Acacia Coal

Acacia Coal Limited

ABN 13 009 092 068

ANNUAL REPORT 2016

CORPORATE DIRECTORY

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

Directors
Mr Adam Santa Maria
Executive Chairman

Mr Logan Robertson
Non-Executive Director

Mr Brett Lawrence
Non-Executive Director

Company Secretary
Mrs Rachel Kerr

Registered and Principal Office
Level 7, 1008 Hay Street
Perth WA 6000

Telephone: (08) 9389 2000
Facsimile: (08) 9389 2099

Website
www.acaciacoal.com

Email
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Stock Exchange
Australian Securities Exchange (ASX Limited)
Home Exchange Perth

Securities
Code: AJC = Quoted Shares

Share Registry
Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000 Australia

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Sydney NSW 2001 Australia

Telephone: +61 2 9290 9600
Facsimile: +61 2 9279 0664
Email: enquiries@boardroomlimited.com.au
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Auditor
Rothsay Chartered Accountants
Level 1, Lincoln House
4 Ventnor Avenue
West Perth, WA 6005 Australia
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REVIEW OF OPERATIONS

EXECUTIVE CHAIRMAN'S REPORT AND REVIEW OF OPERATIONS

In the course of the financial year, Acacia Coal Limited (Acacia Coal or the Company) has undertaken a number of significant changes. Chief amongst these is the restructure of the Company's Board and management team to ensure that the Company is able to respond appropriately to what has been a sustained resources downturn by reducing costs and positioning the Company to identify opportunities to deliver more sustainable and greater value for the Company's shareholders.

As part of the Company's work to reduce costs, ongoing corporate overheads relating to Board and Key Management Personnel as at 30 June 2016 have been reduced by in excess of 90% when compared to the previous financial year. In addition, Acacia Coal has worked to reduce other fixed costs including renegotiating its supplier contracts, sub-leasing its Sydney offices and consolidating its operations out of Perth.

The Company's primary asset remains the Comet Ridge Coking Coal Project (EPC 1230) in the Bowen Basin in Central Queensland. Acacia Coal has sought to defer all non-essential expenditure regarding Comet Ridge except where such expenditure demonstrates direct value accretion in relation to the Project or is required in order to enhance Acacia Coal's rights in connection with it.

The Comet Ridge MLA is currently being progressed through the numerous Government Departments, and the Company has now received approval for an Environmental Authority Permit from the Queensland Department of Environment and Heritage Protection. This will reduce ongoing compliance costs associated with the application process and is a key milestone for Comet Ridge to enable its future development.

The Company continues to hold registered caveats preventing the transfer or assignment of the Springsure Creek Coal MLAs that are directly associated with the Comet Ridge Project. In September 2014 Bandanna Energy Limited was placed under Voluntary Administration and in October 2014 its subsidiary, Springsure Creek Coal Pty Ltd, was placed into Receivership. On 1 June 2016, the creditors of Springsure Creek Coal resolved to execute a Deed of Company Arrangement (DOCA). The DOCA was conditional of the sale of the shares in Springsure Creek Coal Pty Ltd to Adamelia Resources (Springsure) Pty Ltd (Adamelia Resources) which the Company understands to have proceeded without issue.

Acacia Coal will continue to seek to enforce its rights under the Triumph Creek Infrastructure Agreements which was purported to have been terminated by the Administrators of Springsure Creek Coal prior to the execution of the DOCA and the Company will continue to pursue its associated commercial and legal rights.

The Company has also been active in considering alternative opportunities to realise more immediate value for shareholders in line with its announced strategy. This includes reviewing a number of potential projects, site visits, due diligence and other related activities. Acacia Coal will continue to explore such opportunities but will only pursue opportunities which it perceives to deliver significant and ongoing value to the Company.

The Board remains committed to its strategic objectives, and a revitalised coal market and broader commodity price recovery has provided Acacia with a number of renewed opportunities. However, Acacia Coal does not foresee any changes to its broader announced strategy for the year ahead and we remain committed to managing costs appropriately and ensuring maximum value is achieved for our shareholders.

Adam Santa Maria
Executive Chairman

DIRECTORS REPORT

Your Directors present their Report on Acacia Coal Limited (the Company) and its Controlled Entities (collectively the Group Entity) for the financial year ended 30 June 2016.

Director	Title	Appointment Date	Resignation Date
Mr Adam Santa Maria	Executive Chairman	16 December 2015	-
Mr Logan Robertson	Non-Executive Director	18 December 2015	-
Mr Brett Lawrence	Non-Executive Director	2 August 2016	-
Mr Brett Mitchell	Non-Executive Director	18 December 2015	2 August 2016
Mr Kym Livesley	Non-Executive Chairman	28 May 2013	18 December 2015
Mr Gavin May	Managing Director	23 May 2011	18 December 2015
Mr Michael Mulroney	Non-Executive Director	5 November 2010	4 December2015
Ms Amanda Ward	Non-Executive Director	12 November 2010	18 December 2015

DIRECTORS

The following were Directors of the Company at any time during the reporting period and, unless otherwise indicated, were Directors for the entire period.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were the exploration and project development of its coal tenement in the Bowen Basin in Queensland. The Board has been and is currently reviewing and evaluating a number of potential investment opportunities.

RESULTS

The consolidated loss of the Group for the financial year ended 30 June 2016 was $9,976,890 (2015: $213,562).

DIVIDEND

No dividends have been paid by the Company during the financial year ended 30 June 2016, 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 following significant changes in the state of affairs occurred:

- An impairment of $9.6 million was recognised against the Company's Comet Ridge asset;
- The Company's principal place of business was relocated from Sydney to Perth;
- The Company undertook a review of its strategy and determined to defer all non-essential expenditure in relation to Comet Ridge; and
- The Company undertook a strategic restructure of its Board and Management and made associated termination payments to its previous executives.

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 or to the date of this Report that 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 2016.

LIKELY DEVELOPMENTS

The Company will continue to pursue its policy of enhancing the prospect of greater returns to its investors through further strategic investments during the next financial year. Further information about likely developments in the operations of the group and the expected results of those operations in future financial years has not been included in this report, because disclosure of the information would be likely to result in unreasonable prejudice to the group.

DIRECTORS REPORT

ENVIRONMENTAL REGULATION

The group's operations are subject to various environmental laws and regulations under the relevant Governments' legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve. There have been no significant known breaches by the group during the financial year.

PARTICULARS OF DIRECTORS AND COMPANY SECRETARY

CURRENT DIRECTORS

Adam Santa Maria **LLB (Hons) BCom MAppFin**	**Executive Chairman**
Qualifications and Experience	Mr Santa Maria is a practising lawyer and corporate finance executive with a range of experience gained in over 10 years of advising many of Australia's leading corporations undertaking significant corporate and commercial transactions, both as a legal advisor and in investment banking, as well as in acting as a corporate consultant. Mr Santa Maria has particular expertise in corporate and commercial law, focusing on governance and risk. He also has significant experience in transaction structuring, management and execution.
Interest in Shares and Options	247,000 Ordinary Shares
Directorships held in other listed entities in the past three years	-
Logan Robertson	**Non-Executive Director**
Qualifications and Experience	Mr Robertson has over 5 years finance and investment experience gained initially in the corporate finance team of Argonaut and more recently with Hoperidge Capital, the family investment office of Rod Jones. Mr Robertson joined Hoperidge in January 2014, and is an analyst focused on investments in the technology and industrial sectors and has expertise investing in, financing and overseeing the management of growth businesses. Mr Robertson currently also holds a board position as a non-executive Director of Tamaska Oil and Gas Ltd (ASX: TMK). Logan has a Masters of Finance from the University of New South Wales and Bachelor of Commerce from the University of Western Australia.
Interest in Shares and Options	-
Directorships held in other listed entities in the past three years	Tamaska Oil and Gas Ltd (11 July 2016 – current)

DIRECTORS REPORT

Brett Lawrence	**Non-Executive Director**
Qualifications and Experience	Mr Brett Lawrence has over 12 years of diverse experience in the resources industry, including seeking new venture opportunities with ASX listed companies. Mr Lawrence holds a Master of Petroleum Engineering, a Bachelor of Engineering (Mining) and Bachelor of Commerce (Finance) from Curtin University in Western Australia. Mr Lawrence is a Non-Executive Director of Tamaska Oil and Gas Ltd (ASX: TMK).
Interest in Shares and Options	-
Directorships held in other listed entities in the past three years	Tamaska Oil and Gas Ltd (1 February 2015 – current) Transerv Energy Ltd (9 Oct 2015 - 20 April 2016) DigitalX Ltd (21 March 2013 - 5 September 2014)

FORMER DIRECTORS

Brett Mitchell **BEc**	**Non-Executive Director - resigned 2 August 2016**
Qualifications and Experience	Mr Mitchell is a corporate finance executive with over 20 years of experience in the finance and resources industries. He has been involved in the founding, financing and management of both private and publicly-listed resource companies and holds executive and non-executive directorship roles. Mr Mitchell holds a Bachelor of Economics from the University of Western Australia and is also a member of the Australian Institute of Company Directors (AICD).
Kym Livesley **LLB**	**Non-Executive Chairman - resigned 18 December 2015**
Qualifications and 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. Mr Livesley has worked in Australia and 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. His practice, while corporate in nature, has a strong emphasis in the energy and resources, and industrial sectors. Mr Livesley's 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.

DIRECTORS REPORT

Gavin May **BSc (Geology), GAICD**	**Managing Director – resigned 18 December 2015**
Qualifications and Experience	Mr May is a coal Executive with over 30 years of experience in the Australian and international coal industry. He was formerly the CEO of ASX-listed company Gloucester Coal Ltd, a Director of Noble Resources Australia Limited, and the COO of Toronto and Hong Kong dual-listed South Gobi Resources Limited.
Michael Mulroney **B App Sc (Geol), MBA, MAusIMM**	**Non-Executive Director – resigned 4 December 2015**
Qualifications and Experience	Mr Mulroney has over 30 years of experience in the natural resources and finance sectors. He has 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 and Sons (Australia) Limited. Mr Mulroney is a senior executive in a large Australian gold mining company and was the Managing Director of Venturex Resources Limited until February 2015, and has held senior roles in resource banking and investment banking companies, with extensive experience in project finance, and mergers and acquisitions in the global resources sector. Mr Mulroney formerly held senior roles in the Argonaut Capital Limited group.
Amanda Ward **B Bus CPA JP**	**Non-Executive Director – resigned 18 December 2015**
Qualifications and Experience	Ms Ward has more than 14 years of experience in finance and accounting, with a strong focus in the mining industry. She 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. Ms Ward also acts as the CFO for a group of privately-owned companies focused in the coal mining industry in Queensland.

COMPANY SECRETARY

Rachel Kerr Qualifications and Experience	Mrs Kerr has 7 years' experience as a Company Secretary on both private and public companies, working on acquisitions, capital raisings, listing of companies on ASX, due diligence reviews and compliance of public companies. Mrs Kerr is also Company Secretary of Sky and Space Global Ltd and MGC Pharmaceuticals Ltd.

DIRECTORS REPORT

DIRECTORS' MEETINGS

The Directors attendances at Board meetings held during the year were:

	Board Meetings	
	Number eligible to attend	Number attended
Adam Santa Maria	3	3
Logan Robinson	3	3
Brett Mitchell	3	3
Kym Livesley	2	2
Gavin May	2	2
Michael Mulroney	2	2
Amanda Ward	2	2

The Company does not have any remuneration, nomination or audit committees, these functions are performed by the Board.

REMUNERATION REPORT

Remuneration Report (Audited)

This report details the nature and amount of remuneration for each key management person of Acacia Coal Limited, and for the executives receiving the highest remuneration.

Remuneration Policy

The remuneration policy of Acacia Coal Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The Board of Acacia Coal Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the group is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed and approved by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- The Board reviews key management personnel packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share and option arrangements.

DIRECTORS REPORT

Remuneration Report (continued)

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9.5% (financial year 2015: 9.5%) and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by key management personnel. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the consolidated group. However, to align directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and are able to participate in the employee option plan.

Performance-based Remuneration

As part of each member of the key management personnel's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the areas each key management personnel are involved in and have a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPIs are set for the following year.

Company Performance, Shareholder Wealth and Director and Executive Remuneration

Key Management Personnel Remuneration Policy

The Board's policy for determining the nature and amount of remuneration of key management for the group is as follows:

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

The following Directors had contracts in place with the Company during the financial year as detailed below:

Adam Santa Maria, Director

- Confirmation of Appointment dated 16 December 2015 with no termination date;
    - Director fees of $10,000 per annum;
    - There will be no payment upon termination.

DIRECTORS REPORT

Remuneration Report (continued)

Logan Robertson, Director

- Confirmation of Appointment dated 18 December 2015 with no termination date;
  - Director fees of $10,000 per annum;
  - There will be no payment upon termination.

Brett Lawrence, Director

- Confirmation of Appointment dated 2 August 2016 with no termination date;
  - Director fees of $10,000 per annum;
  - There will be no payment upon termination.

Compensation of Key Management Personnel Remuneration - FY2016

	Short-term Benefits		Post-employment Benefits				
Key Management Person	**Cash, salary and fees $**	**Other $**	**Superannuation $**	**Termination benefits $**	**Equity $**	**Share-based Payment Options $**	**Total $**
Directors							
A Santa-Maria[1]	5,833	18,475	-	-	-	-	**24,308**
L Robertson[2]	5,425	-	-	-	-	-	**5,425**
B Mitchell[3]	5,833	1,167	-	-	-	-	**7,000**
G May[4]	228,197	-	13,664	177,500	-	35,934	**455,295**
K Livesley[5]	12,500	-	-	-	-	-	**12,500**
M Mulroney[6]	5,000	-	-	-	-	-	**5,000**
A Ward[7]	9,294	-	-	-	-	-	**9,294**
KMP							
G Colliss[8]	140,841	-	10,291	189,000	-	26,951	**367,083**
R Waring[9]	44,022	-	-	-	-	23,945	**67,967**
Total	**456,945**	**19,642**	**23,955**	**366,500**	**-**	**86,830**	**953,872**

Compensation of Key Management Personnel Remuneration - FY2015

	Short-term Benefits		Post-employment Benefits				
Key Management Person	**Cash, salary and fees $**	**Other $**	**Superannuation $**	**Termination benefits $**	**Equity $**	**Share-based Payment Options $**	**Total $**
Directors							
G May[4]	357,537	-	18,783	-	-	47,956	**424,276**
K Livesley[5]	52,500	-	-	-	-	-	**52,500**
M Mulroney[6]	35,000	-	-	-	-	-	**35,000**
A Ward[7]	35,000	-	-	-	-	-	**35,000**
KMP							
G Colliss[8]	251,978	-	18,092	-	-	35,967	**306,037**
R Warning[9]	82,879	-	-	-	-	23,978	**106,857**
Total	**814,894**	**-**	**36,875**	**-**	**-**	**107,901**	**959,670**

[1] Appointed on 16th December 2015, [2] Appointed on 18th December 2015, [3] Appointed on 18th December 2015, [4] Resigned on 18th December 2015, [5] Resigned on 18th December 2015, [6] Resigned on 4th December 2016, [7] Resigned on 18th December 2015, [8] Cease employment 5th Feb 2016, [9] Resigned 16th June 2016

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 their remuneration during the 2016 or 2015 financial years other than as disclosed in the table above.

DIRECTORS REPORT

Remuneration Report (continued)

Options

The following table discloses the value of options granted, exercised, sold or lapsed during the 2016 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						
A Santa Maria	-	-	-	-	-	-
L Robertson	-	-	-	-	-	-
B Mitchell	-	-	-	-	-	-
G May	144,000	-	-	-	35,934	7.9
M Mulroney	-	-	-	-	-	-
A Ward	-	-	-	-	-	-
KMP						
G Colliss	108,000	-	-	-	26,951	7.3
R Waring	72,000			-	23,945	35.0
Total	**324,000**	**-**	**-**	**-**	**86,830**	

The following table discloses the value of options granted, exercised, sold or lapsed during the 2015 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	-	-	68,650	47,956	11.3
M Mulroney	-	-	-	-	-	-
A Ward	-	-	-	-	-	-
KMP						
G Colliss	108,000	-	-	51,487	35,967	11.8
R Waring	72,000			34,325	23,978	22.4
Total	**324,000**	**-**	**-**	**154,462**	**107,901**	

The assessed fair value at the grant date of options issued 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 the 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.

DIRECTORS REPORT

Remuneration Report (continued)

The following table discloses the movement in Directors' and Key Management Personnel's Options during the 2016 financial year.

	Balance 1 Jul 15	Options Granted	Options Exercised	Options Lapsed	Held at Resignation	Balance 30 Jun 16	Vested during year	Vested and exercisable at 30 Jun 15	Not Vested at 30 June 16
	No.	No.	No.	No.	No.	No.	No.	No.	No.
G May	16,000,000	-	-	16,000,000	-	-	-	-	-
M Mulroney	-	-	-	-	-	-	-	-	-
A Ward	-	-	-	-	-	-	-	-	-
G Colliss	12,000,000	-	-	12,000,000	-	-	-	-	-
R Waring	8,000,000	-	-		-	8,000,000	-	-	8,000,000
Total	**36,000,000**	**-**	**-**	**28,000,000**	**-**	**8,000,000**	**-**	**-**	**8,000,000**

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
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's Options during the 2015 financial year.

	Balance 1 Jul 14	Options Granted	Options Exercised	Options Lapsed	Held at Resignation	Balance 30 Jun 15	Vested during year	Vested and exercisable at 30 Jun 15	Not Vested at 30 June 15
	No.	No.	No.	No.	No.	No.	No.	No.	No.
G May	16,000,000	-	-	-	-	16,000,000	-	-	16,000,000
M Mulroney	3,000,000	-	-	3,000,000	-	-	-	-	-
A Ward	3,000,000	-	-	3,000,000	-	-	-	-	-
L Carpene	3,000,000	-	-	3,000,000	-	-	-	-	-
G Colliss	12,000,000	-	-	-	-	12,000,000	-	-	12,000,000
R Waring	8,000,000	-	-	-	-	8,000,000	-	-	8,000,000
Total	**45,000,000**	**-**	**-**	**9,000,000**	**-**	**36,000,000**	**-**	**-**	**36,000,000**

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' INTERESTS

The relevant interest of each Director in the shares 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:

DIRECTORS REPORT

Remuneration Report (continued)

	Opening Balance No.	Granted as Compensation No.	Options Exercised No.	Net Other Changes No.	Closing Balance No.
30 June 2016					
Directors					
Adam Santa Maria	247,000	-	-	-	247,000
Logan Robinson	-	-	-	-	-
Brett Lawrence	-	-	-	-	-
Brett Mitchell	-	-	-	-	-
Kym Livesley	1,000,000	-			1,000,000
Gavin May	17,000,000	-	-	-	17,000,000
Michael Mulroney	1,126,641	-	-	-	1,126,641
Amanda Ward	-	-	-	-	-
KMP					
Graham Colliss	1,000,000	-	-	-	1,000,000
Robert Waring	6,400,000	-	-	-	6,400,000
Total	**26,773,641**				**26,773,641**
30 June 2015					
Directors					
Kym Livesley	1,000,000	-	-	-	1,000,000
Gavin May	15,000,000	-	-	2,000,000	17,000,000
Michael Mulroney	1,126,641	-	-	-	1,126,641
Amanda Ward	-	-	-	-	-
KMP					
Graham Colliss	1,000,000	-	-	-	1,000,000
Robert Waring	6,400,000	-	-	-	6,400,000
Total	**24,526,641**			**2,000,000**	**26,526,641**

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.

CORPORATE GOVERNANCE

The Company's Appendix 4G is released to ASX on the same day the Annual Report is released. Acacia Coal Limited's Corporate Governance Statement, and the Company's Policies, Charters and Procedures, can be all found on the Company's website at http://www.acaciacoal.com

Signed in Perth on the 23rd day of September 2016 in accordance with a resolution of the Directors:

Adam Santa Maria
Executive Chairman

ROTHSAY
Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone 9486 7094 www.rothsayresources.com.au

The Directors
Acacia Coal Limited
Level 7, 1008 Hay St
Perth WA 6000

Dear Sirs

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 2016 financial statements; and

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

Rolf Garda (Lead auditor)

Rothsay

Dated 23 September 2016

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

		Consolidated Group	
		2016	2015
	Note	**$**	$
Revenue from continuing operations			
Revenue from continuing operations	4	**38,438**	90,356
Research and Development tax cashback		**135,051**	543,110
		173,489	633,466
Expenses			
Corporate costs		**(36,871)**	(45,912)
Professional and consultancy fees		**(124,673)**	(239,234)
Marketing and travel expenses		**(5,711)**	(15,463)
Directors' fees		**(63,527)**	(122,500)
Employee benefits expenses	5	**1,764**	(104,121)
Office and administrative expenses		**(131,870)**	(131,333)
Depreciation	11	**(22,894)**	(15,395)
Foreign exchange (losses) / gains		**(1,201)**	1,154
Share based payment expense	19a)	**(104,797)**	(131,880)
Impairment of capitalised exploration expenditure	13	**(9,658,155)**	-
Impairment of assets held for sale	12	**(13,850)**	-
Gain on disposal of assets		**24,898**	-
Other expenses		**(13,492)**	(42,344)
		(9,976,890)	(213,562)
(Loss) from continuing operations before income tax expense		**(9,976,890)**	(213,562)
Income tax expense	6	**-**	-
(Loss) from continuing operations before other income		**(9,976,890)**	(213,562)
Other comprehensive income		**-**	-
Gains arising from translating financial statements of foreign operations		**-**	-
Total comprehensive income		**(9,976,890)**	(213,562)
Earnings per share for (loss) from continuing operations attributable to the ordinary equity holders of the Company			
Basic earnings per share	17	**(1.10)**	(0.02)

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		Consolidated Group	
		2016	2015
	Note	**$**	$
ASSETS			
Current Assets			
Cash and cash equivalents	8	**952,864**	2,292,164
Trade and other receivables	9	**116,184**	77,668
Other current assets	10	**13,720**	26,587
Total Current Assets		**1,082,768**	2,396,419
Non-Current Assets			
Plant and equipment	11	**-**	52,997
Available-for-sale financial assets	12	**1,787**	15,637
Capitalised exploration and evaluation	13	**1,000,000**	9,699,506
Total Non-Current Assets		**1,001,787**	9,768,140
Total Assets		**2,084,555**	12,164,559
LIABILITIES			
Current Liabilities			
Trade and other payables	14	**120,335**	226,951
Employee benefits	15	**-**	101,295
Total Current Liabilities		**120,335**	328,246
Total Liabilities		**120,335**	328,246
Net Assets		**1,964,220**	11,836,313
Equity			
Contributed equity	18	**38,492,606**	38,492,606
Reserves	19	**3,059,055**	2,954,258
Accumulated losses		**(39,587,441)**	(29,610,551)
Total Equity		**1,964,220**	11,836,313

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 2016

	Note	Contributed equity $	Share-based compensation $	Performance Shares $	Retained earnings $	Total equity $
Balance at 30 June 2014		38,492,606	2,169,600	652,778	(29,396,989)	11,917,995
Issue of shares		-	-	-	-	-
Share issue costs		-	-	-	-	-
Issue of options	19a)	-	131,880	-	-	131,880
Performance shares		-	-	-	-	-
Total comprehensive income		-	-	-	(213,562)	(213,562)
Balance at 30 June 2015		38,492,606	2,301,480	652,778	(29,610,551)	11,836,313
Issue of shares		-	-	-	-	-
Share issue costs		-	-	-	-	-
Issue of options	19a)	-	104,797	-	-	104,797
Performance shares		-	-	-	-	-
Total comprehensive income		-	-	-	(9,976,890)	(9,976,890)
Balance at 30 June 2016		**38,492,606**	**2,406,277**	**652,778**	**(39,587,441)**	**1,964,220**

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 2016

		Consolidated Group	
		2016	2015
	Note	**$**	$
Cash Flows from Operating Activities			
Interest received		**38,438**	90,356
Research and Development Tax Concession		**135,051**	543,110
Payments to suppliers and contractors (inclusive of goods and services tax)		**(554,140)**	(759,253)
Net cash (outflow) from operating activities	21	**(380,651)**	(125,787)
Cash Flows from Investing Activities			
Acquisition of exploration and evaluation	13	**(958,649)**	(1,209,571)
Net cash (outflow) from investing activities		**(958,649)**	(1,209,571)
Cash Flows from Financing Activities			
Net cash inflow from financing activities		**-**	-
Net (decrease) in Cash and Cash Equivalents		**(1,339,300)**	(1,335,358)
Cash and cash equivalents at the beginning of the financial year		**2,292,164**	3,627,522
Cash and cash equivalents at the end of the financial year	8	**952,864**	2,292,164

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 2016

1. REPORTING ENTITY

Acacia Coal Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office is Level 7, 1008 Hay Street, Perth WA 6000. The consolidated financial statements of the Company as at, and for the year ended 30 June 2016 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

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 23rd September 2016.

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.

Financial report prepared on a going concern basis

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During the year ended 30 June 2016 the consolidated group incurred a loss from continuing operations of $9,976,890, net operating cash outflows of $380,651 and year-end cash and cash equivalents balance of $952,864.

The Company's cashflow forecasts for the 12 months ending 30 September 2017 indicate that the Company will be in a position to meet its committed operational and administrative expenditure and thus continue to operate as a going concern.

In the Directors' opinion there are therefore reasonable grounds to believe that the consolidated group will be able to pay its debts as and when they become due and payable.

If the Company and group are unable to continue as a going concern, then assets and liabilities will not be discharged in the normal course of business and at values specified in the financial report.

b) 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 6: 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 6: 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 11: 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: 2f.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

- *Note 12: 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 13: 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 13: 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.

  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 2016, the carrying value of exploration expenditure was $1,000,000 (2015: $9,699,506).

- *Note 19: 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.

- *Note 25: 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.

- *Note 19: 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.

c) 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.

d) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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.

e) 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 12 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 12 months of the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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.

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.

f) 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: two to eight years

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

g) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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.

h) 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.

i) 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.

j) 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.

k) 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.

Provision for Restoration and Rehabilitation

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

l) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

m) 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.

n) Taxes

i. Income tax

Income tax expense or revenue comprises current and deferred tax. Current and deferred taxes 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.

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.

o) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

p) 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.

3. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

a) Changes in Accounting Policy, Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

New and amended standards and interpretations

The Group has adopted all new and amended Australian Accounting Standards and AASB Interpretations effective from 1 July 2015, including:

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality - completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. The application of this amendment does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

b) Accounting Standards and Interpretations Issued but not yet Effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2016 are set out below:

Reference	Title	Summary	Application date for reporting periods beginning or after	Application date for Company in financial year end
AASB 9, AASB 2014-7, AASB 2014-8 Amendments arising to Australian Accounting Standards arising from AASB 9	Financial Instruments	The objective of this Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	1 January 2018	30 June 2019
AASB 1057	Application of Australian Accounting Standards	This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible. The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.	1 January 2016	1 July 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and	AASB 116 Property Plant and Equipment and AASB 138 Intangible Assets both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of	1 January 2016	30 June 2017

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Reference	Title	Summary	Application date for reporting periods beginning or after	Application date for Company in financial year end
	Amortisation (Amendments to AASB 116 and AASB 138)	an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.		
AASB 2014-9	Equity Method in Separate Financial Statements	Amends AASB 127 Separate Financial Statements, to allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements: •at cost; •in accordance with AASB 9 Financial Instruments; or using the equity method as described in AASB 128 Investments in Associates and Joint Ventures. The accounting policy option must be applied for each category of investment.	1 January 2016	30 June 2017

The following new or amended standards, applicable for annual reporting periods beginning after 1 January 2016 (unless otherwise stated), are not expected to have a significant impact on the Group's consolidated financial statements:

- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of acceptable methods of depreciation and amortisation (Amendments to AASB 116 and AASB 138)
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual improvements to Australian Accounting Standards 2012-2014 cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
- AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (applicable 1 January 2017)
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations (for which Australian equivalent Standards and Interpretations have not yet been issued) were in issue but not yet effective:

- IFRS 2 (Amendments) 'Classification and Measurement of Share-based Payment Transactions – effective 1 January 2018, applicable for the year ending 30 June 2019

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

4. REVENUE

	Consolidated Group	
	30-Jun-16	30-Jun-15
	$	$
Interest income	38,438	90,356
	38,438	**90,356**

5. EMPLOYEE BENEFITS EXPENSE

	Consolidated Group	
	30-Jun-16	30-Jun-15
	$	$
Wages and salaries	84,890	65,080
Other employee costs	(86,654)	39,041
	(1,764)	**104,121**

6. INCOME TAX EXPENSE

		Consolidated Group	
		30-Jun-16	30-Jun-15
a)	**The components of income tax expense comprise:**	$	$
	current tax	-	-
	deferred tax	(2,851,796)	-
	DTA not recognised (losses)	453,143	-
	DTA not recognised (temporary)	2,398,653	-
b)	**The prima facie tax on (loss) from continuing operations and discontinued operations before income tax is reconciled to the income tax as follows:**		
	Prima facie tax payable on (loss) from continuing operations and discontinued operations before income tax at 28.5%	(2,843,413)	(64,069)
	Add:		
	Tax effect of:		
	Other non-allowable items	30,107	-
	Other assessable items	-	-
	Less:		
	Tax effect of:		
	Non-assessable items	(38,490)	-
	DTA not recognised (losses)	453,143	64,069
	DTA not recognised (temporary)	2,398,653	-
	Income tax expense / (benefit)	-	-
	Deferred Tax Assets Not Brought to Account, the benefits of which will only be realised if the conditions for deductibility set out in Note (1n) occur		
	Tax Losses	11,587,876	-
	Temporary Differences	2,271,489	-
	Total	**13,859,365**	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

7. AUDITORS REMUNERATION

	Consolidated Group	
	30-Jun-16	30-Jun-15
	$	$
Remuneration of the auditors of the group:		
Audit fees and review of financial reports - Rothsay	20,600	38,000
	20,600	**38,000**

8. CASH AND CASH EQUIVALENTS

	Consolidated Group	
	30-Jun-16	30-Jun-15
	$	$
Cash at bank	952,864	2,292,164
	952,864	**2,292,164**

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 27.

9. TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	30-Jun-16	30-Jun-15
	$	$
Current		
Trade receivables	9,225	10,426
Accrued revenue	1,719	6,359
Other receivables	46,056	1,700
Rental guarantee	51,684	51,683
Deposits	7,500	7,500
	116,184	**77,668**

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables are disclosed in Note 27.

10. OTHER CURRENT ASSETS

	Consolidated Group	
	30-Jun-16	30-Jun-15
	$	$
Prepayments	**13,720**	**26,587**

11. PLANT AND EQUIPMENT

	Consolidated Group	
	30-Jun-16	30-Jun-15
	$	$
Plant and equipment		
- at cost	61,619	153,372
- accumulated depreciation	(61,619)	(100,375)
	-	**52,997**
Plant and equipment movement		
Opening balance at 1 July	52,997	68,392
Disposal	(30,103)	-
Depreciation	(22,894)	(15,395)
	-	**52,997**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated Group	
	30-Jun-16	30-Jun-15
	$	$
Opening balance at 1 July	15,637	15,637
Movement during the year		
Revaluation	(13,850)	-
	1,787	**15,637**

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

13. CAPITALISED EXPLORATION AND EVALUATION

	Consolidated Group	
	30-Jun-16	30-Jun-15
	$	$
Opening balance at 1 July	9,699,506	8,489,935
Expenditure during the year	958,649	1,209,571
Impairment expense	(9,658,155)	-
	1,000,000	**9,699,506**

The consolidated entity has assessed the carrying amount of exploration and evaluation in accordance with *AASB 6 Exploration for and Evaluation of Mineral Resources* and recognised an impairment of $9,658,155 during the 2016 financial year.

The ultimate recoverability of the carrying amount is dependent upon the successful development and commercial exploitation, or alternatively, sale of the area of interest.

14. TRADE AND OTHER PAYABLES

	Consolidated Group	
	30-Jun-16	30-Jun-15
	$	$
Trade payables	89,402	63,953
Accruals	19,086	148,992
Other payables	11,847	14,006
	120,335	**226,951**

Refer to note 27 for details on management of financial risk.

15. EMPLOYEE BENEFITS

	Consolidated Group	
	30-Jun-16	30-Jun-15
	$	$
Liability for annual leave	-	**101,295**

Refer to note 27 for details on management of financial risk.

16. CONTROLLED ENTITIES

The consolidated financial statements of the Group include:

	Country of incorporation	Percentage Owned (%)* 30-Jun-16	Percentage Owned (%)* 30-Jun-15
Parent Entity:			
Acacia Coal Limited	Australia		
Subsidiaries of Acacia Coal Limited:			
Mt Garnet Mines NL	Australia	100	100

** Percentage of voting power in proportion to ownership*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

17. EARNINGS PER SHARE

	Consolidated Group	
	30-Jun-16	**30-Jun-15**
	$	**$**
Basic loss per share (cents)	**(1.10)**	**(0.02)**
Diluted loss per share (cents)	**(1.10)**	**(0.02)**
Reconciliation of earnings to profit or loss		
(Loss) used in calculating basic and diluted EPS	(9,976,890)	(213,562)
	Number	**Number**
Weighted average number of ordinary shares and potential ordinary shares		
Weighted average number of ordinary shares used in calculating basic and diluted EPS	903,787,924	903,787,924

18. CONTRIBUTED EQUITY

	Consolidated Group			
	30-Jun-16	**30-Jun-15**	**30-Jun-16**	**30-Jun-15**
	No.	**No.**	**$**	**$**
Ordinary shares on issue, fully paid	**903,787,924**	**903,787,924**	**38,492,606**	**38,492,606**

Reconciliation of movement in share capital

30 June 2016	**No. Of Shares**	**Issue Price**	**Amount $**
Opening balance at 1 July 2015	903,787,924		38,492,606
Closing balance at 30 June 2016	**903,787,924**		**38,492,606**

19. RESERVES

	Consolidated Group	
	30-Jun-16	**30-Jun-15**
	$	**$**
Share based payment reserve (refer note 19a)	2,406,277	2,301,480
Performance share reserve (refer note 19b)	652,778	652,778
	3,059,055	**2,954,258**

Options and performance shares issued carry no dividend or voting rights. When exercisable each option and performance share is convertible to one ordinary share.

a) Share based payment reserve

	Consolidated Group			
	30-Jun-16	**30-Jun-15**	**30-Jun-16**	**30-Jun-15**
	NUMBER	**NUMBER**	**$**	**$**
Unlisted options on issue	**8,000,000**	**44,000,000**	**2,406,277**	**2,301,480**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

30 June 2016	No. of unlisted options	Share based payment at 30 June 2016
Opening balance at 1 July 2015	44,000,000	2,301,480
Unlisted options expense during the year	-	104,797
Movement during the year		
Options cancelled	(36,000,000)	-
Closing balance at 30 June 2016	**8,000,000**	**2,406,277**

30 June 2015		
Opening balance at 1 July 2014	128,000,000	2,169,600
Unlisted options expense during the year	-	131,880
Movement during the year		
Options cancelled	(84,000,000)	-
Closing balance at 30 June 2015	**44,000,000**	**2,301,480**

b) Performance share reserve

	Consolidated Group	
	30-Jun-16	**30-Jun-15**
	$	$
Closing balance at 30 June	**652,778**	**652,778**

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

20. PARENT ENTITY DISCLOSURES

The individual financial statements for the parent entity show the following aggregate amounts:

a) Summary of financial information

	30-Jun-16	**30-Jun-15**
	$	**$**
Current assets	1,082,768	2,396,419
Non-current assets	1,001,787	9,768,140
Total Assets	**2,084,555**	**12,164,559**
Current liabilities	120,335	328,246
Non-current liabilities	440,922	440,922
Total Liabilities	**561,257**	**796,168**
Contributed equity	38,492,606	38,492,606
Share based payment reserve	3,059,055	2,954,258
Accumulated losses	(40,028,363)	(30,051,473)
Total Equity	**1,523,298**	**11,395,391**
Loss for the year	**(9,976,888)**	**(213,562)**
Total comprehensive loss for the year	**(9,976,888)**	**(213,562)**

b) Commitments and contingent liabilities of the parent

Refer to note 26 for commitments. The parent entity did not have any contingent liabilities as at 30 June 2016 (30 June 2015: nil).

c) Guarantees entered into the parent entity

There were no guarantees entered into by the parent entity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

21. CASH FLOW INFORMATION

	Consolidated Group	
	30-Jun-16	**30-Jun-15**
	$	**$**
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
(Loss) after income tax	(9,976,890)	(213,562)
Add / (deduct) non-cash items		
Share based payment expense	104,797	131,880
Depreciation	22,894	15,395
Write off of capitalised exploration costs	9,658,155	-
Write off of assets held for sale	13,850	-
Gain on disposal of assets	(24,898)	-
Proceeds of motor vehicle disposal	55,000	-
Changes in assets and liabilities, net of the effects of purchase of subsidiaries		
(Increase) / Decrease in trade and other receivables	(25,649)	11,089
(Decrease) in trade payables and accruals	(207,910)	(70,589)
Cash flow from operations	**(380,651)**	**(125,787)**

22. RELATED PARTY TRANSACTIONS

a) Key Management Personnel compensation

Disclosures relating to key management personnel are set out in the Directors Report.

b) 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.

c) Other related party transactions

There were no other related party transactions.

23. 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 that 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 2016.

24. SEGMENT INFORMATION

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

25. CONTINGENT LIABILITIES AND ASSETS

There are no contingent liabilities or assets at 30 June 2016 (2015: nil).

26. COMMITMENTS

Mining Tenement Leases

In order to maintain current rights of tenure to exploration tenements the Group is required to comply with the minimum expenditure obligations specified by the Queensland State Government. At 30 June 2016 the Group had one granted coal exploration tenement in the Bowen Basin, EPC 1230 (Comet Ridge).

	2016	2015
	$	$
Not later than 12 months	**210,000**	190,000
Not later than one year but less than five years	**230,000**	440,000
Not later than five years	**-**	-
	440,000	**630,000**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

27. FINANCIAL RISK

The group's financial instruments consist mainly of cash at bank, payables and receivables.

The group has not formulated any specific management objectives and policies in respect to debt financing, derivatives or hedging activity. As a result, the group has not formulated any specific management objectives and policies in respect to these types of financial instruments. Should the group change its position in the future, a considered summary of these policies will be disclosed at that time.

The Group's current exposure to the risk of changes in the market is managed by the Board of Directors.

Market risks

The Group is exposed to a variety of financial risks through its financial instruments for example, interest rate risk, liquidity risk and credit risk, as well as foreign currency risk.

Interest rate risk

At reporting date, the Group does not have long term borrowings and its exposure to interest rate risk is assessed as low. The risk monitors its interest rate risk through sensitivity analysis, as outlined below.

The consolidated group's exposure to interest rate risk which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets of the group are summarised in the following tables:

	Consolidated Group					
	Floating interest rate	**1 Year or less**	**Over 1 to 5 years**	**Non-interest bearing**	**Remaining contractual maturities**	**Weighted average interest rate**
30 June 2016	**$**	**$**	**$**	**$**	**$**	**%**
Financial assets						
Cash and cash equivalents	952,864	952,864	-	-	952,864	**4.03%**
Other receivables	-	-	-	116,184	116,184	
	952,864	**952,864**	**-**	**116,184**	**1,069,048**	
Financial liabilities						
Other payables and sundry accruals	-	-	-	120,335	120,335	
	-	**-**	**-**	**120,335**	**120,335**	
30 June 2015						
Financial assets						
Cash and cash equivalents	2,292,164	2,292,164	-	-	2,292,164	**3.94%**
Other receivables	-	-	-	77,668	77,668	
	2,292,164	**2,292,164**	**-**	**77,668**	**2,369,832**	
Financial liabilities						
Other payables and sundry accruals	-	-	-	226,951	226,951	
	-	**-**	**-**	**226,951**	**226,951**	

At 30 June 2016, if interest rates had changed by -/+100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been $9,528 lower/higher (2015: $22,921)

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 cash 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 monitors forecast cash flows on regular basis to manage its liquidity risk.

Credit risk

Management has assessed the credit risk exposure as minimal at reporting date. Credit risk arises from exposure to customers and deposits with banks. Management monitors its exposure to ensure recovery and repayment of outstanding amounts. Cash deposits are only made with reputable banking institutions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Foreign currency risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the GBP (£).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting.

The consolidated entity has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency. The board manages the purchase of foreign currency to meet operational requirements.

The consolidated entity's exposure to foreign currency risk at the reporting date was as follows:

	Consolidated Group	
	30-Jun-16	**30-Jun-15**
	$	**$**
Investment in denomination currency		
Investment - GBP	9,225	10,425
Consolidated entity sensitivity		
Exchange rates per AUD as at 30 June		
GBP	0.5557	0.4917

A 10% increase or decrease in value of Australia dollar against the above currencies at 30 June would have the following effect:

	30-Jun-16 $		**30-Jun-15 $**	
	Profit/(loss)	**Profit/(loss)**	**Profit/(loss)**	**Profit/(loss)**
	10% increase	10% decrease	10% increase	10% decrease
GBP (£)	(923)	923	(1,043)	1,043
	(923)	**923**	**(1,043)**	**1,043**

DIRECTORS' DECLARATION

For the year ended 30 June 2016

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 2016 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 Executive Chairman and Chief Financial Officer required by section 295A of the Corporations Act 2001.

Signed in Perth on the 23rd day of September 2016.

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

Adam Santa-Maria
Executive Chairman

ROTHSAY
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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 statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes comprising 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 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 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 in 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*.

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 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

b) complying 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 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Rolf Garda
Partner

Dated 23 September 2016

Chartered Accountants

SHAREHOLDER INFORMATION

EXCHANGE LISTING

Acacia Coal Ltd shares are listed on the Australian Securities Exchange. The Company's ASX code is AJC.

SUBSTANTIAL SHAREHOLDERS (HOLDING NOT LESS THAN 5%)

Name of Beneficial Holder	Total Number of Voting Share in Acacia Coal Ltd in which the Substantial Shareholders and its Associates Hold Relevant Interests
Argonaut Limited	68,249,323
Mr Scott Paul Jones and Associates	46,293,797
Skye Equity Pty Ltd	44,500,000

At 15 September 2016 there were 1,192 holders of 903,787,924 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

a. each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
b. on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a shareholder has one vote; and
c. on a poll, every person present who is a shareholder or a proxy, attorney or Representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited).

The number of shareholders holding less than a marketable parcel is 92.

UNLISTED OPTIONS

Securities	Number of Securities on issue	Number of Holders	Name of Holders holding more than 20%	Number Held
Unlisted Options exercisable at $0.02 expiring 5 December 2016	8,000,000	1	Robert Waring	8,000,000

ESCROWED SECURITIES

The Company currently has no securities subject to escrow.

CASH USAGE

Since the time of listing on ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

TENEMENT SCHEDULE

As at 15 September 2016, 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 AUSTRALIA	TENEMENT	GROUP ENTITY'S INTEREST
Bowen Basin, Queensland	EPC1230 (Comet Ridge)	100%
	Mining Lease Application (MLA 700005)	

SHAREHOLDER INFORMATION

TOP 20 SHAREHOLDERS AT 15 SEPTEMBER 2016

	Ordinary Fully Paid - Shareholders	Number of Shares	% Issue Capital
1.	ARGONAUT EQUITY PARTNERS PTY LIMITED	56,927,785	6.299%
2.	PERSHING AUSTRALIA NOMINEES PTY LTD <ARGONAUT ACCOUNT>	51,550,000	5.704%
3.	HOPERIDGE ENTERPRISES PTY LTD	43,233,062	4.784%
4.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	42,650,403	4.719%
5.	MR SCOTT PAUL JONES & MR RODNEY MALCOLM JONES & MRS CAROL ROBIN JONES <SCOPA FAMILY A/C>	40,646,739	4.497%
6.	CHEMBANK PTY LIMITED <R T UNIT A/C>	30,000,000	3.319%
7.	SKYE EQUITY PTY LTD	24,500,000	2.711%
8.	AFM PERSEUS FUND LIMITED	21,750,000	2.407%
9.	SKYE EQUITY PTY LTD	20,000,000	2.213%
10.	J P MORGAN NOMINEES AUSTRALIA LIMITED	17,071,056	1.889%
11.	AVIEMORE CAPITAL PTY LTD	15,025,960	1.663%
12.	CLELAND PROJECTS PTY LTD <CT A/C>	15,000,000	1.660%
13.	MR ROBERT PAUL BLAKE & MRS CHRISTINE MARGARET GIBSON	13,000,000	1.438%
14.	MR ROBERT RAYMOND MCLACHLAN & MRS JACQUELINE RHONDA MCLACHLAN <MCLACHLAN SUPER FUND A/C>	12,790,373	1.415%
15.	MR SHANE ROBERT JONES & MRS CAROL ROBIN JONES <ROSH FAMILY A/C>	12,500,000	1.383%
16.	CITICORP NOMINEES PTY LIMITED	12,112,493	1.340%
17.	BNP PARIBAS NOMS PTY LTD <UOB KAY HIAN PRIV LTD DRP>	11,561,170	1.279%
18.	MR JAMES PARKER BOTTOMLEY & MRS LISA KAY BOTTOMLEY <THE BOTTOMLEY FAMILY A/C>	11,423,980	1.264%
19.	MR GAVIN PETER MAY & MRS FIONA MAREE MAY <MAY FAMILY SUPER FUND A/C>	10,000,000	1.106%
20.	MS SIHOL MARITO GULTOM	9,063,426	1.003%
	TOTAL TOP 20 SHAREHOLDERS	**470,806,447**	**52.09**

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	104	16,463	0.002
1,001 – 5,000	26	87,999	0.010
5,001 – 10,000	53	467,683	0.052
10,001 – 100,000	476	26,543,709	2.937
100,001 and over	533	876,672,070	97.000
TOTAL	**1,192**	**903,787,924**	**100.000**