Acacia Coal Limited

ABN 13 009 092 068

Interim Financial Report

For the Half Year Ended 31 December 2017

This Interim Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, it is to be read in conjunction with the Annual Report for the year ended 30 June 2017 and any public announcements made by Acacia Coal Limited during the half year, in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Corporate Directory

Acacia Coal Limited
ACN: 009 092 068
ABN: 13 009 092 068

DIRECTORS

Adam Santa Maria	Executive Chairman
Brett Lawrence	Non-Executive Director
Logan Robertson	Non-Executive Director

COMPANY SECRETARY
Brett Tucker

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Australian Securities Exchange
Home Exchange Sydney

SECURITIES
Code: AJC Quoted Shares

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AUDITORS
Pitcher Partners BA&A Pty Ltd
Level 1, 914 Hay Street
Perth, WA 6000 Australia
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Directors' Report

The Directors hereby present their Report on Acacia Coal Limited (ASX: AJC) (the Company or Acacia) and the entities it controlled at the end of, or during, the half year ended 31 December 2017 (together referred to as the Group). This report has been prepared in accordance with AASB 134 Interim Financial Reporting.

Directors

The following persons were Directors of Acacia Coal Limited during the whole of the half year and up to the date of this Report as follows:

Adam Santa Maria	Executive Chairman	Appointed 16 December 2015
Brett Lawrence	Non-Executive Director	Appointed 2 August 2016
Logan Robertson	Non-Executive Director	Appointed 18 December 2015
Hugh Callaghan	Non-Executive Director	Resigned 13 December 2017
Robert Scott	Non-Executive Director	Resigned 13 December 2017

Review of Operations

Acacia Coal Limited announced on 3 October 2017 that the sale of the Comet Ridge project to Coking Coal One Pty Ltd (formerly Bowen Coking Coal Pty Ltd) (CCO) has been completed.

Under the terms of the sale agreement with CCO, Acacia received 17,394,304 shares in CCO (formerly Cabral Resources Limited), which acquired the Comet Ridge Project. Acacia's shares in CCO are subject to escrow for a period of 12 months from the date of issue of the shares to Acacia. Further Acacia received cash consideration of $350,000 (ex GST) from CCO.

The Company announced on 13 December 2017 that in light of the uncertainty for public companies attempting to develop projects in South Africa, and the lack of appetite for such risk in the context of a listed public company, Acacia Coal has determined that the best prospect of realising value for the Riversdale Anthracite Colliery (RAC) project, and having it developed, is in a private structure which has the flexibility to undertake a number of alternative funding structures and opportunities not available on appropriate terms to Acacia.

Accordingly, Acacia entered into an Exit Deed with Coalvent Limited (Coalvent) and the other related vendors and its associated parties (RAC Vendors) whereby Acacia and the RAC Vendors have agreed to unwind Acacia's option to acquire a 74% interest in the RAC Project.

In addition, Messrs Hugh Callaghan and Rob Scott who are directors of Coalvent, resigned as directors of Acacia in order to pursue the commercialisation of the RAC Project outside of the Company.

In the event that RAC is commercialised or developed by the RAC Vendors, Acacia and the RAC Vendors have agreed on a mechanism by which the funds spent by Acacia on the RAC Project are to be recoverable by Acacia.

Acacia is now considering and evaluating alternative opportunities to realise value for its shareholders.

Any future acquisition may be in conjunction with a capital raising and the Directors are confident of the Company's ability to raise funds as required.

Subsequent Events

No matters have occurred after balance date which give rise to a subsequent event.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration, as required under section 307C of the Corporations Act 2001, is set out on page 10 of this Report. This Report was signed in Perth on 15 March 2018 in accordance with a resolution of the Board of Directors.

Rounding of Amounts

In accordance with ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to both nearest dollar.

Adam Santa Maria
Executive Chairman

Consolidated Statement of Comprehensive Income for the Half Year Ended 31 December 2017

	Note	Consolidated Group 31-Dec-17 $	31-Dec-16 $
Revenue from continuing operations			
Interest received		1,474	11,116
Profit on disposal of asset	3(a)	55,000	-
		56,474	**11,116**
Expenses			
Depreciation expense		-	-
Directors' fees		(14,500)	(53,653)
Employee benefits expenses		-	(28,238)
Equity settled transactions		-	(130,044)
Impairment of capitalised exploration expenditure	3	(428,547)	(29,817)
RAC due diligence costs		-	(359,488)
Legal expenses		(91,573)	-
Other expenses from ordinary activities		(154,779)	(123,403)
Loss from continuing operations before income tax expense		**(632,925)**	**(713,527)**
Income tax expense		**-**	**-**
Loss from continuing operations before other income		**(632,925)**	**(713,527)**
Other comprehensive income			
Surplus/(loss) arising from foreign exchange		**-**	**-**
Total comprehensive income		**(632,925)**	**(713,527)**
Earnings per share for profit (loss) from continuing operations attributable to the ordinary equity holders of the Company			
Basic and diluted loss per share (cents per share)		**(0.04)**	**(0.07)**

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position
as at 31 December 2017

	Note	Consolidated Group 31-12-17 $	30-06-17 $
ASSETS			
Current Assets			
Cash and cash equivalents		556,595	973,694
Trade and other receivables		74,747	84,395
Other current assets		10,925	19,625
Assets held-for-sale	3	-	750,000
Total Current Assets		**642,267**	**1,827,714**
Non-Current Assets			
Available-for-sale financial assets	4	349,981	2,904
Total Non-Current Assets		**349,981**	**2,904**
Total Assets		**992,248**	**1,830,618**
LIABILITIES			
Current Liabilities			
Trade and other payables		72,979	278,424
Total Current Liabilities		**72,979**	**278,424**
Total Liabilities		**72,979**	**278,424**
Net Assets		**919,269**	**1,552,194**
Equity			
Contributed equity	5	40,412,015	40,412,015
Reserves		3,198,599	3,198,599
Accumulated losses		(42,691,345)	(42,058,420)
Total Equity		**919,269**	**1,552,194**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity for the Half Year Ended 31 December 2017

	Contributed equity	Share-based compensation	Performance Shares	Accumulated losses	Total equity
	$	$	$	$	$
Balance at 30 June 2016	**38,492,606**	**2,406,277**	**652,778**	**(39,587,441)**	**1,964,220**
Loss for the period	-	-	-	(713,527)	(713,527)
Total comprehensive income				**(713,527)**	**(713,527)**
Issue of shares	1,965,739	-	-	-	1,965,739
Share of issue costs	(124,359)	-	-	-	(124,359)
Issue of options	-	130,044	-	-	130,044
Balance at 31 December 2016	**40,333,986**	**2,536,321**	**652,778**	**(40,300,968)**	**3,222,117**

	Contributed equity	Share-based compensation	Performance Shares	Accumulated losses	Total equity
	$	$	$	$	$
Balance at 30 June 2017	**40,412,015**	**2,545,821**	**652,778**	**(42,058,420)**	**1,552,194**
Loss for the period	-	-	-	(632,925)	(632,925)
Total comprehensive income	-	-	-	(632,925)	(632,925)
Balance at 31 December 2017	**40,412,015**	**2,545,821**	**652,778**	**(42,691,345)**	**919,269**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flow
for the Half Year Ended 31 December 2017

	Note	Consolidated Group	
		31-Dec-17	31-Dec-16
		$	$
Cash Flows from Operating Activities			
Payments to suppliers and employees		(392,198)	(325,530)
Interest received		1,474	10,636
Net cash (outflow) from operating activities		**(390,724)**	**(314,894)**
Cash Flows from Investing Activities			
Payment for exploration and evaluation		(11,410)	-
Due diligence costs		-	(348,435)
Receipt on disposal of property, plant and equipment		-	19,999
Loans to Coalvent Limited		-	(340,686)
Receipt on sale of exploration and evaluation project		350,000	-
Payment for exploration expenditure		(364,965)	-
Net cash (outflow) from investing activities		**(26,375)**	**(669,122)**
Cash Flows from Financing Activities			
Net proceeds from issue of shares		**-**	**1,965,739**
Capital raising costs		**-**	**(117,564)**
Net cash inflow from financing activities		**-**	**1,848,175**
Net (decrease) / increase in cash and cash equivalents		**(417,099)**	**864,159**
Cash and cash equivalents at the beginning of the half year		973,694	952,864
Cash and cash equivalents at the end of the half year		**556,595**	**1,817,023**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

Note 1. Corporate Information

Reporting Entity

The financial report of Acacia Coal Ltd ('AJC' or the 'Company') and its controlled entities (the 'Group') for the half-year ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors on 15 March 2018.

Acacia Coal Ltd is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The principal activity of the Group during the half year was that of exploration and evaluation of mineral assets.

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Basis of Preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2016 annual financial report for the financial year ended 30 June 2017, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

a. Changes in Accounting Policy, Accounting Standards and Interpretations

In the half year ended 31 December 2017, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2017.

The accounting policies adopted by the Group are consistent with those of the previous financial period, except as follows:

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in the profit or loss when the asset is derecognised or impaired.

b. New Standards not yet effective

The new standards, amendments and interpretations that may be relevant to the Group's financial statements but not yet effective are provided below:

Standard/Interpretation	**Effective for annual reporting periods beginning on or after**
AASB 9 Financial Instruments AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets.	1 January 2018

Notes to the Financial Statements (continued)

AASB 15 Revenue from Contracts with Customers AASB 15: - establishes a new revenue recognition model - changes the basis for deciding whether revenue is to be recognised over time or at a point in time - provides new and more detailed guidance on specified topics - expands and improves disclosures about revenue	1 January 2018

c. Estimates

The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial statements, significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 30 June 2017.

d. Going Concern Basis

The Group incurred operating losses of $632,925 (31 Dec 2016: $713,527 losses) during the period to 31 December 2017 and has a cash and cash equivalents balance of $556,595 (30 June 2017: $973,694) as at that date.

The Group's cashflow forecasts for the twelve months ended 31 March 2019 indicate that the Group will be able to continue as a going concern.

The Company entered into an exit deed on 13 December 2017 to unwind its interest in the RAC Project, and accordingly the Company is now focusing on considering and evaluating alternative opportunities to realise value for its shareholders. Any future acquisition may be in conjunction with a capital raising and the Directors are confident of the Company's ability to raise funds as required.

Having regard to the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis of accounting as they have a reasonable basis to conclude that the Company will be able to meet its debts as they fall due.

Note 2. Segment Reporting

The Group operates in one business segment and one geographic segment, being the exploration and development of coal resources in Queensland, Australia. In the future it will investigate other business opportunities.

Note 3. Assets Held-for Sale

	Consolidated Group	
Asset classified as held for sale	**31-Dec-17**	**30-Jun-17**
	$	**$**
Exploration and evaluation asset – carrying value – opening balance	750,000	1,000,000
Expenditure capitalised during period	364,964	50,679
Impairment recognised	(364,964)	(300,679)
Sale of asset	(750,000)	-
Exploration and evaluation asset – carrying value – closing balance	**-**	**750,000**

There were factors present that indicate that the carrying amount of exploration and evaluation expenditure exceeded the recoverable amount of the project and it was therefore appropriate to impair the carrying value of the capitalised exploration expenditure.

On 11 January 2017, the Group signed a Binding Memorandum of Understanding for a Call Option in respect of Comet Ridge, for its sale to Bowen Coking Coal Pty Ltd. Accordingly, the asset was classified as held for sale.

On 3 October 2017, the sale to Bowen Coking Coal Pty Ltd was completed and the asset was disposed for a consideration of cash and shares, summary of the transaction below:

Notes to the Financial Statements (continued)

Note 3. (a)

Profit on disposal of Comet Ridge	**31-Dec-17**
	$
Consideration received (Cash)	405,000
Consideration received (Shares in Bowen Coking Coal Ltd)	400,000
Net assets disposed of	(750,000)
Profit on disposal of asset	**55,000**

Note 4. Available-for Sale Assets

	Consolidated Group	
Asset classified as available for sale	**31-Dec-17**	**30-Jun-17**
	$	**$**
Opening balance	2,904	1,787
Shares received in Bowen Coking Coal Pty Ltd	400,000	-
Revaluation of available for sale assets	(52,923)	1,117
Closing balance	**349,981**	**2,904**

On 3 October 2017 the sale of the Comet Ridge Project was completed and the Company received 17,391,304 fully paid ordinary shares in to Bowen Coking Coal Pty Ltd (BCC), initially valued at approximately $0.023 per share.

At 31 December 2017 each share in BCC was valued at $0.019 was last traded on the ASX at balance date.

Note 5. Contributed Equity

	Consolidated Group			
		31-Dec-17		**30-Jun-17**
Share Capital	**No.**	**$**	**No.**	**$**
Fully Paid Ordinary Shares	**1,580,700,835**	**40,412,015**	**1,580,700,835**	**40,412,015**

Reconciliation of movement in share capital **Consolidated Group**

	No. Of Shares	**Issue Price**	**Amount $**
Opening balance at 1 July 2017	1,580,700,835		40,412,015
Nil movement	-		-
Closing balance at 31 December 2017	**1,580,700,835**		**40,412,015**

Note 6. Contingent Liabilities

There were no contingent liabilities other than those disclosed in the Interim Financial Report for the period ended 31 December 2017.

Note 7. Events Subsequent to Reporting Date

No matters occurred after balance date which give rise to a subsequent event.

Directors' Declaration

In accordance with a resolution of the Directors of Acacia Coal Limited, I state that, in the opinion of the Directors:

1. the financial statements and notes, as set out on pages 3 to 8:
   (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
   (b) give a true and fair view of the Group's financial position as at 31 December 2017, and of its performance for the half year ended on that date; and that
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Adam Santa Maria
Executive Chairman

Dated: 15 March 2018

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF ACACIA COAL LIMITED AND ITS CONTROLLED ENTITY

In relation to the independent review for the half-year ended 31 December 2017, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of any applicable code of professional conduct.

Pitcher Partners BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD

Paul Mulligan

PAUL MULLIGAN
Executive Director
Perth, WA
15 March 2018

ACACIA COAL LIMITED
ABN 13 009 092 068

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ACACIA COAL LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Acacia Coal Limited (the 'Company') and its controlled entity (the 'Group'), which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Acacia Coal Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(d) in the financial report, which indicates that Acacia Coal Limited incurred a net loss of $632,925 during the half-year ended 31 December 2017 and, as of that date, a net cash outflow from operating and investing activities of $417,099. These conditions, along with other matters as set forth in Note 1(d), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter

Pitcher Partners BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD

Paul Mulligan

PAUL MULLIGAN
Executive Director
Perth, 15 March 2018