COUNTY COAL LIMITED
ABN 40 149 136 783
ASX Preliminary final report – 30 June 2014

This yearly report is for the twelve months ended 30 June 2014. The previous corresponding period is the year to 30th June 2013.

The information in this report should be read in conjunction with the most recent annual financial report.

Contents

COUNTY COAL LIMITED
YEAR ENDED 30 JUNE 2014
RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Increase/(Decrease) (dollars)	**Increase/(Decrease) (percent)**		**2014**	**2013**
Revenue from ordinary activities	($125,159)	(65%)	to	$68,244	$193,403
Profit/(Loss) from ordinary activities before tax attributable to members	($1,415,848)	(48%)	to	($1,503,667)	($2,919,515)
Profit/(Loss) from ordinary activities after tax attributable to members	($1,415,848)	(48%)	to	($1,503,667)	($2,919,515)
Net Profit/(Loss) for the period attributable to members	($1,415,848)	(48%)	to	($1,503,667)	($2,919,515)

Additional dividend/distribution information

Details of dividends/distributions declared or paid during or subsequent to the year ended 30 June 2014 are as follows:

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil

The Board has resolved that no dividend will be paid for the year ended 30 June 2014.

Record date for determining entitlements to the dividend: N/A

COMMENTARY

With significant coal resources having been identified during F2013 the focus of County Coal management during F2014 has been pursuing opportunities for the construction of bulk ship loading facilities on the west coast of North America.

At the end of F2013, the Company announced that it had a proven JORC resource of 730 million tons of thermal coal contained in its existing Powder River Basin (PRB) coal assets in Wyoming, USA and had acquired an option over adjacent property at Shell Creek, increasing the Company's Shell Creek Project Area by 1,420 acres (575 hectares) to 2,339 acres (955 hectares). This represented an additional exploration target of 300-500Mt.

Given the already large proven resource and the need to secure cost-effective mine to ship transport in order to build a viable coal business, the Company decide not to proceed with any further drilling and to focus all efforts on developing the transport solution.

COAL TRANSPORT PROGRAM

PRB coal has positive attributes (relatively low ash and low sulphur in particular) and provides a diversified resource for the Asian buyers to mitigate the risk of long term reliance on Australia and Indonesia. The structure of the resource allows for the largest of bulk excavation and loading equipment to be used in the mining process, which with the relatively low labour and materials costs in Wyoming contributes to low mine gate costs. However, this advantage is off-set by the greater mine-to-market (rail plus bulk shipping) transport distance, coupled with the slightly lower energy content than the competitor coals from Australia. Looking at these issues, County Coal has determined the strategy for a successful, profitable PRB export coal mining business lies developing a high volume (20 mtpa), low cost mine and being able to transport that volume through an efficient bulk loading port facility.

In F2013, the Company conducted research, including having direct discussions with owners and proponents, on the availability of capacity with both existing and planned port and infrastructure providers on the west coast of North America and Canada within economic transport distance of the Powder River Basin (PRB) coal resources. That research determined that all existing and proposed capacity was spoken for, save for some small 1 to 2 million tonne potential openings. County Coal needs large bulk capacity (a single 20 mtpa or possibly two 10 mtpa loaders); multiple small increments across a number of ports would not be an acceptable business model.

In F2014, County Coal progressed discussions with land holders of the two potential bulk terminal sites (one in British Columbia and one in north western USA) identified in F2013 and by the end of F2014, the progression of the Coal Transport Strategy has led to County Coal:

a) Stepping away but not eliminating the British Columbia opportunity
b) Eliminating the first of the Washington opportunities due to unacceptable encumbrances on the land
c) Identifying two other locations in north western USA that are suitable for large volume bulk ship loaders servicing Panamax vessels (up to 60,000 dwt) and commencing discussions with the owners/proponents in relation to those sites.

<u>Canadian Bulk Terminal Opportunity</u>

The area identified for this terminal is in a region zoned as industrial use land where County Coal believes the addition of a bulk terminal would add diversity to an already significant industrial region. Water depth is sufficient for the largest bulk transport vessels (250,000 dwt). The Company stepped back from discussions relating to this opportunity due to difficult land access issues related to the current owners and higher transport distance/cost from the PRB.

<u>North West USA Bulk Terminal Opportunity (1)</u>

The area identified for this terminal is on a brownfields industrial site in an area where shipping activity is common. However, the property proved to be encumbered in a way that the risk and potential cost was prohibitive and the project was dropped.

<u>North West USA Bulk Terminal Opportunity (2)</u>

The area identified for this terminal is also on a brownfields industrial site in an area where shipping activity is common. The land is of sufficient size to house a 12-15 mtpa bulk loader. Water depth is currently not sufficient for full panamax sized vessels (60,000 DWT) but it believed the channel can be dredged to allow for this capacity. While located at a substantial, previously used industrial site that would have low impact on the region, the proposed terminal would be close enough to established urban areas to ensure a good labour and materials supply from local suppliers.

County Coal has been in discussions with the owners of this site and by year-end was awaiting an initial response from the owners in regard to the framework around an option to purchase proposal.

North West USA Bulk Terminal Opportunity (3)

Towards the end of the year, County Coal was approached by a small consortium in relation to a third opportunity in North West USA. Again, the area identified for this terminal is on a brownfields industrial site and again, the water depth is currently not sufficient for full panamax sized vessels (60,000 DWT) but it believed the channel can be dredged to allow for this capacity. The particularly exciting attribute in relation to this property is that the size of the available land is significantly greater than the other opportunities, thus allowing for a larger facility or potentially loading capacity for more than one commodity.

County Coal has commenced discussions with the stakeholders in relation to this opportunity and believes the opportunity to progress these discussions is very positive.

COAL EXPORTS

County Coal's management considers that under the right circumstances of demand and supply where a competitive cost/price relationship can be achieved, using our market expertise to sell coal sourced from other US suppliers would be a viable proposition. Initially, limited availability of US west coast coal loading infrastructure was a barrier to entry for this market because traditional shippers held options on future capacity. However, County Coal's proposed export terminal, particularly one located at the North West USA Bulk Terminal Opportunity (3) would provide an opportunity for the company to sell its own coal while also providing capacity to sell third party coal.

FINANCIAL POSITION

County Coal has continued to maintain a close watch over it cash spend to ensure all cash resources are being utilized to the best possible effect in developing and implementing the right strategy for the Company. In F2014 and again in F2015, the focus has been and will be towards identifying and securing a viable location for a bulk loading terminal. It is believed that this strategy to secure the land to allow for ownership and operation of a bulk terminal, supplied with coal from the Company's mines and third party suppliers is a strategy that will lead to the success of the Company.

OUTLOOK

The Company expects to continue the process of securing a site and developing a bulk terminal to fulfill its overall strategy of becoming a significant supplier of PRB coal to the Asian thermal coal markets. The extension of the initial strategy from building a coal mining business into the construction and operation of a coal bulk terminal on the North American west coast will allow County Coal to expand its business to trading third party coals.

F2015 will see the company concentrating on securing the rights to the land required for its proposed coal loading terminal and proceeding with the design and costing for both terminals. The year should see the necessary submissions being made to the government bodies to initiate the formal approval processes.

No further work is planned on County Coal's coal projects in the Powder River Basin (PRB) in the immediate future. County Coal has previously announced some 730 million tonnes of JORC coal resource in its exploration areas in Wyoming's PRB. At this stage, the Company considers it has sufficient information regarding the resource and does not intend to undertake any further significant work on the resource until a viable, cost-efficient export path has been identified and secured.

INVESTMENT HIGHLIGHTS

- The proposed bulk terminal on the north west U.S. coast will provide an export solution for emerging and existing low-cost U.S. thermal coal producers.
- The U.S. faces much lower capital and operating costs, especially in comparison to Australia.
- County's proposed export solution could unlock the substantial value held within its 730Mt low-cost thermal coal resources in the PRB in Wyoming, U.S.

The location of the proposed export facilities has not been disclosed to the market due to commercial sensitivities.

About the Powder River Basin

The PRB covers an area of ~190km east to west and ~320km north to south in northeast Wyoming and southeast Montana. With 12 operating mines, the PRB accounts for ~50% of the US thermal coal supply. The basin is recognised as one of the lowest-cost coal-producing areas in the world, with mining costs ranging from US$5-15/t. PRB thermal coal is usually very low in ash and sulphur and has similar energy content in the ranges found in Indonesian export thermal coal.

Potential Powder River Basin Export Routes

The following map depicts the multiple routes that could be used to transport coal from the PRB for shipment to Asia, Europe and South American destinations. The production costs experienced in the PRB are such that extended transport distances have been proven to be economically viable for the coal to be shipped to world markets. County Coal's interests lie in transporting coal to Asia via the Pacific North West of North America. Please note, County Coal's proposed routes are not shown on this map.

Note to JORC-Compliant Resources

The information in the table "JORC-Compliant Coal Resources" is based on Independent Geologist's Report, Aqua Terra Consultants Inc., October 2012. The information in this table that relates to Geology, Exploration results and Mineral resources is based on information compiled by Steven J Stresky, who is a member of the American Institute of Professional Geologists, and a full time employee of Aqua Terra Consultants Inc. (the geology consultants to County Coal). Mr Stresky has sufficient experience which is relevant to the style of deposit under consideration and to the activity he is undertaking to qualify as a "Competent Person" as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Mr Stresky consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

COAL RESOURCE SUMMARY

A summary of County Coal's current Coal Resources are contained in the following table.

Prospect	JORC Inferred Coal Resource	JORC Indicated Coal Resource	JORC Measured Coal Resource	Total JORC Coal Resource
Shell Creek Coal Project	59 Mt	17 Mt	344 Mt	420 Mt
Miller Coal Project	-	-	310 Mt	310 Mt
Total JORC Coal Resource	59 Mt	17 Mt	654 Mt	730 Mt

Notes: (a) The information in the table "JORC-Compliant Coal Resources" is based on Independent Geologist's Report, Aqua Terra Consultants Inc., October 2012. The information in this table that relates to Geology, Exploration results and Mineral resources is based on information compiled by Steven J Stresky, who is a member of the American Institute of Professional Geologists, and a full time employee of Aqua Terra Consultants Inc. (the geology consultants to County Coal). Mr Stresky has sufficient experience which is relevant to the style of deposit under consideration and to the activity he is undertaking to qualify as a "Competent Person" as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Mr Stresky consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

PRELIMINARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2014

	2014 $	2013 $
Interest revenue	68,244	193,403
Administration and corporate expenses	(1,571,903)	(3,112,900)
Interest Paid	(8)	(18)
Loss before income tax expense	**(1,503,667)**	**(2,919,515)**
Income tax expense	-	-
Loss for the period	**(1,503,667)**	**(2,919,515)**
Basic earnings per share (cents per share)	**(1.60)**	**(3.10)**
Diluted earnings per share (cents per share)	**(1.60)**	**(3.10)**

The accompanying notes form part of these financial statements

PRELIMINARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	2014 $	2013 $
Loss	(1,503,667)	(2,919,515)
Items that may be classified subsequently to the income statement Other comprehensive income:		
Foreign exchange translation difference for foreign operations	(354,668)	1,132,510
Other comprehensive income for the period	(354,668)	1,132,510
Total comprehensive loss attributable to members of the parent entity	**(1,858,355)**	**(1,787,005)**

The accompanying notes form part of these financial statements

PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	2014 $	2013 $
Assets		
Current Assets		
Cash and cash equivalents	1,564,165	3,286,810
Trade and other receivables	107,640	57,962
Total Current Assets	**1,671,805**	**3,344,772**
Non-Current Assets		
Coal rights, freehold property and capitalised exploration and evaluation expenditure	10,272,355	10,609,873
Property, plant and equipment	2,026	3,758
Total Non-Current Assets	**10,274,381**	**10,613,631**
Total Assets	**11,946,186**	**13,958,403**
Liabilities		
Current Liabilities		
Trade and other payables	288,640	383,627
Total Current Liabilities	**288,640**	**383,627**
Non-Current Liabilities		
Trade and other payables	-	218,895
Total Non-Current Liabilities	**-**	**218,895**
Total Liabilities	**288,640**	**602,522**
Net Assets	**11,657,546**	**13,355,881**
Equity		
Issued Capital	16,054,410	16,054,410
Reserves	1,160,091	1,354,759
Accumulated losses	(5,556,955)	(4,053,288)
Total Equity	**11,657,546**	**13,355,881**

The accompanying notes form part of these financial statements

PRELIMINARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Issued Capital	Foreign Currency Translation Reserve	Share Option Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at 30 June 2012	**16,054,410**	**62,249**	**-**	**(1,133,773)**	**14,982,886**
Loss attributable to members	-	-	-	(2,919,515)	(2,919,515)
Share option reserve on recognition of remuneration options	-	-	160,000	-	160,000
Shares issued during the period (net proceeds)	-	-	-	-	-
Total other comprehensive income	-	1,132,510	-	-	1,132,510
Balance at 30 June 2013	**16,054,410**	**1,194,759**	**160,000**	**(4,053,288)**	**13,355,881**
Loss attributable to members	-	-	-	(1,503,667)	(1,503,667)
Share option reserve on recognition of remuneration options	-	-	160,000	-	160,000
Shares issued during the year (net proceeds)	-	-	-	-	-
Total other comprehensive income	-	(354,668)	-	-	(354,668)
Balance at 30 June 2014	**16,054,410**	**840,091**	**320,000**	**(5,556,955)**	**11,657,546**

The accompanying notes form part of these financial statements

PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	2014 $	2013 $
Cash flows from operating activities		
Receipts from customers	-	-
Payments to suppliers and employees	(1,589,895)	(1,265,533)
Interest received	81,420	204,794
Interest paid	(8)	(18)
Net cash used in operating activities	(1,508,483)	(1,060,757)
Cash flows from investing/financing activities		
Proceeds issue of shares (net)	-	-
Payment for plant, property and equipment	-	(788)
Acquisition of coal rights, freehold property and exploration and evaluation expenditure	(214,162)	(2,165,723)
Net cash provided/(used) by investing/financing activities	(214,162)	(2,166,511)
Net increase/(decrease) in cash and cash equivalents held	(1,722,645)	(3,227,268)
Cash and cash equivalents at beginning of period	3,286,810	6,514,078
Cash and cash equivalents at end of reporting period	1,564,165	3,286,810

RECONCILIATION OF OPERATING LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

Net loss	(1,503,667)	(2,919,515)
Depreciation	1,704	1,245
Share option expense	160,000	160,000
Effects of movement in foreign exchange	(28,715)	1,132,510
Change in assets/liabilities:		
(Increase)/decrease in receivables	21,788	220
Increase/(decrease) in payables	(159,593)	564,783
	(1,508,483)	(1,060,757)

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

REPORTING ENTITY

County Coal Limited is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its controlled entities (together referred to as the Consolidated Entity). The Consolidated Entity year is involved in coal exploration and development in the USA.

2. BASIS OF PREPARATION

a. Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Consolidated Entity and the financial report of the Company comply with International Financial Reporting Standards and Interpretations adopted by the International Accounting Standards Board.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

c. Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

d. Use of judgments and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in the following areas: Impairment and Financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all entities in the Consolidated Entity.

a. Basis of Consolidation

Controlled entities

Controlled entities are entities controlled by the Company. Control exists when the Company has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investments in controlled entities are carried at their cost of acquisition in the Company's financial statements.

Transactions eliminated on consolidation

Intra-group balances and any recognised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b. Income Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised:

Interest

Control of the right to receive the interest payment.

c. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the relevant taxation authority is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the relevant taxation authority are classified as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

d. Foreign Currency

Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of controlled entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary transactions denominated in foreign currencies that are stated at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rates ruling at the date the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statement.

Financial statements of foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, generally are translated to the functional currency at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to the functional currency at rates approximating the foreign exchange rates ruling at the dates of transactions. Foreign currency differences arising from translation of controlled entities with a different functional currency to that of the Consolidated Entity are recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount of its FCTR is transferred to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the FCTR.

e. Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

f. Provisions
A provision is recognised in the balance sheet when the Consolidated Entity has a present legal or constructive obligation as a result of a past event that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

g. Impairment
The carrying amounts of the Consolidated Entity's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below). An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit or a group of units and then, to reduce the carrying amount of the other assets in the unit or a group of units on a pro-rata basis.

h. Property, Plant and Equipment
Owned assets
Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (g)). An asset's cost is determined as the consideration provided plus incidental costs directly attributable to the acquisition. Subsequent costs in relation to replacing a part of property, plant and equipment are recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Consolidated Entity and its cost can be measured reliably. All other costs are recognised in the income statement as incurred.

Leased assets – Operating leases
Payments made under operating leases are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property. Minimum lease payments include fixed rate increases.

Depreciation
Depreciation is recognised in the income statement on a straight-line basis. Items of property, plant and equipment, including leasehold assets, are depreciated using the straight-line method over their estimated useful lives, taking into account estimated residual values. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Depreciation rates and methods, useful lives and residual values are reviewed at each balance sheet date. When changes are made, adjustments are reflected prospectively in current and future financial periods only. The estimated useful lives in the current and comparative periods are as follows:

Plant & equipment	3 – 10 years

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

i. Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which such costs are expected to be recouped through successful development and exploitation or from sale of the area; or exploration and evaluation activities in the area have not, at balance date, resulted in booking economically recoverable reserves, and active operations in, or relating to, this area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the period in which the decision to abandon the area is made.

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

Amortisation is charged against individual deposits currently based on reserve estimates. Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

j. Restoration

Provisions for future environmental restoration are recognised where there is a present obligation as a result of exploration, development, production, transportation or storage activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning mines and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at the end of the balance sheet date, with a corresponding change in the cost of the associated asset.

The amount of the provision for future restoration costs relating to exploration, development and production facilities is capitalized and depleted as a component of the cost of those activities.

The unwinding of the effect of discounting on the provision is recognised as a finance cost.

k. Employee Benefits

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave expected to settle within 12 months of the period end represent present obligations resulting from employees' services provided up to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as workers' compensation insurance and payroll tax.

l. Receivables

Trade and other receivables are stated at amortised cost less impairment losses (see accounting policy (g)).

m. Taxation

Income tax expense in the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of goodwill and other assets or liabilities in a transaction that affects neither accounting nor taxable profit, or differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based upon the laws that have been enacted at reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be recognised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be recognised. Additional income taxes that arise from distribution of dividends are recognised at the same time as liability to pay the related dividend is recognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Taxation (continued)

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based upon the laws that have been enacted at reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be recognised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be recognised. Additional income taxes that arise from distribution of dividends are recognised at the same time as liability to pay the related dividend is recognised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on a different tax entity but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be recognised simultaneously.

n. Payables

Trade and other payables are stated at amortised cost.

o. Finance income and expense

Interest income is recognised as it accrues in the income statement using the effective interest method.

p. Earnings per share

The Consolidated Entity presents basic and diluted earnings/(loss) per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the net profit/(loss) attributable to equity holders of the parent for the financial period, after excluding any costs of servicing equity (other than ordinary shares) by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated using the basic EPS earnings/(loss) as the numerator. The weighted average number of shares used as the denominator is adjusted by the after-tax effect of financing costs associated with the dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares adjusted for any bonus issue.

q. Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any income tax benefit.

r. New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations are effective for the financial years beginning after 1 July 2014, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Consolidated Entity except for AASB 9 Financial Instruments, which becomes mandatory for the Consolidated Entity's 2016 consolidated financial statements. The Consolidated Entity does not plan to adopt this standard early and the extent of the impact has not been determined.

s. Other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates designation at each financial period-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

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

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(ii) Held-to-maturity investments (continued)
This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when investments are derecognised or impaired, as well as through amortisation process.

(iii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments
Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

4. FINANCIAL RISK MANAGEMENT

Overview
The Company and Consolidated Entity have exposure to the following risks from the use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's and the Consolidated Entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. The Board of directors has overall responsibility for the establishment and oversight of the risk management and monitors operational and financial risk management throughout the Consolidated Entity. Monitoring risk management includes ensuring appropriate policies and procedures are published and adhered to.

The Board aims to manage the impact of short-term fluctuations on the Company's and the Consolidated Entity's earnings. Over the longer term, permanent changes in market rates will have an impact on earnings.

The Company and the Consolidated Entity are exposed to risks from movements in exchange rates and interest rates that affect revenues, expenses, assets, liabilities and forecast transactions. Financial risk management aims to limit these market risks through ongoing operational and finance activities.
Exposure to credit, foreign exchange and interest rate risks arises in the normal course of the Company's and the Consolidated Entity's business. Derivative financial instruments are not used to hedge exposure to fluctuations in foreign exchange rates.

Credit Risk
Credit risk is the risk of financial loss to the Company or the Consolidated Entity if a customer, controlled entity or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's and the Consolidated Entity's receivables from customers.

Trade and other receivables
The Company's and Consolidated Entity's exposure to credit risk is influenced mainly by the geographical location and characteristics of individual customers. The Consolidated Entity does not have a significant concentration of credit risk with a single customer.

Policies and procedures of credit management and administration of receivables are established and executed at a regional level. Individual regions deliver reports to management and the Board on debtor ageing and collection activities on a monthly basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Trade and other receivables (continued)
In monitoring customer credit risk, the ageing profile of total receivables balances is reviewed by management by geographic region on a monthly basis. Regional management is responsible for identifying high risk customers and placing restrictions on future trading, including suspending future shipments and administering dispatches on a prepayment basis.

The Company and the Consolidated Entity have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables.

Liquidity Risk
Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity'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 Consolidated Entity's reputation.

The Consolidated Entity monitors cash flow requirements and produces cash flow projections for the short and long term with a view to optimising return on investments. Typically, the Consolidated Entity ensures that it has sufficient cash on demand to meet expected operational net cash flows for a period of at least 30 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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

Currency Risk
The Consolidated Entity will undertake its coal exploration and development activities in US currency and be exposed to currency risk on the value of its exploration assets that are denominated in United States dollars (USD). A percentage of the Consolidated Entity's future revenues from coal exploration and development activities may be denominated in currencies other than AUD. Risk resulting from the translation of assets and liabilities of foreign operations into the Consolidated Entity's reporting currency is not hedged.

Interest Rate Risk
The Consolidated Entity is exposed to interest rate risks in Australia.

Capital Management
The Consolidated Entity's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide returns to shareholders, to provide benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board aims to maintain and develop a capital base appropriate to the Consolidated Entity. In order to maintain or adjust the capital structure, the Consolidated Entity can issue new shares. The Board of directors undertakes periodic reviews of the Consolidated Entity's capital management position to assess whether the capital management structure is appropriate to meet the Consolidated Entity's medium and long-term strategic requirements. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements. There were no significant changes in the approach to capital management during the period.

5. CONTINGENT LIABILITIES AND COMMITMENTS

The Consolidated Entity is not aware of any contingent liabilities, which existed as at the end of the financial period or have arisen as at the date of this report other than as detailed below.

Pursuant to the property purchase agreements in relation to the properties/leasehold coal rights acquired during the previous financial years, certain royalties are payable to vendors of the various properties. No royalties are payable at the date of these accounts.

Pursuant to a property purchase agreement in relation to the Shell Creek Coal Project located in Johnson County, Wyoming, in addition to certain royalties payable in the future, an additional amount is payable to the vendors of US$0.10 per short ton* proved up to JORC Proved Coal Reserve status over 10 years, up to an estimated 220,000,000 short tons. An amount of US$5 million was paid to the vendors during the previous year in lieu of the first 50,000,000 short tons to be proven up.

*Note that this agreement uses an imperial unit of measurement known as a “short ton” which is a unit of weight equivalent to 2,000 pounds or 907.18474 kilograms.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

6. EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the year, the directors are not aware of any matter that has significantly affected or may significantly affect the operations of the Company in subsequent financial periods.

7. DIVIDENDS

No dividends were paid during or subsequent to the year ended 30th June 2014.

8. SEGMENT REPORTING

The consolidated Entity operates only in one segment and accordingly no segment information is disclosed.

9. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

No subsidiaries were acquired or disposed of during the year ended 30th June 2014.

10. DISCONTINUING OPERATIONS

No operations were discontinued during the year ended 30th June 2014.

11. FOREIGN ACCOUNTING STANDARDS

N/A

12. NTA BACKING

	2014	**2013**
Net tangible asset backing per ordinary share	12.38 cents	14.18 cents

13. OTHER SIGNIFICANT INFORMATION

N/A

14. LOSS PER SHARE

The following reflects the loss and share data used in the calculations of basic and diluted loss per share.

	2014	**2013**
	$	**$**
Net loss used in calculating basic and diluted earnings per share	(1,503,667)	(2,919,515)
Basic and diluted (loss) per share (cents per share)	(1.60)	(3.10)
Weighted average number of shares used in the calculation of basic and diluted loss per share	94,175,004	94,175,004
Shares on issue at year end	94,175,004	94,175,004
Number of options on issue at year end – each option is exercisable at prices between 15 and 40 cents per share and converts to one ordinary share	10,300,000	10,300,000

Share options are not considered dilutive as their impact would be to decrease the net loss per share. Accordingly, diluted loss per share has not been disclosed.

Audit

This report is based on accounts, which are in the process of being audited.

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review. -Nil

Description of dispute or qualification if the accounts have been audited or subjected to review -Nil

Sign here:

.... Date: 29th August 2014

(Secretary)

Print name: T. Flitcroft