



ABN 52 119 062 261

FINANCIAL STATEMENTS

For the year ended 30 June 2017

Corporate Directory

Directors

Peter Unsworth	Non-Executive Chairman
Michael Jones	Managing Director
Paul Ingram	Non-Executive Director
Markus Elsasser	Non-Executive Director
Felicity Gooding	Non-Executive Director

Company Secretary

Bernard Crawford

Registered Office & Principal Place of Business

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Auditors

Bentleys Audit and Corporate (WA) Pty Ltd
London House
Level 3, 216 St Georges Terrace
Perth, WA 6000

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St. Georges Terrace
Perth, WA 6000
Telephone: +61 (8) 9323 2000
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Securities Exchange Listing

The Company is listed on the Australian Securities Exchange Ltd ("ASX")
Home Exchange: Perth, Western Australia

ASX Code: **IPT, IPTOA**

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Directors' Report

Your Directors present their report on the consolidated entity consisting of Impact Minerals Limited and its subsidiaries at the end of the year ended 30 June 2017. Throughout the report, the consolidated entity is referred to as the Group.

Directors

The following persons were Directors of Impact Minerals Limited during the whole of the financial year and up to the date of this report unless noted otherwise:

Peter Unsworth
Michael Jones
Paul Ingram
Markus Elsasser
Felicity Gooding

Principal activities

The principal activity of the Group during the financial year was exploration for deposits of nickel, gold, copper and platinum group elements.

Financial results

The consolidated loss of the Group after providing for income tax for the year ended 30 June 2017 was \$721,564 (2016: \$977,735).

Dividends

No dividends have been paid or declared since the start of the financial year. No recommendation for the payment of a dividend has been made by the Directors.

Operations and financial review

Activity during the 2017 financial year was focussed at the emerging high grade gold-silver discovery at the Silica Hill Prospect, part of the 100% owned Commonwealth Project centred about 100 km north of Orange in NSW.

Gold and silver mineralisation with base metal credits has been intersected over an area of 200 metres by 100 metres down to 100 metres below surface and with an average true thickness of about 50 metres. The veins commonly contain high to very high grades of gold and in particular silver. For example Hole CMIPT046 returned 41.3 metres at 2 g/t gold and 176 g/t silver which comprised 30 individual assays of varying widths of between 2 g/t and 24 g/t gold and 12 individual assays with more than 500 g/t silver. Hole CMIPT011 returned two veins with 3,146 g/t silver (0.9 metres thick) and 3,600 g/t silver (0.15 m thick) (*refer ASX announcement dated 5 December 2016*).

A follow up drill programme is in progress. The programme is testing a large number of targets generated from Induced Polarisation and soil geochemistry data that were also collected during the year. Initial results confirm that the discovery continues to grow.

Directors' Report

Two 5 kilometre long trends within Impact's extensive ground holdings of 1,000 km² in the area, were newly identified as prospective for high grade gold silver deposits similar to Commonwealth-Silica Hill mineralisation. Detailed studies by Impact have shown strong similarities to the well-known Eskay Creek deposit in Canada (4 million ounces of gold and 150 million ounces of silver). There is also potential for the discovery of a porphyry copper-gold system at depth below Silica Hill.

At the 100% owned Broken Hill Project a VTEM survey was completed over two key areas and identified eight targets along the Rockwell-Little Broken Hill Trend and two targets at Little Darling Creek for follow up work for nickel-copper-PGM mineralisation. In addition significant potential for cobalt-copper-gold mineralisation was recognised on Impact's large ground holding at Broken Hill including previous drill results of 92 metres of 0.04% cobalt with 10 metres at 0.1 g/t gold at end of hole (*refer ASX announcement dated 5 May 2017*).

At the 100% owned Mulga Tank Project about 2,500 soil samples were submitted for multi-element analysis. An interpretation of the results identified 20 targets for gold and 16 targets for nickel. Follow up drill programmes are being planned.

Exploration and evaluation costs totalling \$101,406 (2016: \$186,489) were expensed during the year in accordance with the Group's accounting policy. The expensed exploration and evaluation costs for the year ended 30 June 2017 primarily comprise business development activities on potential new projects.

As at 30 June 2017 the Group had net assets of \$12,248,077 (2016: \$11,689,939) including cash and cash equivalents of \$1,917,206 (2016: \$3,929,972).

The review of operations contained in this report is based on information compiled by Dr Mike Jones, a Member of the Australian Institute of Geoscientists. He is a director of the company and works for Impact Minerals Limited. He has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Dr Jones has consented to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Impact Minerals confirms that it is not aware of any new information or data that materially affects the information included in the previous market announcements referred to and in the case of mineral resource estimates, that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

In June 2017 the Company successfully completed a Share Purchase Plan ("SPP") and Shortfall Offer raising \$1,073,971 (before costs). Under the SPP eligible shareholders were entitled to subscribe for up to \$15,000 of new fully paid ordinary shares ("New Shares") at an issue price of 1.8 cents per share. Eligible shareholders were also offered three free attaching listed options ("Free Attaching Options") exercisable at \$0.04 with an expiry date of 15 June 2020 for every two New Shares subscribed for.

The New Shares and Free Attaching Options not subscribed for under the SPP formed the Shortfall Offer which was open to individuals eligible under all applicable securities laws.

Directors' Report

The Company issued a total of 34,601,161 New Shares under the SPP (with 51,901,752 Free Attaching Options) and 25,063,890 New Shares under the Shortfall Offer (with 37,595,838 Free Attaching Options).

There were no other significant changes in the state of affairs of the Group during the financial year.

Events since the end of the financial year

On 7 September the Company announced that it had placed all of the shortfall from the SPP. The aggregate amount raised from the shortfall was \$2,927,429 (before costs), comprising the issue of 162,634,949 Shares and 243,952,410 Free Attaching Options. The Shares and Free Attaching Options were issued on the same terms and conditions as those under the SPP, being \$0.018 for each Share, with three Free Attaching Options exercisable at \$0.04 on or before 15 June 2020 for every two New Shares subscribed for.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations, the results of those operations, or the state of affairs of the Group in future financial years.

Likely developments and expected results of operations

The Directors are not aware of any developments that might have a significant effect on the operations of the Group in subsequent financial years not already disclosed in this report.

Environmental regulation

The Group is subject to significant environmental regulation in respect of its exploration activities. Tenements in Western Australia, New South Wales and Queensland are granted subject to adherence to environmental conditions with strict controls on clearing, including a prohibition on the use of mechanised equipment or development without the approval of the relevant government agencies, and with rehabilitation required on completion of exploration activities. These regulations are controlled by the Department of Mines and Petroleum (*Western Australia*), the Department of Industry, Resources and Energy (*New South Wales*) and the Department of Natural Resources and Mines (*Queensland*).

Impact Minerals Limited conducts its exploration activities in an environmentally sensitive manner and the Group is not aware of any breach of statutory conditions or obligations.

Greenhouse gas and energy data reporting requirements

The Directors have considered compliance with both the *Energy Efficiency Opportunity Act 2006* and the *National Greenhouse and Energy Reporting Act 2007* which requires entities to report annual greenhouse gas emissions and energy use. The Directors have assessed that there are no current reporting requirements for the year ended 30 June 2017, however reporting requirements may change in the future.

Directors' Report

Information on directors

Peter Unsworth B.C om <i>(Non-Executive Chairman), Director since 28 April 2006</i>		
Experience and expertise	Mr Unsworth, formerly a chartered accountant, has more than 35 years' experience in the corporate finance, investment, and securities industries and has a wealth of management experience with both public and private companies. A former Executive Director with a leading Western Australian stockbroking company, Mr Unsworth has been a Director of a number of public exploration and mining companies. He is a Director of the Western Australian Government owned Gold Corporation (operator of The Perth Mint), having previously been a Director and Chairman from 1996 to 2008.	
Other current directorships	None	
Former directorships in last 3 years	Invictus Gold Limited (delisted 10 January 2014 following the merger with Impact Minerals Limited)	
Special responsibilities	Chair of the Board	
Interests in shares and options	Ordinary Shares – Impact Minerals Limited	15,994,098
	Listed Options – Impact Minerals Limited	3,333,335
	Unlisted Options – Impact Minerals Limited	8,000,000

Michael Jones PhD, MAIG <i>(Managing Director), Director since 31 March 2006</i>		
Experience and expertise	Dr Jones completed undergraduate and post-graduate studies in Mining and Exploration Geology at Imperial College, London. His Ph.D. work on gold mineralisation saw him move to Western Australia in 1988 to work for Western Mining Corporation exploring for gold and nickel deposits in the Yilgarn. From 1994 he consulted to the exploration and mining industry specialising in the integration of geological field mapping and the interpretation of geochemical, geophysical and remotely sensed data for target generation. Dr Jones has worked on over 80 projects both in Greenfields and near mine exploration in a wide variety of mineralised terrains and was the founding Director of Lithofire Consulting Geologists in Perth, Australia. He was also the team leader during the discovery of a significant gold deposit at the Higginsville Mining Centre, near Kalgoorlie and an iron ore deposit near Newman, both in Western Australia.	
Other current directorships	None	
Former directorships in last 3 years	Invictus Gold Limited (delisted 10 January 2014 following the merger with Impact Minerals Limited)	
Special responsibilities	Managing Director	
Interests in shares and options	Ordinary Shares – Impact Minerals Limited	7,715,025
	Listed Options – Impact Minerals Limited	1,250,001
	Unlisted Options – Impact Minerals Limited	20,000,000

Directors' Report

Paul Ingram B.AppSc, AIMM, MICA (Non-Executive Director), Director since 27 September 2009		
Experience and expertise	Mr. Ingram is a geologist with extensive experience in managing major mineral exploration programs for several publicly listed companies and has been involved in the mining sector for over forty years. He has designed and implemented innovative techniques for exploration in remote areas, and has managed projects in countries throughout Australia and east Asia.	
Other current directorships	A-Cap Resources Limited (Director since June 2009) Consolidated Global Investments Limited since September 2006	
Former directorships in last 3 years	Australian Pacific Coal Limited (resigned 30 October 2015)	
Special responsibilities	None	
Interests in shares and options	Ordinary Shares – Impact Minerals Limited	580,680
	Unlisted Options – Impact Minerals Limited	4,000,000

Markus Elsasser PhD (Non-Executive Director), Director since 9 August 2012		
Experience and expertise	Dr. Markus Elsasser is a German financier and investor in the mineral resources industry. He is Head of the Elsasser family office 'M. Elsasser & Cie AG 1971' in Dusseldorf, Germany. Dr. Elsasser has previously been Director of Finance at the Dow Chemical Company in Germany. He has extensive General Management experience with former appointments as Managing Director in Australia and Singapore in the chemical and food industries.	
Other current directorships	None	
Former directorships in last 3 years	Stellar Resources Limited (resigned 3 February 2016)	
Special responsibilities	None	
Interests in shares and options	Ordinary Shares – Impact Minerals Limited	23,310,402
	Unlisted Options – Impact Minerals Limited	4,000,000

Directors' Report

Felicity Gooding B.Com, CA (Non-Executive Director), Director since 18 February 2016		
Experience and expertise	Ms Gooding is the Chief Operating Officer and Chief Financial Officer of the Minderoo Group, the philanthropic and private business holdings of Mr and Mrs Andrew and Nicola Forrest. A Chartered Accountant with more than 15 years' experience, Ms Gooding has specialised in due diligence, mergers and acquisitions, and equity and debt financing across various sectors in Washington DC, Singapore and London. Ms Gooding has held senior positions at PwC, Diageo Plc and Fortescue Metals Group Ltd where she was instrumental in the raising of more than A\$5 billion for project expansion financing. Prior to joining Minderoo, Ms Gooding was an executive at potash development company, Sirius Minerals Plc.	
Other current directorships	None	
Former directorships in last 3 years	Vimy Resources Limited (resigned 26 May 2016)	
Special responsibilities	None	
Interests in shares and options	Ordinary Shares – Impact Minerals Limited	Nil
	Unlisted Options – Impact Minerals Limited	Nil

Company Secretary

Bernard Crawford, B.Com, CA, MBA, ACIS (appointed 4 April 2016)

Mr Crawford is a Chartered Accountant with over 20 years' experience in the resources industry in Australia and overseas. He has held various positions in finance and management with NYSE, TSX and ASX listed companies. Mr Crawford is the CFO and/or Company Secretary of a number of public companies. He holds a Bachelor of Commerce degree from the University of Western Australia, a Master of Business Administration from London Business School and is a Member of Chartered Accountants Australia and New Zealand and the Governance Institute of Australia.

Meetings of directors

The numbers of meetings of the Company's board of Directors held during the year ended 30 June 2017, and the numbers of meetings attended by each Director were:

	Number of meetings attended	Number of meetings eligible to attend
Peter Unsworth	5	5
Michael Jones	5	5
Paul Ingram	5	5
Markus Elsasser	5	4
Felicity Gooding	5	5

Directors' Report

Retirement, election and continuation in office of directors

Mr Unsworth, being a Director retiring by rotation who, being eligible, will offer himself for re-election at the Annual General Meeting.

REMUNERATION REPORT (Audited)

The Directors present the Impact Minerals Limited 2017 Remuneration Report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

The report contains the following sections:

- (a) Key management personnel (KMP) covered in this report
- (b) Remuneration governance and the use of remuneration consultants
- (c) Executive remuneration policy and framework
- (d) Relationship between remuneration and the Group's performance
- (e) Non-executive Director remuneration policy
- (f) Voting and comments made at the Company's 2016 Annual General Meeting
- (g) Details of remuneration
- (h) Service agreements
- (i) Details of share-based compensation and bonuses
- (j) Equity instruments held by key management personnel
- (k) Loans to key management personnel
- (l) Other transactions with key management personnel

(a) Key management personnel covered in this report

<i>Non-Executive and Executive Directors (see pages 5 to 7 for details about each Director)</i>	
Peter Unsworth	Non-Executive Chairman
Michael Jones	Managing Director
Paul Ingram	Non-Executive Director
Markus Elsasser	Non-Executive Director
Felicity Gooding	Non-Executive Director

Other key management personnel

Name	Position
Bernard Crawford	Company Secretary

(b) Remuneration governance and the use of remuneration consultants

The Company does not have a Remuneration Committee. Remuneration matters are handled by the full Board of the Company. In this respect the Board is responsible for:

- the over-arching executive remuneration framework;
- operation of the incentive plans which apply to Executive Directors and senior executives (the executive team), including key performance indicators and performance hurdles;
- remuneration levels of executives; and

Directors' Report

- Non-Executive Director fees.

The objective of the Board is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company.

In addition, all matters of remuneration are handled in accordance with the Corporations Act requirements, especially with regard to related party transactions. That is, none of the Directors participate in any deliberations regarding their own remuneration or related issues.

Independent external advice is sought from remuneration consultants when required, however no advice has been sought during the period ended 30 June 2017.

(c) Executive remuneration policy and framework

In determining executive remuneration, the Board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain key talent;
- aligned to the Company's strategic and business objectives and the creation of shareholder value;
- transparent and easily understood; and
- acceptable to shareholders.

All executives receive consulting fees or a salary, part of which may be taken as superannuation, and from time to time, options. The Board reviews executive packages annually by reference to the executive's performance and comparable information from industry sectors and other listed companies in similar industries.

All remuneration paid to specified executives is valued at the cost to the Group and expensed. Options are valued using a Black-Scholes option pricing model.

(d) Relationship between remuneration and the Group's performance

Emoluments of Directors are set by reference to payments made by other companies of similar size and industry, and by reference to the skills and experience of Directors. Fees paid to Directors are not linked to the performance of the Group. This policy may change once the exploration phase is complete and the Group is generating revenue. At present the existing remuneration policy is not impacted by the Group's performance including earnings and changes in shareholder wealth (e.g. changes in share price).

The Board has not set short term performance indicators, such as movements in the Company's share price, for the determination of Director emoluments as the Board believes this may encourage performance which is not in the long term interests of the Company and its shareholders. The Board has structured its remuneration arrangements in such a way it believes is in the best interests of building shareholder wealth in the longer term. The Board believes participation in the Company's Incentive Option Scheme motivates key management and executives with the long term interests of shareholders.

(e) Non-executive director remuneration policy

The Board policy is to remunerate Non-Executive Directors at commercial market rates for comparable companies for their time, commitment and responsibilities. Non-executive Directors receive a Board fee but do not receive fees for chairing or participating on Board committees. Board members are allocated superannuation guarantee contributions as required by law, and do not receive any other retirement

Directors' Report

benefits. From time to time, some individuals may choose to sacrifice their salary or consulting fees to increase payments towards superannuation.

The maximum annual aggregate Non-executive Directors' fee pool limit is \$250,000 as approved by shareholders at the Company's 2016 Annual General Meeting ("AGM") held on 9 November 2016.

Fees for Non-Executive Directors are not linked to the performance of the Group. Non-executive Directors' remuneration may also include an incentive portion consisting of options, subject to approval by shareholders.

(f) Voting and comments made at the Company's 2016 Annual General Meeting

Impact Minerals Limited received more than 89% of "yes" votes on its Remuneration Report for the 2016 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Directors' Report

(g) Details of remuneration

The following tables show details of the remuneration received by the Group's key management personnel for the current and previous financial year.

2017	Short-term benefits		Post-employment benefits	Share-based payments			% of Remuneration to total from
Name	Salary and fees	Non-Monetary Benefit	Super-annuation	Shares	Options	Total	Shares and Options
	\$	\$	\$	\$	\$	\$	%
Directors							
P Unsworth	65,000	-	6,175	-	38,228	109,403	-
M Jones	265,217	-	-	-	95,571	360,788	-
P Ingram	25,000	-	2,375	-	19,114	46,489	-
M Elsasser	27,375	-	-	-	19,114	46,489	-
F Gooding ⁽¹⁾	25,000	-	-	-	-	25,000	-
Executives							
B Crawford	103,275	-	-	-	-	103,275	-
Totals	510,867	-	8,550	-	172,027	691,444	

(1) Ms Gooding's fees are payable to Squadron Resources Pty Ltd

No components of remuneration are linked to the performance of the Group.

2016	Short-term benefits		Post-employment benefits	Share-based payments			% of Remuneration to total from
Name	Salary and fees	Non-Monetary Benefit	Super-annuation	Shares	Options	Total	Shares and Options
	\$	\$	\$	\$	\$	\$	%
Directors							
P Unsworth	65,000	-	6,175	-	60,163	131,338	46%
M Jones	223,550	-	-	-	150,407	373,957	40%
P Ingram	25,000	-	2,375	-	30,081	57,456	52%
M Elsasser	27,375	-	-	-	30,081	57,456	52%
F Gooding ⁽¹⁾	10,417	-	-	-	-	10,417	-
A Hood ⁽²⁾	12,500	-	-	-	-	12,500	-
Executives							
B Crawford ⁽³⁾	30,300	-	-	-	-	30,300	-
J Cooper-Jones ⁽⁴⁾	132,987	-	12,634	-	22,171	167,792	13%
Totals	527,129	-	21,184	-	292,903	841,216	

(1) Appointed 18 February 2016, Ms Gooding's fees are payable to Squadron Resources Pty Ltd

(2) Appointed 5 August 2015, resigned 18 February 2016, Mr Hood's fees were paid to Squadron Resources Pty Ltd

(3) Appointed 4 April 2016

(4) Resigned 3 March 2016

No components of remuneration are linked to the performance of the Group.

Directors' Report

(h) Service agreements

M Jones, Managing Director

Mr Jones is remunerated pursuant to an ongoing Consultancy Services Agreement. Mr Jones was paid fees of \$265,217 for the year ended 30 June 2017. The notice period (other than for gross misconduct) is three months.

B Crawford, Chief Financial Officer and Company Secretary

Mr Crawford is remunerated pursuant to the terms of a Consultancy Agreement to fulfil the duties of the Company Secretarial and Chief Financial Officer. Fees paid during the year totalled \$103,275 and were charged at usual commercial rates on a daily basis. The agreement may be terminated by either party on one months' written notice.

(i) Details of share-based compensation and bonuses

Options

Options over ordinary shares in Impact Minerals Limited are granted under the Employee Option Acquisition Plan ("Option Plan"). Participation in the scheme and any vesting criteria are at the Board's discretion and no individual has a contractual right to participate in the scheme or to receive any guaranteed benefits. Any options issued to Directors of the Company are subject to shareholder approval.

No options were provided as remuneration to Directors and senior management during the current year.

Value of options issued to directors and executives

The following table summarises the value of options granted, exercised or lapsed to key management personnel during the current financial year:

Name	Value of options granted at the grant date (i) \$	Value of options exercised at the exercise date \$	Value of options lapsed at the date of lapse (ii) \$	Total \$
Directors				
P Unsworth	-	-	(30,897)	(30,897)
M Jones	-	-	(77,242)	(77,242)
P Ingram	-	-	(15,448)	(15,448)
M Elsasser	-	-	(15,448)	(15,448)

(i) The value of options granted during the financial year is calculated as at the grant date using a Black-Scholes option pricing model. This grant date value is allocated to remuneration of key management personnel on a straight-line basis over the period from grant date to vesting date.

(ii) The value of options lapsing during the period reflects the total fair value determined at time of lapse.

Further information on the fair value of share options and assumptions is set out in note 24 to the financial statements.

Directors' Report

(j) Equity instruments held by key management personnel

The following tables detail the number of fully paid ordinary shares and options over ordinary shares in the Company that were held during the financial year and the previous financial year by key management personnel of the Group, including their close family members and entities related to them.

Options

	Opening Balance 1 July No.	Granted as remuneration No.	Options exercised No.	Net change other No.	Balance at 30 June No.	Vested but not exercisable No.	Vested and exercisable No.	Vested during the year No.
2017								
Directors								
P Unsworth	10,000,000	-	-	1,333,335 ⁽¹⁾	11,333,335	-	7,333,335	-
M Jones	25,000,000	-	-	(3,749,999) ⁽¹⁾	21,250,001	-	11,250,001	-
P Ingram	5,000,000	-	-	(1,000,000)	4,000,000	-	2,000,000	-
M Elsasser	5,000,000	-	-	(1,000,000)	4,000,000	-	2,000,000	-
	45,000,000	-	-	(4,416,664)	40,583,336	-	22,583,336	-
2016								
Directors								
P Unsworth	4,008,000	8,000,000	-	(2,008,000)	10,000,000	-	2,000,000	-
M Jones	10,008,000	20,000,000	-	(5,008,000)	25,000,000	-	5,000,000	-
P Ingram	2,000,000	4,000,000	-	(1,000,000)	5,000,000	-	1,000,000	-
M Elsasser	2,000,000	4,000,000	-	(1,000,000)	5,000,000	-	1,000,000	-
Executives								
J Cooper-Jones	1,500,000	6,000,000	-	(6,500,000)	1,000,000	-	-	-
	19,516,000	42,000,000	-	(15,516,000)	46,000,000	-	9,000,000	-

1) Includes options acquired pursuant to the Share Purchase Plan

During the year, no ordinary shares in the Company were issued as a result of the exercise of remuneration options.

Shareholdings

	Opening Balance 1 July No.	Granted as remuneration No.	Options exercised No.	Net change Other No.	Balance at 30 June No.
2017					
Directors					
P Unsworth	13,771,875	-	-	2,222,223	15,994,098
M Jones	6,881,718	-	-	833,334	7,715,052
P Ingram	580,680	-	-	-	580,680
M Elsasser	23,310,402	-	-	-	23,310,402
	44,544,675	-	-	3,055,557	47,600,232
2016					
Directors					
P Unsworth	12,771,875	-	-	1,000,000	13,771,875
M Jones	6,800,000	-	-	81,718	6,881,718
P Ingram	438,635	142,045 ⁽¹⁾	-	-	580,680
M Elsasser	22,543,357	142,045 ⁽¹⁾	-	625,000	23,310,402
	42,553,867	284,090	-	1,706,718	44,544,675

(1) These shares were in respect of remuneration for the year ended 30 June 2015 but were issued in July 2015.

Directors' Report

The assessed fair value at grant date of options granted to individuals is allocated equally over the period from grant date to vesting date, (and the amount included in the remuneration tables above). Fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

As at the date of this report the shareholdings of key management personnel were the same as at 30 June 2017.

(k) Loans to key management personnel

There were no loans to individuals or members of key management personnel during the financial year or the previous financial year.

(l) Other transactions with key management personnel

There were no other transactions with key management personnel during the financial year or the previous financial year.

End of Remuneration Report (Audited)

Shares under option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Date options granted	Expiry Date	Issue price of shares	Number under option
7 August 2015	7 August 2018	\$0.0325	45,000,000
29 September 2015 and 13 May 2016	29 September 2018	\$0.0367	27,000,000
21 October 2015	21 October 2018	\$0.0325	26,428,572
29 September 2015 and 13 May 2016	29 September 2019	\$0.045	15,500,000
21 June 2017 (<i>listed</i>)	15 June 2020	\$0.04	89,497,590
29 September 2015 and 13 May 2016	29 September 2020	\$0.07	15,500,000
			218,926,162

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Shares issued on the exercise of options

There were no shares issued on the exercise of options during the year and up to the date of this report.

Directors' Report

Corporate Governance Statement

The Company's 2017 Corporate Governance Statement has been released as a separate document and is located on the Company's website at <http://impactminerals.com.au/corporate-governance/>.

Proceedings on Behalf of the Consolidated Entity

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

Indemnification and Insurance of Directors and Officers

During the financial year, the Company paid a premium to insure the Directors and officers of the consolidated entity against any liability incurred as a Director or officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits the disclosure of the nature of the liabilities covered or the amount of the premium paid.

The Group has not entered into any agreement with its current auditors indemnifying them against claims by a third party arising from their position as auditor.

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (Bentleys Audit and Corporate (WA) Pty Ltd) for audit and non-audit services provided during the year are set out in note 19. During the year ended 30 June 2017 no fees were paid or were payable for non-audit services provided by the auditor of the consolidated entity (2016: \$Nil).

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

Signed in accordance with a resolution of the Directors



Peter Unsworth

Chairman

Perth, 14 September 2017

**Bentleys Audit & Corporate
(WA) Pty Ltd**

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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the audit of the financial statements of Impact Minerals Limited for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully



BENTLEYS
Chartered Accountants



MARK DELAURENTIS CA
Director

Dated at Perth this 14th day of September 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

		Consolidated	
	Notes	2017 \$	2016 \$
Interest income	3 (a)	24,001	49,804
Other income	3 (a)	1,076,238	1,212,888
Corporate and administration expense		(688,165)	(937,224)
Depreciation expense		(1,967)	(1,535)
Employee benefits expense	3 (b)	(779,896)	(875,402)
Impairment of exploration expenditure	10	(101,406)	(186,489)
Occupancy expense		(48,912)	(58,742)
Financing costs	14	(201,457)	(181,035)
Loss from continuing operations before income tax		(721,564)	(977,735)
Income tax expense	5	-	-
Loss after income tax for the period attributable to the owners of Impact Minerals Limited		(721,564)	(977,735)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translating foreign controlled entities		708	16,234
Other comprehensive income for the period, net of tax		708	16,234
Total comprehensive loss for the period attributable to the owners of Impact Minerals Limited		(720,856)	(961,501)
		Cents per share	Cents per share
Loss per share attributable to the owners of Impact Minerals Limited			
- basic loss per share	18	0.09	0.15

This Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

Consolidated Statement of Financial Position

As at 30 June 2017

		Consolidated	
	Notes	2017 \$	2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	1,917,206	3,929,972
Trade and other receivables	7	37,619	70,279
Other current assets	8, 14	201,457	201,457
Total Current Assets		2,156,282	4,201,708
Non-Current Assets			
Property, plant and equipment	9	4,635	2,435
Exploration expenditure	10	12,585,274	9,749,914
Other non-current assets	11, 14	193,445	277,349
Total Non-Current Assets		12,783,354	10,029,698
TOTAL ASSETS		14,939,636	14,231,406
LIABILITIES			
Current Liabilities			
Trade and other payables	12	462,313	463,122
Short-term provisions	13	229,246	78,345
Financial liabilities	14	2,000,000	2,000,000
Total Current Liabilities		2,691,559	2,541,467
TOTAL LIABILITIES		2,691,559	2,541,467
NET ASSETS		12,248,077	11,689,939
EQUITY			
Issued capital	15	36,933,610	35,950,384
Option reserve	16	1,297,282	1,222,765
Foreign currency translation reserve	16	(503,894)	(504,602)
Transactions with non-controlling interest	16	(1,161,069)	(1,161,069)
Accumulated losses	17	(24,317,852)	(23,817,539)
TOTAL EQUITY		12,248,077	11,689,939

This Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Attributable to the owners of Impact Minerals Limited					Total Equity
	Issued Capital	Options Reserve	Foreign currency translation reserve	Transactions with non- controlling interest	Accumulated losses	
	\$	\$	\$	\$	\$	\$
At 1 July 2015	31,245,003	736,506	(520,836)	(1,161,069)	(23,366,786)	6,932,818
Total comprehensive loss for the period	-	-	-	-	(977,735)	(977,735)
Other comprehensive income						
Exchange differences on translating foreign controlled entities	-	-	16,234	-	-	16,234
Total comprehensive loss for the period net of tax	-	-	16,234	-	(977,735)	(961,501)
Transactions with owners in their capacity as owners						
Shares issued	4,911,631	-	-	-	-	4,911,631
Share issue costs	(206,250)	-	-	-	-	(206,250)
Fair value of options issued	-	1,013,241	-	-	-	1,013,241
Fair value of options expired	-	(526,982)	-	-	526,982	-
At 30 June 2016	35,950,384	1,222,765	(504,602)	(1,161,069)	(23,817,539)	11,689,939
At 1 July 2016	35,950,384	1,222,765	(504,602)	(1,161,069)	(23,817,539)	11,689,939
Total comprehensive loss for the period	-	-	-	-	(721,564)	(721,564)
Other comprehensive income						
Exchange differences on translating foreign controlled entities	-	-	708	-	-	708
Total comprehensive loss for the period net of tax	-	-	708	-	(721,564)	(720,856)
Transactions with owners in their capacity as owners						
Shares issued	1,073,971	-	-	-	-	1,073,971
Share issue costs	(90,745)	-	-	-	-	(90,745)
Fair value of options issued	-	295,768	-	-	-	295,768
Fair value of options expired	-	(221,251)	-	-	221,251	-
At 30 June 2017	36,933,610	1,297,282	(503,894)	(1,161,069)	(24,317,852)	12,248,077

This 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

		Consolidated	
	Notes	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,050,247)	(1,429,291)
Interest received		24,001	49,804
Research and development tax rebate received		1,073,788	1,205,223
NET CASH FLOWS FROM/(USED IN)			
OPERATING ACTIVITIES	25	47,542	(174,264)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(4,167)	(1,000)
Proceeds from sale of property, plant and equipment		-	7
Payments for exploration activities		(3,039,367)	(3,165,883)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(3,043,534)	(3,166,876)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,073,971	4,900,381
Share issue costs		(90,745)	(201,250)
Proceeds from borrowings		-	2,000,000
NET CASH FLOWS FROM FINANCING ACTIVITIES		983,226	6,699,131
Net increase / (decrease) in cash and cash equivalents		(2,012,766)	3,357,991
Cash and cash equivalents at beginning of period		3,929,972	571,981
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	1,917,206	3,929,972

This Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

1. Corporate Information

The consolidated financial report of Impact Minerals Limited for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 14 September 2017.

Impact Minerals Limited is a for profit company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange. The nature of the operation and principal activities of the consolidated entity are described in the attached Directors' Report.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below and have been applied consistently to all periods presented in the consolidated financial statements and by all entities in the consolidated entity.

2. Statement of Compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The consolidated financial statements of Impact Minerals Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

New and amended accounting standards and interpretations adopted by the Group

The following standards relevant to the operations of the Group and effective from 1 July 2016 have been adopted. The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

- *AASB 2014-9: Amendments to Australian Accounting Standards Amendments to – Equity Method in Separate Financial Statements*
- *AASB 2015-1: Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012 – 2014*
- *AASB 2015-2: Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101*

New accounting standards and interpretations

The following new and amended accounting standards and interpretations relevant to the operations of the Group have been published but are not mandatory for the current financial year. The Group has decided against early adoption of these standards, and has not yet determined the potential impact on the financial statements from the adoption of these standards.

The key new standards which may impact the Group in future years are detailed below:

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

New or revised requirement	Application date of standard	Application date for Group
AASB 9: <i>Financial Instruments</i> AASB 9 replaces AASB 139: <i>Financial Instruments: Recognition and Measurement</i>. The objective of this Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.	1 Jan 2018	1 Jul 2018
AASB 15: <i>Revenue from Contracts with Customers</i> The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.	1 Jan 2018	1 Jul 2018
AASB 2016-5: <i>Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions</i> This Standard amends AASB 2: <i>Share-based Payment</i>, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: • The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments • Share-based payment transactions with a net settlement feature for withholding tax obligations • A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	1 Jan 2018	1 Jul 2018
AASB 16: <i>Leases</i> This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.	1 Jan 2019	1 Jul 2019

(a) Basis of measurement

Historical Cost Convention

These consolidated financial statements have been prepared under the historical cost convention, except where stated.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

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 involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed where appropriate.

(b) Going Concern

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

The Consolidated Group incurred a loss of \$721,564 (2016: \$977,735) and net cash inflows from operating activities of \$47,542 (2016: cash outflows of \$174,264). As at 30 June 2017 the Consolidated Group had a cash balance of \$1,917,206 (2016: \$3,929,972).

The Group has a working capital surplus of \$1,263,266 (2016: \$3,458,784) which excludes the convertible notes of \$1,798,543 (net of current transaction costs) on the basis the convertible notes are required to be settled in the Group's equity instruments as detailed in note 14. As disclosed in note 21, the Group raised \$2,927,429 (before costs) subsequent to year end as part of its Share Purchase Plan.

The Directors have prepared a cash flow forecast which indicates the Consolidated Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

(c) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2017 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its investment with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the consolidated statement of changes in equity respectively.

Joint arrangements

Under AASB 11: *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

(d) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes option pricing model.

Exploration and evaluation costs carried forward

The recoverability of the carrying amount of exploration and evaluation costs carried forward has been reviewed by the Directors. In conducting the review, after impairment indicators are identified, the recoverable amount has been assessed by reference to the higher of “fair value less costs to sell” and, if applicable, “value in use”.

In determining value in use, future cash flows are based on estimates of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction, production and sales levels, future commodity prices, future capital and production costs and future exchange rates.

Variations to any of these estimates, and timing thereof, could result in significant changes to the expected future cash flows which in turn could result in significant changes to the impairment test results, which in turn could impact future financial results.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

(e) 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 of Impact Minerals Limited.

(f) Functional and presentation of currency

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss and other comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(g) Revenue recognition

Revenue is measured at 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. Interest income is recognised as it accrues.

(h) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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 entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Impact Minerals Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's 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.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

(j) Impairment of assets

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

(k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of six months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(l) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the profit or loss.

(m) Exploration and evaluation expenditure

Exploration and evaluation expenditure, including the costs of acquiring licences and permits, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or
- (ii) activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

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

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

(n) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, or in the case of certain leased plant and equipment, the shorter lease term as follows:

- | | |
|-------------------------------------|-------------|
| • Motor vehicles | 5 – 7 years |
| • Office and computer equipment | 3 – 5 years |
| • Furniture, fittings and equipment | 3 – 5 years |

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

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 are included in profit or loss. When re-valued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

(p) Employee benefits

Short-term Obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. All other short-term employee benefit obligations are presented as payables.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

Other Long-term Obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-Based Payments

The Group provides benefits to employees of the Company in the form of share options. The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, on a straight line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number that vest.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value. No termination benefits, other than accrued benefits and entitlements, were paid during the period.

(q) Equity

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

(r) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

Diluted earnings per share

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(t) Financial Instruments

Initial Recognition and Measurement

Financial instruments, including financial assets and financial liabilities, are recognised when the Group becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

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

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

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

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

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

Financial assets are classified at “fair value through profit or loss” when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method. Loans and receivables are included in current assets except those which are expected to mature within 12 months after the end of the reporting period.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group’s intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method. Held to maturity investments are included in non-current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

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

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

Available for sale financial assets are included in non-current assets except those which are expected to mature within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(v) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the profit or loss. Also, any cumulative decline in Fair Value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

De-recognition

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

Financial Guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: *Revenue*. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

(u) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or nonrecurring basis, depending on the requirements of the applicable Accounting Standard.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

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

Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy

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

Level 1

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

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- (ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

	Consolidated	
	2017	2016
	\$	\$
3. Revenue and Expenses		
(a) Revenue from operating activities		
Interest income	24,001	49,804
Other income	2,450	7,665
Research and development tax rebate	1,073,788	1,205,223
Total revenue from operating activities	1,100,239	1,262,692
(b) Employee benefits expense		
Wages, salaries and other remuneration expenses	323,075	293,333
Directors fees	142,375	140,292
Superannuation fund contributions	18,678	33,458
Share-based payments expense	295,768	408,319
Total employee benefits expense	779,896	875,402

4. Segment information

Identification of reportable segments

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

The Group is managed primarily on the basis of exploration opportunities within Australia and Africa. Operating segments are therefore determined on this basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar geographic characteristics.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

4. Segment information (continued)

	Australia \$	Africa \$	Corporate \$	Consolidated \$
2017				
<i>Segment performance</i>				
Segment income	-	-	1,100,239	1,100,239
Segment expense	101,406	60,424	1,659,973	1,821,803
Profit / (loss) before tax	(101,406)	(60,424)	(559,734)	(721,564)
<i>Segment assets and liabilities</i>				
Assets	12,585,274	18,898	2,335,464	14,939,636
Liabilities	276,859	3,411	2,411,289	2,691,559
Net assets	12,308,415	15,487	(75,825)	12,248,077
2016				
<i>Segment performance</i>				
Segment income	-	7,665	1,255,027	1,262,692
Segment expense	186,489	141,214	1,912,724	2,240,427
Profit / (loss) before tax	(186,489)	(133,549)	(657,697)	(977,735)
<i>Segment assets and liabilities</i>				
Assets	9,749,914	30,964	4,450,528	14,231,406
Liabilities	255,589	9,283	2,276,595	2,541,467
Net assets	9,494,325	21,681	2,173,933	11,689,939

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

	Consolidated	
	2017	2016
	\$	\$
5. Income Tax		
(a) Major components of income tax expense are as follows:		
Current income tax expense / (benefit)	-	-
Deferred income tax expense / (benefit)	-	-
Income tax expense reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	-	-
(b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Profit from ordinary activities before income tax expense	(721,564)	(977,735)
Prima facie tax benefit on profit from ordinary activities before income tax at 27.5% (2016: 30%)	(198,430)	(293,321)
<i>Tax effect of permanent differences:</i>		
Share based payments	81,336	122,496
Non-deductible expenses	69,041	35,094
Government grant received	(295,292)	(361,166)
Tax losses not recognised	340,022	490,191
Foreign tax rate difference	3,323	6,706
Income tax expense/(benefit) on pre-tax profit	-	-
(c) Deferred tax assets and (liabilities) are attributable to the following:		
Accrued expenses	6,429	6,976
Capital raising costs	57,557	52,080
Exploration expenditure	(2,797,320)	(2,843,856)
Plant and equipment	6,325	8,517
Provision for employee entitlement	52,128	22,684
Other	4,211	9,053
Tax losses	2,670,670	2,744,546
	-	-
(d) Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items as the Directors do not believe it is appropriate to regard realisation of future tax benefits as probable:		
Tax losses	3,376,557	3,698,096
Capital losses	651,887	711,150
	4,028,444	4,409,246

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

	Consolidated	
	2017	2016
	\$	\$
6. Cash and cash equivalents		
Cash at bank and on hand	1,917,206	3,929,972
Cash at bank - on call	-	-
	1,917,206	3,929,972

The weighted average interest rate for the year was 1.19% (2016: 1.95%).

The Group's exposure to interest rate risk is set out in note 23. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

7. Trade and other receivables

Current

GST / VAT

Other

35,358	68,071
2,261	2,208
37,619	70,279

The amounts held in trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these trade and other receivables, it is expected that these amounts will be received when due. The Group's financial risk management objectives and policies are set out in note 23.

Due to the short term nature of these receivables their carrying value is assumed to approximate their fair value.

8. Other current assets

Current portion of unamortised option cost

201,457	201,457
201,457	201,457

Refer to note 14 for details of the transaction costs related to the issue of options to Squadron Resources Pty Ltd.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

	Consolidated	
	2017	2016
	\$	\$
9. Property, plant and equipment		
Leasehold improvements		
- At cost	7,400	7,400
- Accumulated depreciation	(6,612)	(5,872)
Total leasehold improvements	788	1,528
Office equipment		
- At cost	67,076	65,488
- Accumulated depreciation	(65,813)	(65,488)
Total office equipment	1,263	-
Site equipment		
- At cost	26,621	36,035
- Accumulated depreciation	(26,089)	(35,128)
Total site equipment	532	907
Computer equipment		
- At cost	139,777	138,675
- Accumulated depreciation	(137,725)	(138,675)
Total computer equipment	2,052	-
Total property, plant and equipment	4,635	2,435

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

9. Property, plant and equipment (continued)

Movement in carrying amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the year:

	Leasehold Improvements \$	Office Equipment \$	Site Equipment \$	Computer Equipment \$	Total \$
2017					
Consolidated:					
Balance at the beginning of the year	1,528	-	907	-	2,435
Additions	-	1,588	-	2,579	4,167
Depreciation expense	(740)	(325)	(375)	(527)	(1,967)
Carrying amount at the end of the year	788	1,263	532	2,052	4,635
2016					
Consolidated:					
Balance at the beginning of the year	2,268	18	-	692	2,978
Additions	-	-	1,000	-	1,000
Disposals	-	(8)	-	-	(8)
Depreciation expense	(740)	(10)	(93)	(692)	(1,535)
Carrying amount at the end of the year	1,528	-	907	-	2,435

	Consolidated	
	2017 \$	2016 \$
10. Exploration and evaluation		
Opening balance	9,749,914	6,526,545
Impairment expense	(101,406)	(186,489)
Exploration expenditure incurred during the year	2,936,766	3,409,858
Closing balance	12,585,274	9,749,914

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

	Consolidated	
	2017	2016
	\$	\$
11. Other non-current assets		
Non-current portion of unamortised option cost	20,973	222,430
Deposits paid	163,068	45,486
Other non-current assets	9,404	9,433
	193,445	277,349

Refer to note 14 for details of the transaction costs related to the issue of options to Squadron Resources Pty Ltd.

12. Trade and other payables		
Trade creditors	403,597	347,980
Other payables and accruals	58,716	115,142
	462,313	463,122

Trade creditors are non-interest bearing and are normally settled on 30 day terms. The Group's financial risk management objectives and policies are set out in note 23. Due to the short term nature of these payables their carrying value is assumed to approximate their fair value.

13. Provisions

Short-term

Employee entitlements	229,246	78,345
	229,246	78,345

14. Financial liabilities

Convertible notes	2,000,000	2,000,000
	2,000,000	2,000,000

2,000,000 convertible notes were issued to Squadron Resources Pty Ltd on 7 August 2015 at an issue price of \$1 per note. Each note entitles the holder to convert to one ordinary share. The notes are convertible in to ordinary shares of Impact at the lower of:

- 2.1 cents per share; and
- 80% of the volume weighted average sale price of shares sold on the ASX during the 30 consecutive business days prior to the date of the conversion notice.

Conversion may occur at any time between 7 August 2015 and 7 August 2018. The convertible notes do not carry interest and can only be redeemed through the issue of shares, except in remote circumstances that are not at the discretion of the note holder.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

14. Financial liabilities (continued)

As part of the agreement, Squadron Resources Pty Ltd has requested a security interest over certain tenements held within the Broken Hill and Commonwealth projects.

Included in other assets are transaction costs relating to the convertible notes and represent the fair value of the attaching 45,000,000 options issued which are convertible at 3.25 cents per option and deemed to have a fair value of 1.34 cents per option. These transaction costs are amortised over the life of the convertible notes.

	Consolidated	
	2017	2016
	\$	\$
Transaction costs		
Share based payment - options granted	604,922	604,922
Option cost unwound during the period	(382,492)	(181,035)
Total transactions costs to be amortised over the life of the convertible note	222,430	423,887
This balance has been classified as follows:		
Other current assets (refer note 8)	201,457	201,457
Other non-current assets (refer note 11)	20,973	222,430
	222,430	423,887

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

	Consolidated	
	2017	2016
	\$	\$
15. Contributed equity		
a) Share capital		
Ordinary shares fully paid	36,933,610	35,950,384
	Consolidated	
	Number	\$
b) Movements in ordinary shares on issue		
Balance at 1 July 2015	566,339,070	31,245,003
Shares issued during the year:		
Shares issued to Directors in lieu of fees – July 2015	284,090	6,250
Rights issue and shortfall issue - September 2015	94,437,193	1,983,181
Issue of shares to Squadron Resources - October 2015	47,619,048	1,000,000
Share purchase plan – May 2016	45,166,683	1,084,000
Placements – May 2016	34,925,001	838,200
Transaction costs	-	(206,250)
Balance at 30 June 2016	788,771,085	35,950,384
Shares issued during the year:		
Share purchase plan and shortfall offer - June 2017	59,665,051	1,073,971
Transaction costs	-	(90,745)
Balance at 30 June 2017	848,436,136	36,933,610
Ordinary shares have the right to receive dividends as declared, and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon on shares held.		
Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.		
	Consolidated	
	2017	2016
	Number	Number
c) Movements in options on issue		
Balance at beginning of the financial year	141,828,572	42,150,000
Options issued pursuant to the share purchase plan (<i>listed</i>)	89,497,590	-
Options granted	-	134,428,572
Options expired	(12,400,000)	(26,700,000)
Options cancelled / lapsed	-	(8,050,000)
Balance at end of the financial year	218,926,162	141,828,572

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

	Consolidated	
	2017	2016
	\$	\$
16. Reserves		
Option reserve		
Opening balance	1,222,765	736,506
Fair value of options issued	295,768	1,013,241
Transfer to retained earnings upon expiry/lapse of options	(221,251)	(526,982)
Balance at the end of the financial year	1,297,282	1,222,765

The options reserve is used to recognise the fair value of options issued to employees and contractors.

Foreign currency translation reserve

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

Transactions with non-controlling interest

The transactions with non-controlling interest reserve records items related to the acquisition of shares in Invictus Gold Limited.

	Consolidated	
	2017	2016
	\$	\$
17. Accumulated losses		
Balance at the beginning of the financial year	(23,817,539)	(23,366,786)
Net loss attributable to members	(721,564)	(977,735)
Transfer from share option reserve upon lapse of options	221,251	526,982
Balance at the end of the financial year	(24,317,852)	(23,817,539)

	2017	2016
	Cents	cents
18. Earnings per share		
- basic loss per share	0.09	0.15
The following reflects the income and share data used in the calculation of basic loss per share:		
	\$	\$
Profits / (losses) used in calculating basic and diluted earnings per share	(721,564)	(977,735)
	2017	2016
	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	790,242,278	671,145,118

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

	Consolidated	
	2017 \$	2016 \$
19. Auditor's remuneration		
Audit services		
Bentleys Audit and Corporate (WA) Pty Ltd		
- Audit and review of the financial reports	32,000	33,000
Total remuneration	32,000	33,000

20. Contingent assets and liabilities

The Group had contingent liabilities at 30 June 2017 in respect of :

Future royalty payments

In March 2016 Impact completed the acquisition of tenement E7390 from Golden Cross Resources Limited ("Golden Cross") for \$60,000 cash. Golden Cross retains a royalty equal to 1% of gross revenue on any minerals recovered from the tenement. At its election, Impact has the right to buy back the royalty for \$1.5 million cash at any time up to a decision to mine, or, leave the royalty uncapped during production.

21. Events occurring after the reporting period

On 7 September the Company announced that it had placed all of the shortfall from the Share Purchase Plan ("SPP") completed in June 2017. The aggregate amount raised from the shortfall was \$2,927,429 (before costs), comprising the issue of 162,634,949 shares ("Shares") and 243,952,410 free attaching listed options ("Options"). The Shares and Options were issued on the same terms and conditions as those under the SPP, being \$0.018 for each Share, with Options exercisable at \$0.04 on or before 15 June 2020 for every two new Shares subscribed for.

There have been no other events subsequent to reporting date which are sufficiently material to warrant disclosure.

22. Commitments

In order to maintain an interest in the exploration tenements in which the Group is involved, the Group is committed to meet the conditions under which the tenements were granted. The timing and amount of exploration expenditure commitments and obligations of the Group are subject to the minimum expenditure commitments required as per the *Mining Act 1978* (Western Australia), the *Mining Act 1992* (New South Wales) and the *Mineral Resources Act 199* (Queensland) 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.

As at balance date, total exploration expenditure commitments on granted tenements held by the Group that have not been provided for in the financial statements and which cover the following twelve month period amount to \$867,020 (2016: \$682,594). For the period greater than twelve months to five years commitments amount to \$2,174,567 (2016: \$621,397). There are no commitments greater than five years. These obligations are also subject to variations by farm-out arrangements, or sale of the relevant tenements

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

22. Commitments (continued)

Commitments in relation to the lease of office premises are payable as follows:

	Consolidated	
	2017	2016
	\$	\$
Within 1 year	39,600	43,200
Later than one year but not later than five years	-	39,600
Later than five years	-	-
	39,600	82,800

23. Financial risk management objectives and policies

Financial Risk Management

Overview

The Group has exposure to the following risks from their use of financial instruments:

- Interest rate risk
- Credit risk
- Liquidity risk
- Commodity risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group's principal financial instruments are cash, short-term deposits, receivables and payables.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest bearing financial assets and liabilities that the Group uses.

Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets. It is the Group's policy to settle trade payables within the credit terms allowed and therefore not incur interest on overdue balances.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

23. Financial risk management objectives and policies (continued)

The following table set out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

	Fixed interest rate maturing in					Total
	Floating interest rate	1 Year or Less	Over 1 to 5 years	More than 5 years	Non interest bearing	
Consolidated – 2017	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	1,917,206	-	-	-	-	1,917,206
Trade and other receivables	-	-	-	-	37,619	37,619
	1,917,206	-	-	-	37,619	1,954,825
Weighted average interest rate	1.19%	-	-	-	-	-
Financial liabilities						
Trade and other payables	-	-	-	-	462,313	462,313
Financial liabilities	-	-	-	-	2,000,000	2,000,000
	-	-	-	-	2,462,313	2,462,313
Weighted average interest rate	-	-	-	-	-	-
Consolidated – 2016						
Financial assets						
Cash and cash equivalents	3,929,972	-	-	-	-	3,929,972
Trade and other receivables	-	-	-	-	70,279	70,279
	3,929,972	-	-	-	70,279	4,000,251
Weighted average interest rate	1.95%	-	-	-	-	-
Financial liabilities						
Trade and other payables	-	-	-	-	463,122	463,122
Financial liabilities	-	-	-	-	2,000,000	2,000,000
	-	-	-	-	2,463,122	2,463,122
Weighted average interest rate	-	-	-	-	-	-

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below:

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

23. Financial risk management objectives and policies (continued)

		Profit or loss		Equity	
	Carrying value at period end	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	\$	\$	\$	\$	\$
Consolidated - 2017					
Financial assets					
Cash and cash equivalents	1,917,206	20,088	(20,088)	20,088	(20,088)
Cash flow sensitivity (net)		20,088	(20,088)	20,088	(20,088)
Consolidated - 2016					
Financial assets					
Cash and cash equivalents	3,929,972	25,533	(25,533)	25,533	(25,533)
Cash flow sensitivity (net)		25,533	(25,533)	25,533	(25,533)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. The Group trades only with recognised, creditworthy third parties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure to credit risk is the carrying value of the receivable, net of any provision for doubtful debts.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. This risk is minimised by reviewing term deposit accounts from time to time with approved banks of a sufficient credit rating which is AA and above.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

23. Financial risk management objectives and policies (continued)

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated	
	2017	2016
	\$	\$
Cash and cash equivalents	1,917,206	3,929,972
Trade & other receivables	37,619	70,279
	1,954,825	4,000,251

Foreign currency risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

The Group is exposed to fluctuations in foreign currencies arising from the purchase of goods and services in currencies other than the company's measurement currency (namely \$USD and Botswana Pula). The Group's exposure to foreign currency risk is minimal at this stage of its operations.

Commodity price risk

The Group's exposure to commodity price risk is minimal at this stage of its operations.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

23. Financial risk management objectives and policies (continued)

The Group's objective is to maintain a balance between continuity of funding and flexibility. The following are the contractual maturities of financial liabilities:

Consolidated - 2017	Carrying amount \$	Contractual cash flows \$	6 months or less \$
Trade and other payables	462,313	-	462,313
	462,313	-	462,313
Trade and other receivables	37,619	-	37,619
	37,619	-	37,619
Consolidated - 2016			
Trade and other payables	463,122	-	463,122
	463,122	-	463,122
Trade and other receivables	70,279	-	70,279
	70,279	-	70,279

Fair value of financial assets and liabilities

The fair value of cash and cash equivalents and non-interest bearing financial assets and financial liabilities of the Group is equal to their carrying value.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The management of the Group's capital is performed by the Board.

The capital structure of the Group consists of net debt (trade payables, provisions and financial liabilities detailed in notes 12, 13, & 14 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, offset by accumulated losses detailed in notes 15, 16 & 17).

The Group is not subject to any externally imposed capital requirements. None of the Group's entities are subject to externally imposed capital requirements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

24. Share based payments

Share option plan

The Group has a Director and Employee Option Acquisition Plan ("Option Plan") for Directors, employees and contractors of the Group. In accordance with the provisions of the Option Plan, as approved by shareholders at the 2015 Annual General Meeting, executives and employees may be granted options at the discretion of the Directors. Options issued to Directors are subject to approval by shareholders.

Each share option converts into one ordinary share of Impact Minerals Limited on exercise. No amounts are paid or are payable by the recipient on receipt of the option. The options carry neither rights of dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence during the reporting period:

Option series	Number	Grant date	Expiry date	Vesting date	Exercise price	Fair value at grant date
19 ⁽¹⁾	9,000,000	20-Dec-12	30-Nov-16	30-Nov-14	\$0.10	\$0.0107
21 ⁽¹⁾	2,250,000	16-Jan-13	30-Nov-16	30-Nov-14	\$0.10	\$0.0107
23 ⁽¹⁾	1,150,000	14-Nov-13	30-Nov-16	30-Nov-14	\$0.10	\$0.0413
25 ⁽²⁾	45,000,000	07-Aug-15	07-Aug-18	Immediate	\$0.0325	\$0.0185
26	26,000,000	29-Sep-15	29-Sep-18	29-Sep-16	\$0.0367	\$0.0139
27	12,500,000	29-Sep-15	29-Sep-19	29-Sep-17	\$0.045	\$0.0149
28	12,500,000	29-Sep-15	29-Sep-20	29-Sep-18	\$0.07	\$0.0143
29 ⁽³⁾	26,428,572	21-Oct-15	21-Oct-18	Immediate	\$0.0325	n/a
30	1,000,000	13-May-16	29-Sep-18	29-Sep-16	\$0.0367	\$0.012
31	3,000,000	13-May-16	29-Sep-19	29-Sep-17	\$0.045	\$0.0133
32	3,000,000	13-May-16	29-Sep-20	29-Sep-18	\$0.07	\$0.0132
33 ⁽⁴⁾	89,497,590	21-Jun-17	15-Jun-20	Immediate	\$0.04	n/a

(1) These options expired during the financial year

(2) Options issued to Squadron Resources Pty Ltd ("Squadron") as part of the Convertible Note issue and ratified by shareholders at the 2015 Annual General Meeting

(3) Options issued to Squadron and approved by shareholders at the 2015 Annual General Meeting

(4) Three free attaching listed options were issued for each two new shares subscribed for under the Share Purchase Plan concluded in June 2017.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

24. Share based payments (continued)

Fair value of share options granted during the year

The fair value of share options at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share and the risk free rate for the term of the option. The fair value of share options issued during the year was \$295,768 (2016: \$408,319).

Movements in share options during the year

Movement in the number of share options on issue during the year:

	2017		2016	
	No. of options	Weighted average exercise price \$	No. of options	Weighted average exercise price \$
Outstanding at the beginning of the year	141,828,572	0.04	42,150,000	0.10
Issued pursuant to the share purchase plan (<i>listed</i>)	89,497,590	0.04	-	-
Granted during the year	-	-	134,428,572	0.04
Expired during the year	(12,400,000)	0.10	(26,700,000)	0.10
Cancelled during the year	-	-	(8,050,000)	0.07
Outstanding at the end of the year	218,926,162	0.04	141,828,572	0.04
Exercisable at the end of the year	187,926,162	0.04	83,828,572	0.04

The weighted average remaining contractual life of share options outstanding at the end of the year was 2.14 years (2016: 2.38 years).

Share options outstanding at the end of the year

Share options issued and outstanding at the end of the year have the following exercise prices:

Expiry Date	Exercise price \$	2017 No.	2016 No.
30 November 2016	0.10	-	12,400,000
7 August 2018	0.0325	45,000,000	45,000,000
29 September 2018	0.0367	27,000,000	27,000,000
21 October 2018	0.0325	26,428,572	26,428,572
29 September 2019	0.045	15,500,000	15,500,000
15 June 2020 (<i>listed</i>)	0.04	89,497,590	-
29 September 2020	0.07	15,500,000	15,500,000
		218,926,162	141,828,572

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

	Consolidated	
	2017	2016
	\$	\$
25. Reconciliation of cash flows from operating activities		
Cash flows from operating activities		
Profit / (Loss) for the period	(721,564)	(977,735)
Non-cash flows in profit/(loss):		
- Depreciation	1,967	1,535
- Share based remuneration	295,768	408,319
- Finance costs	201,457	181,035
- Exploration expenditure write-off	101,406	186,489
Changes in assets and liabilities		
- Decrease/(increase) in trade and other receivables	32,660	13,737
- Decrease/(increase) in other non-current assets	447	(22,070)
- Increase/(decrease) in trade creditors and accruals	(15,500)	87,807
- Increase/(decrease) in provisions	150,901	(53,381)
Net cash from / (used in) operating activities	47,542	(174,264)

Non-cash investing and financing activities

There were no non-cash investing and financing activities during the year.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

26. Related party disclosure

	Class	Country of incorporation	Ownership 2017 %	Ownership 2016 %
a) Parent entity				
Impact Minerals Limited	Ord	Australia	-	-
b) Subsidiaries				
Aurigen Pty Ltd	Ord	Australia	100	100
Siouville Pty Ltd	Ord	Australia	100	100
Drummond East Pty Ltd	Ord	Australia	100	100
Seam Holdings Pty Ltd ⁽ⁱ⁾	Ord	British Virgin Islands	100	100
Brentwood Investments (Pty) Ltd ⁽ⁱⁱ⁾	Ord	Republic of Namibia	n/a	100
Icilion Investments (Pty) Ltd ⁽ⁱⁱⁱ⁾	Ord	Botswana	100	100
Xade Minerals (Pty) Ltd ^(iv)	Ord	Botswana	100	100
Invictus Gold Limited	Ord	Australia	100	100
Drummond West Pty Ltd ^(v)	Ord	Australia	100	100
Endeavour Minerals Pty Ltd ^(vi)	Ord	Australia	100	100

(i) Seam Holdings Pty Ltd is a wholly owned subsidiary of Drummond East Pty Ltd

(ii) Brentwood Investments (Pty) Ltd was deregistered on 12 May 2017

(iii) Icilion Investments (Pty) Ltd is a wholly owned subsidiary of Seam Holdings Pty Ltd

(iv) Xade Minerals (Pty) Ltd is a wholly owned subsidiary of Seam Holdings Pty Ltd

(v) Drummond West Pty Ltd is a wholly owned subsidiary of Invictus Gold Limited

(vi) Endeavour Minerals Pty Ltd is a wholly owned subsidiary of Invictus Gold Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

26. Related party disclosure (continued)

c) Loans to and investments in controlled entities

Loans are provided by the Parent Entity to its controlled entities for their respective operating activities. Amounts receivable from controlled entities are non-interest bearing with no fixed term of repayment. The carrying value of investments in controlled entities is recognised as an asset in the Parent Entity. The future successful commercial application of these projects or the sale to third parties supports the recognition and recoverability of these assets held in the Parent Entity.

	2017	2016
	\$	\$
Aurigen Pty Ltd	607,130	607,130
Siouville Pty Ltd	136,372	136,372
Drummond East Pty Ltd	33,653	33,653
Seam Holdings Pty Ltd	9,902	9,902
Brentwood Investments (Pty) Ltd	n/a	201
Icilion Investments (Pty) Ltd	5,659,682	5,606,161
Drummond West Pty Ltd ⁽ⁱ⁾	3,527,418	3,527,418
	9,974,157	9,920,837

(i) Loan from Invictus Gold Limited

d) Key management personnel compensation

Short-term employee benefits	510,867	527,129
Post-employment benefits	8,550	21,184
Share-based payments	172,027	292,903
	691,444	841,216

Detailed remuneration disclosures are provided in the Remuneration Report on pages 8 to 14.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

28. Parent entity disclosure

	2017 \$	2016 \$
Financial Performance		
Profit / (loss) for the year	(439,889)	(1,656,090)
Other comprehensive income	-	-
Total comprehensive profit / (loss)	(439,889)	(1,656,090)
Financial Position		
ASSETS		
Current assets	2,137,384	4,173,905
Non-current assets	11,308,419	8,498,081
TOTAL ASSETS	13,445,803	12,671,986
LIABILITIES		
Current liabilities	2,685,269	2,529,306
Non-current liabilities	-	-
TOTAL LIABILITIES	2,685,269	2,529,306
NET ASSETS	10,760,534	10,142,680
EQUITY		
Issued capital	36,933,610	35,950,384
Option reserve	1,297,282	1,222,765
Transactions with non-controlling interest	(1,161,069)	(1,161,069)
Accumulated losses	(26,309,289)	(25,869,400)
TOTAL EQUITY	10,760,534	10,142,680

No guarantees have been entered into by Impact Minerals Limited in relation to the debts of its subsidiaries.

Impact Minerals Limited had no expenditure commitments as at 30 June 2017 other than the commitment in relation to the lease of office premises as disclosed in note 22.

Directors' Declaration

The Directors of Impact Minerals Limited declare that:

- (a) in the Directors' opinion the financial statements and notes set out on pages 17 to 57 and the Remuneration Report in the Directors' Report are in accordance with the *Corporations Act 2001*, including :
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), *Corporations Regulations 2001* and mandatory professional reporting requirements.
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in note 2; and
- (c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of the Directors.



Peter Unsworth
Chairman

Perth, Western Australia
14 September 2017

Independent Auditor's Report

To the Members of Impact Minerals Limited

Report on the Audit of the Financial Report

Opinion

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

In our opinion:

- a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

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 Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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



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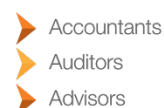
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Independent Auditor's Report

To the Members of Impact Minerals Limited (Continued)



Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Exploration and Evaluation Expenditure – \$12,585,274 (Refer to Note 1(m) and Note 10) Exploration and evaluation is a key audit matter due to: ➤ The significance of the balance to the Consolidated Entity's consolidated financial position. ➤ The level of judgement required by us in evaluating management's application of the requirements of AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge. This includes specific requirements for expenditure to be capitalised as an asset and subsequent requirements which must be complied with for capitalised expenditure to continue to be carried as an asset. ➤ The assessment of impairment of exploration and evaluation expenditure being inherently difficult particularly in uncertain or depressed market conditions.	Our procedures included, amongst others: ➤ Assessing management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the consolidated entity holds an interest and the exploration programmes planned for those tenements. ➤ For each area of interest, we assessed the Consolidated Entity's rights to tenure by corroborating to government registries and evaluating agreements in place with other parties as applicable; ➤ We tested the additions to capitalised expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Consolidated Entity's accounting policy and the requirements of AASB 6; ➤ We considered the activities in each area of interest to date and assessed the planned future activities for each area of interest by evaluating budgets for each area of interest. ➤ We assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalised expenditure: ➤ the licenses for the right to explore expiring in the near future or are not expected to be renewed; ➤ substantive expenditure for further exploration in the specific area is neither budgeted or planned

Independent Auditor's Report

To the Members of Impact Minerals Limited (Continued)



Key audit matter	How our audit addressed the key audit matter
	➤ decision or intent by the Consolidated Entity to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and ➤ data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or sale. ➤ We assessed the adequacy of the disclosure in Note 10.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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 the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report

To the Members of Impact Minerals Limited *(Continued)*



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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- Obtain an understanding of internal control relevant to the audit 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 Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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.
- 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.
- 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 Consolidated Entity audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

To the Members of Impact Minerals Limited (Continued)



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.

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 the 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

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

Auditor's Opinion

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

BENTLEYS
Chartered Accountants

MARK DELAURENTIS CA
Director

Dated at Perth this 14th day of September 2017