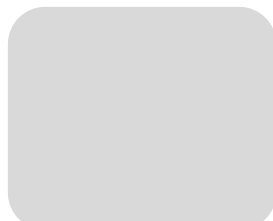


NUCOAL
RESOURCES LTD



ANNUAL REPORT

YEAR ENDED 30 JUNE 2014

NuCoal Resources Limited ABN 29 060 352 990

Annual report - 30 June 2014

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Corporate Directory



Corporate Directory

Directors

G Galt B.Eng (Mining, Hons), B.Com, GDip App Fin
(Finsia), MAusIMM, MAICD
Chairman

G Lewis MAICD
Managing Director

J Beecher B.Com, MBA, FCPA, FAICD

M Davies B.A Hons, MBA

Secretary

M Etccl B.Com, CA, AAICD

Notice of annual general meeting

The annual general meeting of NuCoal Resources Ltd

will be held at The Westin
1 Martin Place
Sydney NSW 2000
Time 10:30am
Date 27 November 2014

Principal registered office in Australia

Unit 8, 24 Garnett Road
Greenhills NSW 2323
+61 2 4015 0500

Share registry

Link Market Services
Level 12, 680 George Street
Sydney NSW 2000
1300 554 474

Auditor

Ernst and Young
Ernst and Young Centre
680 George Street
Sydney NSW 2000

Bankers

Australia and New Zealand Banking Group Limited
490 King Street
Newcastle West NSW 2300

Westpac Banking Corporation
Shop 39 Wallsend Plaza
24 Kokera Street
Wallsend NSW 2287

Stock exchange listings

NuCoal Resources Ltd shares are listed on the Australian Securities Exchange. The home exchange is Perth.

Website address

www.nucoal.com.au

A word from our Chairman

Fellow Shareholders



On behalf of your Directors, I present the Annual Report for the 2013/14 year. It is hard to imagine a more difficult year for our Company – one in which we have been stripped of our major asset by the State of NSW via the passage of the *Mining Amendment (ICAC Operations Jasper and Acacia) Act 2014* (NSW) (**the Mining Amendment Act**). The actions of the NSW Government have caused great pain and loss to our shareholders and many other stakeholders and we are pursuing the legal courses of action that are available to us. I deal with these below. Importantly, despite the loss of the Doyles Creek asset, the Directors have been working to conserve cash and to investigate other opportunities which could be value accretive and therefore worth pursuing for the Company at this time. These have included our existing Savoy Hill and Dellworth projects and outside projects which have been for sale or on which we could make an unsolicited proposal.

Shareholders will recall that the Savoy Hill and Dellworth assets were originally purchased with a view to accessing infrastructure north of the Hunter River and offering any suitable coal resources available on them, together with some coal from the Plashett tenement (which has also been lost due to the Doyles Creek action), to the Bayswater power station. We have completed the assessment of our own coal resources concentrating mainly on Savoy Hill. We intend to open discussions with the new owners of Bayswater over the coming months to ascertain their interest level in developing our tenements. We also await the NSW Government's decision on the development of Anglo's Drayton South project, which is being assessed by the PAC, because whatever happens to Drayton South may affect Savoy Hill. A decision on Drayton South is expected late in 2014. Unfortunately the scale and value of what we might develop based on our own tenements is not in the same class as what we could have done at Doyles Creek.

Externally we have reviewed a number of projects in Australia and overseas, and we have made offers on several of these. We are continuing our review of a number of other projects and will bring these to the attention of shareholders as we have any material information.

I will now deal with our legal cases in pursuit of justice following the expropriation of Exploration Licence 7270 (**EL 7270**) by the State Government of NSW. We are currently following three lines - a judicial review of the findings by the Independent Commission Against Corruption (**ICAC**), a High Court case challenging the constitutional validity of the law passed by the State Parliament and claims under various bilateral Free Trade Agreements for compensation for our foreign shareholders.

The cancellation of the Doyles Creek tenement was enacted by the passing of the Mining Amendment Act by the Parliament of NSW in January 2014. Announcement of the decision to enact the law was made just three business days after NuCoal delivered a detailed submission to the NSW Government showing cause why the tenement should not be cancelled. The bill was presented to members of Parliament, debated and passed by both houses in a single day.

The cancellation followed findings and recommendations made by ICAC to expunge EL 7270 in December 2013. Notably, NuCoal was not the subject of the ICAC inquiry, and no corruption findings were made against it or any of its existing directors. In the judicial review proceedings, ICAC has said that it can be inferred from the report that NuCoal, and its innocent shareholders "were contemplated within 'any innocent party'" and "the Commissioner specifically identified NuCoal's 'innocence of any wrongdoing'". Despite the prospect of it recommending that EL 7270 be expunged, however, ICAC has rejected the assertion that NuCoal had a "relevant interest that gave it a right to procedural fairness" in the ICAC inquiry.

ICAC did recommend that Parliament consider compensating innocent parties for the cancellation of EL 7270. No compensation, however, was afforded to NuCoal or its innocent shareholders. At a community cabinet meeting in Maitland, February 2014, ex-Premier Barry O'Farrell stated of NuCoal's shareholders, "I absolutely understand the concerns of shareholders who are innocent parties of this..." When asked about compensation for innocent shareholders, however, the Premier responded that "if I had the money we would, but if you hadn't noticed, state governments... don't have a lot of spare cash sitting around...my point is that any investment in the share market is speculative by nature".

The Mining Amendment Act did indeed cancel the Doyles Creek licence, but it went much further than that – it denied NuCoal any right to compensation for the cancellation. It also empowered the State to compulsorily acquire all of NuCoal's valuable exploration information without compensation. It further immunised the State from any claims for compensation or any vicarious liability for the actions of its Minister. It is our view that the Parliament is not entitled to pass such a law. This is the essence of our action against the NSW Government in the High Court of Australia, and we are hopeful that the case will be heard towards the end of 2014.

The legislation highlights the ability of the States of Australia to take away property without paying compensation and in the absence of wrongdoing. This fact has been the focus of our FTA initiatives in seeking compensation for our foreign investors by way of international arbitration proceedings against Australia for the actions of the NSW Government. It is likely that these foreign countries are now looking at sovereign risk in Australia, and in particular in NSW, in a completely different light.

I would at this point like to reiterate some points I made in last year's address:

- Throughout the entire period between the announcement of the ICAC enquiry and the present day there has been no suggestion of any wrongdoing by NuCoal.
- We attempted to maintain positive contact with the NSW Government, stressing our innocence and exhorting them to discuss EL 7270 with us before and after the December 2013 ICAC recommendations finally arrived.
- We purchased the Doyles Creek project at arm's length, relying on the signature of the relevant Minister of the Crown as to the legitimacy of the tenement, and we were entitled to progress the development of the resources present at Doyles Creek. We alone discovered these at great expense, for the benefit of our shareholders and the people of NSW, and subject to normal planning and approval procedures.

I invite all shareholders to follow our legal cases. We will publish details on our website and we are happy to discuss them with you as required. Hopefully we will also be able to find some worthwhile projects to develop so that we can create some value for you.

Finally I would like to thank you, our Shareholders. Your response to our struggles with the Government has been overwhelmingly positive and we acknowledge your continued support during this year. We thank our staff, led by Managing Director Glen Lewis, for their work and loyalty, and we deeply regret that we had to make many of you redundant during the year. It was certainly not our preference. Again I would also like to acknowledge my fellow Directors for their continued guidance, support and efforts.

Yours sincerely



Gordon Galt
Chairman – NuCoal Resources Ltd

Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of NuCoal Resources Ltd (referred to hereafter as the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2014.

The report has been divided into four sections as follows:

- A. General Information
- B. Principal activities and review of operations
- C. Remuneration report
- D. Other Information

A. General Information

Directors

The directors of the Company at any time during the financial year were, and until the date of this report are:

Non-Executive Chairman	Managing Director	Non-Executive Directors
Gordon Galt	Glen Lewis	James Beecher
		Michael Davies

The qualifications, experience, other directorships and special responsibilities of the directors in office at the date of this report are:

Gordon Galt – B.Eng (Mining, Hons), B.Com, GDip App Fin (Finsia), MAusIMM, MAICD.
Non-executive Chairman.

Experience and expertise:

Gordon is a mining engineer with extensive coal industry experience. From 1991 Gordon was Operations Manager, then General Manager at Ulan Coal in the NSW Hunter Valley. He became Managing Director at Cumnock Coal in 1996 before taking up roles as Managing Director with Newcrest Mining and in investment banking with ABN AMRO respectively.

Other current Directorships:

Non-executive Director of the following ASX Listed entities:

- Delta SBD Limited (Chairman)
- US Masters Holdings Ltd (Chairman)

Principal and Director of Taurus Funds Management Pty Ltd

Former Directorships in the last three years:

- Aquila Resources Ltd
- Discovery Metals Ltd
- Navigator Resources Ltd

Committees:

- Member of the Non-Financial Risk Committee
- Member of the Remuneration Committee
- Member of the Audit and Financial Risk Committee

Directors' Report (continued)

Glen Lewis – MAICD. *Managing Director.*

Experience and expertise:

Glen is a qualified Coal Mine Manager and has worked in the coal industry since 1980. Before joining NuCoal, he held the position of General Manager Underground Operations with Xstrata Coal NSW with overall responsibility for 6 operating mines and several projects under construction.

Other current Directorships:

None

James Beecher – B. Com, MBA, FCPA, FAICD. *Non-executive Director.*

Experience and expertise:

James has over 30 years' experience in senior finance, accounting and company secretarial positions in resources, financial services and service companies. James has held Chief Financial Officer or Finance Director positions within NRMA Limited, Savage Resources Limited and Austen & Butta Limited. James is also Deputy Chair of the Australian Institute of Company Directors' Reporting Committee.

Other current Directorships:

- Non-executive Director of ASX Listed US Masters Holdings Ltd
- Non-executive Director of CBG Asset Management Ltd and CBG Capital Ltd

Former Directorships in the last three years:

- MIL Resources Ltd

Committees:

- Chair of the Audit and Financial Risk Committee
- Chair of the Remuneration Committee
- Member of the Non-Financial Risk Committee

Michael Davies – B.A (Hons), MBA. *Non-executive Director.*

Experience and expertise:

Michael is a specialist in resource financing, with over 20 years' experience in investment banking (Barclays, BZW and ABN AMRO). Michael has extensive commercial experience in the coal industry, having been involved in the negotiation of joint venture agreements and acquisition and sale of coal tenements.

Other current Directorships:

Non-executive Director of the following ASX Listed entities:

- US Masters Holdings Ltd
- Realm Resources Ltd

Principal and Director of Taurus Funds Management Pty Ltd

Committees:

- Chair of the Non-Financial Risk Committee
- Member of the Audit and Financial Risk Committee
- Member of the Remuneration Committee

Company Secretary

Megan Etccl – B.Com, CA, AAICD. *Company Secretary.*

Megan is the Chief Financial Officer and Company Secretary of the Company. She holds a Bachelor of Commerce with majors in Financial Accounting, Management Accounting and Finance and is a qualified Chartered Accountant.

Directors' Report (continued)

Directors' Meetings

The following table sets out the number of board and committee meetings attended by each of the directors who held office during the financial year:

Director	Board Committee Meetings							
	Board Meetings *		Audit and Financial Risk Committee		Non-Financial Risk Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B
Gordon Galt	11	11	2	1	2	2	2	2
Glen Lewis #	11	11	**	2	**	2	**	2
James Beecher	11	11	2	2	2	2	2	2
Michael Davies	11	9	2	2	2	1	2	2

A Number of meetings held during the time the Director held office or was a member of the committee during the period.

B Number of meetings attended.

* NuCoal does not have a fully constituted Nominations Committee, however, as and when required the full Board participates as the Nominations Committee in order to fulfil its corporate governance responsibilities.

** Not a member of the relevant committee.

G Lewis is not a member of any Committee; however his attendance at Committee meetings is by invitation.

Committee membership

As at the date of this report, the Board had an Audit & Financial Risk Committee, a Non-Financial Risk Committee and a Remuneration Committee. Members acting on the committees of the Board as at the date of this report are:

	Audit and Financial Risk	Non-Financial Risk	Remuneration
Chairman	James Beecher	Michael Davies	James Beecher
Members	Gordon Galt Michael Davies	Gordon Galt James Beecher	Gordon Galt Michael Davies

Directors' Report (continued)

B. Principal activities and review of operations

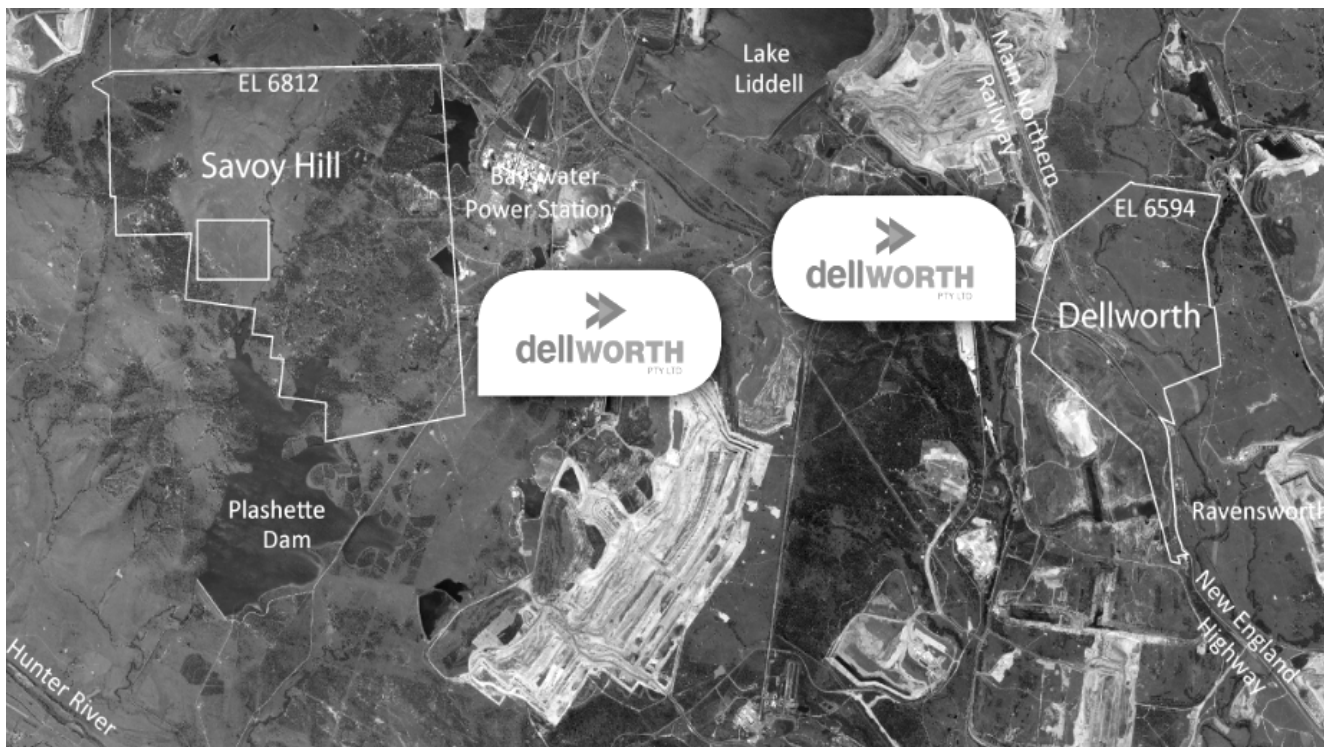
The principal business activity of the Group during the year was continued exploration studies at the Company's project areas in the Hunter Valley of NSW.

The Group has also been pursuing legal remedies in respect of Doyles Creek Exploration Licence 7270 (EL 7270) which was cancelled by the NSW Government on 31 January 2014 (refer further information provided below).

While these legal efforts remain a significant priority for the Group, NuCoal remains focused on achieving results for shareholders via current assets and business opportunities.

Project review, strategies and future prospects

NuCoal has two exploration licences (EL 6812 – Savoy Hill and EL 6594 – Dellworth) over land in the Hunter Valley of NSW. These two projects are strategically located in close proximity to Jerrys Plains and are adjacent to many world-class operating coal mines in the lower Hunter Valley in NSW, Australia.



Savoy Hill Project (EL 6812)

The Savoy Hill tenement, Exploration Licence 6812 (EL 6812), was formally renewed by the Department of Trade and Investment, Resources and Energy in February 2014. The renewal by the Minister for Resources and Energy extended EL 6812 for a further term until 20 June 2018 and covers the entire area of the original tenement. No special conditions were outlined in the tenement renewal.

The Group has completed a total of 34 drill holes at Savoy Hill and has continued a mining options concept study and initial marketing analysis for a potential open-cut operation supplying the nearby domestic power stations. Any development at Savoy Hill could have a low capital cost and a competitive operating cost structure, particularly given the proximity of the coal resources to the power stations.

In addition, initial geotechnical testing has been completed on some overburden material to check whether the materials are suitable for roadbase / construction use, or for blast hole stemming in open-cut operations. Results of the geotechnical testing are expected to be received by the end of the year.

Directors' Report (continued)

Dellworth Project (EL 6594)

The Dellworth tenement, Exploration Licence 6594 (EL 6594), is valid until July 2015.

The resources at Savoy Hill are better than those at Dellworth being both more marketable and lower cost; therefore the Group has currently been concentrating on progressing the Savoy Hill Project, however, further independent geological assessment is being undertaken to determine the viability of pursuing an Assessment Lease for the Dellworth tenement area.

Corporate

Expropriation of Doyles Creek Exploration Licence 7270 (EL 7270)

The first report of three proposed reports on Operation Acacia was provided by the Independent Commission Against Corruption (ICAC) to NSW Parliament and made public on Friday 30 August 2013.

The second report on Operation Acacia was provided by the ICAC on 30 October 2013. This report examined the policy and regulatory environment in NSW for the allocation of coal exploration licences and provided 26 recommendations for changes to the current approvals system.

The final report on Operation Acacia was released by the ICAC on 18 December 2013. In respect of EL 7270, the report stated that the tenement should be expunged or cancelled and pending applications refused. ICAC expressed the view that this could be done via the enactment of new legislation, which could be accompanied by a power to compensate innocent parties affected by the expunging.

On 19 December 2013, the Company received a purported "show cause" notice from the NSW Government (Government). The notice requested by 15 January 2014 any information as to why EL 7270 should not be cancelled and why any pending applications should not be refused.

NuCoal sought an extension of time and details of the specific matters the Government wanted addressed. Both requests were made to assist NuCoal in an effort to ensure NuCoal responded fully to the notice, and to ensure that it was afforded procedural fairness.

On 23 December 2013, NuCoal received a letter from the Government refusing the extension of time and reiterating that any further matters NuCoal wished the Government to consider, in relation to the recommendations in the ICAC Report, be provided by 15 January 2014. The letter did not provide any specific details as to what particular matters the Company ought to address in response to the notice. NuCoal instructed its lawyers to prepare a submission for lodgement with the Government as best as that could be done in the circumstances.

NuCoal's submission unequivocally refuted the ICAC's reasoning and findings that the Company acquired EL 7270 with knowledge of Mr Macdonald's corrupt practices.

Both prior to and following the release of the ICAC reports, NuCoal repeatedly requested that the Government meet with it to discuss the outcomes of the ICAC process and how it could protect the interests of the Company and its innocent shareholders. The Government refused to meet.

On 20 January 2014, only three business days after NuCoal provided its 32 page submission to the Government, the Premier announced that special legislation would be passed to strip NuCoal of its major asset – EL 7270.

On 30 January 2014, the Government passed legislation, the *Mining Amendment (ICAC Operations Jasper and Acacia) Act 2014* (Mining Amendment Act), without providing NuCoal with any opportunity to be heard on the issue. The legislation had the effect of cancelling EL 7270, denying NuCoal its usual right to appeal, or any other legal avenues to seek compensation for the expropriation from the Government, and affording the Government the right to compulsory acquire all of NuCoal's confidential and proprietary exploration information for no compensation.

As a result of the cancellation of EL 7270, the accounting carrying values of EL 7270 and the Group's expenditures in respect of Plashett Exploration Licence 6705 (EL 6705) were impaired at 31 December 2013. See below for further details regarding Plashett and note 10 for further details of impairment.

Directors' Report (continued)

Plashett Acquisition (EL 6705)

NuCoal was to acquire EL 6705 from Big Ben Holdings Pty Ltd (BBH) issuing fully paid shares in NuCoal to BBH. Completion of the transaction was subject to certain conditions being achieved, with one condition being that there was no material adverse change to the material assets owned by NuCoal since the date of signing the agreement.

Following the cancellation of EL 7270 in January 2014, BBH issued a notice of termination of the Share Sale and Purchase Agreement to NuCoal on 5 March 2014.

Legal Recovery

The Group appointed Quinn Emanuel Urquhart & Sullivan, one of the world's top business litigation firms, to act on its behalf to pursue legal proceedings in respect of the cancellation of EL 7270. The intent of the Board is to explore all sensible options to recover EL 7270 and/or pursue all available avenues for legal redress or compensation for Shareholders.

The Company has progressed the following legal cases:

1. Judicial Review Proceedings

On 14 March 2014 the Company lodged Judicial Review Proceedings (Proceedings) in the NSW Supreme Court to challenge the process undertaken by the ICAC. The Proceedings outline the Company's position that ICAC, in making its findings and recommendations, failed to adequately consider, address or reference the Company's submissions to it. Accordingly, the Company believes ICAC failed to perform its statutory duty, did not act in accordance with law and committed jurisdictional error.

Based on the judgement in the matter of *Duncan & Ors v ICAC*, where Cascade Coal was unsuccessful in its judicial review application, ICAC filed a motion seeking to have the Company's judicial review application dismissed. In a hearing on 27 August 2014, legal representatives for the Company vigorously defended ICAC's motion on the grounds that there are significant factual and legal differences between the Company's case and the Cascade Coal case. The Company was successful at this hearing and ICAC's motion was dismissed. As a result, the Proceedings will now continue and the Company will present its case at trial on 27 October 2014.

Shareholders are reminded, however, that the outcome of the judicial review will not reverse the cancellation of EL 7270.

2. Constitutional Proceedings

The Company filed a Writ of Summons and Statement of Claim with the High Court of Australia, challenging the constitutional validity of the Mining Amendment Act. The Company alleges that the Mining Amendment Act is invalid on two primary grounds:

- a. The Mining Amendment Act amounts to an exercise of judicial power by the NSW Parliament, which is prohibited by the State and Federal Constitutions. The Statement of Claim asserts that the NSW Parliament made purported findings of corruption in respect of the grant of EL 7270 in reliance on findings of ICAC. The NSW Parliament, through the Act, imposed punishment on the basis of these findings. These findings were not made against NuCoal or any of its current directors. This punishment took the form of expropriating NuCoal's valuable property, denying the Company its various procedural rights under law, and absolving the State from any liability.
- b. Even if the NSW Parliament has the power to pass this form of legislation, it must do so in accordance with the rule of law, which it failed to do. The Statement of Claim alleges that the Mining Amendment Act deprived NuCoal of its statutory and common law rights, imposed punishment absent a breach of existing law, and denied NuCoal procedural fairness. It further contends that the Mining Amendment Act was specifically targeted at NuCoal, was improperly retroactive and destroyed certain rights upon which the Company relied in order to guide its affairs. As a result, the passage of the Mining Amendment Act was contrary to fundamental and binding principles underpinning the Australian system of law and government.

Directors' Report (continued)

The Statement of Claim seeks a declaration from the High Court that the Mining Amendment Act is invalid. It is expected that the effect of such a declaration would be that the Mining Amendment Act is void and the expropriation of EL 7270 reversed.

NuCoal has also served the Attorneys-General of the States of Australia with the Writ of Summons and Statement of Claim, in accordance with section 78B of the *Judiciary Act 1903* (Cth).

On 14 August 2014 legal representatives for NuCoal attended a directions hearing before the High Court where parties were given various procedural directions and asked to prepare an agreed set of facts to file with the Court. A further directions hearing was attended by legal representatives and the High Court made certain orders in respect of the timetable of the case. An agreed Special Case was filed with the Court on 23 September 2014 and submissions are to be served by both parties during October and November 2014. NuCoal anticipates the final hearing, likely to be for two days, will be confirmed in the near future.

3. Free Trade Actions

The Company is continuing to pursue claims on behalf of overseas based shareholders under various Free Trade Agreements (FTA) to bring international action against the Australian Government with a view to obtaining compensation from the Australian Government for the decision by the NSW Government to expropriate EL 7270 without payment of compensation.

Some FTAs allow the Plaintiff (NuCoal shareholders who reside in the relevant jurisdictions outside Australia) to bring an action without needing the consent of the Australian Government (e.g. Australia's Free Trade Agreements with Singapore, Hong Kong and others) while other FTAs require the consent of both the Government of the investor's home country and the Australian Government before an action can proceed (e.g. the Australia – USA Free Trade Agreement). All of these are being pursued.

Shareholders should note that any successful actions under an FTA will benefit only the shareholders who bring the actions.

Results of Operations

The Group recorded a loss from ordinary activities for the year ended 30 June 2014 of \$41.5 million compared to a loss of \$6.0 million in 2013.

Net cash outflows from operating, investing and financing activities were \$3.4 million compared to net cash inflows of \$22.5 million in 2013.

The net asset position of the Group at 30 June 2014 was \$21.9 million (30 June 2013: \$63.5 million).

Dividends - NuCoal Resources Ltd

No dividends were paid to members during the financial year ended 30 June 2014 (2013: nil). No dividend is recommended in respect of the financial year ended 30 June 2014.

Significant changes in the state of affairs

Other than those matters listed in this report, there have been no significant changes in the state of affairs of the Group during the period.

Matters subsequent to the end of the financial year

Other than outlined in this report, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Group, the results of those operations or the state of affairs of the Group in the future financial years.

Likely developments and expected results of operations

Other than as referred to in this report, further information as to likely developments in the operations of the Group and the expected results of those operations would, in the opinion of the directors, be speculative.

Directors' Report (continued)**C. Remuneration report (Audited)**

The audited remuneration report for the year ended 30 June 2014 outlines the remuneration arrangements of the Group in accordance with section 300A of the *Corporations Act 2001* (Cth) and its regulations. This information has been audited as required by section 308(3C) of the *Corporations Act 2001* (Cth).

The remuneration report details the remuneration arrangements for the Group's key management personnel (KMP) during the financial year ended 30 June 2014.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group and other designated senior executives. KMP comprise the Managing Director (MD), his direct management reports (collectively the executive KMP) and the Non-executive Directors of the Company.

The remuneration report is set out under the following main headings:

- (a) Role of the Remuneration Committee
- (b) Principles used to determine the nature and amount of remuneration
- (c) Details of remuneration
- (d) Service agreements
- (e) Share-based compensation

(a) Role of the Remuneration Committee

The Board has established a Remuneration Committee to focus specifically on appropriate procedures and guidelines in relation to the remuneration of the Managing Director, other executive KMP and Non-executive Directors.

The Remuneration Committee is primarily responsible for reviewing and making recommendations to the Board for:

- the remuneration structure of the Group;
- the remuneration arrangements for the Managing Director and other executive KMP;
- the terms and conditions of long-term incentives and short-term incentives for the Managing Director and other executive KMP (including setting short-term incentives); and
- the remuneration to be paid to Non-executive Directors.

The objective is to ensure that the remuneration policies and structures adopted by the Group are fair and competitive and aligned with the long-term interest of the Group. In doing this, the Remuneration Committee may seek advice from independent expert remuneration consultants where applicable.

(b) Principles used to determine the nature and amount of remuneration

The Group's remuneration guiding principle is to align remuneration with the creation of value for shareholders by attracting and retaining appropriately qualified and experienced employees who will contribute to the Group's success, and motivating them to achieve outstanding performance against the Group's business objectives. This guiding principle applies to employees at all levels, including Non-executive Directors and executive KMP.

Executive remuneration packages include a balance between fixed and incentive pay, reflecting short and long term performance objectives which align with the Company's circumstances and objectives.

Directors' Report – remuneration report (continued)

Non-executive Directors are remunerated by way of fees and long term incentives, but they do not receive retirement benefits.

Due to the nature of the Group's operations, which consists of minerals exploration and evaluation, the remuneration of Directors and other executive KMP's, at present, is paid as per the agreement entered into between the Company and the individual and is currently not directly related to annual financial reporting results.

Use of remuneration consultants

During the 2014 financial year no remuneration experts were engaged by the Remuneration Committee.

Remuneration approval at FY2013 Annual General Meeting

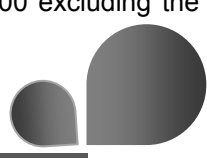
The 2013 remuneration report received positive shareholder approval at the 2013 year AGM with a vote of 97.14% in favour.

Non-executive Director remuneration

Fees paid to Non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. The Chair's fees are determined independently to the fees of Non-executive Directors based on comparative roles in the external market. Fees paid to Non-executive Directors are reviewed annually by the Remuneration Committee.

Non-executive Directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The current maximum aggregate remuneration of Non-executive Directors, approved by shareholders at a General Meeting on 28 May 2010, is \$350,000 excluding the fair value of any options and share rights granted.

The annual fee levels in 2014 (with comparative data for 2013) were as follows:



	From 1 July 2014 (\$)	From 1 July 2013 (\$)
Position		
Chairman	87,200	87,200
Other Non-executive Directors	43,600	43,600
Committee fees		
Committee chairman	7,000	7,000
Committee member	3,500	3,500

Non-executive Directors are eligible to receive performance-related compensation via participation in the Company's Long-Term Incentive Employee Share Plan (ESP). Participation by Directors in the ESP is conditional on shareholder approval as per ASX Listing Rule 10.14.

Directors are also entitled to be reimbursed for all Group business related expenses, including travel on Group business, as may be incurred in the discharge of their duties.

Executive KMP remuneration policy and overview of incentive plans

The executive pay and reward framework has three components:

- (i) fixed remuneration, including superannuation (TFR);
- (ii) short-term performance incentive (STI); and
- (iii) retention and long-term incentive (LTI).

The amount and relative proportion of TFR, STI and LTI is established for each executive KMP following consideration by the Remuneration Committee of market levels of remuneration for comparable senior executive roles. The Remuneration Committee then makes recommendations to the Board.

Directors' Report – remuneration report (continued)

(i) Total Fixed Remuneration (TFR)

The purpose of TFR is to provide a base level of remuneration which is market-competitive and appropriate. TFR includes base pay and superannuation contributions. Executive contracts of employment do not include guaranteed base pay increases and are reviewed in January each year by the Remuneration Committee.

The TFR is determined using a number of factors, including skills displayed, particular experience of the individual concerned and overall performance of the Company. The contracts for service between the Company and executive KMP are on a continuing employment basis (not fixed term). The terms and conditions of these contracts are not expected to change in the immediate future.

(ii) Short Term Incentives (STI)

The objective of awarding an STI is to link the rewards of all employees with the achievement of strategic goals, whilst constituting a reasonable cost to the Group. The STI performance measures are focused on the growth of the business and include various business performance and technical measurement components.

Weighting for each component can range from a minimum of 10% up to 50%, with a total of 100% for all components. Bonuses are awarded annually upon successful achievement of performance measures.

The STI measures for the executive KMP are drafted annually by the Managing Director and presented to the Remuneration Committee for consideration, adjustment and recommended for approval by the Board. The STI measures for the Managing Director are set by the Remuneration Committee annually and approved by the Board. STI measures for non-KMP management are set by the Managing Director.

(iii) Long Term Incentives (LTI)

Performance-linked equity plans are widely considered to be a very effective means of providing incentives to attract and retain staff while aligning potential incentive outcomes with the interests of shareholders. The objective of the LTI is to link the long-term performance objectives of the Company with the retention of the Group's employees at all levels.

The Remuneration Committee and the Board believes that rewarding the performance of the executive KMP with an equity-linked incentive program underpins the employment strategy of attracting and retaining high calibre staff capable of executing the Group's strategic plans, and will:

- (a) assist the retention of executive KMP and operational staff;
- (b) enhance the Group's ability to attract quality staff in the future;
- (c) link the rewards of all management employees with the achievement of strategic goals and the long-term performance objectives of the Group; and
- (d) provide incentives to management employees to deliver superior performance that creates shareholder value.

Long-term incentives are provided to eligible employees via participation in the Company's Long-Term Incentive Employee Share Plan (ESP). Shares issued via the ESP are directly related to the performance of the Company as they are conditional on the Company's share price reaching a set value for a designated period of time.

(c) Details of remuneration

Details of the remuneration paid to Directors of the Company and executive KMP of the Group (as defined in AASB 124 Related Party Disclosures) are set out below.

The key management personnel of the Group are the Directors of NuCoal Resources Ltd and those executives that report directly to the Managing Director.

Name	Title
Gary Cambourn	General Manager Operations
Megan Etccl	Chief Financial Officer and Company Secretary

Directors' Report – remuneration report (continued)

Amounts of remuneration

The value for Long-Term Incentives (LTI) presented is calculated in accordance with *AASB 2 Share Based Payments* and represents securities under the LTI Employee Share Plan (ESP) that have been expensed during the relevant year. Tables within this remuneration report also provide full details of the fair value at the grant date for LTI securities issued to executive KMP in this year or a previous year to be issued in future reporting periods and the number of securities issued.

The Directors and executive KMP did not receive any cash incentives as part of the LTI.

There were no retirement benefits paid during the years ended 30 June 2014 or 30 June 2013. Details of termination payments made are disclosed below.

Key management personnel remuneration

The following tables show details of the remuneration received by the Directors and executive KMP of the Group for the current and previous financial years.

2014	Short-term benefits		Post-employment benefits	Long-term benefits			
Name	Cash salary and fees	Cash bonus	Super-annuation	Annual Leave & Long service leave (a)	Shares (b)	Termination Payments	Total
	\$	\$	\$	\$	\$	\$	\$
Non-executive Directors							
Gordon Galt	80,000	-	7,200	-	-	-	87,200
James Beecher	56,018	-	5,082	-	-	-	61,100
Michael Davies	52,815	-	4,785	-	-	-	57,600
Subtotal non-executive Directors	188,833	-	17,067	-	-	-	205,900
Managing Director							
Glen Lewis	275,839	-	25,000	43,077	-	-	343,916
Executive KMP (Group)							
Gary Cambourn	291,226	39,865	25,000	38,726	-	-	394,817
Megan Etccl	228,833	32,495	24,173	48,736	-	-	334,237
Maree Roberts*	113,707	20,354	13,879	-	-	43,055	190,995
Total key management compensation (Group)	1,098,438	92,714	105,119	130,539	-	43,055	1,469,865

(a) Long service leave payments are non-cash.

(b) No shares were granted during the financial year and no shares vested or were provided for during the year as a result of vesting conditions being met.

* The position of Director, Doyles Creek Training School held by Maree Roberts, was made redundant effective 21 January 2014.

Directors' Report – remuneration report (continued)

2013

2013	Short-term benefits		Post-employment benefits	Long-term benefits		
Name	Cash salary and fees	Cash bonus	Super-annuation	Long service leave (a)	Shares (b)	Total
	\$	\$	\$	\$	\$	\$
Non-executive Directors						
Gordon Galt	80,000	-	7,200	-	-	87,200
James Beecher	54,450	-	4,900	-	-	59,350
Michael Chester*	44,037	-	3,963	-	-	48,000
Michael Davies	50,168	-	4,515	-	-	54,683
Subtotal non-executive Directors	228,655	-	20,578	-	-	249,233
Managing Director						
Glen Lewis	261,460	-	23,532	10,526	-	295,518
Executive KMP (Group)						
Gary Cambourn	286,725	39,873	26,506	8,278	-	361,382
Megan Etccl	200,250	24,440	20,159	11,931	-	256,780
Maree Roberts	202,000	26,750	20,588	7,286	-	256,624
Total key management compensation (Group)	1,179,090	91,063	111,363	38,021	-	1,419,537

(a) Long service leave payments are non-cash.

(b) No shares were granted during the financial year and no shares vested or were provided for during the year as a result of vesting conditions being met.

* Michael Chester resigned as Non-executive Director effective 1 May 2013.

(d) Service agreements

On appointment to the Board, all Non-executive Directors enter into a service agreement with the Company in the form of a letter of appointment. Remuneration arrangements for the Managing Director and other executive KMP are formalised in employment agreements. Contracts with the Managing Director and other executive KMP may be terminated by either providing one month's written notice, or immediately in the case of gross misconduct.

Name	Term of agreement
Glen Lewis	Ongoing commencing 7 September 2009
Megan Etccl	Ongoing commencing 17 May 2010
Gary Cambourn	Ongoing commencing 1 June 2010

Directors' Report – remuneration report (continued)

(e) Share based compensation

The Employee Share Plan (ESP) is the Company's Long-Term Incentive (LTI) scheme for Directors (Executive and Non-executive), other executive KMP and other persons as nominated by the Board.

The Managing Director recommends eligible employees who are entitled to participate in the scheme and seeks recommendation of the Remuneration Committee for approval by the Board.

Under the ESP, eligible participants may be granted shares on terms and conditions determined by the Board and as documented in the Share Plan Rules and Trust Deed. Shares granted to participants are to be held in Trust until vesting conditions attached to the shares are satisfied. When vesting conditions are satisfied, the shares are exercised and delivered from the Trust to the eligible participant at nil cost. Shares granted under the ESP do not have an expiry date.

The terms and conditions of shares granted affecting remuneration in the current or a future reporting period are as follows:

Grant Date	Vesting conditions *	Exercise price	Fair value per share
26 October 2010	0.60 cents	\$ 0.00	\$ 0.29
26 October 2010	0.80 cents	\$ 0.00	\$ 0.22
26 October 2010	1.00 dollar	\$ 0.00	\$ 0.22
28 May 2010	0.60 cents	\$ 0.00	\$ 0.19
28 May 2010	0.80 cents	\$ 0.00	\$ 0.17
28 May 2010	1.00 dollar	\$ 0.00	\$ 0.16

* Shares will be issued to eligible participants from the Share Plan Trustee when vesting conditions are met. Shares will vest when the share price exceeds the nominated value for more than ten non-consecutive days of trading.

No shares have been granted since 2010. No shares vested or were provided for during the years ended 2014 or 2013 as a result of vesting conditions being met.

The numbers of shares held in the Company by the NuCoal Share Plan Trust during the financial year for each director of NuCoal Resources Ltd and other executive KMP of the Group, including their personally related parties, are set out below.

2014

Name	Balance at start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at end of the year	Vested and exercisable at the end of the year
Directors of NuCoal Resources Ltd						
G Galt	4,000,000	-	-	-	4,000,000	-
G Lewis	10,000,000	-	-	-	10,000,000	-
J Beecher	2,000,000	-	-	-	2,000,000	-
M Davies	2,000,000	-	-	-	2,000,000	-
Other executive KMP of the Group						
M Etccl	1,000,000	-	-	-	1,000,000	-
G Cambourn	1,000,000	-	-	-	1,000,000	-

Directors' Report – remuneration report (continued)
2013

Name	Balance at start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at end of the year	Vested and exercisable at the end of the year
Directors of NuCoal Resources Ltd						
G Galt	4,000,000	-	-	-	4,000,000	-
G Lewis	10,000,000	-	-	-	10,000,000	-
J Beecher	2,000,000	-	-	-	2,000,000	-
M Davies	2,000,000	-	-	-	2,000,000	-
Other executive KMP of the Group						
M Etccl	1,000,000	-	-	-	1,000,000	-
G Cambourn	1,000,000	-	-	-	1,000,000	-

The numbers of shares held in the Company during the financial year by each Director of NuCoal Resources Ltd and other key management personnel of the Company, including their personally-related parties, are set out below:

2014

Name	Balance at the start of the year	Received during the year as a result of vesting conditions being met	Other changes during the year	Balance at the end of the year
Directors of NuCoal Resources Ltd				
Ordinary Shares				
G Galt	50,000	-	-	50,000
G Lewis	28,000,000	-	-	28,000,000
J Beecher	990,068	-	-	990,068
M Davies	22,950,440	-	-	22,950,440
Other executive KMP of the Group				
Ordinary Shares				
G Cambourn	150,000	-	-	150,000
M Etccl	100,000	-	-	100,000
M Roberts [^]	40,000	-	(40,000)	-

2013

Name	Balance at the start of the year	Received during the year as a result of vesting conditions being met	Other changes during the year	Balance at the end of the year
Directors of NuCoal Resources Ltd				
Ordinary Shares				
G Galt	1,050,000	-	(1,000,000)	50,000
G Lewis	20,050,000	-	7,950,000	28,000,000
J Beecher	990,068	-	-	990,068
M Davies	21,150,440	-	1,800,000	22,950,440
Other executive KMP of the Group				
Ordinary Shares				
G Cambourn	150,000	-	-	150,000
M Etccl	54,000	-	46,000	100,000
M Roberts [^]	-	-	40,000	40,000

[^] M Roberts ceased employment with the Company on 21 January 2014.

Directors' Report (continued)

The following information does not form part of the remuneration report.

D. Other Information**Environmental regulation**

The Company's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its activities. The Board monitors compliance with environmental regulations and the Directors are not aware of any significant breaches of these regulations during the period covered by this report.

Insurance of officers

The Company indemnifies each of its directors, officers and company secretary. The Company indemnifies each director or officer to the maximum extent permitted by the *Corporations Act 2001* (Cth) from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

The Company must use its best endeavours to insure a director or officer against liability which does not arise out of conduct constituting a wilful breach of duty or a contravention of the *Corporations Act 2001* (Cth). The Company must also use its best endeavours to insure a director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

The Group has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts for current and former directors, executive officers and secretaries. The Directors have not included details of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreements against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* (Cth) for leave to bring proceedings on behalf of the Company, or intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. The Company was not a party to any such proceedings during the year.

Rounding of amounts

The Company is of a kind referred to in *ASIC Class Order 98/100* and, in accordance with that Class Order, amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars unless otherwise stated.

Non-audit services

Details of the fees and charges for the provision of audit and non-audit services provided by Ernst & Young are included in note 23 of the Financial Report. The Audit and Financial Risk Committee has developed a policy to ensure that the independence of the Company's auditor is not impaired by providing non-audit services to the Company so that both the Company and the external auditor can comply with relevant auditor independence rules which apply in the various jurisdictions in which the Group operates.

No officer of the Group who held office during the financial year, and no current officer, was formerly a partner of Ernst & Young.

Directors' Report (continued)

The Board of Directors, in accordance with advice from the Audit and Financial Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by *Corporations Act 2001* (Cth). The directors are satisfied that these services did not compromise the external auditor's independence for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Company to ensure they do not impact the integrity and objectivity of the auditor; and
- non-audit services provided do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Auditor's independence declaration

The auditor's independence declaration, which forms part of the Directors' Report and required under section 307C of the *Corporations Act 2001* (Cth) for the year ended 30 June 2014 has been received and can be found on page 20 of this combined report.

This Directors' Report is signed in accordance with a resolution of Directors made pursuant to section 298(2) of the *Corporations Act 2001* (Cth).

On behalf of the Directors



G Galt
Chairman
Sydney, 26 September 2014



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Auditor's Independence Declaration to the Directors of NuCoal Resources Ltd

In relation to our audit of the financial report of NuCoal Resources Ltd for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ryan Fisk
Partner
26 September 2014

Corporate Governance Statement

The Board of Directors of NuCoal Resources Ltd (Company or NuCoal) is responsible for establishing the corporate governance framework of the Company, having regard to the ASX Corporate Governance Council Corporate Governance Principles and Recommendations with 2010 Amendments (ASX Recommendations). The Board is committed to best practice corporate governance principles appropriate for the size, type and activity of NuCoal.

Various corporate governance practices are discussed within this statement. Details of the main policies of corporate governance adopted by the Company and referred to in this statement are available on the Company website www.nucoal.com.au

In accordance with Listing Rule 4.10, this Corporate Governance Statement discloses the extent to which the Company has followed the ASX Recommendations. Where a Recommendation has not been followed, the Company will disclose the reasons why the Recommendation has not been followed. Unless otherwise stated, the Company has adhered to the ASX Recommendations for the year ended 30 June 2014.

This Statement applies to NuCoal Resources Ltd (the Company) and all entities under its control, collectively referred to as the Group.

Principle 1: Lay solid foundations for management and oversight

The Board is responsible for the overall corporate governance of the Company.

Functions of the Board and delegations to Management

The Board has adopted a formal Board Charter, which sets out the functions reserved to the Board. The Board Charter is available on the Company's website.

The Board's primary role is the protection and enhancement of long-term shareholder value. It guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

To fulfil this role, the Board, as set out in the Board Charter, is responsible for the overall corporate governance of the Group including:

- approving the Company's Corporate Strategy and monitoring its implementation;
- approving the appointment of the Managing Director;
- reviewing and monitoring systems of risk management and internal control, and ethical and legal compliance;
- approving major capital expenditure, acquisitions and divestitures; and
- monitoring and reviewing policies and processes aimed at ensuring the integrity of financial and other reporting.

The Board has delegated responsibility for the day-to-day operational, corporate and administrative activities of the Group to the Managing Director and executive management.

The Board is responsible for reviewing the role and responsibilities of management through various committees it has developed. Directors are entitled to request additional information, including external advice, at any time to enable them to discharge their duties effectively. Review of the Board Charter occurs annually.

Terms of Directors' appointment

Each Director has entered into a formal letter of appointment with the Company, which sets out core terms of the Director's responsibilities and obligations to the Company.

Corporate Governance Statement (continued)

Performance Evaluation

The performance of the Managing Director is reviewed annually by the Board. The performance of other executive KMP is conducted regularly by the Managing Director during the year, with a formal process conducted once a year by the Remuneration Committee. The annual formal performance assessments occur in January each year.

Further details of how the Company assesses the performance of the Managing Director and other executive KMP are set out in the Remuneration Report.

Principle 2: Structure the Board to add value

The NuCoal Board comprises the following Directors:

- Gordon Galt (Chairman)
- Glen Lewis (Managing Director)
- James Beecher (Independent Non-Executive Director)
- Michael Davies (Non-Executive Director)

The size and composition of the Board is determined in accordance with the Company's constitution and NuCoal considers that its Board holds a diverse mix of skills appropriate for its size, type and activity.

The formal Board Charter requires that the Board comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. Board composition is reviewed annually to consider whether it has the appropriate mix of Directors with the expertise and experience suitable for the purpose of fulfilling its collective responsibilities on behalf of shareholders. Where a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select candidates with the relevant qualifications, skills and experience.

Information about the skills, experience and expertise and period in office of each Director who served during the year ended 30 June 2014 is set out in the Directors' Report on pages 4 to 5.

Board Independence

The Board has adopted the definition of independence as set out in the ASX Principles and Recommendations. Having regard to the definition, the Board considers a Director to be independent if he or she is not a member of management and is free of any interest and any business or other relationship which would, or could reasonably be perceived to, materially interfere with the independent exercise of their judgement. The Board assesses the materiality of any given relationship that may affect independence on a case-by-case basis. Each Non-executive Director is required to regularly disclose to the Board all information that may be relevant to this assessment, including their interest in contracts and other directorships and offices held.

The Company has noted ASX Recommendation 2.1 that the Board consist of a majority of independent Directors, and that it has not followed this recommendation during the 2013/2014 year.

Of the three Directors, only James Beecher is considered by the Board to constitute an Independent Director. During 2013/2014, James Beecher did not have any interest or relationships that could, or could reasonably be perceived to, materially interfere with the independent exercise of his judgement.

Gordon Galt (Chairman) and Michael Davies are Executive Directors of one of the Company's major shareholders, Taurus Funds Management Pty Ltd, and as a result of this relationship are not considered to be independent by the Board.

Notwithstanding the Council's recommendation that the majority of the Board should be independent, the Board is of the opinion that the objectives and current strategy of the Group are best served and achieved by a Board comprised of a majority of persons associated with the Group since its inception, irrespective of their degree of independence. In addition, the Board considers the expertise and skill of Directors to be paramount to the Group's success and believes that the current Board composition provides a range of skills and expertise to properly fulfil its responsibilities.

The Board also acknowledges that all Directors, whether independent or not, should bring an independent judgement to bear on Board decisions. To facilitate this, each Director has access in appropriate circumstances to independent professional advice at the Company's expense.

Corporate Governance Statement (continued)

Role of Chairman and Managing Director

The roles of the Chairman and Managing Director are exercised by separate individuals (*ASX Recommendation 2.3*).

The Chairman, Gordon Galt, is responsible for leading the Board. His role includes ensuring the efficient organisation of the Board's functions, facilitating effective contribution by all Directors and promotion of constructive relations between the Board and management. The Chairman's role also includes ensuring that the Board is provided with all information related to the Company's operation and strategies to assist in the discharge of the Board's duties, reviewing corporate governance matters with the Company Secretary and reporting on those matters to the Board.

The Company has noted *ASX Recommendation 2.2* that the Chairperson be an independent Director, and that it has not followed this recommendation during the 2013/2014 year. Although the Chairman is not considered to be independent, by virtue of his directorship of Taurus Funds Management Pty Ltd, the Board believes that he is the most appropriate person for the role, given his extensive business experience, particularly in the areas of coal mining and exploration.

The Managing Director, Glen Lewis, is responsible to the Board for the discharge of the management function and the implementation of corporate objectives determined by the Board.

Standing Board Committees

To assist in the discharge of its duties, the Board has established the following standing committees (Committees):

- Remuneration Committee (*ASX Recommendation 8.1*);
- Audit and Financial Risk Committee (*ASX Recommendation 4.1*); and
- Non-Financial Risk Committee.

The Company does not have a fully constituted Nominations Committee, recommended by *ASX Recommendation 2.4*, as the Board believes that establishing a separate Nominations Committee at this time would contribute little to the Company's effective governance. As and when required, the full Board participates as the Nominations Committee in order to fulfil its corporate governance responsibilities in regard to:

- Board appointments and performance;
- Directors' induction program;
- Committee membership; and
- Other relevant matters.

The Board will continue to review the necessity to establish a separate Nominations Committee.

Further information on each Committee is set out below and elsewhere in this Statement. Additional details in relation to the members of each Committee, as well as the number of times each Committee met during the 2013/2014 year and each member's attendance at those meetings are set out on page 6 of the Directors' Report.

Appointment of Directors

The Nominations Committee, currently serving as the whole Board, makes recommendations regarding the criteria for Board membership, processes for the review of the performance of individual Directors and the Board as a whole, and Board succession plans.

All Directors, other than the Managing Director, are subject to re-election in accordance with the Company's constitution and the ASX Listing Rules.

Independent professional advice

Each Director has a right to access all relevant Company information and the Company's executives. Directors have the right, in connection with their duties and responsibilities as Directors, to see independent professional advice at the Company's expense. Prior approval of the Chairman is required, which will not be unreasonably withheld.

Corporate Governance Statement (continued)

Performance Evaluation

The Board acknowledges the importance of regular review of its performance and the performance of its Committees against appropriate measures. The Board is committed to periodically reviewing the Board, its Committees and the Directors' performance and effectiveness.

No formal evaluation was conducted during the year; however the Board are considering utilising an independent consulting group to facilitate a formal Board review.

Principle 3: Promote ethical and responsible decision making

Code of Conduct

NuCoal has adopted a *Corporate Code of Conduct* to guide Directors, executive KMP, management and employees in carrying out their duties and responsibilities. The *Corporate Code of Conduct* sets out the principles and standards which the Board, management and employees of the Company are expected to adopt when dealing with each other, shareholders and the community as a whole.

In addition, the *Corporate Code of Conduct* specifically addresses conflicts of interest, business gifts and entertainment, improper use of the Company's property and assets, dealing with Government officials, political activities and reporting unlawful and unethical behaviour. The *Corporate Code of Conduct* is available on the Company's website.

Diversity and Equal Opportunity

The Company is committed to workplace diversity and acknowledges the expectation to address gender diversity within the Company.

In light of the type, size, attributes of the industry and activities of the Company, the Board does not currently consider it appropriate to set a quota based target for the proportion of women to sit on the Board or to hold senior executive positions.

Specific objectives and a diversity policy have not yet been set by the Company, however regarding gender diversity in the Company for the current reporting period to 30 June 2014, the Company had:

- Board Representation - No female directors of a total of 4 directors, however the role of Company Secretary is held by a female;
- Senior Executives – one of the 2 senior executive positions is held by a female; and
- Female employees account for in excess of 50% of the Company's entire workforce.

Principle 4: Safeguard integrity in financial statements

The Board has ultimate responsibility for ensuring the integrity of the Company's financial reporting. To assist in discharging its responsibility, the Board has put in place a structure of review and authorisation designed to ensure the truthful and factual presentation of the Company's financial position.

Audit and Financial Risk Committee

The Board has established an Audit and Financial Risk Committee (AFR Committee). The AFR Committee has a formal charter, which is available on the Company's website. The AFR Committee comprises the following Non-executive Directors:

- James Beecher (Chairman) – independent
- Michael Davies – not independent
- Gordon Galt – not independent

The AFR Committee is chaired by an independent Non-executive Director; however the Company does not adhere to *ASX Recommendation 4.2*, in that the majority of the AFR Committee members are not independent. The reason for this departure from ASX guidelines is due to the current Board composition comprising a majority of non-independent Directors.

The AFR Committee meets as required, but at least twice per year. The Managing Director and Chief Financial Officer are invited to attend the AFR Committee meetings.

Corporate Governance Statement (continued)

Auditor

The Board and the AFR Committee also, to a certain extent, rely on the auditors (Ernst & Young) to ensure compliance with relevant accounting standards, and give full co-operation to its auditors without absolving itself of responsibility. Where appropriate, the Board and the AFR Committee engage independent experts or professional advisors to assist with the identification and/or management of any key risk areas identified.

Principle 5: Make timely and balanced disclosures

Continuous disclosure

NuCoal has adopted a *Continuous Disclosure Policy*, a copy of which is available on the Company's website.

The *Continuous Disclosure Policy* sets out the Company's commitment to continuous disclosure and establishes a best practice procedure relating to compliance with continuous disclosure obligations.

NuCoal is committed to providing up to date information to its shareholders and the broader investment community in accordance with its continuous disclosure obligations under the *ASX Listing Rules* and the *Corporations Act 2001* (Cth).

The Company Secretary is primarily responsible for the management of the *Continuous Disclosure Policy* and for all communications with the ASX in relation to continuous disclosure issues. However, no announcements are made to the ASX without the prior approval of the Chairman or the Managing Director (or his delegate).

JORC

In accordance with *Listing Rule 5.6* and the *2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* (JORC Code), NuCoal has procedures in place to ensure it obtains the relevant Competent Person's signoff in relation to the disclosure of exploration results, mineral resources and ore reserves.

Principle 6: Respect the rights of security holders

Shareholder Communications

NuCoal has adopted a *Shareholder Communications Policy* and *Privacy Policy*, copies of which are available on the Company's website.

NuCoal aims to ensure that its shareholders, on behalf of whom the Boards acts, are informed of all information necessary to assess the performance of the Directors and the Company.

Information is communicated to shareholders and the market through:

- The Annual Report;
- Other periodic reports (Half Year and Quarterly Reports), which are lodged through the ASX and are available for shareholder scrutiny;
- Other announcements made in accordance with the ASX Listing Rules;
- Special purpose information memoranda issued to shareholders, as appropriate;
- The Annual General Meeting and other meetings, as appropriate; and
- The Company's website.

General Meetings

Shareholders are encouraged to attend the Company's Annual General Meeting (AGM). Shareholders are given the opportunity to ask questions at the AGM. The external auditor attends the AGM and is available to answer questions in relation to the conduct of the audit.

Corporate Governance Statement (continued)**Principle 7: Recognise and manage risk*****Non-Financial Risk Committee***

The Board has established a Non-Financial Risk Committee (NFR Committee) to support and assist the Board to recognise and monitor all non-financial risks arising from the Company's activities. The NFR Committee comprises the following Non-executive Directors:

- Michael Davies (Chairman) – not independent
- James Beecher – independent
- Gordon Galt – not independent

All members of the NFR Committee have a good knowledge of risk management practices.

The NFR Committee meets as required, but at least twice per year. The Managing Director and Chief Financial Officer are invited to attend the NFR Committee meetings.

Further, the Company's AFR Committee monitors the Company's financial risks. Refer to page 24 of the Corporate Governance Statement which outlines the specific roles and responsibilities of the Audit and Financial Risk Committee.

Both Committees have oversight of the adequacy and effectiveness of the Company's risk management, including the establishment and maintenance of risk identification and management processes and the review of the Company's assessment of material business risks (financial and non-financial).

The Managing Director is accountable to the Board for the implementation of risk management processes in line with good corporate governance.

Information on compliance with significant environmental regulations is set out in the Directors' report.

Risk Management Policy

NuCoal has also adopted a *Risk Management Policy*, which is available on the Company's website. The Company has designed and implemented a risk management and internal control system to manage the Company's material business risks. The Board, AFR Committee and NFR Committee receive regular reports from management in respect of the effectiveness of the Company's material business risks.

Assurance by the Managing Director and Chief Financial Officer

The Board receives assurances from the Managing Director and Chief Financial Officer that any declaration as to the financial records and statements made pursuant to section 295A of the *Corporations Act 2001* (Cth) has been founded on a sound systems of risk management and internal compliance and controls and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly***Remuneration Policies***

The Board has established a Remuneration Committee (REM Committee). The REM Committee comprises:

- James Beecher (Chairman) – independent
- Michael Davies – not independent
- Gordon Galt – not independent

Given that the majority of the Board is not independent, the REM Committee also comprises a majority of non-independent Non-executive Directors. The Chair of the REM Committee is an independent Non-executive Director.

The Company's remuneration policies and details of the nature and amount of remuneration paid to Directors' and key executives during the year are set out in the Directors' Report on pages 11 to 17 (ASX Recommendations 8.2 and 8.3).

Corporate Governance Statement (continued)***Remuneration Review***

The remuneration levels of Directors and executive KMP are reviewed by the REM Committee and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest). Where the Board or REM Committee considers that particular expertise or information is required, appropriate external advice may be taken and reviewed prior to a final decision by the Board.

The Board policy is to remunerate Non-executive Directors at market rates for time, commitment and responsibilities. The Board determines payments to the Non-executive Directors and reviews their remuneration annually based on market practice, duties and accountability. Independent external advice is sought when required.

Non-executive Director Fees

The maximum aggregate amount of fees that can be paid to Non-executive Directors is subject to approval by shareholders. Fees for Non-executive Directors are not linked to the performance of the consolidated Group. However, to align Directors' interest with shareholder interest, the Directors are encouraged to hold shares in the Company.

Details of the remuneration paid to the Managing Director, and other executive KMP are set out in the Remuneration Report on pages 11 to 17.

NuCoal Resources Ltd ABN 29 050 352 990
Annual financial report - 30 June 2014

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This financial report is the consolidated financial report for the consolidated entity consisting of NuCoal Resources Ltd and its subsidiaries. This financial report is presented in the Australian currency.

NuCoal Resources Ltd is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The registered office and principal place of business is:

Unit 8, 24 Garnett Road
Greenhills NSW 2323

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report on pages 4 to 19, which is not part of these financial statements.

The financial report of NuCoal Resources Ltd for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of Directors. The Company has the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available on our website www.nucoal.com.au.

	Notes	2014 \$'000	2013 \$'000
Continuing operations			
Other income	5	1,930	1,322
Administration expenses		(138)	(307)
Accounting and audit fees		(42)	(308)
Consultants		(281)	(1,557)
Depreciation		(87)	(75)
Directors fees		(201)	(255)
Donations		(5)	(197)
Employee benefits expense		(1,888)	(2,393)
Environment and community expense		(107)	(38)
Finance costs		(21)	(69)
Impairment	9,10	(36,022)	-
Insurance		(94)	(146)
Land management and maintenance expense		(25)	(60)
Land Tax		(42)	-
Legal fees		(1,955)	(1,420)
Listing fees		(80)	(114)
Other expenses		(18)	(24)
Project due diligence		(61)	-
Property expenses		(319)	(58)
Rent		(203)	(187)
Ship or Pay		(1,806)	-
Training facility expenses		-	(16)
Travel and accommodation		(16)	(55)
Loss before income tax		(41,481)	(5,957)
Income tax expense	6	-	-
Loss for the year		(41,481)	(5,957)
Loss is attributable to:			
Equity holders of NuCoal Resources Ltd		(41,481)	(5,957)
Non-controlling interest		-	-
Other comprehensive income / (loss)		-	-
Total comprehensive loss for the year		(41,481)	(5,957)
Total comprehensive income / (loss) is attributable to:			
Equity holders of NuCoal Resources Ltd		(41,481)	(5,957)
Non-controlling interest		-	-
Earnings per share for loss attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic loss per ordinary share	30	(5.40)	(0.78)
Diluted loss per ordinary share	30	(5.40)	(0.78)

The above Statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

	Notes	2014 \$'000	2013 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	6,821	10,206
Restricted cash and cash equivalents	7	199	1,080
Trade and other receivables	8	203	1,252
Total current assets		<u>7,223</u>	<u>12,538</u>
Non-current assets			
Trade and other receivables		17	25
Property, plant and equipment	9	9,788	16,198
Exploration and evaluation expenditure	10	9,374	38,661
Total non-current assets		<u>19,179</u>	<u>54,884</u>
Total assets		<u>26,402</u>	<u>67,422</u>
LIABILITIES			
Current liabilities			
Trade and other payables	12	2,436	2,263
Other Liabilities	13	434	32
Deferred income	14	-	1,500
Total current liabilities		<u>2,870</u>	<u>3,795</u>
Non-current liabilities			
Other liabilities	15	1,381	8
Provisions	17	165	152
Total non-current liabilities		<u>1,546</u>	<u>160</u>
Total liabilities		<u>4,416</u>	<u>3,955</u>
Net assets		<u>21,986</u>	<u>63,467</u>
EQUITY			
Share Capital	18	88,138	88,138
Reserves	19	4,608	4,608
Accumulated Losses	20	(70,760)	(29,279)
Total equity		<u>21,986</u>	<u>63,467</u>

The above statement of financial position is to be read in conjunction with the accompanying notes.

Attributable to the owners of NuCoal Resources Ltd				
Notes	Contributed equity	Reserves	Accumulated losses	Total Equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2012	88,138	4,608	(23,322)	69,424
Loss for the year	-	-	(5,957)	(5,957)
Other comprehensive income / (loss) for the year	-	-	-	-
<i>Total comprehensive loss for the year</i>	-	-	(5,957)	(5,957)
Balance at 30 June 2013	88,138	4,608	(29,279)	63,467
Loss for the year	-	-	(41,481)	(41,481)
Other comprehensive income / (loss) for the year	-	-	-	-
<i>Total comprehensive loss for the year</i>	-	-	(41,481)	(41,481)
Balance at 30 June 2014	88,138	4,608	(70,760)	21,986

The above statement of changes in equity is to be read in conjunction with the accompanying notes.

	Notes	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Receipts		2,154	-
Payments to suppliers and employees (inclusive of goods and services tax)		(4,920)	(6,426)
Interest received		238	767
Rental income received		145	55
Net cash outflow used in operating activities	29	<u>(2,383)</u>	<u>(5,604)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(1,449)	(6,665)
Proceeds from disposal of property, plant and equipment		25	2
Payments for exploration and evaluation		(459)	(13,417)
Proceeds from restricted cash and cash equivalents		881	3,169
Net cash outflow used in investing activities		<u>(1,002)</u>	<u>(16,911)</u>
Cash flows from financing activities			
Net cash outflow from financing activities		<u>-</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents		(3,385)	(22,515)
Cash and cash equivalents at the beginning of the financial year		10,206	32,721
Cash and cash equivalents at the end of year	7	<u>6,821</u>	<u>10,206</u>

The above statement of cash flows is to be read in conjunction with the accompanying notes.

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1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated. The financial statements have been prepared for the consolidated entity consisting of NuCoal Resources Ltd and its subsidiaries for the year ended 30 June 2014.

(a) Basis of preparation

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001* (Cth). The financial report also complies with International Financial Reporting Standards (IFRS) including interpretations as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments). Cost is based on the fair values of the consideration given in exchange for assets.

Critical accounting estimates and significant judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Material assumptions and estimates significant to the financial statements are outlined in note 3.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of NuCoal Resources Ltd and its subsidiaries as at 30 June 2014. NuCoal Resources and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

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

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(f) for further details).

Intercompany transactions, balances and unrealised gains on transactions between companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. 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 comprehensive income statement and statement of financial position and statement of changes in equity respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of NuCoal Resources Ltd, refer to note 27 for further details.

(c) Revenue Recognition

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount on initial recognition.

1 Summary of significant accounting policies (continued)

(d) Income tax

The income tax expense or revenue 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.

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, the deferred income tax is not accounted for if it arises from initial 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 nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date 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 liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

NuCoal Resources Ltd and its wholly-owned Australian controlled entities have elected to implement tax consolidation legislation.

(e) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1 Summary of significant accounting policies (continued)

(f) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Acquisition related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. When the excess is negative, it is recognised immediately in profit or loss. Goodwill is not amortised, instead it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

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

(g) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 reported 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 suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of 3 months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at-call with financial institutions net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(i) Trade receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Trade receivables are normally due for settlement no more than 30 days from the date of recognition.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the amounts due according to the original terms of receivables. Bad debts are written off when identified.

1 Summary of significant accounting policies (continued)

(j) Investments and other financial assets

Classification

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

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

Financial assets at fair value through profit or loss are financial assets held-for-trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 8) in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss, are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment activities.

1 Summary of significant accounting policies (continued)

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(k) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses. Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The Group acquires property to assist with the future development of projects, and in some instances the purchase price paid exceeds the fair value of the property at the time of acquisition. This excess purchase price is capitalised to exploration and evaluation expenditure as a direct cost of the relevant project.

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 Company 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 the income statement during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited, net of tax, to other reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost, net of tax, is transferred from the property, plant and equipment revaluation reserve to retained earnings.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life. Assets are depreciated or amortised from the date of acquisition, or in respect of internally constructed assets, from the time the asset is completed and held ready for use. Depreciation is calculated using the straight line method to their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- | | |
|--------------------------|--------------|
| • Buildings | 20 years |
| • Leasehold improvements | 5 years |
| • Plant and equipment | 10 years |
| • Office equipment | 4 to 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

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

1 Summary of significant accounting policies (continued)

(l) Exploration, evaluation and development expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; and
 - (b) exploration and evaluation 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 initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

Where 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.

As the Doyles Creek Exploration Licence was cancelled by the NSW Government in January 2014, the Directors have determined that any future costs associated with this Project are to be written off when incurred.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Onerous contracts

Onerous contract provisions are recognised for losses on contracts where the forecast costs of fulfilling the contract throughout the contract period exceed the economic benefit expected to be received under it. The provision is calculated based on discounted cash flows to the end of the contract.

(o) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

1 Summary of significant accounting policies (continued)

(ii) Long service leave

The liability for long service leave 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 reporting date. 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 reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Employee share plans

Share based compensation benefits are provided to Directors' (Executive and Non-executive) and selected key executives via the Long-term Incentive Employee Share Plan (ESP).

The fair value of shares granted under the ESP is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the shares granted.

The fair value of shares is measured using the binomial option pricing model, taking into account the terms and conditions attached to the shares. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest except where forfeiture is due to market related conditions.

(p) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or rights are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or rights for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

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

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note 31).

(ii) 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.

1 Summary of significant accounting policies (continued)

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

(s) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in these financial statements. Amounts in these financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(t) Amended accounting standards and interpretations

Adoption of new accounting standards

The Group has adopted the following accounting standards new and amended Australia Accounting Standards and AASB Interpretations as of 1 July 2013; none of which had a material impact on the financial statements:

- (i) AASB 10 Consolidated Financial Statements
- (ii) AASB 11 Joint Arrangements
- (iii) AASB 12 Disclosure of Interests in Other Entities
- (iv) AASB 13 Fair Value Measurement
- (v) The revised standard AASB 119 Employee Benefits
- (vi) AASB 1053 Application of Tiers of Australian Accounting Standards

New standards not yet applicable

The Group has not adopted any of the new and amended accounting standards and interpretations that have been issued or amended but are not yet effective. None of these standards or amendments to standards are expected to have a material effect on the financial position or performance of the Group.

Standard / Interpretation	Effective for the annual reporting period beginning on:	Expected to be initially applied in the financial year ending:
AASB 2012-3 <i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities</i>	1 July 2014	30 June 2015
AASB 9 <i>Financial Instruments</i>	1 July 2018	30 June 2019
AASB 2013-9 <i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i>	PART A: 1 July 2014 PART B: 1 July 2015	PART A: 30 June 2015 PART B: 30 June 2016

2 Financial risk management

The Group's activities expose it to a variety of financial risks such as market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. Management continually assess, monitor and manage the operational, financial reporting and compliance risks of the Company and report material risks to the Board.

Fair Values

The carrying amounts of cash and cash equivalents, interest, prepayments and accrued expenses approximate their fair value due to the relatively short period to maturity of these instruments. Investments are carried at fair value.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole. The following outlines the Group's fair value hierarchy:

Level 1 – Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).

Level 3 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

For financial instruments that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At 30 June 2014, the Company's ship or pay charge is considered a Level 2 financial instrument. The ship or pay charge has been measured based on the contracted cash flows, and discounted to the present value of the liability. The discount rate used is based on observable bond yields.

During the 12 months ended 30 June 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

There are no off-balance sheet financial assets or liabilities at year end.

Market risk

- (i) *Currency risk*: Currency risk arises when transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group's functional currency is Australian dollars, and no foreign currency transactions have been entered into by the Group during the year.
- (ii) *Price risk*: The Group and the Company are not exposed to equity securities price risk. This risk could arise from investments classified on the statement of financial position as available-for-sale financial assets.
- (iii) *Interest rate risk*: Interest rate risk arises from the Group's term deposits. The Group seeks to maximise interest on its funds by exposure to short term fixed investments.

Credit risk

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum exposure to credit risk in relation to each class of recognised financial asset is the carrying value of those assets. Credit risk, with respect to cash, is managed by depositing funds only with recognised financial institutions that maintain strong credit ratings.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. The consolidated entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

2 Financial risk management (continued)

Capital management

The Board's policy is to maintain a strong capital base and net asset position, so as to maintain investor, creditor and market confidence and to sustain future development of the business. In the event that management consider that the consolidated entity would benefit from strengthening its capital base and/or net asset position, multiple options would be considered, for example raising additional capital and/or introduction of strategic investors. The Directors would assess such options that are expected to be most beneficial for shareholders. The ultimate objective of managing the Company's equity is to enable an adequate Total Shareholder Return (TSR). TSR includes the total increase (decrease) in the consolidated entity's share price, after adjusting for the effects of bonus issues. There were no changes in the consolidated entity's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

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

3 Critical accounting estimates and assumptions

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

(i) Exploration Costs

The Group accumulates certain costs associated with exploration activities on specific areas of interest where the Group has rights of tenure or the Group has an agreement to the right of tenure. The Group operates on the assumption that all such rights of tenure will remain current and will be progressed from exploration through to mining license status as required. Significant property acquisition, exploration, evaluation and development costs relating to specific projects and properties for which economically recoverable reserves are believed to exist are deferred until the project to which they relate is sold, abandoned or placed into production. Costs are also deferred where exploration and evaluation activities in the area of interest have not reached a stage that permits a reasonable assessment of the existence of economically recoverable reserves.

(ii) Restoration, rehabilitation and environmental expenditure

Expenditures related to ongoing restoration, rehabilitation and environmental obligation activities are accrued and expensed as incurred and included in the relevant exploration activity cost or as part of the cost of exploration activities. These expenditures are estimated either on the basis of detailed cost estimates or are in accordance with statutory provision requirements.

(iii) Share based payments

The fair value of shares granted to employees is measured using a binomial option pricing model which takes into account a number of factors, including the exercise price, the term of the share, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the share, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the share.

(iv) Ship or pay charge

Ship or pay charges relate to the Company's commitment to deliver coal through Port Waratah Coal Services. The amount of ship or pay charges recorded as a liability has been estimated based on contracted volumes and expected prices over the contract period and has been discounted.

4 Segment information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (AASB 114 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. Following the adoption of AASB 8, identification of the Group's reportable segments has not changed.

The Group operates in the coal industry in New South Wales, Australia. As operating results are not currently reported to the chief operating decision-maker on a project by project basis, detailed segment reporting has not been performed.

5 Other income

	Consolidated	
	2014	2013
	\$'000	\$'000
Interest income	280	767
Other income	150	555
Recognition of deferred revenue (refer note 14)	1,500	-
Total Other Income	<u>1,930</u>	<u>1,322</u>

6 Income tax expense

	Consolidated	
	2014	2013
	\$'000	\$'000
(a) Income tax expense		
Current tax	(2,149)	(5,238)
Deferred tax	(10,085)	3,653
Tax losses not recognised	12,234	1,585
	<u>-</u>	<u>-</u>
Deferred income tax expense / (benefit) included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets (note 11)	99	132
(Decrease) / increase in deferred tax liabilities (note 16)	(10,184)	3,517
Deferred tax expense	<u>(10,085)</u>	<u>3,649</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss) from continuing operations before income tax expense	(41,481)	(5,957)
Tax at the Australian tax rate of 30% (30 June 2013 – 30%)	(12,444)	(1,787)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Donations	1	59
Legal fees	586	-
Other	73	143
Other income	(450)	-
Tax losses not recognised – current year	2,149	1,585
Tax losses not recognised – prior year	10,085	-
Income tax expense – current and deferred	<u>-</u>	<u>-</u>

Deferred tax assets have only been recognised to the extent that they offset deferred tax liabilities.

7 Current assets – Cash and cash equivalents

	Consolidated	
	2014	2013
	\$'000	\$'000
Cash at bank and in hand	167	258
Deposits at call	1,354	9,948
Term deposits	5,300	-
Total Cash and cash equivalents	6,821	10,206
Restricted cash and cash equivalents	199	1,080

(a) Risk exposure

All cash investments are held in transactional bank accounts or on term deposit held with international banks, each of which carries a Standard and Poor's short-term credit rating of A1 or above. The credit risk exposure of the Group in relation to cash and deposits is the carrying amount and any accrued unpaid interest.

(b) Restricted Cash and Cash equivalents

Restricted cash and cash equivalents include a number of term deposits with a maturity of 3 months or less. These term deposits are security for bank guarantees provided to Industry and Investment NSW – Mineral Resources.

8 Current assets – Trade and other receivables

	Consolidated	
	2014	2013
	\$'000	\$'000
GST and other tax receivables	41	733
Trade receivables	76	480
Prepayments	86	39
	203	1,252

(a) Impaired trade receivables

There are no trade receivables that have been impaired as at 30 June 2014. In addition, no trade receivables are past due.

9 Non-current assets – Property, plant and equipment

Consolidated	Land	Buildings	Furniture fittings & equipment	Leasehold improvements	Motor Vehicles	Property Plant & Equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2012							
Cost	9,310	142	109	-	97	1	9,659
Accumulated depreciation	-	(21)	(46)	-	(16)	-	(83)
Net book amount	9,310	121	63	-	81	1	9,576
Year ended 30 June 2013							
Opening net book amount	9,310	121	63	-	81	1	9,576
Additions	6,237	281	63	3	-	116	6,700
Disposals	-	-	(2)	-	-	(1)	(3)
Depreciation charge	-	(20)	(32)	-	(12)	(11)	(75)
Closing net book amount	15,547	382	92	3	69	105	16,198
As at 30 June 2013							
Cost	15,547	423	170	3	97	116	16,356
Accumulated depreciation	-	(41)	(78)	-	(28)	(11)	(158)
Net book amount	15,547	382	92	3	69	105	16,198
Year ended 30 June 2014							
Opening net book amount	15,547	382	92	3	69	105	16,198
Additions	206	-	-	10	-	41	257
Disposals & write offs	(345)	-	(2)	-	(33)	-	(380)
Asset impairment	(6,200)	-	-	-	-	-	(6,200)
Depreciation charge	-	(28)	(32)	(2)	(11)	(14)	(87)
Closing net book amount	9,208	354	58	11	25	132	9,788
At 30 June 2014							
Cost	9,208	423	168	13	64	157	10,033
Accumulated depreciation	-	(69)	(110)	(2)	(39)	(25)	(245)
Net book amount	9,208	354	58	11	25	132	9,788

For the year ended 30 June 2014, the Group obtained a valuation of its Land assets which indicated that the market value of the properties acquired was less than the carrying value. To reflect the difference between carrying value and market value, the Group recorded an impairment charge of \$6.2 million in the consolidated statement of profit or loss.

10 Non-current assets – Exploration and evaluation expenditure

	Consolidated	
	2014	2013
	\$'000	\$'000
Exploration and/or evaluation at cost	9,374	38,661
Balance at beginning of the year	38,661	25,465
Additions ⁽¹⁾	1,755	13,196
EL 7270 refund	(1,220)	-
Impairment ⁽²⁾	(29,822)	-
Balance at the end of the financial year ⁽³⁾	9,374	38,661

(1) Additions made in the normal course of business totalled \$0.46 million in 2014 (2013: \$10.7million).
 Premiums paid for property acquisitions totalled \$1.3 million in 2014 (2013: \$2.5million).

(2) Impairment of exploration costs capitalised in relation to EL 7270 and EL 6705 as a result of the cancellation of EL 7270 by the NSW Government in January 2014.

(3) The balance at 30 June 2014 includes amounts related to the acquisition of Dellworth totalling \$3.2 million (30 June 2013: \$3.2 million) comprising of \$2.2 million (30 June 2013: \$2.2 million) in issued share capital and \$1 million (30 June 2013: \$1 million) in deferred consideration.

Tenement Status

Dellworth - EL 6594 was renewed on 12 March 2013 for a period of 2 years, expiring on 6 July 2015.

Savoy Hill - EL 6812 was renewed on 27 February 2014 for a period of 5 years, expiring on 20 June 2018.

11 Non-current assets – Deferred tax assets

	Consolidated	
	2014	2013
	\$'000	\$'000
Temporary differences attributable to:		
Accruals	9	93
Employee benefits	85	100
Carry-forward tax losses recognised	889	10,974
Total deferred tax assets	983	11,167
Set-off of deferred tax liabilities pursuant to set-off provisions (note 16)	(983)	(11,167)
Net deferred tax assets	-	-

12 Current liabilities – Trade and other payables

	Consolidated	
	2014	2013
	\$'000	\$'000
Trade payables	1,317	1,083
Employee benefits	119	180
Deferred consideration for Dellworth Pty Ltd ⁽¹⁾	1,000	1,000
	2,436	2,263

- (1) A performance payment of A\$1,000,000 (cash or scrip) is payable upon successful verification of coal targets at Savoy Hill. The deferred consideration has been accounted for at the present value of the amounts payable under the agreement.

13 Current liabilities – Other Liabilities

	Consolidated	
	2014	2013
	\$'000	\$'000
Equipment finance	8	32
Rental income received in advance	1	-
Ship or Pay Charge ⁽¹⁾	425	-
	434	32

- (1) The Group entered into a Ship or Pay Agreement (Agreement) with Port Waratah Coal Services (PWCS) for the use of port and loading facilities for the Doyles Creek Project between 2015 and 2024. As the Group will be unable to deliver coal through the port due to the cancellation of the EL 7270 by the NSW Government, the Group will be liable to pay a contracted amount to PWCS under the terms of the Agreement.

14 Current liabilities – Deferred Income

	Consolidated	
	2014	2013
	\$'000	\$'000
Deferred income	-	1,500

Deferred income of \$1.5 million at the end of 30 June 2013 was a contribution from Mitsubishi Materials Corporation (MMC) under the Savoy Hill Exploration Agreement. The full amount was released to the statement of profit or loss and other comprehensive income on 22 November 2013, upon MMC providing notice of termination of the Savoy Hill Exploration Agreement.

15 Non-current liabilities – Other liabilities

	Consolidated	
	2014	2013
	\$'000	\$'000
Equipment finance	-	8
Ship or Pay Charge ⁽¹⁾	1,381	-
	1,381	8

- (1) As per 13 above - the Group entered into an Agreement PWCS for the use of port and loading facilities for the Doyles Creek Project between 2015 and 2024. The Group has recorded any ship or pay liability charge after 1 July 2015 as non-current liability.

16 Non-current liabilities – Deferred tax liabilities

	Consolidated 2014 \$'000	2013 \$'000
Temporary differences attributable to:		
Exploration and evaluation expenditure	952	11,148
Prepayments	31	19
Total deferred tax liabilities	<u>983</u>	<u>11,167</u>
Set-off of deferred tax liabilities pursuant to set-off provisions (note 11)	<u>(983)</u>	<u>(11,167)</u>
Net deferred tax liabilities	<u>-</u>	<u>-</u>

17 Non-current liabilities – Provisions

	Consolidated 2014 \$'000	2013 \$'000
Employee benefits - long service leave	<u>165</u>	<u>152</u>

18 Contributed equity

	Consolidated 2014 \$'000	2013 \$'000
(a) Share capital		
Opening balance	88,138	88,138
Closing balance	<u>88,138</u>	<u>88,138</u>

(b) Movements in ordinary share capital

The Group has had no movement in share capital since 30 June 2012. The current number of shares on issue is 768,612,354.

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Employee share scheme

Information relating to the Long-term Incentive Employee Share Plan, including details of shares issued under the Plan is set out in note 31.

(e) Share buy-back

There were no share buy-backs in the period.

19 Reserves

Consolidated

2014 2013
\$'000 \$'000

(a) Reserves

Share-based payments reserve	4,608	4,608
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Movements:

Shared based payments reserve

Balance 1 July 2013	4,608	4,608
Balance 30 June 2014	4,608	4,608

(b) Nature and purpose of reserves

The share-based payments reserve is used to recognise the fair value of shares issued but not vested under the Long-term Incentive Employee Share Plan.

20 Accumulated losses

Movements in accumulated losses were as follows:

Consolidated

2014 2013
\$'000 \$'000

Opening accumulated losses	(29,279)	(23,322)
Net loss for the year	(41,481)	(5,957)
Balance 30 June	(70,760)	(29,279)

21 Dividends

No dividends were announced or paid during the year ended 30 June 2014 (2013: nil).

22 Key management personnel disclosures

Consolidated

2014 2013
\$'000 \$'000

(a) Key management personnel compensation

Short-term employee benefits	1,191	1,270
Post-employment benefits	105	111
Other long term benefits	131	38
Termination payments	43	-
	1,470	1,419

The Company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' report. The relevant information can be found in sections (a) to (e) of the Remuneration Report on pages 11 to 17.

23 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity.

	Consolidated	
	2014	2013
	\$'000	\$'000
Audit and review of financial statements	40	69
Other services	44	192
Total remuneration for audit and other services	<u>84</u>	<u>261</u>

Total auditors remuneration

It is the Group's policy to employ Ernst & Young on assignments additional to their statutory audit duties where their expertise and experience with the Company are important. It is Company policy to seek competitive tenders for all major consulting projects.

24 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as a liability is as follows:

	Consolidated	
	2014	2013
	\$'000	\$'000
Property, plant and equipment payable:		
Within one year	-	3,388
Later than one year but not later than five years	-	-
Later than five years	-	-
Total	<u>-</u>	<u>3,388</u>

(b) Lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated	
	2014	2013
	\$'000	\$'000
Within one year	54	154
Later than one year but not later than five years	101	3
Later than five years	-	-
Total	<u>155</u>	<u>157</u>

25 Financial instruments

(a) 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:

	Note	Consolidated 2014 \$'000	2013 \$'000
Cash and cash equivalents	7	7,020	11,286
Trade receivables	8	203	1,252
		7,223	12,538

Impairment losses

None of the Group's receivables are past due or impaired (2013: nil).

(a) Market risk

(i) Interest rate risk

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	2014 Weighted average interest rate	Total \$'000	2013 Weighted average interest rate	Total \$'000
Variable rate instruments				
Cash and cash equivalents	3.91%	6,821	4.26%	10,206
Restricted cash and cash equivalents	3.20%	199	4.28%	1,080
		7,020		11,286

The Group has considered sensitivity analysis and noted that if the interest rate were to increase/decrease by 100 basis points, the impact to the profit and loss would be \$70,203.

The effective interest rate for the cash and cash equivalents of the Group was 3.91% (2013: 4.26%).

(ii) Foreign currency risk

The Group has no foreign currency risk.

(b) Liquidity risk

The following are the contractual maturities of financial liabilities.

30 June 2014

	Carrying amount	Contractual cash flow	12 Mths or less	1-2 years	2-5 years	More than 5 years
Trade and other payables	1,436	1,436	1,436	-	-	-
Other Liabilities	1,815	1,815	434	415	517	449
Total	3,251	3,251	1,870	415	517	449

30 June 2013

	Carrying amount	Contractual cash flow	12 Mths or less	1-2 years	2-5 years	More than 5 years
Trade and other payables	1,263	1,263	1,263	-	-	-
Other Liabilities	40	40	32	8	-	-
Total	1,303	1,303	1,295	8	-	-

26 Related party transactions

(a) Parent entities

The ultimate parent entity within the Group is NuCoal Resources Ltd.

(b) Subsidiaries

Interests in subsidiaries are set out in note 27.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 22.

(d) Transactions with related parties

There were no transactions with related parties during the year ended 30 June 2014 other than those identified in note 22.

27 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding *	
			2014 %	2013 %
Doyles Creek Mining Pty Limited	Australia	Ordinary	100	100
Doyles Creek Centre of Excellence Pty Limited	Australia	Ordinary	100	100
Doyles Creek Mining Foundation Pty Ltd	Australia	Ordinary	100	100
NuCoal Share Plan 1 Pty Ltd	Australia	Ordinary	100	100
Dellworth Pty Ltd	Australia	Ordinary	100	100
DCM Management Pty Ltd	Australia	Ordinary	100	100
DCM Marketing Pty Ltd	Australia	Ordinary	100	100

* The proportion of ownership interest is equal to the proportion of voting power held.

28 Events occurring after the reporting period

Other than outlined in this report, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Group, the results of those operations or the state of affairs of the Group in the future financial years.

29 Reconciliation of loss after income tax to net cash flow from operating activities

	Consolidated	
	2014	2013
	\$'000	\$'000
Loss for the year	(41,481)	(5,957)
Adjustment to reconcile profit before tax to net cash flows:		
Depreciation	87	75
Loss on disposal of fixed assets	10	5
Loss on rescission of contract	241	-
Impairment	37,242	
Net cash provided by operating activities before change in assets and liabilities	(3,901)	(5,877)
Change in operating assets and liabilities		
(Increase) decrease in trade debtors	1,097	(721)
(Increase) decrease in prepayments	(39)	(21)
Increase (decrease) in trade creditors	202	990
Increase (decrease) in other liabilities	306	-
Increase (decrease) in other provisions	(48)	25
Net cash inflow (outflow) from operating activities	(2,383)	(5,604)

30 Earnings per share

	Consolidated 2014 Cents	2013 Cents
(a) Basic earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the company	(5.40)	(0.78)
Total basic loss per share attributable to the ordinary equity holders of the company	(5.40)	(0.78)
(b) Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the company	(5.40)	(0.78)
Total diluted loss per share attributable to the ordinary equity holders of the company	(5.40)	(0.78)
(c) Reconciliations of earnings used in calculating earnings per share		
	Consolidated 2014 \$'000	2013 \$'000
<i>Basic earnings per share</i>		
Loss from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	(41,481)	(5,957)
<i>Diluted earnings per share</i>		
Loss from continuing operations attributable to the ordinary equity holders of the company used in calculating diluted basic earnings per share	(41,481)	(5,957)
(d) Weighted average number of shares used as the denominator		
	Consolidated 2014 Number	2013 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	768,612,354	768,612,354
Adjustments for calculation of diluted earnings per share	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	768,612,354	768,612,354
(e) Information concerning the classification of securities		
<i>Shares granted under the Long-term incentive Employee Share Plan</i>		
Shares granted to employees under the ESP are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. Details relating to the shares are set out in the Remuneration Report on pages 11 to 17.		

31 Share based payments

Long-term Incentive Employee Share Plan

The establishment of the Long-term Incentive Employee Share Plan (ESP) was approved by shareholders at the 28 May 2010 general meeting. The Long-term Incentive Employee Share Plan is designed to provide long-term incentives for the Group's key management personnel (being directors and executive management) to deliver long-term shareholder returns. Pursuant to *Listing Rule 10.14*, approval from Shareholders has been obtained for Directors to be eligible to participate in the Long-term Incentive Employee Share Plan.

Under the ESP, eligible participants may be granted shares on terms and conditions determined by the Board and as documented in the Share Plan Rules and Trust Deed. Shares granted to participants are to be held in Trust until vesting conditions attached to the shares are satisfied. If the vesting conditions are satisfied, the shares are exercised and delivered from the Trust to the eligible participant at nil cost. The shares granted under the ESP do not have an expiry date.

Shares held by eligible participants who cease being a Director or employee of the Group are forfeited immediately.

Consolidated – 2014

No shares were granted, exercised or forfeited under the ESP during the year ended 30 June 2014.

Consolidated – 2013

No shares were granted or exercised under the ESP during the year ended 30 June 2013.

During the year ended 30 June 2013, a total of 2,000,000 shares were forfeited under the ESP.

32 Parent entity disclosures

A. Financial position

	30 June 2014 \$'000	30 June 2013 \$'000
ASSETS		
Current assets	7,047	11,595
Non-current assets	18,514	151,503
Total assets	<u>25,561</u>	<u>163,098</u>
LIABILITIES		
Current liabilities	2,855	1,699
Non-current liabilities	1,546	140
Total liabilities	<u>4,401</u>	<u>1,839</u>
Net assets	<u>21,160</u>	<u>161,259</u>
EQUITY		
Share Capital	178,056	178,056
Accumulated Losses	(161,504)	(21,405)
RESERVES		
Share based payment reserve	4,608	4,608
Total equity	<u>21,160</u>	<u>161,259</u>

B. Financial performance

	Year ended 30 June 2014 \$'000	Year ended 30 June 2013 \$'000
Loss for the year	(140,099)	(3,435)
Other comprehensive income / (loss)	-	-
Total comprehensive loss	<u>(140,099)</u>	<u>(3,435)</u>

C. Other information

No guarantees or contingencies were entered into during the year ended 30 June 2014 by the parent Company (2013: nil).

Lease commitments for the Group as disclosed in note 24 are specifically related to the parent entity. The parent entity has no other commitments.

In the Directors' opinion:

- (a) the financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the financial year ended on that date,
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors



G Galt
Chairman
Sydney, 26 September 2014

Independent auditor's report to the members of NuCoal Resources Ltd

Report on the financial report

We have audited the accompanying financial report of NuCoal Resources Ltd, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company disclosing entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company disclosing entity 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

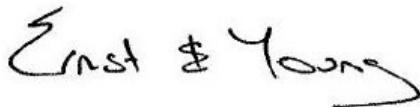
- a. the financial report of NuCoal Resources Ltd is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

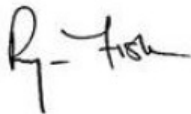
We have audited the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of NuCoal Resources Ltd for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Ryan Fisk
Partner
Sydney
26 September 2014

Shareholder information for listed public companies

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Distribution	Number of shareholders
1 - 1,000	1,100
1,001 - 5,000	353
5,001 - 10,000	268
10,001 and over	1,567
TOTAL	3,288

There were 2,279 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Quoted equity securities

Total quoted equity securities: 768,612,354

The names of the twenty largest holders of quoted equity securities are listed below.

	Ordinary Shares	Number held	Percentage
1	Bond Street Custodians Limited	127,761,247	16.62%
2	Sparta Group MA LLC	47,684,837	6.20%
3	Citicorp Nominees Pty Limited	47,128,984	6.13%
4	Big Ben Holdings Pty Limited	30,000,000	3.90%
5	Baysoni Pty Ltd	26,769,200	3.48%
6	NuCoal Share Plan 1 Pty Ltd	25,180,000	3.28%
7	National Nominees Limited	24,948,366	3.25%
8	Mr Michael Neil Macgregor Davies	21,150,440	2.75%
9	Penoir Pty Ltd	18,000,000	2.34%
10	Bond Street Custodians Limited	17,693,858	2.30%
11	Mr Anthony Poli & Mrs Milvia Poli	15,318,000	1.99%
12	Quangi Pty Ltd	10,750,593	1.40%
13	Gleneagle Securities (Aust) Pty Ltd	9,150,000	1.19%
14	UBS Nominees Pty Ltd	9,122,703	1.19%
15	Mr Andrew Poole & Mrs Maxine Poole	8,558,083	1.11%
16	Lonway Pty Limited	7,586,902	0.99%
17	Mr Massimiliano Tani Bertuol & Ms Hwei Fen Cheah	7,363,018	0.96%
18	Australian Mineral Investors Pty Ltd	6,818,182	0.89%
19	Blue Saint Pty Ltd	5,900,000	0.77%
20	Auckland Trust Company Limited	5,000,000	0.65%
	TOTAL	471,884,413	61.39%

Shareholder information for listed public companies (continued)

Unquoted equity securities

The Company does not have any unquoted equity securities.

C. Substantial holders

Substantial holders in the Company are set out below.

Ordinary Shares		Number held	Percentage
1.	Taurus Funds Management Pty Limited	145,455,105	18.92%
2.	Sparta Group MA LLC	47,684,837	6.20%
TOTAL		193,139,942	25.12%

A. Voting Rights

The voting rights attaching to each class of equity securities are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

B. Interests in Mining Tenements

Tenement	Location	% interest
EL6812	Savoy Hill, New South Wales	100
EL6594	Dellworth, New South Wales	100

C. Other Information

NuCoal Resources Ltd is incorporated and domiciled in Australia, and is a publicly listed Company limited by shares.

