Acacia Coal

ANNUAL REPORT 2014

CORPORATE DIRECTORY

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

Directors

Mr Kym Livesley	Non-Executive Chairman
Mr Gavin May	Managing Director
Mr Michael Mulroney	Non-Executive Director
Ms Amanda Ward	Non-Executive Director

Company Secretary
Mr Robert Waring

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AJCAI Unlisted Options

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CHAIRMAN'S LETTER

It is my pleasure that on behalf of the Board of Directors of Acacia Coal Limited, I present the Annual Report for the Company for the 2014 financial year.

Dear Shareholder
Working closely with Acacia Coal's management team, your Board has set a strategy to guide the Company in its transition from explorer towards mine development. The Company continues to have a strong cash position compared to its outgoings and the management team is experienced in developing projects in what continue to be difficult financial times.

Since I wrote to you in the 2013 Annual Report, our Company has continued to advance the priority project, Comet Ridge, towards obtaining a mining lease by completing additional drilling, producing a revised JORC resource, development of mine plans, finalising coal processing options, furthering environmental studies, progressing the Bankable Feasibility Study and advancing the approval process towards a Mining Lease application.

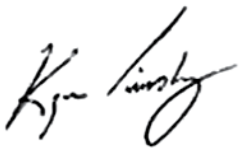
At the time of this report, uncertainty surrounds Bandanna Energy Limited, which has been placed into Voluntary Administration. Bandanna Energy subsidiary Springsure Creek Coal and the Company are parties to the Triumph Creek Infrastructure Agreements.

That Agreement provides for shared major infrastructure, and upon commitment will provide the Comet Ridge Project with rail loading capability and substantially reduced capital cost. Acacia will work closely with the Bandanna Administrators to progress the interests of the Comet Ridge Project in the shared infrastructure.

Coal prices continue in the doldrums, and the difficult time and low share prices across the industry make it all the more necessary for companies to live within their means. The Company, as part of its forward spending strategy has further reviewed the once extensive exploration portfolio and recently reduced its tenement holdings to the Comet Ridge tenement. The tenements disposed of are considered to have very low development potential, and the scaling back of activities on the high cost exploration targets was an essential part of the prudent cash management. These cost cutting actions have put Acacia in a relatively strong position in the current market.

I thank the Directors and Officers of the Company for their efforts over the last year. We look forward to a further positive year ahead.

Yours Sincerely



Kym Livesley
Chairman

29 September 2014

REVIEW OF OPERATIONS

MANAGING DIRECTOR'S REPORT

Just over three years ago, Acacia Coal started detailed exploration on EPC 1230 Comet Ridge, since then spending over $3 million on exploration, metallurgical investigations, feasibility and environmental studies.

Notwithstanding the depressed share price, the Acacia management team believes it has delivered value for its shareholders.

At the time of this report Acacia has:

- An updated JORC 2012 compliant Resource Report with 57 million tonnes of shallow coal;
- Developed a practical processing technique for high-ash Fairhill Coal seams;
- A binding agreement for access to the proposed Triumph Creek Train Loading Infrastructure;
- Received R & D tax rebates in excess of $500,000 for its high ash coal processing research; and
- Almost completed the Environmental Impact Report (EIR) in support of the Comet Ridge Project and drafting of the Mining Lease application (MLA).

The Coal Market

Despite the achievements, it is a tough time for shareholders in any company in the coal industry. The depressed coal market, largely as a result of oversupply on the export coal market, is also being impacted by the distortions in pricing caused by port and rail "take or pay" obligations and the political and social headwinds of the climate change debate. One casualty of the distressed nature of the coal industry is company Bandanna Energy Limited (ASX:BND), which is a party to the Triumph Creek Infrastructure Agreement with the Company. Subsequent to the end of the financial year Bandanna Energy Limited, as a result of challenging market conditions and approvals delays, has been placed into Voluntary Administration.

Notwithstanding the gloom, the facts remain that thermal coal is one of the cheapest sources of energy on the planet and coking coal continues to be a rarer commodity and a prime component in the steel making process.

As with all bulk commodities, aligning new mine and infrastructure development, which is capital intensive and lumpy, with a steady increase in market demand is difficult and goes some way to explain the boom-bust nature of the coal supply-demand cycle. With even small variations in the coal supply having a material impact on the sales price, it is difficult to predict at the bottom of a price cycle how and when prices might recover. All that is known is that prices will recover based on the underlying ever-increasing costs of production.

Comet Ridge Project

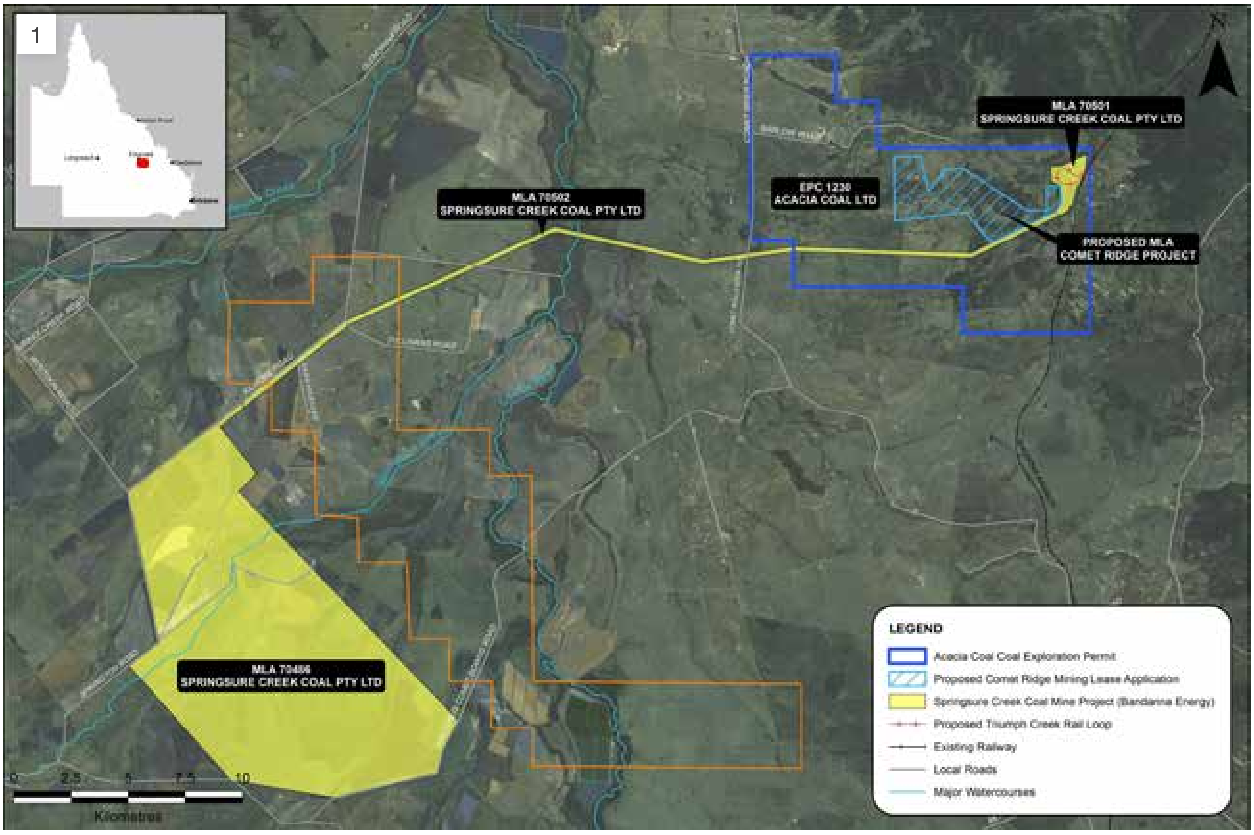
Over the past three years, Acacia has completed a major drilling programme totalling 243 drill holes, for 12,593 metres, which has delineated sufficient resources to allow Acacia to progress the Mining Lease application. An agreement signed in March 2012, with Bandanna Energy's and Springsure Creek Coal allows Acacia access to the proposed Triumph Creek Train Loading infrastructure. A Pre-Feasibility Study completed in March 2013 concluded the project was technically feasible and Acacia is now well advanced on the Bankable Feasibility Study. Development of the Comet Ridge Project is envisaged to mine a series of shallow open cut pits and produce 350,000 tonnes per annum of predominantly semi-hard coal product.

JORC Resource

In July 2014, Acacia released the updated JORC 2012 compliant Coal Resource Report, which reported a Measured, Indicated and Inferred Resource of 57 million tonnes to a depth of 50 metres. The full Coal Resource Report can be found on the Company's website.

Approvals and ML approval

Acacia is well advanced on the preparation of the Environmental Impact Report for the Comet Ridge Project development as part of the $1.1 million budgeted programme for environmental studies, approvals documentation and Mining Lease application. The relatively small size of the proposed mining operation at the Comet Ridge Project has allowed for rapid progress along the approval process and Acacia anticipates being in a position to lodge the completed EIR and MLA early in 2015.



1. Location Plan, Comet Ridge Project area and the Springsure Creek Coal Mining Lease application areas

Shareholders' FAQs

Over the past year Acacia has received frequent enquiries from shareholders, often asking similar questions. A summary of answers to the most frequently asked questions is set out below.

If the coal market was more buoyant would Acacia be doing anything different?

Acacia would still be progressing the Comet Ridge Project through the development approvals process. In a more buoyant coal market Acacia could spend more on exploration drilling adjacent to the current Comet Ridge Project area. However, to conserve funds the focus has been maintained on the core Comet Ridge area.

Acacia would still have questioned the expenditure of funds on the other regional EPCs given the speculative high-risk nature of those potential high capital cost, underground targets. It might be expected that in a more buoyant market Bandanna Energy Limited would not have be placed under Voluntary Administration.

How long will the Comet Ridge Approval process take?

Acacia commenced environmental studies in October 2013, following the last drilling campaign with compilation and drafting of the Environmental Impact Report anticipated to be completed in late 2014.

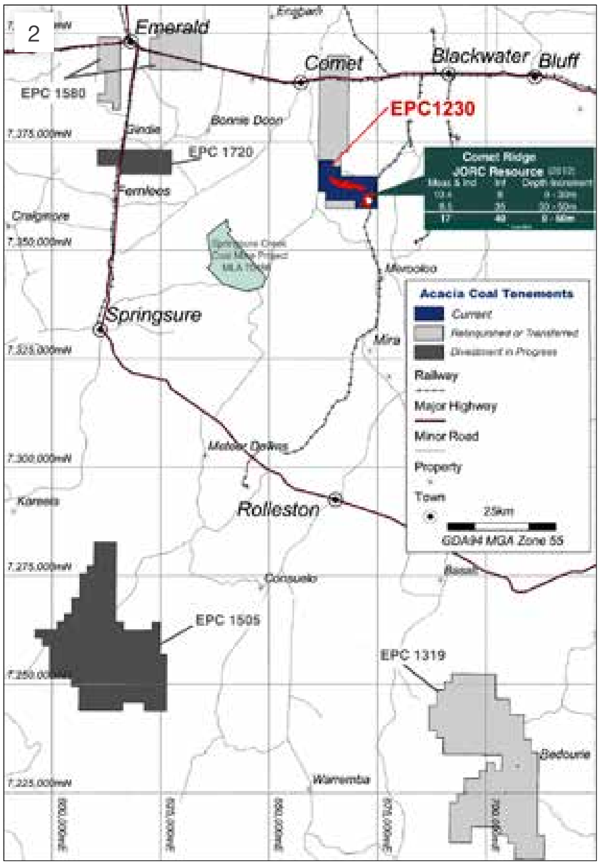
Upon the granting of the adjacent Infrastructure and Transport Corridor Mining Leases, Acacia will submit the Comet Ridge EIR and Mining Lease application for the Comet Ridge Project which is expected to be granted in late 2015.

What is Acacia's relationship with Bandanna Energy which, at the time of this report, is under Voluntary Administration?

As shareholders are aware, Acacia and Bandanna are parties to the Triumph Creek Infrastructure Agreements. These Agreements give Acacia access to the proposed Train Loading Infrastructure to be constructed by Springsure Creek Coal, significantly reducing the capital development cost of the Comet Ridge Project. Acacia has always maintained a working relationship with Bandanna and will continue to work with and assist the Bandanna Energy Administrators.

On granting of the Train Loading Infrastructure and Coal Corridor Mining Leases, Acacia will be in a position to submit the EIR and MLA for the Comet Ridge Project. Figure 1 shows the location of the Comet Ridge Project and the Springsure Creek Coal Mining Lease applications.

REVIEW OF OPERATIONS continued



2. Acacia Coal Tenement Plan
3. Ground water monitoring, at the Comet Ridge Project

How critical is the Triumph Creek Train Loading Infrastructure to the Comet Ridge Project?

The rail loop and Train Loading Infrastructure represents more than half the capital expenditure required to develop the Comet Ridge Project and significantly impacts the economics of the Project. This is because the total volume of coal product from the Comet Ridge Project is relatively small and cannot accommodate such a large capital expenditure alone.

For this reason, Acacia will closely monitor the efforts of the Bandanna Administrators and the progress of the Springsure Creek Coal Mining Lease applications.

Independently, Acacia continues to assess additional coal resources both locally and regionally to help underwrite an Acacia owned and funded train loading facility in the event of disruption to Bandanna's development.

How much cash does Acacia have and how long can it last?

At 30 June 2014 Acacia had $3.6 million cash at bank. Acacia has a small focussed management team, of two fulltime executives; the majority of all technical and Project permitting work being undertaken "in-house". Acacia believes it has sufficient cash to secure the grant of the Comet Ridge Project Approval and Mining Lease and maintain the Company through to 2017.

Will Acacia develop the Comet Ridge Project as soon as it is approved?

The timing of Project development depends on the coal market fundamentals. At current coal prices Acacia would not be in a position to start the Project. Past experience is driving Acacia to have the Project permitted and "development ready" to commence as soon as the coal market recovers. Projects that wait to commence the approvals process until the beginning of a price cycle recovery very often miss the peak of the price cycle.

Regional Tenements

In the current coal market, Acacia has elected to take a more considered position with respect of further expenditure on higher-risk speculative coal prospects. Correspondingly, Acacia Coal undertook a detailed review of the resource potential of its portfolio of tenements spread across the Bowen Basin, with specific focus on potentially mineable coal proximate to infrastructure.

Following the extensive review, Acacia has elected not to continue exploration expenditure on higher-risk speculative coal prospects in its portfolio and, with EPC 1230 Comet Ridge remaining Acacia's priority project, all remaining tenements have been either divested or relinquished.

COMET RIDGE PROJECT

JORC Resources Tables July 2014
Resources by Seam

Depth Increment	0 –30 metres				30– 50 metres				Total 0 –50m
Seam	**Inferred (Mt)**	**Indicated (Mt)**	**Measured (Mt)**	**Total (Mt)**	**Inferred (Mt)**	**Indicated (Mt)**	**Measured (Mt)**	**Total (Mt)**	**Inf, Ind & Measured**
Triumph	2	0.9	1.3	4.2	7	1.4	0.7	9.1	13.3
Fair Hill	6	2.7	5.5	14.2	29	4.4	0	33.4	47.6
Total	**8**	**4**	**7**	**18**	**36**	**6**	**1**	**43**	**61**

Note: Totals are subject to rounding

Resources by Depth Increment

Mining Method	Depth Interval (m)	Measured (mt)	Indicated (mt)	Measured + Indicated (Mt)	Inferred (Mt)
Open cut	BOW – 30	6.8	3.6	10.4	8
Open cut	30 – 50	0.7	5.8	6.5	36
Total		7.5	9.4	16.9	44
Total Resources		**8**	**9**	**17**	**40**

Notes:
(1) BOW = Base of Weathering
(2) Fair Hill Plies: A, C1, D2, D3, E, F, H2, M1 & M2. Triumph Plies T1, T2, T3 & T4.
(3) In situ density calculated from laboratory RD using Preston and Sanders formula at 6% moisture.
(4) For further information, refer to Appendix A, JORC Code 2012 Edition Table 1
(5) The whole JORC Competent Person's Report can be found on the Acacia Coal website: www.acaciacoal.com

JORC Competent Person's Compliance Statement

The information in this report that relates to the mineral resources is based on information evaluated by Rob Dyson who is a Fellow of The Australasian Institute of Mining and Metallurgy (AusIMM). Mr Dyson is a fulltime employee of McElroy Bryan Geological Services Pty Ltd. Mr Dyson is a qualified Geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code). Mr Dyson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Schedule of Tenement Interests

Refer page 48

I would like to thank the Acacia team and the service providers that are aligned in the single purpose of making Acacia Coal a successful coal company.
I would also like to give special thanks and express our gratitude to the landowners, with whom we directly interact on a regular basis with an open and collaborative approach.

In closing, I would also take this opportunity to thank your Acacia Board and you the shareholders for your support.

Gavin May
Managing Director

CORPORATE GOVERNANCE

Acacia Coal Limited (the Company) has made it a priority to adopt systems of control and accountability as the basis for the administration of Corporate Governance. Commensurate with the spirit of the recently-updated ASX Corporate Governance Council's Corporate Governance Principles and Recommendations i.e. the 3rd Edition, the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its Corporate Governance practices. Where the Company's Corporate Governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's Corporate Governance practices depart from a recommendation, the Board has offered full disclosure and reasons for the adoption of its own practice, in compliance with the "if not, why not" regime. Further information about the Company's Corporate Governance practices may be found on the Company's website at www.acaciacoal.com under the section marked "Corporate".

The following section sets out how the Company has followed (or otherwise departed from) each of the Principles and Recommendations during the 2013-14 financial year (Reporting Period). This Statement reports against the Principles and Recommendations, as amended on 27 March 2014.

Principle 1 – Lay Solid Foundations for Management and Oversight

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

Recommendation 1.1

A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.

Disclosure

The Company has established the functions reserved to the Board and has set out these functions in its Statement of Board and Management Functions, which is available on the Company's website at www.acaciacoal.com under the section marked "Corporate" – 'Policies, Charters and Procedures'.

The Board is collectively responsible for promoting the success of the Company through its key functions of: ensuring the Company is properly managed; providing overall Corporate Governance of the Company; monitoring the financial performance of the Company; engaging appropriate management commensurate with the Company's structure and objectives; approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures; and reviewing, ratifying and monitoring systems of risk management and internal control, Code of Conduct and legal compliance.

The Company has established the functions delegated to Management, and has set out these functions in its Statement of Board and Management Functions, which is available on the Company's website under the section marked "Corporate" – 'Policies, Charters and Procedures'. Management is responsible for supporting the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board. It is also responsible for reporting all matters that fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chairman.

Recommendation 1.2

A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Disclosure

The Company undertakes appropriate checks before appointing a new Director and provides its shareholders with relevant information in its Notice of Annual General Meetings when Directors stand for re-election.

Recommendation 1.3

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

Disclosure

The Company has written agreements with each of its Directors and senior executives setting out the terms of their appointment.

Recommendation 1.4

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

Disclosure

The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

Recommendation 1.5

A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

Disclosure and Departure

The Company has established a Diversity Policy, which includes requirements for the Board to establish measurable objectives for achieving gender diversity, and for the Board to assess annually both the objectives and progress in achieving them. The Company's Diversity Policy is available on the Company's website under the section marked "Corporate" – 'Policies, Charters and Procedures'. At this time, given the size and composition of the Company's workforce, the Board has not formalised measurable objectives for achieving gender diversity. However it is committed to providing equal employment opportunity to enable a workplace based on gender diversity.

The proportion of women employees directly employed by the whole organisation, women in senior executive positions and women on the Board are set out in the following table:

	Proportion of Women
Whole Organisation*	2 out of 6 (33%)
Senior Executive Positions **	0 out of 3 (0%)
Board	1 out of 4 (25%)

* The "Whole Organisation" figure excludes Non-Executive Directors.

** The Company defines senior executives for this purpose in the Remuneration Report, which forms part of the Directors' Report in the Annual Report.

Recommendation 1.6

A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Disclosure

During the Reporting Period an evaluation of the Board and individual Directors took place.

Selection and (Re)Appointment of Directors

Candidates for the Board are considered and selected by reference to a number of factors, which include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities. Directors are initially appointed by the full Board, subject to election by shareholders at the following general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each Director, other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the Director's appointment, or three years following that Director's last election or appointment (whichever is the longer). However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one Director, or a third of the total number of Directors, must resign. A Director who retires at an annual general meeting is eligible for re-election at that meeting. The Company has a process for periodically evaluating the performance of its Board, and conducted an informal evaluation since the production of the Company's last Corporate Governance Statement.

Recommendation 1.7

A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Disclosure

The Company has a process for periodically evaluating the performance of its Senior Executives, and conducted an informal evaluation since the production of the Company's last Corporate Governance Statement.

CORPORATE GOVERNANCE continued

Principle 2 – Structure the Board to Add Value

A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

Recommendation 2.1

The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

Disclosure and Departure

The Company has not established a separate Nomination Committee, but nomination matters are considered by the combined Remuneration and Nomination Committee. Given the current size and composition of the Board, the Directors consider that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Remuneration and Nomination Committee incorporates the role of the Nomination Committee. The Committee comprises the full Board, being four Directors, and is chaired by Mr Livesley, who is an Independent Director. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items. In addition, from time-to-time the Board considers the matters normally reviewed by a separate Nomination Committee and therefore carries out the functions that are in the Company's Nomination Committee Charter, which is available on the Company's website under the section marked "Corporate" – 'Policies, Charters and Procedures'. The Board deals with any conflicts of interest that may occur when acting as the Nomination Committee by ensuring that the Director with conflicting interests is not party to the relevant discussions.

The Board has appointed a Remuneration and Nomination Committee, made up of all the Directors of the Company and it held one meeting during the Reporting Period. The table set out in the Directors' Report of this Annual Report under the heading "Directors' Meetings" shows the attendance of Directors at Remuneration and Nomination Committee meetings.

To assist the Board to fulfil its function as the Remuneration and Nomination Committee, it has adopted Remuneration and Nomination Committee Charters, which are available on the Company's website under the section marked "Corporate" – 'Policies, Charters and Procedures'.

Recommendation 2.2

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

Disclosure and Departure

The Company currently does not have a Board "skills matrix", but will develop one in the next year. Given the size and scope of the Company's operations, and its exploration and development stage, the Board considers that it is appropriately-structured, with a suitable mix of skills and expertise, relevant to the Company's current business. However, the Board is cognisant that, as the Company expands and develops its activities, the Board will be required to review and restructure its composition to meet the specific expertise and skill requirements to progress the Company to meet its objectives moving forward.

A profile of each Director containing their skills, experience, expertise and term of office is set out in the Directors' Report of this Annual Report, as well as on the Company's website under the section marked "Corporate".

The Board discusses on a regular basis the need to review and, when appropriate, alter the Board's composition and skill-set mix to enable the Company to progress it activities, and achieve its long-term goals.

Recommendation 2.3

A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.

Disclosure and Departure

The Board considers Directors Messrs Livesley and Mulroney to be independent.

The Board does not currently have a majority of Independent Directors for the following reasons:

Director	Reason for Non-Independent Classification
Amanda Ward	Represents a Substantial Shareholder on the Board following the 2010 coal tenement acquisition
Gavin May	Engaged as Managing Director of the Company from 23/05/11 - present

Independence is measured having regard to the relationships listed in this Statement and after considering the matters set out in the ASX Principles and Recommendations, and the Company's materiality thresholds. The Board has agreed on the guidelines for assessing the materiality of matters, as set out in the Company's Statement of Board and Management Functions available on the Company's website under the section marked "Corporate" – 'Policies, Charters and Procedures'), as follows:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net assets.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or will have an effect on operations that is likely to result in an increase or decrease in net income of more than 10%.

Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default and that the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in the cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

Statement concerning availability of independent professional advice

To assist Directors with independent judgement it is the Board's policy that if a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director then, provided the Director first obtains approval from the Chairman for incurring such an expense, the Company will pay the reasonable expenses associated with obtaining such advice.

The length of service of each Director is as follows:

Dates	Board Members	Independent/ Non-Independent
28/05/13 – current	Kym Livesley	Independent
05/11/10 – current	Michael Mulroney	Independent
12/11/10 – current	Amanda Ward	Non-Independent
23/05/11 – current	Gavin May	Non-Independent

Recommendation 2.4

A majority of the board of a listed entity should be independent directors.

Departure

A majority of the Board are not Independent Directors, as two of the members are independent and two are not independent.

Even though the majority of the Board is not independent, the Board considers that it acts in the best interests of the Company and its security holders. The Non-Executive Directors periodically confer without the Managing Director or other senior Executives being present.

Recommendation 2.5

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Disclosure

The Non-Executive Chairman of the Company, Mr Livesley, is an Independent Director and is not the CEO. He contributes to a culture of openness and constructive challenge that allows for a diversity of views to be considered by the Board.

Recommendation 2.6

A listed entity should have a programme for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Departure

An induction programme for new Directors of the Company is being considered but does not currently exist. Each Director of the Company has the right to seek independent professional advice at the expense of the Company, and the Company provides appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively. Prior approval of the Chairman is required, but this will not be unreasonably withheld.

Principle 3 – Act Ethically and Responsibly

A listed entity should act ethically and responsibly.

Recommendation 3.1

A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.

Disclosure

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders, and responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Code of Conduct applies to the Company's Directors, management and employees, and can be found on the Company's website under the section marked "Corporate" – 'Policies, Charters and Procedures'.

CORPORATE GOVERNANCE continued

Principle 4 – Safeguard Integrity in Corporate Reporting

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Recommendation 4.1

The board of a listed entity should: (a) have an audit committee, which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processing for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

Disclosure

The Company has an Audit and Risk Management Committee, which consists of three members, being Messrs Mulroney and Livesley, and Ms Ward, all of whom are Non-Executive Directors and a majority of whom are Independent Directors (i.e. Mr Mulroney, the Committee Chairman, who is not the chair of the Board, and Mr Livesley). The Board has adopted a formal charter, the Audit Committee Charter, which may be found on the Company's website under the section marked "Corporate" – 'Policies, Charters and Procedures'. Details of each of the members of the Audit and Risk Management Committee's relevant qualifications and experience are set out in the Directors' Report of the Annual Report, as well as on the Company's website under the section marked "Corporate". Each of the Directors is a qualified professional with significant corporate financial experience. The Audit and Risk Management Committee held two meetings during the Reporting Year. The table set out in the Directors' Report of this Annual Report under the heading "Directors' Meetings" shows the members' attendance at Audit and Risk Management Committee meetings.

The Board has discussed procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board and Audit and Risk Management Committee.

Recommendation 4.2

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Disclosure

Before it approves the Company's financial statements for a financial period, the Board receives from its Managing Director and CFO a declaration that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with appropriate accounting standards. The declaration also states that the financial records give a true and fair view of the financial position and performance of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control that is operating effectively.

Recommendation 4.3

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

Disclosure

The Company makes sure that its external auditor, Rothsay Chartered Accountants, is invited to and attends its Annual General Meeting (AGM) each year and is available to answer questions that are relevant to the audit. At the Company's last AGM held on 18 November 2013, a Partner and Manager from Rothsay Chartered Accountants attended and were available to answer questions.

Principle 5 – Make Timely and Balanced Disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Recommendation 5.1

A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.

Disclosure

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance, and they can be found under the section marked "Corporate" – 'Policies, Charters and Procedures' on the Company's website.

Principle 6 – Respect the Rights of Shareholders

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

Disclosure

The Company provides information about itself and its governance to investors via its website www.acaciacoal.com. The names, photographs and brief biographical information for each of the Company's Directors and senior executives can be found under the Corporate Overview section of the website. The Company has included on the Investor Relations section of its website links to copies of its ASX announcements, Financial Reports, Research Reports and Shareholder Information. It also provides information on the Company's projects, including its Competent Person Reports (JORC) and Bowen Basin Exploration Portfolio. A regularly updated Top 20 Shareholders list and Spread of Holdings can be monitored on the Investor Relations section of the website. Visitors can email or otherwise contact the Company by visiting the Contact Us section of the website where they can also view up-to-date share price and other ASX information via the link provided to its ASX profile as important company information becomes available to the market. The Contact Us section of the Company's website also holds shareholder services such as the Share Registry's contact details. The Company's contact details can also be found on the website. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's website under Research Reports in the Investor Relations section. Procedures have also been established for reviewing whether any material price-sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

Recommendation 6.2

A listed entity should design and implement an investor relations programme to facilitate effective two-way communication with investors.

Disclosure

The Company regularly consults with its investor relations consultant to seek advice and to obtain recommendations in the investor relations area. The Company's Arrangements Regarding Communication with and Participation of Shareholders is available on the Company's website at www.acaciacoal.com under the section marked "Corporate" – 'Policies, Charters and Procedures'. The Company has an Investor Distribution List, which is utilised to distribute announcements to shareholders and interested parties.

Recommendation 6.3

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

Disclosure

The Company has designed a communications policy for promoting effective communication with shareholders. Shareholders are encouraged to participate at general meetings. A summary of the Arrangements Regarding Communication with and Participation of Shareholders is available on the Company's website at www.acaciacoal.com under the section marked "Corporate" – 'Policies, Charters and Procedures'.

Recommendation 6.4

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Disclosure

Security holders can email or otherwise contact the Company by visiting the Contact Us section of the website where they can also find the Share Registry's electronic and other contact details. This is stipulated under the section marked "Corporate" – 'Policies, Charters and Procedures' on the Company's website.

Principle 7 – Recognise and Manage Risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation 7.1

The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

Disclosure

The Company's Board has an Audit and Risk Management Committee that oversees risk. The Committee has three members, a majority of whom are Independent Directors and is chaired by an Independent Director. The Board has disclosed the Charter of the Committee, which may be found on the Company's website at www.acaciacoal.com under the section marked "Corporate" – 'Policies, Charters and Procedures'. A summary of the Company's Risk Management Policy can also be found in this section. The members of the Committee are Messrs Mulroney and Livesley, and Ms Ward. The Committee held two meetings during the Reporting Year. The table set out in the Directors' Report of this Annual Report under the heading "Directors' Meetings" shows the members' attendance at Committee meetings.

CORPORATE GOVERNANCE continued

Company and business risk factors, as well as safety, environment and project risks are normally agenda items at Board meetings, and the Managing Director reports to the Board on Company risk factors, and internal controls and the Company's insurance programme are periodically reviewed.

The Board has adopted a risk management policy as part of the Audit Committee Charter, which can be found on the Company's website under the section marked "Corporate" – 'Policies, Charters and Procedures'. Under the policy, the Board, and Audit and Risk Management Committee are responsible for risk management and oversight of internal controls. The Directors delegate the day-to-day management of risk to the Managing Director. The Board regularly considers the Company's material business risks as identified by management and consultants, and risk management strategies for those risks, at its Board Meetings. In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board is required to approve any expenditure outside the normal course of business prior to commitment or expenditure;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's Continuous Disclosure obligations; and
- the Board has adopted a Corporate Governance Manual, which contains other policies to assist the Company to establish and maintain its governance practices.

The Company has managed its material business risks, as described above, and the Company's business activities are regularly reviewed in relation to the risk categories referred to below. The Company will further review, formalise and document the management of its material business risks as it completes its final feasibility study on the Comet Ridge Project in the period prior to 30 June 2015. This will include the update of the risk register by management to identify the Company's material business risks and risk management strategies for these risks. In addition, the process of managing material business risks will be allocated to members of senior management. The risk register will be reviewed quarterly and updated, as required.

The categories of risk reported on, or referred to as part of the Company's systems and processes for managing material business risk, include: exploration and evaluation; general economic and business climate; commodity price; exchange rate and financial; environmental; title (including native title); political; risks attached to new business acquisitions and ongoing funding.

Recommendation 7.2

The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.

Disclosure

The Board, and the Audit and Risk Management Committee, review the Company's risk management framework at least annually to satisfy itself that it continues to be sound, and such a review was carried out four times in the past financial year. The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Furthermore, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

Recommendation 7.3

A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

Disclosure and Departure

The Company does not have an internal audit function disclose. The processes the Company employs for evaluating and continually improving the effectiveness of its risk management and internal control processes include the fact that the Company's Chairman reviews and approves the Managing Director's expense claims. It is proposed that a member of the Audit and Risk Management Committee periodically review the Company's controls and spot-checks that the necessary procedures have been followed.

Recommendation 7.4

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

Disclosure

The Company discloses its material exposure to economic, environmental and social sustainability risks, and how it manages those risks in ASX announcements and in its Annual Report.

Principle 8 – Remunerate Fairly and Responsibly

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

Recommendation 8.1

The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Departure

The Company has not established a separate Remuneration Committee because the Remuneration and Nomination Committee also considers Board nomination matters. Given the current size and composition of the Company, the Board is unable to meet the requirement that a separate Remuneration Committee is established consisting of a majority of Independent Directors, but the Committee is chaired by an independent Chair. The Board believes that there would be no efficiencies gained by establishing separate Remuneration and Nomination Committees, and accordingly, the Remuneration and Nomination Committee functions have been amalgamated. To assist the Board to fulfil its function as the Remuneration and Nomination Committee, it has adopted both Remuneration and Nomination Committee Charters, which are available on the Company's website under the section marked "Corporate" – 'Policies, Charters and Procedures'. The Board deals with any conflicts of interest that may occur when acting in the capacity of the Remuneration and Nomination Committee by ensuring that the Director with conflicting interests is not party to the relevant discussions. The processes the Company employs for setting the level and composition of remuneration for Directors and senior executives, and ensuring that such remuneration is appropriate and not excessive are disclosed in the Remuneration Report in the Company's Annual Report. The Remuneration and Nomination Committee, held one meeting during the Reporting Period. The table set out in the Directors' Report of this Annual Report under the heading Directors' Meetings shows the attendance at the Remuneration and Nomination Committee meeting.

Recommendation 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Disclosure

Non-Executive Directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for Non-Executive Directors is not linked to individual performance. From time-to-time the Company may grant options to Non-Executive Directors. The grant of options is designed to recognise and reward efforts, as well as to provide Non-Executive Directors with additional incentive to continue those efforts for the benefit of the Company.

Remuneration and bonuses for Executive Directors and Senior Executives consist of a base salary, and may consist of performance incentives. Long-term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. Executives are offered competitive base salaries at market rates, which are reviewed annually to ensure market competitiveness.

Recommendation 8.3

A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.

Disclosure

The Company has an equity-based remuneration scheme and has a policy that participants are not permitted to enter into transactions (whether through the use of derivatives or otherwise) that limit the economic risk of participating in the scheme.

There are no termination or retirement benefits for Non-Executive Directors (other than for superannuation).

The Company's Policy for the Trading in Company Securities, which is available on the Company's website under the section marked "Corporate" – 'Policy for the Trading in Company Securities', includes a statement of the Company's policy on prohibited transactions.

DIRECTORS' REPORT

Your Directors present their report on Acacia Coal Limited (the Company) and Controlled Entities (collectively the Group Entity) for the financial year ended 30 June 2014.

DIRECTORS

The following were Directors of Acacia Coal Limited at any time during the reporting period and unless otherwise indicated, were Directors for the entire period:

Mr Kym Livesley	Non-Executive Chairman	Appointed 28 May 2013
Mr Gavin May	Managing Director	Appointed 23 May 2011
Mr Michael Mulroney	Non-Executive Director	Appointed 5 November 2010
Ms Amanda Ward	Non-Executive Director	Appointed 12 November 2010

PRINCIPAL ACTIVITIES

The principal activities of the Group Entity during the course of the financial year was the exploration and project development of coal tenements in the Bowen Basin, Queensland.

RESULTS

The consolidated loss of the Group for the financial year was $6,163,382 (2013: loss $687,414) primarily due to the write-off of capitalised exploration.

DIVIDEND

No dividends have been paid by the Company during the financial year ended 30 June 2014, nor have the Directors recommended that any dividends be paid.

REVIEW OF OPERATIONS

A detailed Review of Operations can be found commencing on page 2.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year the Company continued its exploration and other work on the process of establishing a mining operation at its Comet Ridges coal tenements in Queensland.

EVENTS SUBSEQUENT TO BALANCE DATE

No other matters or circumstances, not otherwise dealt with in the financial statements, have arisen since the end of the financial year and to the date of this report which significantly affected or may significantly affect the operations of the Group Entity, the results of the Group Entity, or the state of affairs of the Group Entity in the financial years subsequent to the financial year ended 30 June 2014, other than the announcement by Bandanna Energy Limited on 22 September 2014 that its Board has placed the Bandanna Group in Voluntary Administration. Bandanna Energy Limited's proposed Triumph Creek Train Loading Facility is to be utilised by the Company for the Comet Ridge Project. The implications of the Voluntary Administration are unknown at this stage and the Company will monitor the situation closely.

LIKELY DEVELOPMENTS

The Company is a coal explorer and hopefully developer of economic coal assets in Queensland. Further exploration and resource development studies might lead to the commencement of coal mining for commercial purposes.

ENVIRONMENTAL REGULATION

The Company's operations and projects will be subject to State and Federal laws and regulation regarding environmental hazards. These laws and regulations set various standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to remediate current and former facilities and locations where operations are or were conducted. Significant liability could be imposed on the Company for damages, clean-up costs, or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of property acquired by the Company or its subsidiaries, or non-compliance with environmental laws or regulations. The Company proposes to minimise these risks by conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations and where possible, by carrying appropriate insurance coverage.

PARTICULARS OF DIRECTORS AND COMPANY SECRETARY

DIRECTORS

Kym Livesley LLB	—	Independent – Non-Executive Chairman
Appointed to the Board	—	28 May 2013 (appointed as Chairman on 1 June 2013)
Experience	—	Mr Livesley has over 30 years of experience as a corporate lawyer and joined Gadens Lawyers as a partner in 2002 where he is currently the Global Head of the firm's Energy and Resources group. He has worked in various states of Australia as well as South-East Asia (particularly Indonesia, Malaysia, Singapore and Hong Kong) and has been involved in projects for clients throughout South-East Asia, Japan, China and Europe. Mr Livesley's practice, while corporate in nature, has a strong emphasis in the energy and resources, and industrial sectors. His areas of expertise are: mergers and acquisitions; corporate /

		commercial advice; capital raisings, IPOs, listing on foreign stock exchanges, directors duties and corporate governance; takeovers; major projects; advising on risk management, regulatory compliance, environmental issues, and implementation; and native title, aboriginal land rights and cultural heritage issues. Mr Livesley is considered to be an Independent Director, although in the past Gadens Lawyers, a firm in which he is a partner, has performed legal work for the Company.
Interest in Shares and Options [1]	—	1,000,000 Ordinary Shares.
Directorships held in other listed entities	—	Nil
Gavin May	—	Managing Director
BSc (Geology), GAICD		
Appointed to the Board	—	23 May 2011
Experience	—	Mr May is a coal executive with over 30 years experience in the Australian and international coal industry. He was formerly CEO of ASX listed Gloucester Coal Ltd, a Director of Noble Resources Australia Limited and COO of Toronto and Hong Kong dual listed South Gobi Resources Limited.
Interest in Shares and Options [1]	—	13,000,000 Ordinary Shares. 16,000,000 Unlisted Options with an exercise price of $0.02 and an expiry date of 5 December 2018.
Directorships held in other listed entities	—	Nil
Michael Mulroney	—	Independent – Non-Executive Director
B App Sc (Geol), MBA, MAusIMM		
Appointed to the Board	—	5 November 2010
	—	Mr Mulroney has over 30 years experience in the natural resources and finance sectors. He spent 12 years as a geologist and mining company executive in a broad range of commodities throughout Australia and South East Asia, and over 11 years with investment bank NM Rothschild & Sons (Australia) Limited. Mr Mulroney is Managing Director of Venurex Resources Limited and has held senior roles in resource banking and investment banking with extensive experience in project finance and mergers and acquisitions in the global resources sector. Mr Mulroney previously held executive and non-executive positions on two ASX-listed mining companies. Mr Mulroney was formerly Executive Director, Argonaut Capital Limited, Head of Funds Management with Argonaut Limited, and Investment Director of AFM Perseus Fund Limited. Mr Mulroney is considered to be an Independent Director, although he performed the duties of Acting Chief Executive Officer during periods where the Company did not have a Managing Director.
Interest in Shares and Options [1]	—	1,126,641 Ordinary Shares and 2,000,000 Unlisted Options with an exercise price of $0.05 and an expiry date of 17 October 2014.
Directorships held in other listed entities	—	Venturex Resources Limited (from June 2008 to October 2011 and then Managing Director from 27 February 2012)
Amanda Ward	—	Non-Independent – Non-Executive Director
CPA JP		
Appointed to the Board	—	12 November 2010
Experience	—	Ms Ward has a Bachelor of Business (Accountancy) degree from Royal Melbourne Institute of Technology. She is a qualified Certified Practising Accountant (CPA) with more than 13 years experience in finance and accounting, with a strong focus in the mining industry. Ms Ward is the director and principal of her own accounting practice in Sydney specialising in all areas that are unique to a diverse range of businesses. She also acts as CFO for a group of privately owned companies focused in the coal mining industry in Queensland. Ms Ward is not considered to be an Independent Director as she is a Substantial Shareholder's representative.
Interest in Shares and Options [1]	—	Nil
Directorships held in other listed entities	—	Nil

COMPANY SECRETARY

Robert Waring

BEc, CA, FCIS, FFin, FAICD, MAusIMM

Appointed	—	26 September 2011
Experience	—	Mr Waring has over 40 years experience in financial and corporate roles, including 24 years in company secretarial roles for ASX-listed companies and 19 years as a Director of ASX-listed companies. He is a Director of Oakhill Hamilton Pty Ltd, which provides secretarial and corporate advisory services to a range of listed and unlisted companies. Mr Waring has significant coal industry experience, having served as Company Secretary for Gloucester Coal Ltd for six years.

Note: [1] Interest in Shares and Options refers to the relevant interest of each Director in the shares or options over shares issued by the companies within the Group Entity and other related body corporate as notified by the Directors to the Australian Securities Exchange in accordance with Section 205G (1) of the Corporations Act 2001, as at the date of this report.

DIRECTORS' REPORT

DIRECTORS' MEETINGS

The following table sets out the numbers of meetings of the Company's Directors held during the year ended 30 June 2014, and the number of meetings attended by each Director.

During the year there were eight Board Meetings, one Nomination and Remuneration Committee Meeting, and two Audit Committee Meetings.

The number of meetings attended by each Director during the year is as follows:

	Board		Nomination and Remuneration		Audit and Risk	
Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Kym Livesley	6	6	1	1	2	2
Gavin May	6	6	1	1	*	*
Michael Mulroney	6	6	1	1	2	2
Amanda Ward	6	5	1	1	2	2

* Mr May is not a member of the Audit Committee

REMUNERATION REPORT

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

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements and Employment Contracts of Directors and Key Management Personnel
D Share-based payments
E Performance income as a proportion of total remuneration
F Payments to persons before taking office

A. Principles used to determine the nature and amount of remuneration

Remuneration of all Executive and Non-Executive Directors and Officers of the Company is determined by the Board as a whole following a recommendation of the separate Remuneration Committee, which operates in line with the approved Charter.

Executives

The Company's objective is to ensure that it remunerates its Executive Director and Senior Executives in a manner that is market-competitive and reasonable, consistent with best practice delivery of reward and supports the interests of the shareholders. The Company seeks to link Executive rewards with achievement of corporate strategic objectives and individual responsibility.

Non-Executive Directors

Remuneration for Non-Executive Directors is based on a fixed fee basis for standard services in recognition of the commitment of time and responsibility for the position. Fees are consistent with industry standards and are reviewed annually. The Chairman's fees are determined independently to the fees of Non-Executive Directors based on comparative roles in the external market. The Chairman should not be present at any discussions relating to determination of his own remuneration.

Non-Executive Directors do not receive performance based bonuses or termination/retirement benefits (other than statutory superannuation). From time to time, the Board may issue Non-Executive Directors with equity as part of a cost effective market-competitive remuneration designed to attract and retain quality Directors. Prior Shareholder approval is required for Non-Executive Directors to participate in any issue of equity.

Director's Consulting or Related Party Fees

Director's consulting fees or related party fees are determined by the Board as a whole. These payments are for services that fall outside the normal parameters of the specific Director engagement.

B. Details of Remuneration (Audited)

	2014 $	2013 $
Directors' income (see also Note 18) Total income received, or due and receivable, by Directors of Acacia Coal Limited from the Company and any related body corporate in connection with the management of the Company and any related body corporate.	**584,465**	827,420

Details of remuneration of the Directors and Key Management Personnel, and specified Executives of Acacia Coal Limited are set out in the following tables.

Remuneration packages contain the following elements:

a) Short-term employee benefits - cash salary/fees, related parties' fees, cash bonus and non-monetary benefits;

b) Post-employment benefits - including superannuation and termination; and

c) Share-based payments - shares and options granted

			Short Term Employee Benefits				Post-Employment Benefits		Share Based Payments				
	Year	Note	Cash Salary & Fees $	Related Parties Fees $	Cash Bonus $	Non-Monetary Benefits $	Super-annuation $	Termin-ation $	Shares $	Options $	Total $	Proportion of Remuneration Performance Related %	Value of Options as Proportion of Remuneration %
Executive Directors													
G May	2014	2,3,4	354,592	-	32,988	-	17,960	-	-	27,394	432,934	7.6	6.3
	2013	2,3,4	349,459	-	60,206	-	16,470	-	-	273,983	700,118	8.6	39.1
Non-Executive Directors													
K Livesley	2014	2,6	60,000	-	-	-	-	-	-	-	60,000	-	-
	2013	2,6	5,000	-	-	-	-	-	-	-	5,000	-	-
M Mulroney	2014	2,3	51,531	-	-	-	-	-	-	-	51,531	-	-
	2013	2,3	32,302	-	-	-	-	-	-	-	32,302	-	-
A Ward	2014	2,4	40,000	-	-	-	-	-	-	-	40,000	-	-
	2013	2,4	40,000	-	-	-	-	-	-	-	40,000	-	-
T Sugden	2014	1	-	-	-	-	-	-	-	-	-	-	-
	2013	1,2	50,000	-	-	-	-	-	-	-	50,000	-	-
Total	**2014**		**506,123**	**-**	**32,988**	**-**	**17,960**	**-**	**-**	**27,394**	**584,465**	**5.6**	**4.7**
	2012		476,761	-	60,206	-	16,470	-	-	273,983	827,420	7.3	33.1
Key Management Personnel													
G Colliss	2014	3,5	279,725	-	28,815	-	17,960	-	-	20,546	347,046	8.3	5.9
	2013	5	273,529	-	30,800	-	16,470	-	-	64,995	385,794	8.0	16.8
R Waring	2014	5	102,530	-	-	-	-	-	-	13,697	116,227	-	11.8
	2013	5	80,890	-	-	-	-	-	-	-	80,890	-	-
Total	**2014**		**382,255**		**28,815**	**-**	**17,960**	**-**	**-**	**34,243**	**463,273**	**6.2**	**7.4**
	2013		354,419	-	30,800	-	16,470	-	-	64,995	466,684	6.6	13.9

Note:

1. Resigned during year ended 30 June 2013.
2. Director of Acacia Coal Limited
3. Director of subsidiary
4. Appointed during year ended 30 June 2011
5. Appointed during year ended 30 June 2012
6. Appointed during year ended 30 June 2013

C. Service Agreements and Employment Contracts of Directors and Key Management Personnel

The Chairman and Non-Executive Directors are appointed on an open term basis with annual fixed fees of $60,000 per annum for the Chairman and for Non-Executive Directors $40,000 per annum per Director, reviewed annually. There is no entitlement for termination or retirement benefits (other than for superannuation).

The following Director and Key Management Personnel were under contract at 30 June 2014.

Name	Term of Contract	Period of Operation	Notice Period by Either Party	Termination Benefit
Gavin May	Rolling Contract	From 21/05/14	- Company may elect to make payment in lieu of notice - No notice requirements for termination by Company for cause - 3 months notice by Executive	- An amount equal to 12 months base salary if termination by Company if position becomes redundant or is no longer required, together with accrued unpaid benefits. - Nil (other than for accrued entitlements) in the case of termination by Company for cause.
Graham Colliss	Fixed Contract (3 years)	01/10/11 – 30/9/14	- Company may elect to make payment in lieu of notice - No notice requirements for termination by Company for cause - 3 months notice by Executive	- An amount equal to 12 months base salary if termination by Company if position becomes redundant or is no longer required, together with accrued unpaid benefits. - Nil (other than for accrued entitlements) in the case of termination by Company for cause.
Robert Waring	Engagement Letter	26/09/11 – ongoing	- 1 month notice on either side	- Monthly fee – no other entitlements.

DIRECTORS' REPORT

D. Share-based payments

This section only refers to those shares and options issued as part of remuneration. As a result they may not indicate all shares and options held by a Director or other Key Management Personnel.

Shares

No shares in the Company were issued to Directors or Other Key Management Personnel as part of remuneration during the 2014 or 2013 financial years.

Options

The following table discloses the value of options granted, exercised, sold or lapsed during the 2014 financial year.

	Options Granted Value at Grant Date $	Options Exercised Value at Exercise Price $	Options Lapsed Value at time of Lapse $	Value of Options yet to be Expensed $	Value of Options included in remuneration for the year $	Percentage of Total Remuneration for the Year that Consisted of Options %
Directors						
G May	144,000	-	-	116,606	27,394	6.3
M Mulroney	-	-	-	-	-	-
A Ward	-	-	-	-	-	-
Key Management Personnel						
G Colliss	108,000	-	-	87,454	20,546	5.9
R Waring	72,000			58,303	13,697	
Total:	324,000	-	-	262,363	61,637	

The following table discloses the value of options granted, exercised, sold or lapsed during the 2013 financial year:

	Options Granted Value at Grant Date $	Options Exercised Value at Exercise Price $	Options Lapsed Value at time of Lapse $	Value of Options yet to be Expensed $	Value of Options included in remuneration for the year $	Percentage of Total Remuneration for the Year that Consisted of Options %
Directors						
G May	1,097,618	-	-	-	273,983	39.1
M Mulroney	164,539	-	-	-	-	-
A Ward	164,539	-	-	-	-	-
Key Management Personnel						
L Carpene	164,539	-	-	-	-	-
G Colliss	125,552	-	-	14,760	64,995	16.8
Total:	1,716,787	-	-	14,760	338,978	

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

The following table discloses the movement in Directors and Key Management Personnel Options during the 2014 financial year.

	Balance 01 Jul 13 *No.*	Granted *No.*	Options Exercised *No.*	Options Lapsed *No.*	Held at Resignation *No.*	Balance 30 Jun 14 *No.*	Vested during year *No.*	Vested and exercisable at 30 Jun 14 *No.*	Not Vested at 30 June 14 *No.*
G May (A) (F)	20,000,000	16,000,000	-	20,000,000	-	16,000,000	-	-	16,000,000
M Mulroney (B)	3,000,000	-	-	-	-	3,000,000	-	3,000,000	-
A Ward (C)	3,000,000	-	-	-	-	3,000,000	-	3,000,000	-
L Carpene (D)	3,000,000	-	-	-	-	3,000,000	-	3,000,000	-
G Colliss (E) (F)	5,000,000	12,000,000	-	5,000,000	-	12,000,000	-	-	12,000,000
R Waring (F)	-	8,000,000	-	-	-	8,000,000	-	-	8,000,000
	34,000,000	36,000,000	-	25,000,000	-	45,000,000	-	9,000,000	36,000,000

Details of the Options

Grantee and Date		Date Vested and exercisable	Expiry Date	Exercise Price	Value of options at grant date $	No. of Options issued
B,C,D	11/07/2011	11/08/2011	11/08/2014	$0.155	493,617	9,000,000
A	11/07/2011	23/05/2012	11/08/2014	$0.155	548,809	10,000,000
A	11/07/2011	23/05/2013	11/08/2014	$0.210	274,826	10,000,000
E	04/12/2011	05/12/2013	11/08/2014	$0.155	60,557	5,000,000
F	31/12/2013	31/12/2016	31/12/2018	$0.020	324,000	36,000,000

The following table discloses the movement in Directors and Key Management Personnel Options during the 2013 financial year.

	Balance 01 Jul 12	Granted as Remuneration	Options Exercised	Options Lapsed	Held at Resignation	Balance 30 Jun 13	Vested during year	Vested and exercisable at 30 Jun 13	Not Vested at 30 June 13
	No.	***No.***	***No.***	***No.***	***No.***	***No.***	***No.***	***No.***	***No.***
G May (A)	20,000,000	-	-	-	-	20,000,000	10,000,000	10,000,000	10,000,000
M Mulroney (B)	3,000,000	-	-	-	-	3,000,000	-	3,000,000	-
A Ward (C)	3,000,000	-	-	-	-	3,000,000	-	3,000,000	-
L Carpene (D)	3,000,000	-	-	-	-	3,000,000	-	3,000,000	-
G Colliss (E)	5,000,000	-	-	-	-	5,000,000	2,500,000	2,500,000	12,500,000
Total:	34,000,000	-	-	-	-	34,000,000	12,500,000	21,500,000	12,500,000

Details of the Options

Grantee and Date		Date Vested and exercisable	Expiry Date	Exercise Price	Value of options at grant date $	No. of Options issued
B,C,D	11/07/2011	11/08/2011	11/08/2014	$0.155	493,617	9,000,000
A	11/07/2011	23/05/2012	11/08/2014	$0.155	548,809	10,000,000
A	11/07/2011	23/05/2013	11/08/2014	$0.210	274,826	10,000,000
E	04/12/2011	05/12/2013	11/08/2014	$0.155	60,557	5,000,000

The unlisted options were granted for no consideration as an incentive bonus. The options carry no dividend or voting rights. When exercised, each option is convertible into one ordinary share. The options granted are not subject to any performance conditions. No options were exercised during the year.

During the year, 16,000,000 options (2013: nil) were granted to Directors, as set out above. During the year, no options (2013: nil) granted to Key Management Personnel lapsed on cessation of employment.

No options were exercised during the year and no shares have been issued from the exercise of options since year end to the date of this report. No person entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of any other body corporate. The names of all holders of options are entered into the Company's register.

E. Performance income as a proportion of total remuneration

Performance based remuneration paid during the 2014 and 2013 years as cash bonuses, based on pre-determined milestones determined by the Remuneration Committee, are set out above.

F. Payments to persons before taking office (Audited)

Mr Mulroney was engaged as the Acting Chief Executive Officer during the period 12 August 2010 to 5 November 2011. He was appointed as a Non-Executive Director on 5 November 2011. During this period Argonaut Capital Limited received $nil (2013: $nil) for the services of Mr Mulroney. On 18 October 2010, Mr Mulroney was granted 2,000,000 options over ordinary shares, with an exercise price of $0.05 and an expiry date of 17 October 2014.

DIRECTORS' INDEMNITIES

The Company provides Directors and Officers Insurance to cover legal liability and expenses for the Directors and Officers performing work on behalf of the Company and Group Entities.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

The relevant interest of each Director in the shares and options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary Shares	Options over ordinary Shares
Directors		
K Livesley	1,000,000	-
M Mulroney	1,126,641	5,000,000
A Ward	-	3,000,000
G May	13,000,000	16,000,000
Key Management Personnel		
G Colliss	1,000,000	12,000,000
R Waring	6,400,000	8,000,000
Total:	22,526,641	44,000,000

SHARE OPTIONS

During or since the end of the financial year, the Company did not grant any options over unissued ordinary shares in the Company to any Directors or Key Management Personnel:

Director	Grant Date	Vesting Date	Number Granted	Exercise Price	Expiry Date
M Mulroney	11 Jul 2011	11 Aug 2011	3,000,000	$0.155	11 Aug 2014
A Ward	11 Jul 2011	11 Aug 2011	3,000,000	$0.155	11Aug 2014
G May	11 Jul 2011	23 May 2012	* 10,000,000	$0.155	11 Aug 2014
G May	11 Jul 2011	23 May 2013	* 10,000,000	$0.210	11 Aug 2014
G May	6 Dec 2016	6 Dec 2018	16,000,000	$0.02	5 Dec 2018
Key Management Personnel					
L Carpene	11 Jul 2011	11 Aug 2011	3,000,000	$0.155	11 Aug 2014
G Colliss	4 Dec 2011	5 Dec 2012	* 2,500,000	$0.155	11 Aug 2014
G Colliss	4 Dec 2011	5 Dec 2013	* 2,500,000	$0.155	11 Aug 2014
G Colliss	6 Dec 2013	6 Dec 2016	12,000,000	$0.02	5 Dec 2018
R Waring	6 Dec 2013	6 Dec 2016	8,000,000	$0.02	5 Dec 2018

***** Options held by G May (20,000,000) and G Colliss (5,000,000) were cancelled on 23 September 2013.

UNISSUED SHARES UNDER OPTIONS

The unissued shares under options are disclosed in Note 15.

SHARES ISSUED ON EXERCISE OF OPTIONS

No shares have been issued as a result of exercise of options for the financial years ended 2014 or 2013.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

NON-AUDIT SERVICES

During the year, Rothsay Chartered Accountants, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the Auditor is compatible with and did not compromise the auditor's independence requirements of the Corporations Act 2001. The non-audit services provided by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Board and the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including acting in a management or a decision-making capacity for the Company or acting as advocate for the Company.

Auditor's Remuneration

The following amounts were paid or payable to the auditor:

	2014 **$**	2013 $
Audit Services		
Rothsay - Audit and review of financial reports	**26,000**	38,500
Total fees for audit services	**26,000**	38,500
Non–Audit Services		
Rothsay - Taxation services	**-**	-
Total fees for non-audit services	**-**	-
Total remuneration of auditors	**26,000**	38,500

Signed in Sydney on 29th day of September 2014 in accordance with the resolution of the Directors.

GAVIN MAY
Managing Director

AUDIT INDEPENDENCE REPORT

ROTHSAY

Level 1, 12 O'Connell Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001
Phone 8815 5400 Facsimile 8815 5401 E-mail swan2000@bigpond.com

The Directors
Acacia Coal Limited
PO Box 758
Chatswood NSW 2057

Dear Directors

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2014 financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the review.

Graham Swan (Lead auditor)

Rothsay Chartered Accountants

Dated 29 September 2014

Chartered Accountants

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2014

	Note	Consolidated 2014 $	2013 $
Revenue from continuing operations			
Revenue from continuing operations	4	**149,676**	284,051
Research and Development tax cashback		**338,160**	39,800
		487,836	323,851
Expenses			
Secretarial and administration fees		**(102,910)**	(80,890)
Legal fees (expense) write back		**-**	12,000
Directors fees		**(151,531)**	(157,302)
Travel, accommodation and entertainment		**(13,927)**	(28,254)
Consulting fees		**(32,659)**	(16,000)
Computing costs		**(16,953)**	(23,767)
Audit and taxation fees		**(74,733)**	(38,500)
Employee costs		**(115,310)**	(100,172)
Insurance (expense) write back		**(40,291)**	(31,910)
Foreign exchange gains (losses)		**758**	684
Depreciation	9	**(20,356)**	(23,288)
Employee/other share based payments	18	**(75,334)**	(338,978)
Write-off capitalised exploration costs		**(6,318,378)**	-
Other expenses from ordinary activities		**310,407**	(184,888)
		(6,651,218)	(1,011,265)
Profit (loss) from continuing operations before income tax expense	10	**(6,163,382)**	(687,414)
Income tax expense	5	**-**	-
Profit (Loss) from continuing operations before other income		**(6,163,382)**	(687,414)
Other comprehensive income		**-**	-
Gains arising from translating financial statements of foreign operations		**-**	-
Total comprehensive income		**(6,163,382)**	(687,414)
Earnings per share for profit (loss) from continuing operations attributable to the ordinary equity holders of the Company			
Basic earnings per share	22	**(0.682c)**	(0.076c)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION for the year ended 30 June 2014

		Consolidated	
		2014	2013
	Note	**$**	$
ASSETS			
Current Assets			
Cash and cash equivalents	6	**3,627,522**	5,406,420
Trade and other receivables	7	**83,238**	90,092
Other current assets	8	**32,106**	37,399
Total Current Assets		**3,742,866**	5,533,911
Non-Current Assets			
Plant and equipment	9	**68,392**	88,077
Available-for-sale financial assets	11	**15,637**	15,637
Capitalised exploration and evaluation	12	**8,489,935**	13,020,496
Total Non-Current Assets		**8,573,964**	13,124,210
Total Assets		**12,316,830**	18,658,121
LIABILITIES			
Current Liabilities			
Trade and other payables	13	**325,795**	603,717
Employee benefits	14	**73,040**	48,361
Total Current Liabilities		**398,835**	652,078
Total Liabilities		**398,835**	652,078
Net Assets		**11,917,995**	18,006,043
Equity			
Contributed equity	15	**38,492,606**	38,492,606
Reserves	16	**2,822,378**	2,747,044
Accumulated profits (losses)	16	**(29,396,989)**	(23,233,607)
Total Equity		**11,917,995**	18,006,043

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

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2014

	Note	Contributed equity $	Share based compensation $	Performance Shares $	Retained earnings $	Total equity $
Balance at 30 June 2012		38,503,541	1,755,288	652,778	(22,546,193)	18,365,414
Issue of securities	15	-	-	-	-	-
Security issue costs	15	(10,935)	-	-	-	(10,935)
Issue of options	16	-	338,978	-	-	338,978
Performance shares	16	-	-	-	-	-
Total comprehensive income		-	-	-	(687,414)	(687,414)
Balance at 30 June 2013		38,492,606	2,094,266	652,778	(23,233,607)	18,006,043
Issue of securities	15	-	-	-	-	-
Security issue costs	15	-	-	-	-	-
Issue of options	16	-	75,334	-	-	75,334
Performance shares	16	-	-	-	-	-
Total comprehensive income		-	-	-	(6,163,382)	(6,163,382)
Balance at 30 June 2014		38,492,606	2,169,600	652,778	(29,396,989)	11,917,995

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

STATEMENT OF CASH FLOWS for the year ended 30 June 2014

		Consolidated	
		2014	2013
	Note	$	$
Cash Flows from Operating Activities			
Interest received		**149,676**	284,051
R&D Tax Concession		**338,160**	39,800
Payments to suppliers and contractors (inclusive of goods and services tax)		**(472,348)**	(995,023)
Net cash (outflow) from operating activities	19	**15,488**	(671,172)
Cash Flows from Investing Activities			
Payment of rental guarantee	7	**(6,698)**	-
Acquisition of plant and equipment	9	**(671)**	(737)
Payments for exploration and evaluation	12	**(1,787,817)**	(2,249,107)
Refund/(payment) of security deposits		**800**	-
Net cash (outflow) from investing activities		**(1,794,386)**	(2,249,844)
Cash Flows from Financing Activities			
Net proceeds from issue of shares	15	**-**	(10,935)
Net cash inflow from financing activities		**-**	(10,935)
Net Increase (decrease) in Cash and Cash Equivalents		**(1,778,898)**	(2,931,951)
Cash and cash equivalents at the beginning of the financial year		**5,406,420**	8,338,371
Effects of exchange rate changes on cash and cash equivalents		**-**	-
Cash and cash equivalents at the end of the financial year	6	**3,627,522**	5,406,420

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

1. REPORTING ENTITY

Acacia Coal Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office is Suite 1902, Level 19, Tower A, The Zenith, 821 Pacific Highway, Chatswood, New South Wales, 2067. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiary (together referred to as the "Group" and individually as "Group Entities"). The Group is primarily involved in the resources sector.

2. BASIS OF PREPARATION

Statement of Compliance

The consolidated financial statements are general purpose financial statements, which have been prepared in accordance with Australian Accounting Standards (AASs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRSs) adopted by the International Financial Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 29 September 2014.

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

– *Available-for-sale financial assets are measured at fair value; and*
– *Financial instruments at fair value through profit or loss are measured at fair value.*

Functional and Presentation Currency

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

Use of Estimates and Judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements, assumptions and estimation in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are disclosed below:

– *Note 5: Recoverability of Deferred Tax Assets*

Deferred tax assets are not recognised for deductible temporary differences as the Board consider that it is not probable that the Group will be able to utilise these temporary differences until the Group becomes profitable.

– *Note 5: Utilisation of Tax Losses*

A company cannot carry forward losses unless it satisfies either the "continuity of ownership" test (ITAA97 s 165-12) or the "same business" test (ITAA97 s 165-13) as described in the Income Tax Assessment Act 1997. It is assumed going forward the Group will continue to satisfy these conditions.

– *Note 9: Plant and Equipment*

The estimation of the useful lives of assets has been based on Taxation Ruling TR 2010/2 and historical experience. The condition of the assets is assessed at year-end and considered against the remaining life. Details of the useful lives of plant and equipment are set out in Note: 3d.

– *Note 11: Impairment of available for sale investments*

The available for sale investments have been subjected to impairment in accordance with accounting standards and current market conditions, particularly those investments that are not listed on recognised stock exchanges. Impaired investments are expected to continue to mature and, where applicable, the impairment losses will be written back.

– *Note 12: Capitalisation of Exploration and Evaluation Expenditure*

The Group has capitalised significant exploration and evaluation expenditure on the basis that capitalised expenditure is expected to be recouped through future successful development (or alternatively sale) of the Areas of Interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

– *Note 12: Impairment of Capitalised Exploration and Evaluation Expenditure*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

As at 30 June 2014, the carrying value of exploration expenditure was $8,489,935 (2013: $13,020,496).

– *Note 15: Performance Shares*

The Group measures the cost of performance shares with external parties by reference to the fair value of the options at the date at which they are granted. The fair value at grant date is determined using the Black-Scholes option pricing model which takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, expected volatility of the underlying share, and the risk free interest rate for the term of the option. The Board has made further assumptions in regards to whether the criteria to meet the milestones are likely to be achieved. Further details are disclosed in Note 15.

– *Note 24: Contingent liabilities*

The Group measures contingent liabilities by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The Board has made further assumptions in regards to whether the criteria to meet the milestones are likely to be achieved. Further details are disclosed in Notes 12 and 24.

– *Note 27: Share Based Payments*

The Group measures the cost of equity-settled transactions with Directors, Key Management Personnel and service providers by reference to the fair value of the options at the date at which they are granted. The fair value at grant date is determined using the Black-Scholes option pricing model which takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, expected volatility of the underlying share, and the risk free interest rate for the term of the option.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group Entities, unless otherwise stated.

a. Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

Transactions eliminated on consolidation

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

b. Foreign Currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group Entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars using average exchange rates for the reporting period.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

c. Financial Instruments

i. Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset of liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit and loss if it is classified as held for trading or is designated as such upon initial recognition.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and, trade and other receivables.

Held-to-maturity investments

Held-to-maturity investments are non-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. Held-to-maturity investments are included in non-current assets, except for those with maturities less than twelve months from the reporting date, which are classified as current assets.

Held-to maturity investments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets 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 twelve months of the balance sheet date.

Purchases and sales of available-for-sale financial assets are recognised on trade date, the date on which the Company commits to purchase or sell the asset. External investments are initially recognised at fair value plus transaction costs for all financial assets. Other financial assets are initially recognised at fair value and transaction costs are expensed to the profit and loss. 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 profit and loss as Cost of investment sold.

Available-for-sale financial assets are subsequently carried at fair value. The fair values of quoted investments are based on last trade prices. If the market for financial assets is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques.

Available-for-sale financial assets comprise equity securities.

ii. Non-derivative financial liabilities

The Group initially recognises financial liabilities on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise borrowings, and trade and other payables.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

iii. *Share capital*

Ordinary shares

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

Performance shares

Performance shares are classified as equity. Incremental costs directly attributable to the issue of performance shares are recognised as a deduction from equity, net of any tax effects.

d. Plant and Equipment

i. *Recognition and measurement*

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised net within other income / other expenses in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

ii. *Depreciation*

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Plant and equipment	2 – 8 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

e. Intangible Assets

i. *Exploration and Evaluation Expenditure*

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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

ii. *Goodwill*

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

f. Impairment

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

g. Non-Current Assets Held For Sale

Non-current assets, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

h. Employee Benefits

i. Wages and Salaries, Annual Leave and Sick 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 employee provisions 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.

ii. Superannuation

The amount charged to the profit and loss in respect of superannuation represents the contributions paid or payable by the Group to the employee's superannuation funds.

iii. Employee Benefits on-costs

Employee benefit on-costs, including payroll tax, are recognised when paid or payable by the Group.

iv. Equity-settled compensation

The Company grants equity settled share-based payments to employees. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense, with a corresponding increase to an equity account. The fair value of shares is ascertained at the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options exercised to vest is reviewed and adjusted at each reporting date such that the amount recognised as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

i. Provisions

A provision is recognised if, as a result of a past event the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

i. Provision for Restoration and Rehabilitation

No provisions for restoration and rehabilitation have been made at this stage.

j. Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

k. Finance Income and Finance Cost

Finance income comprises interest income on funds invested. Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available-for-sale financial assets, impairment losses recognised on financial assets.

Borrowing costs that are not directly attributable to the acquisition, of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

l. Taxes

i. Income tax

Income tax expense or revenue comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those rates which are enacted or subsequently enacted for each jurisdiction.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Deferred tax assets and liabilities are offset when there is 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 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.

ii. Tax consolidation

The Group has decided not to elect to implement tax consolidation at this time.

iii. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which is disclosed as operating cash flows.

m. Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss after income tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by dividing the profit or loss after income tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

n. Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that related to transactions with any of the Group's other components. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

o. New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Company

AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013)

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Company has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013)

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements. These changes will not affect the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

	2014 $	2013 $
4. REVENUE		
Included in revenue from continuing operations is the following:		
Interest received	**149,676**	284,051
5. INCOME TAX EXPENSE		
Income Tax expense		
Current Tax	**-**	-
Deferred Tax	**-**	-
	-	-
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit (Loss) for year before income tax	**(6,163,382)**	(687,414)
Tax at the Australian tax rate of 30%	**-**	-
Tax effect of non-deductible items:		
Impairment of investments	**-**	-
Impairment of exploration	**-**	-
Share based payments	**-**	-
Other items	**-**	-
Tax effect of deductible items:	**-**	-
Tax losses not brought to account:		
Utilisation of Tax losses:	**-**	-
Income tax expense	**-**	-
6. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	**3,627,522**	5,406,420

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 26.

	2014 $	2013 $
7. TRADE AND OTHER RECEIVABLES		
Trade debtors	**9,272**	8,513
Accrued revenue	**13,083**	26,594
Other receivables	**1,700**	1,700
Rental guarantee	**51,683**	44,985
Deposits	**7,500**	8,300
	83,238	90,092

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables are disclosed in Note 26.

	2014 $	2013 $
8. OTHER CURRENT ASSETS		
Prepayments	**32,106**	37,399
9. PLANT AND EQUIPMENT		
Cost	**153,372**	152,701
Less: accumulated depreciation	**(84,980)**	(64,624)
Net book value	**68,392**	88,077
Movements in carrying amount		
Carrying amount at the beginning of the year	**88,077**	110,628
Additions	**671**	737
Depreciation charge	**(20,356)**	(23,288)
Closing net book amount	**68,392**	88,077

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

10. HELD-TO-MATURITY INVESTMENTS

(a) Investment in controlled entities

Name	Country of Incorporation	Percentage of equity interest held by Group Entity 2014 $	2013 $
Mt Garnet Mines NL	Australia	**100%**	100%

(b) Contribution to group operating profit (loss)

		2014	2013
Mt Garnet Mines NL		**500,000**	-
Acacia Coal Limited		**(6,663.382)**	(687,414)
	Total:	**(6,163,382)**	(687,414)

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Investments in securities

	2014	2013
At 1 July 2014 and 30 June 2013	**15,637**	15,637

The Company still holds a number of available for sale financial assets which have been fully impaired for accounting purposes. Any profit or loss realised when assets are disposed of will be brought to account at that time.

12. CAPITALISED EXPLORATION AND EVALUATION

	2014 $	2013 $
At 1 July 2013	**13,020,496**	10,771,389
Expenditure during the year	**1,787,817**	2,249,107
Write-off expenditure on tenements EPC 1801, 1580, 1720, 1310 and 1505	**(6,318,378)**	-
At 30 June 2014	**8,489,935**	13,020,496

Dn 18 October 2010 the Company completed the settlement for the Queensland Coal Tenements, for the acquisition of EPC 1230, EPC1580, EPCA1319, PCA1505, EPCA1720, and EPCA1801. The permit applications have since been granted. The purchase consideration was made up as follows:

Date	Description	No.	Issue Price	Value $
Deposit - 28 Jun 2010	Cash	-	-	2,500,000
Deposit - 28 Jun 2010	Fully Paid Ordinary Shares	56,000,000	$0.014	784,000
Settlement - 18 Oct 2010	Cash	-	-	2,500,000
Settlement - 18 Oct 2010	Fully Paid Ordinary Shares	34,000,000	$0.027	918,000
Settlement - 18 Oct 2010	Options	65,000,000	$0.050	220,047
Settlement - 18 Oct 2010	A Class Performance Shares	25,000,000	$0.027	540,000
Settlement - 18 Oct 2010	B Class Performance Shares	5,000,000	$0.027	631,953
Settlement - 18 Oct 2010	B Class Milestone cash	-	-	-
Settlement - 18 Oct 2010	Success Fee	-	-	100,000
Settlement - 21 Jul 2011	A Class Performance Shares	-	-	135,000
	Total			8,329,000
	Portion written back on write off capitalisation costs for EPC 1580, EPCA 1319, EPCA 1505, EPCA 1720 and EPCA 1801			84,890
				8,244,110

	2014 $	2013 $
13. TRADE AND OTHER PAYABLES		
Trade creditors and accruals	**325,795**	603,717
14. EMPLOYEE BENEFITS		
Liability for annual leave	**73,040**	48,361

15. CONTRIBUTED EQUITY

SHARE CAPITAL	2014 No.	2014 $	2013 No.	2013 $
Ordinary shares – Fully paid	**903,787,924**	**38,503,541**	903,787,924	38,503,541
Movements in ordinary share capital				
At 1 July	**903,787,924**	**38,492,606**	903,787,924	38,503,541
Shares issued during the year	**-**	**-**	-	-
Transaction costs relating to share issues	**-**	**-**	-	(10,935)
At 30 June	**903,787,924**	**38,492,606**	903,787,924	**38,492,606**

Changes in Ordinary Shares during the year are as follows:

2014

Date	Details	No.	Issue Price	$
	No changes during year	-		-

2013

Date	Details	No.	Issue Price	$
	No changes during year	-		-

OPTIONS	2014 No.	2014 $	2013 No.	2013 $
Options	**153,000,000**	**1,830,623**	109,000,000	1,755,289
Options – Unlisted				
At 1 July	**109,000,000**	**1,755,289**	109,000,000	1,755,289
Options issued during the year	**44,000,000**	**75,334**	-	-
At 30 June	**153,000,000**	**1,830,623**	109,000,000	1,755,289

Changes in Option Reserves during the year are as follows:

2014

Option	Grant Date	Exercise Price	Expiry Date	Balance at start of year *(No.)*	Issued during year *(No.)*	Exercised during year *(No.)*	Cancelled during year *(No.)*	Balance at end of year *(No.)*
AJCAI	18 Oct 2010	$0.05	17 Oct 2014	10,000,000	-	-	-	10,000,000
AJCAI	18 Oct 2010	$0.05	23 Jun 2015	65,000,000	-	-	-	65,000,000
AJCAI	11 Jul 2011	$0.155	10 Jul 2014	29,000,000	-	-	20,000,000	9,000,000
AJCAI	4 Dec 2011	$0.155	4 Dec 2014	5,000,000	-	-	5,000,000	-
AJCAI	5 Dec 2013	$0.020	5 Dec 2018	-	44,000,000	-	-	44,000,000
			Total:	109,000,000	44,000,000	-	25,000,000	128,000,000

2013

Option	Grant Date	Exercise Price	Expiry Date	Balance at start of year *(No.)*	Issued during year *(No.)*	Exercised during year *(No.)*	Cancelled during year *(No.)*	Balance at end of year *(No.)*
AJCAI	18 Oct 2010	$0.05	17 Oct 2014	10,000,000	-	-	-	10,000,000
AJCAI	18 Oct 2010	$0.05	23 Jun 2015	65,000,000	-	-	-	65,000,000
AJCAI	11 Jul 2011	$0.155	11 Aug 2014	29,000,000	-	-	-	29,000,000
AJCAI	4 Dec 2011	$0.155	4 Dec 2014	5,000,000	-	-	-	5,000,000
			Total:	109,000,000	-	-	-	109,000,000

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

PERFORMANCE SHARES	2014 No.	2014 $	2013 No.	2013 $
Performance Shares - Unlisted	**-**	**-**	5,000,000	652,777

The conversion of AJCAK Class Performance Shares into 25,000,000 ordinary fully paid shares was subject to achieving the milestone of the formal grant by the Department of Mines and Energy of at least two of EPCA 1319, EPCA 1505 and EPCA 1720 prior to 23 June 2014. This occurred and conversion took place on 8 August 2011.

The conversion of AJCAM Class Performance Shares into ordinary fully paid shares will be on the basis of 5,000,000 divided by the greater of $0.016 per share and the 10 day VWAP of the Company's securities on the ASX immediately prior to the B Class Milestone being satisfied (up to a maximum of 312,500,000) and is subject to achieving the milestone of the Company successfully defining a JORC Code compliant Mineral Resource in excess of 200 million tonnes of coal with a minimum quality of specification equivalent to the quality of an exported coal from the Bowen Basin on the Coal Tenements (the JORC Code compliant Mineral Resource and the confirmation that the coal is a minimum quality of specification equivalent to the quality of an exported coal from the Bowen Basin must be prepared or reviewed, confirmed and signed off by an independent consultant with appropriate experience as agreed by the Company and the Vendors) prior to 23 June 2014. These 5,000,000 Performance Shares expired on 23 June 2014 when the required JORC Resource was not achieved.

No performance shares were issued during the 2014 financial year.

	2014 $	2013 $
16. RESERVES AND ACCUMULATED LOSSES		
(a) RESERVES		
Share based payments reserve	**2,169,600**	2,094,266
Performance shares reserve	**652,778**	652,778
	2,822,378	2,747,044
Movement in reserves for year		
Share based payments reserve		
At 1 July	**2,094,266**	1,755,288
Options issued	**75,334**	338,978
At 30 June	**2,169,600**	2,094,266
Performance shares reserve		
At 30 June	**652,778**	652,778

(b) ACCUMULATED (PROFITS) / LOSSES	2014 $	2013 $
Movement for year		
At 1 July	**23,233,607**	**22,546,193**
Net (Profit) / Loss for the year after tax	**6,163,382**	**687,414**
At 30 June	**29,396,989**	**23,233,607**

(c) NATURE AND PURPOSE OF RESERVES

The share based payment reserve is used to recognise the fair value of options issued to employees and other parties but not exercised.

The performance share reserve is used to recognise the value of performance shares issued to external parties but not exercised.

17. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2014 the parent entity of the Group was Acacia Coal Limited.

	2014 $	2013 $
Result of parent entity		
Profit / (loss) for the period	**(6,663,382)**	(687,414)
Other comprehensive income	**-**	-
Total comprehensive income for the period	**(6,663,382)**	(687,414)

	2014 **$**	2013 $
Financial position of parent entity at year-end		
Current assets	**3,742,864**	5,533,908
Non-current assets	**8,573,965**	13,124,211
Total assets	**12,316,829**	18,658,119
Current liabilities	**398,834**	152,077
Non-current liabilities	**440,922**	440,921
Total liabilities	**839,756**	592,998
Net Assets	**11,477,073**	18,065,121
Contributed equity	**38,492,606**	38,492,606
Reserves	**2,822,378**	2,747,044
Accumulated profits (losses)	**(29,837,911)**	(23,174,529)
Total equity	**11,477,073**	18,065,121

The parent entity is not aware of any contingencies that are not recorded for in the accounts. The parent entity does not have any capital commitments for the acquisition of property plant and equipment. The parent entity has not entered into a Deed of Cross Guarantee in respect of any of its subsidiaries.

18. KEY MANAGEMENT PERSONNEL DISCLOSURE

The following were Key Management Personnel of the Group at any time during the reporting period and unless otherwise indicated, were Key Management Personnel for the entire period:

Mr K Livesley	Non-Executive Chairman	Appointed 28 May 2013
Mr G May	Managing Director	Appointed 23 May 2011
Mr M Mulroney	Non-Executive Director	Appointed 5 November 2010
Ms A Ward	Non-Executive Director	Appointed 12 November 2010

Key Management Personnel

Mr R Waring	CFO and Company Secretary	Appointed 26 September 2011
Mr G Colliss	Chief Projects Officer	Appointed 1 October 2011

There have been no other changes in Key Management Personnel between 1 July 2013 and the date of this report.

(a) Key Management Personnel compensation

	2014 **$**	2013 $
Short term employee benefits	**749,397**	762,020
Post-employment benefits	**-**	-
Long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payments	**75,334**	338,978
Total	**824,731**	1,100,998

(b) Individual Directors and executives compensation disclosures

Information regarding individual Directors and executives' compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the Directors' Report. Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

(c) Loans to Key Management Personnel and their related parties

There were no loans to Key Management Personnel and their related parties since the end of the previous financial year or existing at year-end.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

(d) Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2014	Held at 1 July 2013	Granted	Expired	Held at 30 June 2014	Vested during the year	Vested and exercisable at 30 June 2014
Directors						
K Livesley	-	-	-	-	-	-
G May	20,000,000	16,000,000	20,000,000	16,000,000	-	-
M Mulroney	5,000,000	-	-	5,000,000	-	5,000,000
A Ward	3,000,000	-	-	3,000,000	-	3,000,000
Key Management Personnel						
G Collis	5,000,000	12,000,000	5,000,000	12,000,000	-	-
R Waring	-	8,000,000	-	8,000,000	-	-
Total	33,000,000	36,000,000	25,000,000	44,000,000	-	8,000,000

2013	Held at 1 July 2012	Granted	Expired	Held at 30 June 2013	Vested during the year	Vested and exercisable at 30 June 2013
Directors						
G May	20,000,000	-	-	20,000,000	10,000,000	20,000,000
M Mulroney	5,000,000	-	-	5,000,000	-	5,000,000
A Ward	3,000,000	-	-	3,000,000	-	3,000,000
T Sugden	-	-	-	-	-	-
Key Management Personnel						
R Waring	-	-	-	-	-	-
G Colliss	5,000,000	-	-	5,000,000	2,500,000	2,500,000
Total	36,000,000	-	-	36,000,000	12,500,000	33,500,000

(e) Movement in shares

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2014	Held at 1 July 2013	Disposal	Purchases	Held at resignation	Held at 30 June 2014
Directors					
K Livesley	-	-	1,000,000	-	1,000,000
G May	6,000,000	-	4,000,000	-	10,000,000
M Mulroney	1,126,641	-	-	-	1,126,641
A Ward	-	-	-	-	-
Key Management Personnel					
R Waring	4,055,000	-	1,345,000	-	5,400,000
G Colliss	1,000,000	-	-	-	1,000,000
Total	12,181,641	-	6,345,000	-	18,526,641

2013	Held at 1 July 2012	Disposal	Purchases	Held at resignation	Held at 30 June 2013
Directors					
K Livesley	-	-	-	-	-
G May	2,000,000	-	4,000,000	-	6,000,000
M Mulroney *	1,126,641	-	-	-	1,126,641
A Ward	-	-	-	-	-
T Sugden	20,000,000	-	-	20,000,00	-
Key Management Personnel					
R Waring	1,897,462	-	2,157,538	-	4,055,000
G Colliss	375,000	-	625,000	-	1,000,000
Total	25,399,103	-	6,782,538	20,000,000	12,181,641

* 19,000,000 ordinary fully paid shares were owned directly by AFM Perseus Fund Ltd, of which Mr Mulroney was a director during part of the year. Mr Mulroney had no beneficial interest in these shares.

No shares were granted to Key Management Personnel during the reporting period as compensation in 2014 or 2013.

19. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014	2013
	$	$
Operating profit (loss) for the year	**(6,163,382)**	(687,414)
Add (less) non-cash items:		
Share based payments	**75,334**	338,978
Depreciation	**20,356**	23,288
Write off capitalised exploration costs	**6,318,378**	-
Changes in current assets and liabilities		
Receivables	**6,854**	57,736
Creditors	**(272,024)**	(413,167)
Prepayments	**5,293**	(3,014)
Changes in provisions and employee benefits	**24,679**	12,421
Net cash inflow (outflow) from operating activities	**15,488**	(671,172)

20. EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances, not otherwise dealt with in the financial statements, have arisen since the end of the financial year and to the date of this report which significantly affected or may significantly affect the operations of the Group Entity, the results of the Group Entity, or the state of affairs of the Group Entity in the financial years subsequent to the financial year ended 30 June 2014, other than the announcement by Bandanna Energy Limited on 22 September 2014 that its Board has placed the Bandanna Group in Voluntary Administration. Bandanna Energy Limited's proposed Triumph Creek Train Loading Facility is to be utilised by the Company for the Comet Ridge Project. The implications of the Voluntary Administration are unknown at this stage and the Company will monitor the situation closely.

21. SEGMENT INFORMATION

The Group operates in the coal segment of the resources industry in Queensland, Australia.

22. EARNINGS PER SHARE

The calculation of basic earnings (loss) per share (EPS) and diluted earnings (loss) per share at 30 June 2014 was based on the comprehensive income (loss) attributable to ordinary shareholders of ($6,163,382) (2013: loss $687,414) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2014 of 903,787,924 (2013: 903,787,924), calculated as follows:

	2014	2013
	$	$
Basic earnings (loss) per share	**(0.682c)**	(0.076c)
Diluted earnings (loss) per share	**(0.682c)**	(0.076c)
Profit (Loss) attributable to ordinary shareholders	**(6,163,382)**	(687,414)
	No.	No.
Weighted average number of ordinary shares	**903,787,924**	903,787,924

23. AUDITORS' REMUNERATION

During the year the following fees were paid or payable for services provided by the auditors:

	2014	2013
	$	$
Audit Services		
Rothsay - Audit and review of financial reports	**26,000**	**38,500**
Total fees for audit services	**26,000**	**38,500**
Non – Audit Services		
Rothsay - Taxation services	**-**	**-**
Total fees for non-audit services	**-**	**-**
Total remuneration of auditors	**26,000**	**38,500**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

24. CONTINGENT LIABILITIES AND ASSETS

As part of the acquisition of the Queensland Coal tenements, the Company included as part of the purchase consideration a contingent liability. A cash payment of $5,000,000 was to be paid upon the Company defining a JORC compliant resource in excess of 200 million tonnes of coal with a minimum quality of specification equivalent to the quality of exported coal from the Bowen Basin on the Tenements prior to 26 June 2014. At 30 June 2012 it was considered that the balance of $652,777, which was included as a discounted liability at 30 June 2011 be reversed, and that the $5,000,000 be disclosed as a contingent liability. This position did not change during the 2014 financial year and the contingent liability expired on 26 June 2014.

There are no other contingent liabilities or assets at 30 June 2014.

25. COMMITMENTS

Mining Tenement Leases

In order to maintain current rights of tenure to exploration tenements the Company is required to comply with the minimum expenditure obligations specified by the Queensland State Government. At 30 June 2014 the Company had three granted coal exploration tenements in the Bowen Basin, EPC1230 (Comet Ridge), EPC1505 (Spring Creek), and EPC1720 (Sandhurst Creek). As at the date of this report the Company has retained only EPC1230.

	2014	2013
	$	$
Not later than 12 months	**150,000**	194,000
later than one year but less than five years	**800,000**	470,000
later than five years	**-**	-
Total:	**950,000**	664,000

26. FINANCIAL INSTRUMENTS

Overview:

The Company and Group have exposure to the following risks from their use of financial instruments:
(a) credit risk;
(b) liquidity risk; and
(c) market risk.

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

(a) Credit risk:

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. For the Company it also arises from receivables due from subsidiaries.

(i) Investments:

The Group limits its exposure to credit risk by only investing with counterparties that have an acceptable credit rating.

(ii) Trade and other receivables:

The Company and Group have established an allowance for impairment that represents their estimate of incurred losses in respect of receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. Management expects counterparties to meet their obligations.

(iii) Exploration and evaluation:

Exploration and evaluation activities are performed in Australia. At the balance sheet date there were no significant concentrations of credit risk.

Exposure to credit risk:

The carrying amount of the Group's financial assets represents the maximum credit exposure.

The Group's maximum exposure to credit risk at the reporting date was:

		2014 ***$***	2013 $
Cash and cash equivalents		**3,627,522**	5,406,420
Trade and other receivables		**83,238**	90,092
Available-for-sale financial non-current assets		**15,637**	15,637
	Total:	**3,726,397**	5,512,149

Impairment gains (losses):

An impairment loss of Nil (2013: Nil) in respect of inter-group loans was recognised during the reporting period from an analysis of the subsidiary's position.

At 30 June 2014 the Group has no impaired other receivables (2013: Nil).

The movement in the allowance for impairment in respect of inter-group loans on a non-consolidated basis during the year was as follows:

Inter-group loans	**2014** **$**	2013 $
At 1 July	**(269,120)**	(269,120)
Impairment loss/(write-back) recognised	**-**	-
At 30 June	**(269,120)**	(269,120)

Whilst the loans were not payable as at 30 June 2014, a provision for impairment based on the subsidiary's financial position was made. The balance of this provision may vary due to the performance of the subsidiary in a given year.

The movement in the allowance for impairment in respect of inter-group investments on a non-consolidated basis during the year was as follows:

Inter-group investments	**2014** **$**	2013 $
At 1 July	**2,174,959**	2,174,959
Impairment loss/(write-back) recognised	**-**	-
At 30 June	**2,174,959**	2,174,959

The movement in the allowance for impairment in respect of external investments on a consolidated basis during the year was as follows:

External investments	**2014** **$**	2013 $
At 1 July	**8,943,044**	8,943,044
Impairment loss/(write-back) recognised	**-**	-
At 30 June	**8,943,044**	8,943,044

(b) Liquidity risk:

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by maintaining adequate reserves through continuously monitoring forecast and actual cash flows. The Group's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	**Floating interest rate**		**Non-interest bearing**		**Total carrying amount**		**Weighted average effective interest rate**	
	2014 **$**	2013 $	**2014** **$**	2013 $	**2014** **$**	2013 $	**2014** **%**	2013 %
(i) Financial assets								
Cash	**3,627,522**	5,406,420	**-**	-	**3,627,522**	5,406,420	**-**	-
Trade and other receivables	**-**	-	**75,738**	81,792	**75,738**	81,792	**-**	-
Deposits	**-**	-	**7,500**	8,300	**7,500**	8,300	**-**	-
	3,627,522	5,406,420	**83,238**	90,092	**3,710,760**	5,496,512		
(ii) Financial liabilities								
Trade and other creditors	**325,794**	603,718	**-**	-	**325,794**	603,718	**-**	-
Current borrowings	**-**	-	**-**	-	**-**	-	**-**	-
Total financial liabilities	**325,794**	603,178	**-**	-	**325,794**	603,178		

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

(c) Market Risk:

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

(i) Currency risk:

The Group is exposed to currency risk only on listed investments in a currency other than the respective functional currencies of Group Entities, primarily the Australian dollar (AUD).

The currency in which these investments are denominated in is the GBP. The Group has not entered into any derivative financial instruments to hedge such investments and anticipated future receipts or payments that are denominated in a foreign currency.

Exposure to currency risk:

The Group did not have any exposure to foreign currency risk at the reporting date.

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2014	2013	**2014**	2013
AUD to GBP	**0.6448**	0.6418	**0.5525**	0.6010

Sensitivity analysis:

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

	Equity	Profit or loss
30 June 2014		
GBP	**-**	**-**
30 June 2013		
GBP	-	-

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk:

At the reporting date the group had minimal exposure to interest rate risk.

	2014 $	2013 $
Fixed rate instruments		
Financial liabilities	**-**	-
Variable rate instruments		
Financial assets	**3,627,522**	5,406,420

Fair value sensitivity analysis for fixed rate instruments:

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

Fair value sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2013.

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
30 June 2014				
Cash and cash equivalents	**19,059**	**(19,059)**	**19,059**	**(19,059)**
30 June 2013				
Cash and cash equivalents	28,405	(28,405)	28,405	(28,405)

Net Fair value

For unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying assets of the investment.

For other assets and other liabilities the net fair value approximates their carrying value as disclosed in the statement of financial position.

27. SHARE BASED PAYMENTS

Set out below is a summary of the options and performance shares granted by the Company.

Grant Date	Expiry date	Exercise price	Balance at start of year *(No.)*	Granted / lapsed during financial year *(No.)*	Balance at end of financial year *(No.)*	Vested and exercisable at end of financial year *(No.)*
2014						
Options						
18 October 2010	17 October 2014	$0.05	10,000,000	-	10,000,000	10,000,000
18 October 2010	23 June 2015	$0.05	65,000,000	-	65,000,000	65,000,000
18 October 2010	23 June 2014	Nil	5,000,000	(5,000,000)	-	-
11 July 2011	10 July 2014	$0.155	19,000,000	(10,000,000)	9,000,000	9,000,000
11 July 2011	10 July 2014	$0.21	10,000,000	(10,000,000)	-	-
4 December 2011	4 December 2014	$0.155	5,000,000	(5,000,000)	-	-
5 December 2013	5 December 2018	$0.02	-	44,000,000	44,000,000	-
Weighted average year end exercise price		**$0.055**				
2013						
Options						
18 October 2010	17 October 2014	$0.05	10,000,000	-	10,000,000	10,000,000
18 October 2010	23 June 2015	$0.05	65,000,000	-	65,000,000	65,000,000
18 October 2010	23 June 2014	Nil	5,000,000	-	5,000,000	-
11 July 2011	10 July 2014	$0.155	19,000,000	-	19,000,000	19,000,000
11 July 2011	10 July 2014	$0.21	10,000,000	-	10,000,000	10,000,000
4 December 2011	4 December 2014	$0.155	5,000,000	-	5,000,000	2,500,000
Weighted average year end exercise price		**$0.084**				

Options and performance shares granted carry no dividend or voting rights.

When exercisable, each option and performance shares is convertible into one ordinary share.

No options or performance shares were exercised during the period covered in the above table.

Employee option expense

Employee share options have been granted to provide long-term incentive for senior employees to deliver long-term shareholder retu Participation in employee share options is at the Board's discretion and no individual has a contractual right to participate in a plan or to rece any guaranteed benefits.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payments recognised during the financial period as employee benefits expense were:

	2014 **$**	2013 $
Director benefits (share options)	**(27,394)**	(273,983)
Employee benefits (share options)	**(47,940)**	(64,995)
Total:	**(75,334)**	(338,978)

DIRECTORS' DECLARATION for the year ended 30 June 2014

In the opinion of the Directors of Acacia Coal Limited:

a) the financial statements and notes set out on the preceding pages are in accordance with the Corporations Act 2001 including:

i. giving a true and fair view of the financial position of the Company and Group Entities as at 30 June 2014 and of their performance for the financial year ended on that date; and

ii complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

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.

c) the audited remuneration disclosures set out in the directors' report comply with Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the Corporations Act 2001.

Signed at Sydney, on this 29th day of September 2014.

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

Gavin May
Managing Director

INDEPENDENT AUDIT REPORT

ROTHSAY

Level 1, 12 O'Connell Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001
Phone 8815 5400 Facsimile 8815 5401 E-mail swan2000@bigpond.com

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ACACIA COAL LIMITED

Report on the financial report

We have audited the accompanying financial report of Acacia Coal Limited ("the Company") which comprises the balance sheet as at 30 June 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of 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 our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to 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

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the *Corporations Act 2001*.

Chartered Accountants

INDEPENDENT AUDIT REPORT continued

Audit opinion

In our opinion the financial report of Acacia Coal Limited is in accordance with the *Corporations Act 2001*, including:

a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;and

b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report included in 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.

Audit opinion

In our opinion the remuneration report of Acacia Coal Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Rothsay

Graham R Swan
Partner

Dated 29 September 2014

SUPPLEMENTARY INFORMATION

1. SHAREHOLDING INFORMATION AS AT 8 SEPTEMBER 2014
Ordinary fully paid shares (AJC)

a) Distribution of Shareholders – Fully Paid Ordinary Shares
The following table sets out the distribution of the 903,787,924 ordinary fully paid shares on issue:

Spread of Holdings	Number of Holders	Number of Shares	% of Total Issue Capital
1 - 1,000	99	12,481	0.00
1,001 – 5,000	24	81,737	0.01
5,001 – 10,000	55	484,077	0.05
10,001 – 100,000	566	32,116,290	3.55
100,001 and over	608	871,093,339	96.39
TOTAL	**1,352**	**903,787,924**	**100.00**

b) There are 605 holders who hold less than a marketable parcel.

c) Voting rights are one vote for each fully paid ordinary share.

d) The names of substantial Shareholders who have notified the Company in accordance with Section 671B of the Corporations Act are:

Beneficial Owner	Number of Shares*
Charlotte Investments Pty Ltd	56,000,000
Argonaut Limited	35,510,193
Skye Equity Pty Ltd	24,500,000

* Figures as reported on the last Substantial Shareholder Notice received by the Company.

2. TOP 20 SHAREHOLDERS AT 8 SEPTEMBER 2014

	Ordinary Fully Paid - Shareholders	Number of Shares	% Issue Capital
1.	Charlotte Investments Pty Ltd	108,482,907	12.00
2.	Argonaut Equity Partners Pty Limited	56,927,785	6.30
3.	Skye Equity Pty Ltd	44,500,000	4.92
4.	Pershing Australia Nominees Pty Ltd <Argonaut Account>	27,050,000	2.99
5.	HSBC Custody Nominees (Australia) Limited	24,683,980	2.73
6.	UBS Wealth Management Australia Nominees Pty Ltd	22,652,034	2.51
7.	AFM Perseus Fund Limited	21,750,000	2.41
8.	JP Morgan Nominees Australia Limited	18,289,263	2.02
9.	Uob Kay Hian Private Limited <Clients A/C>	18,287,170	2.02
10.	Mr Scott Paul Jones & Mr Rodney Malcolm Jones & Mrs Carol Robin Jones <Scopa Family A/C>	15,416,873	1.71
11.	Citicorp Nominees Pty Limited	15,226,506	1.69
12.	Skye Alba Pty Ltd <The Skye Alba Fund A/C>	15,025,960	1.66
13.	Hoperidge Enterprises Pty Ltd	14,725,001	1.63
14.	Mr Robert Raymond McLachlan & Mrs Jacqueline Rhonda McLachlan <McLachlan Super Fund A/C>	12,790,373	1.42
15.	Mr James Parker Bottomley & Mrs Lisa Kay Bottomley <The Bottomley Family A/C>	11,423,980	1.26
16.	Chembank Pty Ltd <Stan Unit AC>	10,000,000	1.11
17.	Mr Gavin Peter May & Mrs Fiona Maree May <May Family Super Fund A/C>	9,542,590	1.06
18.	Mr Robert Paul Blake & Mrs Christine Margaret Gibson	9,200,000	1.02
19.	GK & LM Lee Investments Pty Ltd <Lee Family Super Fund A/C>	6,500,000	0.72
20.	Warinco Services Pty Limited <Waring Super Fund A/C>	6,400,000	0.71
	TOTAL TOP 20 SHAREHOLDERS	**468,874,422**	**51.89**
	TOTAL REMAINING SHAREHOLDERS	**434,913,502**	**48.11**
	TOTAL ALL SHAREHOLDERS	**903,787,924**	**100.00**

SUPPLEMENTARY INFORMATION continued

3. UNQUOTED SECURITIES

Options
The following table sets out the unlisted options on issue:

	AJCAI (1)	AJCAI (2)	AJCAI (3)
Number of Options	10,000,000	65,000,000	44,000,000
Exercise Price	5 cents	5 cents	2 cents
Expiry Date	17/10/2014	23/06/2015	5/12/2018
No of Holders	2	1	4
Holdings >20%	80% - 8,000,000 Argonaut Investments Pty Ltd 20% - 2,000,000 Greenleigh Holdings Pty Ltd	100% - 65,000,000 Charlotte Investments Pty Ltd	37% - 16,000,000 Gavin May 27% - 12,000,000 Graham Colliss 18% - 8,000,000 Robert Waring 18% - 8,000,000 Harvey Crowden

The options do not carry a right to vote. Voting rights will be attached to the unissued shares when the options have been exercised.

4. TENEMENT SCHEDULE

As at 11 September 2014, mineral exploration tenements applied for or granted to the Company, or mineral exploration tenements in which the Company has an interest are as follows:

AREA OF INTEREST	TENEMENT		GROUP ENTITY'S INTEREST
AUSTRALIA			
Bowen Basin, Queensland	EPC1230	(Comet Ridge)	100%

5. SHAREHOLDER ENQUIRIES

All Shareholder queries (including Holding Details, Change of Address, Change of Name and Consolidation of Shareholder) should be directed to the Share Registry:

Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2000
Tel: (61 2) 9290 9600
Fax: (61 2) 9279 0664
Email: enquiries@boardroomlimited.com.au

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