



**Impact Minerals Limited
(and Controlled Entities)**
(ABN 52 119 062 261)

Half-Year Financial Report
31 December 2016

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Directors' Report

For the half-year ended 31 December 2016

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2016.

Directors

The names of directors who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

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

Principal Activities

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

Review of Operations

Commonwealth Gold-Silver-Base Metal Project, N.S.W (Impact 100%)

The Commonwealth Project comprises three 100% owned exploration licences that cover about 315 sq km of the highly prospective Lachlan Fold Belt about 100 km north of Orange in NSW. The belt is host to many major gold-silver-copper mines including the Cadia-Ridgeway deposits that contain at least 25 million ounces of gold and 5 million tonnes of copper.

There have been significant discoveries of gold and silver mineralisation in four drill holes at the Silica Hill Prospect. Mineralisation 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. Grade is increasing at depth and the mineralisation is open in all directions.

The mineralisation comprises disseminated sulphide, veins and semi-massive sulphide veins and is zoned with an upper silver-rich part containing extensive visible silver minerals and a lower gold-rich part with lesser variable amounts of zinc, lead, copper and pathfinder sulphide minerals throughout.

The veins commonly contain high to very high grades of gold and in particular silver. For example Hole CMIPT046 has returned 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 has returned two veins with 3,146 g/t silver (0.9 metres thick) and 3,600 g/t silver (0.15 m thick).

There has been further success with recent follow up drilling at Silica Hill with mineralisation extended by up to 50 metres down dip/plunge. Disseminated and narrow veins and stockworks of sulphide with silver and base metal mineralisation variably developed over 60 metres to 70 metres true thickness. Deeper extensions to the mineralisation are to be tested in 2017.

Broken Hill Project, N.S.W. (Impact 100%)

The Broken Hill project comprises two granted exploration licences (EL7390 and EL8234) and two exploration licence applications (ELA5793 and ELA5265) that cover 517 square kilometres of rocks prospective for two distinct styles of mineralisation:

- Nickel-copper-PGE associated with ultramafic rocks; and
- Zinc-lead-silver in "Broken Hill-style" deposits hosted mostly by metasedimentary rocks and amphibolites.

A petrographic study was completed in late 2016 on rock chip samples from new tenements and work confirms the prospectivity for base and precious metals.

Mulga Tank Project, W.A. (Impact 100%)

Impact owns 100% of 13 exploration licences that cover 425 sq km of the highly prospective Minigwal greenstone belt, 200 km east of Kalgoorlie in the emerging mineral province of the south east Yilgarn Block, Western Australia.

High tenor nickel and copper sulphides at the Mulga Tank Dunitite were discovered by Impact in its maiden drill programme in 2013. In 2015 Impact completed an airborne magnetic and radiometric survey over the entire project area,

Directors' Report

For the half-year ended 31 December 2016

an innovative combined airborne and ground electrical survey as well as a large soil geochemistry survey over key target areas. Interpretation is currently in progress of 2,500 soil sample results received.

All of this data will be used to identify specific targets for drilling. Impact was recently awarded a second grant of \$150,000 to drill its targets at the Mulga Tank Dunite as part of the WA State Governments Exploration Incentive Scheme. Impact now has \$300,000 of Government funding for a drill programme which is scheduled to start in mid-2017.

Financial Performance and Financial Position

During the half-year the Group reported an operating profit after tax of \$115,782 (half-year to 31 December 2015: \$64,517).

As at 31 December 2016 the Group had net assets of \$12,004,488 (30 June 2016: \$11,689,939) including \$1,489,119 of cash and cash equivalents (30 June 2016: \$3,929,972).

Auditor's Declaration

Section 307C of the Corporations Act 2001 requires our auditors, Bentleys, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 3 and forms part of this directors' report for the half-year ended 31 December 2015.

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



Peter Unsworth

Chairman

Perth, 24 February 2017

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

London House

Level 3,

216 St Georges Terrace

Perth WA 6000

PO Box 7775

Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au

To the Board of Directors

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

As lead audit director for the review of the financial statements of Impact Minerals Limited for the half year ended 31 December 2016, 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 review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully



BENTLEYS
Chartered Accountants



MARK DELAURENTIS CA
Director

Dated at Perth this 24th day of February 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2016

	Note	Consolidated	
		31 Dec 2016	31 Dec 2015
		\$	\$
Interest and other income		13,643	31,201
Research and Development rebate		1,076,238	1,205,222
		1,089,881	1,236,423
Employee benefits expenses		(414,001)	(330,693)
Corporate and administration expenditure		(367,718)	(624,777)
Depreciation and amortisation expense		(591)	(972)
Occupancy		(22,636)	(37,886)
Impairment of exploration expenditure	3	(67,597)	(96,995)
Financing costs		(101,556)	(80,583)
Profit / (Loss) before income tax expense		115,782	64,517
Income tax expense		-	-
Net Profit / (Loss) for the period		115,782	64,517
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		1,213	16,062
Other comprehensive income (net of tax)		-	-
Total comprehensive income for the period		116,995	80,579
Profit / (Loss) for the period attributable to			
Members of the parent entity		116,995	80,579
Non-controlling interest		-	-
		116,995	80,579
Total comprehensive income attributable to:			
Members of the parent entity		116,995	80,579
Non-controlling interest		-	-
		116,995	80,579
Basic profit / (loss) per share (Cents)		0.01	0.01

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

Condensed Consolidated Statement of Financial Position*As at 31 December 2016*

	Note	Consolidated	
		31 Dec 2016	30 June 2016
		\$	\$
Current Assets			
Cash and cash equivalents		1,489,119	3,929,972
Trade and other receivables		1,137,463	70,279
Other current assets		201,457	201,457
Total Current Assets		2,828,039	4,201,708
Non-Current Assets			
Property and equipment		3,432	2,435
Exploration expenditure	3	11,542,191	9,749,914
Other non-current assets		176,883	277,349
Total Non-Current Assets		11,722,506	10,029,698
Total Assets		14,550,545	14,231,406
Current Liabilities			
Trade and other payables		446,591	463,122
Financial Liabilities	7	2,000,000	2,000,000
Provisions		99,466	78,345
Total Current Liabilities		2,546,057	2,541,467
Total Liabilities		2,546,057	2,541,467
Net Assets		12,004,488	11,689,939
Equity			
Issued capital	4	35,950,384	35,950,384
Option reserve		1,199,068	1,222,765
Foreign currency translation reserve		(503,389)	(504,602)
Transactions with non-controlling interest		(1,161,069)	(1,161,069)
Accumulated losses		(23,480,506)	(23,817,539)
Total Equity		12,004,488	11,689,939

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity*For the half-year ended 31 December 2016*

	Consolidated					Total Equity
	Issued Capital	Option Reserve	Foreign currency translation reserve	Transactions with Non- Controlling Interest	Accumulated Losses	
	\$	\$	\$	\$	\$	
Balance at 1 July 2015	31,245,003	736,506	(520,836)	(1,161,069)	(23,366,786)	6,932,818
Profit for the period	-	-	-	-	64,517	64,517
Other Comprehensive Income						
Exchange differences on translation of foreign operations	-	-	16,062	-	-	16,062
Total comprehensive income for the half-year	-	-	16,062	-	64,517	80,579
Shares issued	2,974,842	-	-	-	-	2,974,842
Share issue costs	(109,750)	-	-	-	-	(109,750)
Fair value of options expired	-	(404,565)	-	-	404,565	-
Fair value of options issued	-	747,343	-	-	-	747,343
Balance at 31 December 2015	34,110,095	1,079,284	(504,774)	(1,161,069)	(22,897,704)	10,625,832
Balance at 1 July 2016	35,950,384	1,222,765	(504,602)	(1,161,069)	(23,817,539)	11,689,939
Profit for the period	-	-	-	-	115,782	115,782
Other Comprehensive Income						
Exchange differences on translation of foreign operations	-	-	1,213	-	-	1,213
Total comprehensive income for the half-year	-	-	1,213	-	115,782	116,995
Fair value of options expired	-	(221,251)	-	-	221,251	-
Fair value of options issued	-	197,554	-	-	-	197,554
Balance at 31 December 2016	35,950,384	1,199,068	(503,389)	(1,161,069)	(23,480,506)	12,004,488

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows*For the half-year ended 31 December 2016*

	Note	Consolidated	
		31 Dec 2016 \$	31 Dec 2015 \$
Cash flows from operating activities			
Payments to suppliers and employees		(641,132)	(895,072)
Interest received		13,643	31,201
R&D Tax Concession		-	1,205,222
Net cash flows from/(used in) operating activities		(627,489)	341,351
Cash flows from investing activities			
Payments for property, plant and equipment		(1,588)	-
Payments for exploration activities		(1,811,776)	(1,698,750)
Net cash flows from/(used in) investing activities		(1,813,364)	(1,698,750)
Cash flows from financing activities			
Proceeds from issue of shares		-	2,968,592
Share issue costs		-	(109,750)
Proceeds from borrowing		-	2,000,000
Net cash flows from/(used in) financing activities		-	4,858,842
Net increase/(decrease) in cash and cash equivalents		(2,440,853)	3,501,443
Cash and cash equivalents at the beginning of the period		3,929,972	571,981
Cash and cash equivalents at the end of the period		1,489,119	4,073,424

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to Condensed Consolidated Financial Statements

For the half-year ended 31 December 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: interim financial reporting.

This interim report is intended to provide users with an update on the latest annual financial statements of Impact Minerals Limited and its controlled entities (the consolidated entity). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the consolidated entity. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the consolidated entity for the year ended 30 June 2016, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements. The relevant amendments and their effects on the current period or prior periods are described below.

The accounting policies have been applied consistently throughout the consolidated entity for the purposes of preparation of these interim financial statements.

Going Concern

The interim financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Consolidated Group generated a profit for the period of \$115,782 (2015: \$64,517) and net cash outflows from operating activities of \$627,489 (2015: Cash inflows of \$341,351). As at 31 December 2016 the consolidated group had a cash balance of \$1,489,119 (2015: \$4,073,424).

The Group has a working capital surplus position of \$2,080,525 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 7.

The directors have prepared a cash flow forecast which indicates that 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.

New or revised standards and interpretations that are first effective in the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

The adoption of the new and revised Standards and Interpretations have not had a material impact on this half-year financial report.

NOTE 2: SEGMENT REPORTING

Segment Information

Identification of reportable segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

The Company is managed primarily on the basis of its exploration and corporate activities. Operating segments are therefore determined on the same basis.

The results of Impact Group are reviewed as a separate operating segment by the Board of Directors.

Notes to Condensed Consolidated Financial Statements*For the half-year ended 31 December 2016***NOTE 2: SEGMENT REPORTING (Continued)**

	Australia Projects \$	Africa Projects \$	Corporate / Treasury \$	Total \$
SEGMENT PERFORMANCE				
For the half-year ended 31 December 2016				
Segment income	-	-	1,089,881	1,089,881
Segment expenses	(67,597)	(38,538)	(867,964)	(974,099)
Net Profit /(loss) before tax	(67,597)	(38,538)	221,917	115,782

SEGMENT ASSETS AND LIABILITIES**As at 31 December 2016**

Segment Assets	11,542,191	40,783	2,967,571	14,550,545
Segment Liabilities	303,582	9,389	2,233,086	2,546,057
Net assets	11,238,609	31,394	734,485	12,004,488

SEGMENT PERFORMANCE**For the half-year ended 31 December 2015**

Segment income	-	7,923	1,228,500	1,236,423
Segment expenses	-	(89,774)	(1,082,132)	(1,171,906)
Net Profit /(loss) before tax	-	(81,851)	146,368	64,517

SEGMENT ASSETS AND LIABILITIES**As at 30 June 2016**

Segment Assets	9,749,914	30,964	4,450,528	14,231,406
Segment 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 Condensed Consolidated Financial Statements

For the half-year ended 31 December 2016

NOTE 3: EXPLORATION EXPENDITURE

	31 December 2016 \$	30 June 2016 \$
Capitalised cost at the beginning of the period	9,749,914	6,526,545
Impairment of exploration expenditure	(67,597)	(186,489)
Exploration expenditure for the period	1,859,874	3,409,858
Cost carried forward	11,542,191	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.

NOTE 4: ISSUED CAPITAL

	31 December 2016 \$	30 June 2016 \$
788,771,085 fully paid ordinary shares with no par value	37,039,952	37,039,952
Share issue costs	(1,089,568)	(1,089,568)
	35,950,384	35,950,384

	Half-year ended 31 Dec 2016		Year ended 30 Jun 2016	
	No.	\$	No.	\$
a. Movements in ordinary shares on issue				
At the beginning of the reporting period	788,771,085	35,950,384	566,339,070	31,245,003
Shares issued during the period				
- Shares issued to Directors in lieu of fees ^(a)	-	-	284,090	6,250
- Rights issue and shortfall issue ^(b)	-	-	94,437,193	1,983,181
- Issue of shares to Squadron Resources ^(c)	-	-	47,619,048	1,000,000
- Share Purchase Plan ^(d)	-	-	45,166,683	1,084,000
- Placements ^(e)	-	-	34,925,001	838,200
- Transaction costs	-	-	-	(206,250)
- At the end of the reporting period	788,771,085	35,950,384	788,771,085	35,950,384

(a) Shares issued to Directors in lieu of fees for the year ended 30 June 2015 in accordance with resolutions passed at the Annual General meeting held on 27th November 2014.

(b) In October 2015 the Company successfully completed a one for six renounceable rights issue to existing shareholders at an issue price of 2.1 cents for each new share raising \$1,983,181 before costs.

(c) In October 2015 the Company issued 47,619,048 shares to Squadron Resources Pty Ltd, at an issue price of 2.1 cents per share.

(d) In May 2016 the Company successfully completed a Share Purchase Plan ("SPP") raising \$1,084,000. Under the SPP eligible shareholders were entitled to subscribe for up to \$15,000 of new fully paid ordinary shares at an issue price of 2.4 cents per share.

(e) During May 2016, the Company raised \$838,200 (before costs) via a placement of 34,925,001 shares at 2.4 cents per share to a number of professional and sophisticated investors.

Notes to Condensed Consolidated Financial Statements*For the half-year ended 31 December 2016***NOTE 4: ISSUED CAPITAL (Continued)**

	Half-year ended 31 Dec 2016		Year ended 30 Jun 2016	
	No.	\$	No.	\$
b. Movements in options on issue				
At the beginning of the reporting period	141,828,572	1,222,765	42,150,000	736,506
- Options granted ^(a)	-	197,554	134,428,572	1,013,241
- Options expired	(12,400,000)	(221,251)	(26,700,000)	(404,565)
- Options cancelled / lapsed	-	-	(8,050,000)	(122,417)
At the end of the reporting period	129,428,572	1,199,068	141,828,572	1,222,765

(a) No options were issued during the reporting period. The fair value of options is determined at grant date and is expensed over the vesting period for those options.

NOTE 5: CONTINGENCIES

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

NOTE 6: FINANCIAL INSTRUMENTS

The Group's financial instruments consist of trade and other receivables and trade and other payables. These financial instruments are measured at amortised costs, less any provision for non-recovery. The carrying amounts of the financial assets and liabilities approximate their fair value.

NOTE 7: FINANCIAL LIABILITIES

	31 December	30 June
	2016	2016
	\$	\$
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 the Company 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.

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.

Notes to Condensed Consolidated Financial Statements*For the half-year ended 31 December 2016***NOTE 7: FINANCIAL LIABILITIES (Continued)**

	31 December	30 June
	2016	2016
	\$	\$
Transaction costs		
Opening balance	423,887	-
Share based payment - options granted	-	604,922
Option cost unwound during the period	(101,556)	(181,035)
Total remaining transactions costs to be amortised over the life of the convertible note	<u>322,331</u>	<u>423,887</u>
This balance has been classified as follows:		
Other current assets	201,457	201,457
Other non-current assets	120,874	222,430
	<u>322,331</u>	<u>423,887</u>

Director's Declaration

For the half-year ended 31 December 2016

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 12 are in accordance with the *Corporations Act 2001*; including:
 - a. Complying with the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year then ended; and
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Peter Unsworth

Chairman

Dated this 24th day of February 2017

Independent Auditor's Review Report

To the Members of Impact Minerals Limited

We have reviewed the accompanying half-year financial report of Impact Minerals Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the half-year.

Directors Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Auditor's Review Report

To the Members of Impact Minerals Limited (Continued)



Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Impact Minerals Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

BENTLEYS
Chartered Accountants

MARK DELAURENTIS CA
Director

Dated at Perth this 24th day of February 2017