
Forfeited / expired	-	-	(9,000,000)	-
Exercised	-	-	-	-
Outstanding at year-end	-	-	-	-
Exercisable at year-end	-	-	-	-

There were no new options issued to staff during the year ended 30 June 2017.

b) Performance Rights

In 2014 the Company approved a Long-Term Incentive Plan (LTIP) under which employees and directors of the Group may be issued on a discretionary basis with performance rights over ordinary shares of Altura Mining Limited.

The purpose of this plan is to:

- assist in the reward, retention and motivation of employees and directors;
- align the interests of employees and directors more closely with the interests of Shareholders by providing an opportunity for employees and directors to receive an equity interest in the form of Awards; and
- provide employees and directors with the opportunity to share in any future growth in value of the Company.

The Performance Rights lapse when employment ceases with Altura Mining Limited. The Performance Rights have been granted for no consideration, and no amount is payable on the vesting or exercising of the Performance Rights. All rights subject to the LTIP carry no rights to dividends and no voting rights, until converted into ordinary shares.

The Company had the following Performance Rights granted under the LTIP as at 30 June 2017:

Number	Issue date	Vesting date
2,400,000	11 December 2014	30 November 2017
400,000	11 August 2015	30 November 2017
300,000	21 June 2016	30 November 2017
300,000	12 August 2016	30 November 2017
300,000	27 February 2017	30 November 2017
100,000	22 June 2017	30 November 2017
500,000	30 March 2017	First shipment of ore

24. SHARE BASED PAYMENTS (continued)

c) Bonus shares

During the year 450,000 shares were issued to staff for no consideration.

	2017 $'000	2016 $'000
During the year, the Company has the following share based payments expenses:		
Performance rights (Note 24b)	162	235
Bonus shares	70	545
	232	780

25. KEY MANAGEMENT PERSONNEL COMPENSATION

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

Directors

James Brown	Managing Director
Paul Mantell	Executive Director
Allan Buckler	Non-Executive Director
Dan O'Neill	Non-Executive Director
BT Kuan	Non-Executive Director
Zhao Tong	Non-Executive Director

Key Management Personnel

Chris Evans	General Manager, Operations
Noel Young	Group Financial Controller
Damon Cox	Company Secretary

b) Key management personnel remuneration

	2017 $	2016 $
Short-term employee benefits	1,757,701	1,263,069
Long-term employee benefits	-	-
Post-employment benefits	102,217	70,534
Termination benefits	-	-
Share based payments	88,685	571,980
	1,948,603	1,905,583

c) Option holdings

Details of options granted as compensation and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the Directors' Report and under Note 24(a). There were no options held by key management personnel as at 30 June 2017.

2016	Balance at the start of the year	Granted for loan conversion	Exercised	Lapsed	Balance at end of the year	Vested and exercisable
J Brown	4,500,001	3,000,000	(5,500,001)	(2,000,000)	-	-
P Mantell	5,523,334	3,000,000	(6,523,334)	(2,000,000)	-	-
A Buckler	28,682,283	3,000,000	(30,682,283)	(1,000,000)	-	-
D O'Neill	1,555,556	3,000,000	(3,555,556)	(1,000,000)	-	-
B Kuan	3,500,000	3,000,000	(5,500,000)	(1,000,000)	-	-
C Evans	-	-	-	-	-	-
N Young	2,180,000	3,000,000	(4,830,000)	(350,000)	-	-
D Cox	425,000	-	(75,000)	(350,000)	-	-

25. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

d) Performance Rights

Number of performance rights held by key management personnel

The number of performance rights in the Company held during the financial year by each director of Altura Mining Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2017	Balance at the start of the year	Granted as compensation	Shares issued/ rights lapsed	Balance at the end of the year	Vesting 30 Nov 2017
J Brown	2,000,000	-	(1,000,000)	1,000,000	1,000,000
P Mantell	1,000,000	-	(500,000)	500,000	500,000
A Buckler	200,000	-	(100,000)	100,000	100,000
D O'Neill	200,000	-	(100,000)	100,000	100,000
B Kuan	200,000	-	(100,000)	100,000	100,000
Z Tong	-	-	-	-	-
C Evans	800,000	-	(400,000)	400,000	400,000
N Young	400,000	-	(200,000)	200,000	200,000
D Cox	400,000	-	(200,000)	200,000	200,000

2016	Balance at the start of the year	Granted as compensation	Shares issued/ rights lapsed	Balance at the end of the year	Vesting 30 Nov 2016	Vesting 30 Nov 2017
J Brown	3,000,000	-	(1,000,000)	2,000,000	1,000,000	1,000,000
P Mantell	1,500,000	-	(500,000)	1,000,000	500,000	500,000
A Buckler	300,000	-	(100,000)	200,000	100,000	100,000
D O'Neill	300,000	-	(100,000)	200,000	100,000	100,000
B Kuan	300,000	-	(100,000)	200,000	100,000	100,000
C Evans	-	1,000,000	(200,000)	800,000	400,000	400,000
N Young	600,000	-	(200,000)	400,000	200,000	200,000
D Cox	600,000	-	(200,000)	400,000	200,000	200,000

Details of performance rights awarded as compensation and shares issued on the vesting of the rights, together with terms and conditions of the rights, can be found in the Directors' Report and under Note 24(b).

25. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

e) Share holdings

Number of shares held by key management personnel

The number of shares in the Company held during the financial year by each director of Altura Mining Limited and other key management personnel (KMP) of the Group, including their personally related parties, are set out below.

2017	Balance at start of the year	Purchased / (sold)	Exercise of Listed Options	Conversion of loans to Company	Vesting of performance rights	Other changes	Balance at the end of the year
J Brown	26,518,301	-	-	-	1,000,000	-	27,518,301
P Mantell	32,503,084	-	-	-	500,000	-	33,003,084
A Buckler	177,193,692	-	-	-	100,000	-	177,293,692
D O’Neill	14,333,336	-	-	-	100,000	-	14,433,336
B Kuan	20,800,000	-	-	-	100,000	-	20,900,000
C Evans	1,041,000	(41,000)	-	-	400,000	-	1,400,000
N Young	17,174,411	-	-	-	200,000	-	17,374,411
D Cox	1,275,000	-	-	-	200,000	-	1,475,000

2016	Balance at start of the year	Purchased / (sold)	Exercise of Listed Options	Conversion of loans to Company	Vesting of performance rights	Other changes #	Balance at the end of the year
J Brown	12,018,300	-	5,500,001	6,000,000	1,000,000	2,000,000	26,518,301
P Mantell	17,479,750	-	6,523,334	6,000,000	500,000	2,000,000	32,503,084
A Buckler	138,411,409	-	30,682,283	6,000,000	100,000	2,000,000	177,193,692
D O’Neill	2,777,780	(100,000)	3,555,556	6,000,000	100,000	2,000,000	14,333,336
B Kuan	7,182,968	17,032	5,500,000	6,000,000	100,000	2,000,000	20,800,000
C Evans	-	(159,000)	-	-	200,000	1,000,000	1,041,000
N Young	6,144,411	-	4,830,000	6,000,000	200,000	-	17,174,411
D Cox	1,000,000	-	75,000	-	200,000	-	1,275,000

Other changes during the 2016 year relate to a bonus issue of shares to directors (following approval at the 2015 AGM), and a sign on bonus granted to KMP, Chris Evans during the year.

26. INVESTMENTS IN OTHER ENTITIES

a) Joint operations

Altura Mining Limited holds no interests in any joint operations or ventures.

b) Interests are held in the following associated companies:

Name	Principal activities	Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %	Carrying amount of investment 2017 $'000	Carrying amount of investment 2016 $'000
Unlisted:						
Evora Mining Inc.*	Coal Mining	British Virgin Islands	33⅓	33⅓	-	144
Merida Mining Pte. Ltd.	Holding and Investment	Singapore	33⅓	33⅓	-	-
					-	144

* Evora Mining Inc. is the ultimate controlling entity of PT Binamitra Sumberata, the owner and operator of the Delta coal mining tenements. The Group acquired 33⅓% of the issued shares of Evora Mining Inc. in 2013.

The financial information presented represents information to 30 September 2016. PT Binamitra Sumberata was placed under Indonesian court administration and the Company does not currently have access to the trading results of the entity.

c) Movement in carrying amounts

	2017 $'000	2016 $'000
Opening acquisition value	144	19,451
Share of profits after income tax	(124)	(1,513)
Foreign exchange movement	(2)	686
Impairment	(18)	(18,480)
Carrying amount at the end of the financial year	-	144

Information relating to associated companies is set out below:

d) Summarised financial information of associates

	2017 $'000	2016 $'000
Share of assets and liabilities		
Current assets	4,571	4,948
Non-current assets	12,029	12,302
Total assets	16,600	17,250
Current liabilities	18,231	18,841
Non-current liabilities	-	-
Total liabilities	18,231	18,841
Net assets	(1,631)	(1,591)
Share of revenues, expenses and profits:		
Revenues	978	6,001
Expenses	(1,102)	(7,514)
Profit (loss) before income tax	(124)	(1,513)
Income tax expense / (benefit)	-	-
Profit (loss) after income tax	(124)	(1,513)

27. INTERESTS IN SUBSIDIARIES

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

Name of entity	Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
Altura Lithium Operations Pty Ltd (formerly Altura Exploration Pty Ltd)	Australia	100	100
Altura Drilling Pty Ltd	Australia	100	100
Altura Minerals Pty Ltd (formerly Altura Lithium Pty Ltd)	Australia	100	100
Minvest Australia Pty Ltd	Australia	100	100
Minvest International Corporation	Mauritius	100	100
Altura Asia Pte Ltd	Singapore	100	100
Altura Mining Philippines Inc. *	Philippines	40	40
PT Asiadrill Bara Utama	Indonesia	100	100
PT Altura Indonesia	Indonesia	100	100
PT Minvest Mitra Pembangunan	Indonesia	100	100
PT Cakrawala Jasa Pratama	Indonesia	100	100
PT Minvest Jasatama Teknik	Indonesia	100	100
PT Cybertek Global Utama	Indonesia	100	100

* Altura Mining Limited through its wholly owned subsidiary, Altura Asia Pte Ltd holds 40% direct equity in Altura Mining Philippines Inc. This entity is considered a subsidiary as the Group has full economic and management rights.

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries with non-controlling interests in accordance with the accounting policy described in Note 1:

Name of entity	Country of incorporation	Principal activities	Parent ownership interest 2017 %	Parent ownership interest 2016 %	Non-controlling interest 2017 %	Non-controlling interest 2016 %
PT Velseis Indonesia *	Indonesia	Mining services	50	50	50	50
PT Jasa Tambang Pratama #	Indonesia	Mining and exploration	70	70	30	30
PT Cahaya Permata Khatulistiwa #	Indonesia	Mining and exploration	70	70	30	30
PT Suryaraya Permata Cemerlang #	Indonesia	Mining and exploration	70	70	30	30
PT Suryaraya Cahaya Khatulistiwa #	Indonesia	Mining and exploration	70	70	30	30
PT Suryaraya Cahaya Cemerlang #	Indonesia	Mining and exploration	70	70	30	30
PT Suryaraya Permata Khatulistiwa #	Indonesia	Mining and exploration	70	70	30	30
PT Suryaraya Pusaka #	Indonesia	Mining and exploration	70	70	30	30
PT Kodio Multicom	Indonesia	Mining and exploration	56	56	44	44
PT Marangkayu Bara Makarti	Indonesia	Mining and exploration	56	56	44	44

Altura Mining Limited, Altura Lithium Operations Pty Ltd and Altura Minerals Pty Ltd are included within the tax consolidation group.

Altura Mining Limited through its wholly owned subsidiary, Altura Asia Pte Ltd holds 70% direct equity in these seven entities.
* Altura Mining Limited through its wholly owned subsidiary, Minvest International Corporation holds 50% direct equity in PT Velseis Indonesia. This entity is considered a subsidiary as the Group has full management rights.

27. INTERESTS IN SUBSIDIARIES (continued)

Summarised financial information

Summarised financial information of the subsidiaries with non-controlling interests that are material to the consolidated entity are set out below:

	PT Velseis Indonesia $'000	PT Suryaraya Pusaka $'000	PT Kodio Multicom $'000	PT Marangkayu Bara Makarti $'000
2017				
Summarised statement of financial position				
Current assets	447	170	969	968
Non-current assets	244	1,530	833	1,633
Total assets	691	1,700	1,802	2,601
Current liabilities	201	-	1	5
Non-current liabilities	73	1,151	807	1,583
Total liabilities	274	1,151	808	1,588
Net assets	417	549	994	1,013
Summarised statement of profit or loss and other comprehensive income				
Revenue	483	-	-	-
Expenses	396	1	24	20
Profit / (loss) before income tax expense	87	(1)	(24)	(20)
Income tax expense / (benefit)	-	-	-	-
Profit / (loss) after income tax expense	87	(1)	(24)	(20)
Other comprehensive income	(11)	3	10	10
Total comprehensive income	76	2	(14)	(10)
Statement of cash flows				
Net cash from operating activities	20	7	-	-
Net cash used in investing activities	-	-	-	-
Net cash used in financing activities	-	-	-	-
Net increase / (decrease) in cash and cash equivalents	20	7	-	-
Other financial information				
Profit attributable to non-controlling interests	38	1	(6)	(4)
Accumulated non-controlling interest at the end of reporting period	184	(1)	19	28

27. INTERESTS IN SUBSIDIARIES (continued)

	PT Velseis Indonesia $'000	PT Suryaraya Pusaka $'000	PT Kodio Multicom $'000	PT Marangkayu Bara Makarti $'000
2016				
Summarised statement of financial position				
Current assets	372	176	-	-
Non-current assets	265	1,550	1,885	2,712
Total assets	637	1,726	1,885	2,712
Current liabilities	231	-	1	5
Non-current liabilities	-	1,156	831	1,638
Total liabilities	231	1,156	832	1,643
Net assets	406	570	1,053	1,069
Summarised statement of profit or loss and other comprehensive income				
Revenue	475	-	-	-
Expenses	520	3	(8)	(8)
Profit / (loss) before income tax expense	(45)	(3)	8	8
Income tax expense / (benefit)	54	-	-	-
Profit / (loss) after income tax expense	(99)	(3)	8	8
Other comprehensive income	12	(2)	(9)	(9)
Total comprehensive income	(87)	(5)	(1)	(1)
Statement of cash flows				
Net cash from operating activities	(27)	(24)	(5)	(5)
Net cash used in investing activities	-	-	-	-
Net cash used in financing activities	-	-	-	-
Net increase / (decrease) in cash and cash equivalents	(27)	(24)	(5)	(5)
Other financial information				
Profit attributable to non-controlling interests	(44)	(1)	-	-
Accumulated non-controlling interest at the end of reporting period	146	1	25	32

28. RELATED PARTIES

Transactions within the wholly-owned group

The wholly-owned group includes the ultimate parent entity in the wholly-owned group, and wholly-owned controlled entities. The ultimate parent entity in the wholly-owned group is Altura Mining Limited.

During the year the parent entity provided financial assistance to its wholly owned and controlled entities by way of intercompany loans. The loans are unsecured, interest free and have no fixed term of repayment. Sales and purchases between related parties within the Group have been eliminated upon consolidation. There were no further sales or purchases from wholly-owned related parties during the financial year.

Transaction with a significant shareholder

During the year, Altura Lithium Operations Pty Ltd entered into a binding offtake agreement with J&R Shaanxi Optimum Energy Ltd (J&R), the largest shareholder of Altura Mining Limited, for the supply of lithium (spodumene concentrate) on commencement of production from Altura Lithium's mine which is currently under construction in Western Australia. The agreement provides for Altura to sell a minimum of 100,000 tonnes of 6% spodumene to J&R annually for an initial 5 year period. Annual pricing will be agreed with reference to current market information, including but not limited to prices published or announced by other companies in the market, movement in carbonate pricing and with reference to any indices that may become available in the future. For the first 3 years of the agreement, a floor price of US$550 per tonne has been agreed, and there is also a ceiling price of US$950 per tonne for the same period.

29. NOTES TO STATEMENT OF CASH FLOWS

a) For the purpose of the statement of cash flows, cash includes cash on hand and in banks, and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:

	2017 $'000	2016 $'000
Cash at bank and on hand (Note 8)	13,271	22,132
Cash in assets classified as held for sale	37	-
Cash per statement of cash flows	13,308	22,132

Reconciliation to Statement of Cash Flows

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:

	2017 $'000	2016 $'000
Cash at bank and on hand	13,308	22,132
Short-term deposits	-	-
Cash at bank and on hand	13,308	22,132

b) Reconciliation of operating profit / (loss) after income tax to net cash used in operating activities

	2017 $'000	2016 $'000
Operating loss after income tax	(6,165)	(31,618)
Adjustments for non-cash income and expense items:		
Option and share pricing	162	235
Interest expense	-	252
Bonus paid by way of issue of shares to directors and staff	70	545
Impairment – property, plant and equipment	-	261
Impairment - equity	18	18,480
Depreciation of property, plant and equipment	335	554
Exploration expenditure written off	-	3,895
Share of (profit) / loss of associates and joint venture partnership	124	1,513
Foreign currency exchange rate movement	(5,166)	(1,066)
(Increase) / decrease in current tax prepaid	24	277
Increase / (decrease) in deferred tax balances	-	505
Changes in assets and liabilities:		
(Increase) / decrease in receivables	(2,210)	1,632
(Decrease) / increase in other creditors and accruals	7,128	452
(Increase) / decrease in deposits and prepayments	128	(41)
Increase / (decrease) in current provisions	(5)	70
Net cash used in operating activities	(5,557)	(4,054)

c) Acquisition of entities

The Group did not acquire any interest in entities during the year.

30. PARENT ENTITY DISCLOSURE

(a) Summary of financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2017 $'000 Parent	2016 $'000 Parent
Balance sheet		
Current assets	13,304	21,980
Total assets	101,008	67,259
Current liabilities	723	554
Total liabilities	723	554
Net assets	100,285	66,705
Equity		
Contributed equity	146,556	105,840
Reserves	162	233
Retained profits / (accumulated losses)	(46,433)	(39,367)
Total shareholder equity	100,285	66,705
Loss for the year	(7,065)	(12,883)
Total comprehensive loss for the year	(7,065)	(12,883)

(b) Contingent liabilities

Contingent liabilities are disclosed in Note 33.

(c) Contractual commitments

	2017 $'000 Parent	2016 $'000 Parent
No later than one year	89	44
Later than one year and not later than five years	148	15
Later than five years	-	-
	237	59

31. AUDITORS' REMUNERATION

	2017 $'000	2016 $'000
Amount paid or payable for the audit or review of the financial report	109	107
	109	107

32. SUBSEQUENT EVENTS

Subsequent to the end of the financial year, Altura completed a project funding package for construction and commissioning of its Altura Lithium Project in the Pilbara region of Western Australia (see ASX release on 28 July 2017). Completion of the funding package was the final prerequisite required to enable the Company to complete construction of the mine and move into production in the first half of calendar 2018.

The key details of the facility are:

- Senior secured loan notes issue to raise a total of US$110 million
- Leading US and Swiss based investment management groups to provide the loan note facility package
- Funding to be provided in two (2) tranches with Tranche 1 (approximately US$33 million before costs) settlement occurring on 4 August 2017 and Tranche 2 (US$77 million before costs) scheduled to settle by 21 September 2017

33. CONTINGENT LIABILITIES

Details and estimates of maximum amounts of contingent liabilities for which no provision is included in the financial statements are as follows:

	2017 $'000	2016 $'000
The bankers of the Group and parent entity have issued undertakings and guarantees to the DME (Northern Territory Department of Mines and Energy) and various other entities.	53	27
A subsidiary of the Group has entered into a conditional loan agreement		

No losses are anticipated in respect of any of the above contingent liabilities.

34. COMMITMENTS

In order to maintain an interest in the mining and exploration tenements in which the Group is involved, the Group is committed to meeting the conditions under which the tenements were granted and the obligations of any joint venture agreements. The timing and amount of exploration expenditure commitments and obligations of the Group are subject to the minimum expenditure commitments required by the relevant State Departments of Minerals and Energy, and may vary significantly from the forecast based upon the results of the work performed which will determine the prospectivity of the relevant area of interest.

One of the Group's subsidiaries has contracted to provide up to a US$4 million facility to a minority party in the Tabalong coal project. The provision of the facility is contingent on project milestones being achieved. The facility will be repaid in accordance with the loan agreement between the parties. The likelihood of this proceeding is highly probable.

a) Exploration work

The Company has certain obligations to perform minimum exploration work and expend minimum amounts on its wholly owned mining tenements. Obligations for the next 12 months are expected to amount to $294,308 (2015: $262,897). No estimate has been given of expenditure commitments beyond 12 months for its wholly owned tenements as this is dependent on the Directors' ongoing assessment of operations and, in certain instances, native title negotiations.

b) Asset acquisitions

The Group has the following commitments for asset acquisitions at 30 June 2017.

	2017 $'000	2016 $'000
Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements		
Mine development at cost	13,903	-
	13,903	-

c) Operating leases

The Group has entered into operating leases for office premises at Barrack Street in Perth, Western Australia and at Jakarta and Balikpapan in Indonesia. The Group also has operating leases in relation to certain office equipment.

	2017 $'000	2016 $'000
The commitment in respect of these leases is:		
No later than one year	391	325
Later than one year and not later than five years	266	363
Later than five years	-	-
	657	688

Directors' Declaration

In the Directors' opinion:

(a) The financial statements and notes are in accordance with the *Corporations Act 2001* and:

a. comply with Accounting Standards and the Corporations Regulations 2001; and
b. give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the financial year ended on that date;

(b) the financial statements and notes also comply with International Financial Reporting Standards as set out in Note 1;

(c) the remuneration disclosures that are contained in the remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the *Corporations Act 2001* and the Corporations Regulations 2001; and

(d) there are reasonable grounds to believe that the Company will be able to pay its debt as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required under section 295A of the *Corporations Act 2001*.

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

BT Kuan
Director

Perth, 20 September 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ALTURA MINING LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Altura Mining Limited (the company), which comprises the consolidated balance sheet as at 30 June 2017, the consolidated statement of profit or loss, the consolidated statement of 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 company and 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.

In our opinion, the financial report of Altura Mining Limited is in accordance with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

Independence

We are independent of the consolidated entity in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

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

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1. Pilgangoora Lithium Project – Reclassification of exploration and evaluation assets

Why significant

In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources* an entity shall reclassify exploration and evaluation assets when the technical feasibility and commercial viability of extraction are demonstrable.

Directors are of the view that as of the completion of the Definitive Feasibility Study ("DFS") on 26 September 2016, this is now the case and as such, the exploration and evaluation assets relating to the Pilgangoora Lithium Project have been reclassified to Mine Development Assets. It is a requirement of AASB 6 to assess the exploration and evaluation assets for impairment at the time of reclassification.

The consolidated entity's accounting policy in respect of exploration and evaluation expenditure is outlined in Note 1 (b). Significant judgement is required in determining the treatment of exploration and evaluation expenditure in accordance with AASB 6, and the consolidated entity's accounting policy. In particular:

- whether the particular areas of interest meet the recognition conditions for an asset;
- which elements of exploration and evaluation expenditures qualify for capitalisation for each area of interest; and
- evaluation of the recoverable amount of the exploration and evaluation asset.

The judgements and estimation can have a material impact on the financial report. As at the time of reclassification, the carrying value of exploration and evaluation assets reclassified to mine development costs was $15.459 million, as disclosed in Note 16.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Conducting a detailed review of management's assessment of the exploration and evaluation assets for impairment at the time of reclassification:
    - assessing, whether the rights to tenure of the areas of interest remained current at the time of reclassification;
    - holding discussions with the directors and management to confirm the ongoing status of the mine development project; and
    - reviewing the Definitive Feasibility Study ("DFS") to confirm the experts opinion on the technical feasibility and commercial viability of an extraction project from that area of interest
- testing, on a sample basis, exploration and evaluation expenditure incurred during the year for compliance with AASB 6 and the consolidated entity's accounting policy; and
- assessing the appropriateness of the related disclosures in Note 1(b) and 16.

2. Mine Development Assets – Recognition and measurement

Why significant	How our audit addressed the key audit matter
As at 30 June 2017 mine development expenditure relating to the Pilgangoora Lithium Project of $59.353 million have been capitalized and are disclosed in Note 16. This asset is significant and represents 67% of total assets of the consolidated entity. Significant judgement is applied in determining the treatment of mine development expenditure in accordance with Australian Accounting Standard AASB 116 *Property, Plant and Equipment*. In particular: o whether the conditions for capitalisation are satisfied; and o whether facts and circumstances indicate that the mine development assets should be tested for impairment. The evaluation of the recoverable amount of the asset requires significant judgement in determining the key assumptions supporting the expected future cash flows of the Pilgangoora Lithium Project.	Our procedures included, but were not limited to: • Confirming that the reclassification to Mine Development Assets of exploration and evaluation assets relating to the Pilgangoora Lithium Project has been in accordance with the requirements of AASB 6 as assessed above; • Obtaining a project management report and holding discussions with the directors and management to confirm that the mine development project remains on time and on budget. Any abnormal costs of development are identified and excluded from capitalized costs. • Testing on a sample basis, subsequent expenditure on the construction, installation or completion of infrastructure facilities capitalised during the year for compliance with the recognition and measurement criteria of AASB 116 for qualifying assets; and • Assessing whether any facts or circumstances existed to suggest impairment testing was required. We also assessed the appropriateness of the related disclosures in Notes 1d and 16 to the Financial Statements. .

Other Information

Other information is financial and non-financial information in the annual report of the consolidated entity which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

We have obtained all the Other Information prior to the date of this Auditor's Report which includes the Directors' Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.

Directors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

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 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion

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

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

Responsibilities

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

PKF HACKETTS

PKF HACKETTS AUDIT

LIAM MURPHY
PARTNER
20 SEPTEMBER 2017
BRISBANE