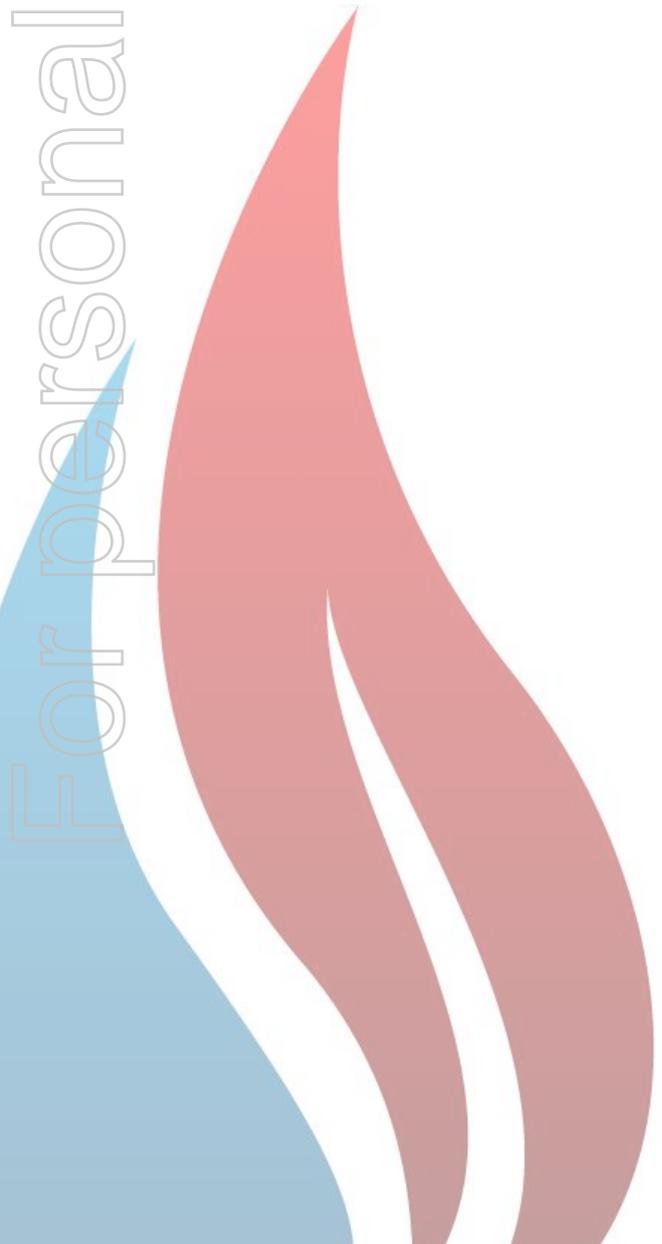


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# COUNTY COAL LIMITED



## **2014 ANNUAL REPORT**

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**COUNTY COAL LIMITED**  
**CHAIRMAN'S LETTER TO SHAREHOLDERS**

Dear Shareholder

In my letter to shareholders last year I explained that the Company had determined that it should investigate building its own ship-loading facilities, given the limited existing bulk material capacity on the west coast of the USA. In doing this we hoped to establish a viable and reliable coal transport corridor to Asia for our coal.

As shareholders will have observed, since that time the external environment has become more difficult for a number of reasons. These include depressed commodity prices, including that of coal throughout the world and the unexpected move away from coal and power usage in the USA to gas. There is also increasing community concern in parts of the USA, including the north-west, regarding coal which has made the approval and regulatory environment in some states more difficult. Furthermore, there remains existing coal production in the Powder River Basin that would be available for export to Asia but is unable to reach the overseas market. Our decision a year ago to focus on export capability and infrastructure therefore remains appropriate.

The Company is conscious of conserving its cash and to assist in this regard, the CEO and I, together with a number of key advisors to the Company, have agreed to reduced remuneration levels by up to 66%. We were also conscious that in assessing each of the potential port sites during the year, the Company should spend only those funds which were absolutely necessary to determine whether there was a reasonable chance of success on the port site being investigated. If not, we focussed our efforts elsewhere.

Of the sites investigated during the year, three of these sites are no longer priorities for the Company but we continue to monitor them and maintain the relationships we built without further expenditure. The fourth site however, where our current efforts are focussed, has the potential advantage of being a multi-use terminal, not one based solely on coal. It is also large enough to handle significantly more coal than could be produced just by our Company. In assessing this site, we have the advantage of observing the experience of others in trying to establish ports in the north-west and we can learn from those experiences and their various specific issues, many of which we believe do not apply to this fourth location.

We remain confident that demand for coal will increase in the future and that Powder River Basin coal will be able to provide a source of diversification for Asian markets. Therefore, whilst we are disappointed with the performance of the Company's share price over the year, the Board and management have remained focussed on implementing our evolving strategy, which we believe will be in the best interests of shareholders in the long-term.

I would like to thank Rod Ruston, our Managing Director and CEO and our team, for the contributions they have made to the Company during the year.

Yours faithfully,



Robert G Cameron AO

Chairman

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# COUNTY COAL LIMITED

## MANAGING DIRECTOR'S REPORT

### COMMENTARY

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

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

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

### COAL TRANSPORT PROGRAM

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

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

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

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

#### Canadian Bulk Terminal Opportunity

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

#### North West USA Bulk Terminal Opportunity (1)

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

#### North West USA Bulk Terminal Opportunity (2)

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

County Coal had extensive discussions with the owners of this site and by year-end was awaiting an initial response from the owners in regard to the framework around an option to purchase proposal. Subsequent to year-end, the owners responded indicating a preference for a direct sale. During the time the owners were considering the County option proposal, a third and in our view better opportunity, outlined below, had become available to County. As a result, the Company did not consider a direct purchase of this property was the right strategy and has since informed the owners that it will not proceed.

**COUNTY COAL LIMITED**  
**MANAGING DIRECTOR'S REPORT (continued)**

North West USA Bulk Terminal Opportunity (3)

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

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

**COAL EXPORTS**

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

**FINANCIAL POSITION**

County Coal has continued to maintain a close watch over its cash spend to ensure all cash resources are being utilized to the best possible effect in developing and implementing the right strategy for the Company. In F2014 the focus was towards identifying and securing a viable location for a bulk loading terminal. County has now identified a location and since the start of F2015 has been working to secure tenure over the various aspects of the site. Once this is completed, there are sufficient funds available to undertake a pre-feasibility study to provide initial assurance of the viability of the site for the proposed loader project.

It is believed that this strategy to secure the land to develop a bulk terminal, supplied with coal from the Company's mines and third party suppliers is a strategy that will lead to the success of the Company. The selected site adds a further dimension in that its size will allow other commodities to be considered for loading terminals, thus substantially reducing the risks inherent in a single product operation.

**OUTLOOK**

The Company has identified an excellent site for the construction of a multi-product ship loading facility. In FY2015, the Company expects to continue the process of securing that site and commencing the process of developing a bulk terminal to fulfill its overall strategy of becoming a significant supplier of PRB coal to the Asian thermal coal markets. The extension of the initial strategy from building a coal mining business into the construction and operation of a coal bulk terminal on the North American west coast will allow County Coal to expand its business to trading third party coals and because of the size of the proposed site, potentially into loading bulk products other than coal such as grain, potash and LNG.

FY2015 will see the Company concentrating on securing the rights to the land required for its proposed coal loading terminal and proceeding with the pre-feasibility study which will include some preliminary design and costing for the terminal and ancillary infrastructure.

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

**INVESTMENT HIGHLIGHTS**

- The proposed bulk terminal on the north-west U.S. coast will provide an export solution for emerging and existing low-cost U.S. thermal coal producers.
- Significant risk mitigation is provided because the size of the property and water frontage related to the proposed terminal site will allow terminals for loading other commodities, such as LNG, grain and potash to be constructed.
- The U.S. faces much lower capital and operating costs, especially in comparison to Australia.
- County's proposed export solution could unlock the substantial value held within its 730Mt low-cost thermal coal resources in the PRB in Wyoming, U.S.

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

# COUNTY COAL LIMITED

## MANAGING DIRECTOR'S REPORT (continued)

### About the Powder River Basin

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

### Potential Powder River Basin Export Routes

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



### Note to JORC-Compliant Resources

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

**COUNTY COAL LIMITED**  
**MANAGING DIRECTOR'S REPORT (continued)**

**COAL RESOURCE SUMMARY**

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

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

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

# COUNTY COAL LIMITED

## Directors and Management

### Directors

**Robert G. Cameron AO** | Non-executive Chairman BE (Hons), MBA, Grad Dip Geoscience, FAusIMM, FAIM, FAICD

Bob Cameron holds degrees in mining, mineral economics and business administration and has had more than 37 years of experience in the coal industry. This includes 14 years as a senior manager with Coal & Allied Industries in the Hunter Valley and 21 years as Founder and Managing Director/CEO of Centennial Coal Company Limited. This Company grew from a market capitalisation of \$20 million and was acquired by Banpu PLC in 2010 for approximately \$2.5 billion. It currently operates 10 coal mines in NSW, producing around 20 million tonnes per annum.

Upon the takeover of Centennial, Bob moved to the role of non-executive Chairman of the Company. Amongst other current positions, Bob is also Chairman of Hunter Valley Training Company Limited and Pacific Smiles Group. He is also a Director of the University of New South Wales Foundation and the Museum of Applied Arts and Sciences.

Bob is past Chairman of the Australian Coal Association, ACA Low Emissions Technology Ltd, NSW Minerals Council and the Australian Japan Coal Conference, and was a Director of Port Kembla Coal Terminal. He was also on numerous other government and industry boards and committees including the Ministerial Minerals Advisory Council and Mining Education Australia.

In 2002 The Australasian Institute of Mining and Metallurgy awarded Bob the Institute Medal in recognition of his outstanding leadership in the coal industry.

In 2005 he received the Hunter Business Person of the Year Award from the Hunter Business Chamber, and in 2010 he received the Australian Mining Prospect Award for Most Outstanding Contribution to Mining.

In 2012 he was awarded an Order of Australia for his contribution to the Australian mining industry, tertiary education and the community of the Hunter Valley.

**David Miller** | Non-executive Director B.Sc (Geol)

David Miller is a Director and CEO of Declan Resources, Inc. He was a Director and CEO of Strathmore Minerals Corp (a TSX listed mining group) until August 2013. David's primary professional focus has been on minerals exploration, development, and mining. His career has spanned over 30 years, with a chain of companies that started with Utah International and evolved into AREVA, the French Nuclear Power Conglomerate. David is a seventh term member of the Wyoming Legislature, serving District 55 –Riverton. He has served on Minerals, Revenue, Education, Corporations, and Health & Labor Committees and was an original appointee to the Wyoming Energy Commission. David is a registered professional geologist in Wyoming. David is the architect responsible for assembling the Miller Coal property, now owned by County Coal.

**Marcus Boland** | Non-Executive Director B.Com LLB. (resigned 14 November 2013)

Marcus Boland was previously Director of Corporate, Sydney at national accounting and advisory firm Stanton Partners, and has been involved in corporate advisory for more than 20 years. Mr Boland has broad ranging corporate experience in the listing and development of private and public listed companies and since 2000 has held several senior positions in various ASX listed public companies, including as a corporate development executive at Michelago Resources Limited. He acted as Head of Business Development until he became non-executive director on 5 July 2013.

**Mr Rod Ruston** | Chief Executive Officer and Managing Director BE (Mining), MBA

Mr Ruston is a mining engineer, who also holds an MBA. He has 37 years of business experience in the resource industry and has worked at senior management level, including as CEO, in public companies in the coal, heavy minerals, construction and oil and gas industries. He has extensive international experience having done business in Asia through his experience in the coal industry (Savage Resources Limited, Wambo Mining, Oakbridge Limited and Kembla Coal & Coke) and in the heavy minerals industry where he was responsible, as the CEO of Ticor Ltd, for the construction and operation of a 120kt per annum titanium dioxide mining and smelting project in South Africa. More recently he has led a major mining and construction contractor, focused on the oil and gas industry, in Canada.

Mr Ruston joined County Coal in early July 2012. For the previous 7 years he was President and CEO of North American Energy Partners, a large mining and construction contracting company located in western Canada. Prior to this he was the CEO of Ticor Limited, an Australian listed company involved in heavy minerals extraction and processing in Australia and South Africa.

Mr Ruston is currently a non-executive director of AngloGold Ashanti Limited, a major international, South African based, gold mining company and Cockatoo Coal Limited.

**COUNTY COAL LIMITED**  
ACN 149 136 783  
**DIRECTORS' REPORT**

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2014.

**Directors**

The names of directors in office at any time during or since the end of the year are:

Robert G. Cameron AO - Non-Executive Chairman  
Rodney Ruston – Managing Director  
David Miller - Non-Executive Director  
Marcus Boland – Non-Executive Director (resigned 14 November 2013)

Directors have been in office since the start of the financial year to the date of this report, unless otherwise stated.

Further details as to the Directors' experience are contained on page 6 of this Annual Report.

**Principal Activity**

The principal activity of the Consolidated Entity during the financial year was coal exploration and development in the USA.

There were no significant changes in the nature of the Consolidated Entity's principal activities during the financial year.

**Result**

The consolidated loss of the Consolidated Entity amounted to \$1,503,667 (2013: \$2,919,515)

**Dividends Paid or Recommended**

There is no dividend paid, declared or recommended.

**Significant Changes in State of Affairs**

Other than as stated above and in the accompanying financial report, there were no significant changes in the state of affairs of the Company during the reporting year.

**After Balance Date Events**

The directors are not aware of any matter or circumstance that has arisen since the end of the year to the date of this report that has significantly affected or may affect:

- (i) The operations of the company and the entities that it controls
- (ii) The results of those operations
- (iii) The state of affairs of the Company in subsequent years.

**Future Developments**

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

FY2015 will see the Company concentrating on securing the rights to the land required for its proposed coal loading terminal and proceeding with the pre-feasibility study which will include some preliminary design and costing for the terminal and ancillary infrastructure.

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

## COUNTY COAL LIMITED DIRECTORS' REPORT (CONTINUED)

### Directors' Interests in Securities

As at the date of this report, details of Directors who hold shares or options in the company for their own benefit or who have an interest in holdings through a third party are detailed below.

Director	Shares	Options
Robert Cameron*	2,750,000	3,000,000
David Miller**	1,500,000	500,000
Rodney Ruston	-	3,000,000

\* Two million five hundred thousand shares and all options are held by Paula Suzanne Cameron and Robert Graham Cameron ATF Cameron Family Superannuation Plan of which Mr Cameron is a beneficiary and two hundred and fifty thousand are held directly.

\*\* Shares and options held by Miller and Associates LLC of which Mr Miller is a Director

	DIRECTORS' MEETINGS		COMMITTEE MEETINGS			
	Number eligible to attend	Number Attended	AUDIT COMMITTEE		REMUNERATION COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Robert Cameron	3	3	1	1	1	1
Rodney Ruston	3	3	-	-	-	-
David Miller	3	3	1	1	1	1
Marcus Boland	2	2	-	-	-	-

### Indemnifying Directors or Officers

Each Director has entered into a Deed with the Company under which the Director is given access to documentation and in addition is:

- indemnified by the Company to the full extent permitted by law against all liabilities sustained or incurred through acting as a Director (under the Corporations Act the indemnity does not extend to a liability owed to the Company or its related bodies corporate, or which arises out of conduct involving a lack of good faith, or is for a pecuniary penalty order under section 1317G of the Corporations Act or a compensation order under section 1317H of the Corporations Act);
- indemnified by the Company to the full extent permitted by law against legal costs and expenses incurred in defending an action for a liability incurred as an officer of the Company (under the Corporations Act the indemnity does not extend to costs incurred in circumstances where the Director is found to have a liability for which the Director cannot be indemnified, or costs of defending or resisting criminal proceedings in which the Director is found guilty or defending proceedings brought by ASIC or a liquidator for a court order where the court holds that the grounds for making the order are established, or costs of proceedings seeking relief for the Director under the Corporations Act where the court denies relief);
- entitled to a loan to meet the costs of defending or responding to any such claim or proceeding; and
- entitled to have the Company maintain and pay premiums in respect of directors' and officers' insurance.

### Board Member's Directorships

Listed below are details of other listed public company directorships held by Board Members over the last three years.

Director	Directorship of	Date Appointed	Date Resigned
Robert Cameron	Centennial Coal Company Limited*	29 June 1989	Current
David Miller	Strathmore Minerals Corp	2004	30 August 2013
Rodney Ruston	AngloGold Ashanti Limited	1 January 2012	Current
	Cockatoo Coal Limited	15 January 2014	Current
Marcus Boland (resigned 14 November 2013)	Nil	n/a	n/a

\*ceased to be listed on 30 November 2010

## COUNTY COAL LIMITED DIRECTORS' REPORT (CONTINUED)

### Options

At the date of this report there are 10.3 million ordinary shares of County Coal Limited under option. The options are exercisable at prices between 15 and 40 cents each. Each option entitles the holder, when exercised, to one Share in the capital of County Coal Limited. Further details are below.

Number of Options	Issue Date	Exercisable Date	Expiry Date	Exercise Price
3,250,000	4 April 2011	30 September 2011	31 March 2015	40 cents
500,000	28 April 2011	30 September 2012	31 March 2015	40 cents
450,000	17 June 2011	30 September 2013	31 March 2015	40 cents
3,000,000	17 June 2011	30 September 2012	31 March 2015	40 cents
3,000,000	9 July 2012	9 July 2015	9 July 2017	40 cents
100,000	25 January 2013	14 January 2016	14 January 2018	15 cents

No options were granted over unissued shares during or since the end of the financial year by the company to directors or any of the specified officers as part of their remuneration.

No options have been exercised in the last financial year.

No options expired or lapsed in the last financial year.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

# COUNTY COAL LIMITED DIRECTORS' REPORT (CONTINUED)

## REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of County Coal Limited and for the executives receiving the highest remuneration.

### Remuneration Policy

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Consolidated Entity is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the remuneration committee, which currently is the entire board. All executives receive a total remuneration package, which may include a base salary (commensurate with their expertise and experience), superannuation, fringe benefits, options and in the future performance incentives. The remuneration committee reviews executive packages annually by reference to the Consolidated Entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is assessed annually and for the Chief Executive Officer's annual review considers his performance, any change to the nature and scope of his work, the current employment market for similar positions, the performance of the Company and any other matter the Board considers relevant. There are currently no bonuses and incentive arrangements in place, however the Company will give reasonable consideration to the establishment of a short term incentive plan in the future. 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.

Other future executives may also be entitled to participate in the employee option arrangements at the discretion of the Board.

Australian executives receive a superannuation guarantee contribution, required by the government, which is currently 9.25%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black and Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Fees for executive and non-executive directors are not linked to the performance of the Consolidated Entity.

### Performance Based Remuneration

As part of senior executives' remuneration packages in the future there may be a performance-based component, consisting of key performance indicators (KPIs) but there is currently no such component.

### Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. The issue of options to a share option trust on behalf of the Chief Executive Officer subsequent to year end was to encourage the alignment of personal and shareholder interests. The company believes this policy should be effective in increasing shareholder wealth over the medium term.

The board will review its remuneration policy annually to ensure it is effective.

### Performance Income as a proportion of Total Remuneration

All senior executives' remuneration for the year ended 30 June 2014 had only a fixed component and no variable component of their overall remuneration.

### Options Issued as part of remuneration for the year ended 30 June 2014

No options were issued to directors as part of their remuneration during the year ended 30 June 2014.

# COUNTY COAL LIMITED

## DIRECTORS' REPORT (CONTINUED)

### REMUNERATION REPORT (continued)

#### Employment Contracts of Directors and Senior Executives

The employment conditions of the chief executive officer (or similar) and specified executives are formalised in contracts of employment. All executives are permanent employees of County Coal Limited, with the exception of Mr Knight, who is engaged on a contractual basis.

No contract is for a fixed term, other than Mr Boland's contract, which concluded in July 2013. Each contract states it can be terminated by the company by giving the executive up to three months' notice and by paying a redundancy of between three to six months.

#### Directors' remuneration

The following table discloses the remuneration of Directors of the company for the years ended 30 June 2013 and 2014, as specified for disclosure by AASB 124. The information contained in this table is audited.

Director	Short-term Benefits		Post- Employment Benefits		
	Salary & Fees	Share Option Benefit	Superannuation	Termination Benefits	Total
Robert Cameron					
- 2014	115,000		10,638	-	125,638
- 2013	120,000	-	10,800	-	130,800
Rodney Ruston*					
- 2014	259,922	160,000	24,044	-	443,966
- 2013	91,743	60,000	8,257	-	160,000
David Miller					
- 2014	47,917	-	-	-	47,917
- 2013	50,000	-	-	-	50,000
Marcus Boland**					
- 2014	56,094	-	5,458	17,614	79,166
- 2013	174,312	-	15,688	-	190,000
<b>TOTAL 2014</b>	<b>478,933</b>	<b>160,000</b>	<b>40,140</b>	<b>17,614</b>	<b>696,687</b>
<b>TOTAL 2013</b>	<b>436,055</b>	<b>60,000</b>	<b>34,745</b>	<b>-</b>	<b>530,800</b>

\* Appointed Managing Director of County Coal Limited as at 21 February 2013. During the period from the date of his appointment as CEO in July 2012 until 21 February 2013 Mr Ruston's remuneration whilst not a Director is recorded in the below table. In addition to salary and superannuation, Mr Ruston also received a share option benefit of \$160,000 in relation to options issued to a share option trust on his behalf.

\*\* Resigned from the Board effective November 2013.

For the year ended 30 June 2014 the Company had two employees (2013: 3). The key management personnel of the consolidated group comprise the directors.

#### Executives' remuneration

The following table discloses the remuneration for the period from the date of Mr Ruston's appointment as CEO in July 2012 until his appointment as Managing Director on 21 February 2013. The information contained in this table is audited.

Executive	Short-term Benefits		Post- Employment Benefits		
	Salary & Fees	Share Option Benefit	Superannuation	Termination Benefits	Total
Rodney Ruston					
- 2014	-	-	-	-	-
- 2013	177,753	100,000	15,998	-	293,751
<b>TOTAL 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL 2013</b>	<b>177,753</b>	<b>100,000</b>	<b>15,998</b>	<b>-</b>	<b>293,751</b>

**COUNTY COAL LIMITED**  
**DIRECTORS' REPORT (CONTINUED)**

**REMUNERATION REPORT (continued)**

**Share and Option holdings**

Details of shares and options held by key management personnel (including those holding entities associated with Directors) are set out below.

**Shares held by Key Management Personnel**

<b>Year ended 30 June 2014</b>	<b>Balance at beginning of year</b>	<b>Shares Acquired</b>	<b>Shares held at resignation</b>	<b>Balance at end of year</b>
<b>Directors</b>				
M. Boland*	19,000,000	-	(19,000,000)	-
R. Cameron**	2,750,000	-	-	2,750,000
R. Ruston	-	-	-	-
D. Miller***	1,500,000	-	-	1,500,000
<b>Total</b>	<b>23,250,000</b>	<b>-</b>	<b>(19,000,000)</b>	<b>4,250,000</b>

<b>Year ended 30 June 2013</b>	<b>Balance at beginning of year</b>	<b>Shares Acquired</b>	<b>Shares held at resignation</b>	<b>Balance at end of year</b>
<b>Directors</b>				
M. Boland*	19,000,000	-	-	19,000,000
R. Cameron**	2,600,000	150,000	-	2,750,000
R. Ruston	-	-	-	-
D. Miller***	1,500,000	-	-	1,500,000
<b>Total</b>	<b>23,100,000</b>	<b>150,000</b>	<b>-</b>	<b>23,250,000</b>

\* Shares held by companies of which Mr Boland is a Director (RTM Holdings Limited (7 million shares), Intercoal Limited (5 million shares) and Resource Capital Limited (7 million shares)). Mr Boland resigned effective 14 November 2013.

\*\* Two million five hundred thousand shares are held by Paula Suzanne Cameron and Robert Graham Cameron ATF Cameron Family Superannuation Plan of which Mr Cameron is a beneficiary and two hundred and fifty thousand are held directly.

\*\*\* Shares held by Miller and Associates LLC of which Mr Miller is a Director.

**COUNTY COAL LIMITED**  
**DIRECTORS' REPORT (CONTINUED)**

**REMUNERATION REPORT (continued)**

**Options held by Key Management Personnel**

<b>Year ended 30 June 2014</b>	<b>Balance at beginning of year</b>	<b>Options Issued</b>	<b>Options Lapsed or Exercised</b>	<b>Balance at end of year</b>	<b>Total Vested 30.6.14</b>	<b>Total Exercisable</b>	<b>Total Un-exercisable</b>
<b>Directors</b>							
R. Ruston	3,000,000	-	-	3,000,000	1,000,000	-	3,000,000
R. Cameron*	3,000,000	-	-	3,000,000	3,000,000	3,000,000	-
D. Miller**	500,000	-	-	500,000	500,000	500,000	-
M. Boland	-	-	-	-	-	-	-
<b>Total</b>	<b>6,500,000</b>	<b>-</b>	<b>-</b>	<b>6,500,000</b>	<b>4,500,000</b>	<b>3,500,000</b>	<b>3,000,000</b>

<b>Year ended 30 June 2013</b>	<b>Balance at beginning of year</b>	<b>Options Issued</b>	<b>Options Lapsed or Exercised</b>	<b>Balance at end of year</b>	<b>Total Vested 30.6.13</b>	<b>Total Exercisable</b>	<b>Total Un-exercisable</b>
<b>Directors</b>							
R. Ruston	3,000,000	-	-	3,000,000	-	-	3,000,000
R. Cameron*	3,000,000	-	-	3,000,000	3,000,000	3,000,000	-
D. Miller**	500,000	-	-	500,000	500,000	500,000	-
M. Boland	-	-	-	-	-	-	-
<b>Total</b>	<b>6,500,000</b>	<b>-</b>	<b>-</b>	<b>6,500,000</b>	<b>3,500,000</b>	<b>3,500,000</b>	<b>3,000,000</b>

\* Options are held by Paula Suzanne Cameron and Robert Graham Cameron ATF Cameron Family Superannuation Plan of which Mr Cameron is a beneficiary.

\*\* Options are held by Miller and Associates LLC of which Mr Miller is a Director.

In July 2012 the company issued three million options to an option share trust on behalf of Mr Ruston, the Company's Managing Director. The options vest progressively at the rate of one third each completed year of Mr Ruston's employment over the next three years and are to be exercisable, upon payment of 40 cents per share, during the period from 9 July 2015 until their expiry on 9 July 2017.

**Contracts with Key Management Personnel**

Pursuant to a property purchase agreement in relation to properties acquired in 2011 from Miller and Associates LLC, located in Campbell County, Wyoming, certain royalties may be payable to Miller and Associates LLC in the future. Pursuant to this agreement one million shares and 500,000 options were issued to Miller and Associates LLC in 2011. In the 2011/2012 year the company exercised its option to acquire additional land (including coal rights) in the Shell Creek area and in consideration US\$100,000 and an additional 500,000 shares were issued to Miller Associates LLC. Miller and Associates LLC is associated with Mr Miller a director of the company.

All the above transactions were made on normal commercial terms and conditions.

# COUNTY COAL LIMITED

## DIRECTORS' REPORT (CONTINUED)

### Other Information

#### Environmental regulations

The operations and proposed activities of its wholly owned subsidiary companies County Energy Inc., County Coal Company LLC., and Clear Creek Holdings LLC are and will be subject to USA laws and regulations concerning the environment. The operations and proposed activities of its wholly owned subsidiary companies County Coal (Canada) Limited and County Terminals Limited are and will be subject to Canadian laws and regulations concerning the environment. As with most production operations, County Coal's activities are expected to have an impact on the environment. It is County Coal's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all operational and environmental laws. Nevertheless, there are certain risks inherent in County Coal's activities, such as accidental waste water spills, gas leaks, or explosions or other unforeseen circumstances, which could subject County Coal to extensive liability.

#### Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of these proceedings.

The company was not a party to any such proceedings during the year.

#### Use of Cash

Since listing the Company has utilised the cash that it had at the time of admission to the ASX in a way consistent with its business objectives.

#### Non-audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Fees of \$1,500 were paid to the external auditors during the year ended 30 June 2014 for the preparation of income tax returns.

#### Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2014 is set out on page 45.

Signed in accordance with a resolution of the Board of Directors.



Robert Cameron  
Chairman  
30<sup>th</sup> September 2014

# COUNTY COAL LIMITED CORPORATE GOVERNANCE STATEMENT

## Corporate Governance Statement

The Company formally has adopted corporate governance policies and practices as provided by the ASX Listing Rules and the principles of the ASX Corporate Governance Council. The Directors are of the opinion that the Company has complied with the above-mentioned policies. Set out below is more information on the Company's corporate governance policies.

## Board Composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the director's report.

The Board reviews its composition and assesses nominations for new appointments from time to time to ensure the right balance of skills and experience.

The majority of the Board are to be independent directors, having no business or other relationship that could compromise their autonomy.

The Chairman and Chief Executive Officer (or similar) roles are to be held by different persons.

The Chief Executive Officer (or similar) may also be a director of the Company. Non-executive directors retire by rotation in accordance with clause 16 of the Constitution.

Newly appointed directors must stand for re-election at the next Annual General Meeting in accordance with clause 16 of the Constitution, with the exception of the Managing Director.

The Board regularly assesses the independence of each non-executive director in the light of interests disclosed by them. The Company does not consider length of tenure as disqualifying criteria for independence.

An independent director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In assessing the independence of each director, the board takes into consideration whether the director's shareholding in the Company, relationships with suppliers, customers and competitors, or tenure as a director of the Company would materially affect the director's ability to exercise unfettered and independent judgement in the interests of the Company's shareholders.

Consistent with the emphasis on 'substance over form' advocated by the ASX Guidelines, the Board takes a qualitative approach to materiality, rather than setting strict numerical thresholds, and considers each director's individual circumstances on its merits.

The independence of each director is formally reviewed annually in June each year and at any time when a change occurs that may affect a director's independence. Non-executive directors must formally advise the Chairman of any relevant information, and update the Chairman if their circumstances change at any time.

The names of independent directors of the company are Robert Cameron and David Miller.

Independent directors have the right to seek independent professional advice at the company's expense in the furtherance of their duties as directors. Written approval must be obtained from the chairman prior to incurring any expense on behalf of the company.

The Board has created a number of standing committees:

Audit Committee

Remuneration Committee

## Shareholder Rights

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the Constitution and receipt of annual and interim financial statements. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of County Coal Limited, to lodge questions to be responded by the Board and/or the CEO, and are able to appoint proxies.

# COUNTY COAL LIMITED

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### Role of the Board

The Company recognises that corporate governance is fundamental to the effective operation of the Company. The Board is the pivotal element of corporate governance, and the Company desires its Board to be effective, independent, representative of stakeholders and valuable to the organisation.

The Board's role is to provide governance of the Company in the best interests of shareholders, having regard to the interests of all stakeholders of the Company. The specific responsibilities of the Board include:

- the overall corporate governance of the Company including its strategic direction, financial objectives, and overseeing (or supervision) of control and accountability systems;
- Input into and approval of strategic plans and goal and performance objectives, key operational and financial matters, as well as major investment and divestment proposals;
- appointing and removing the chief executive officer (or equivalent);
- ratifying the appointment and, where appropriate, the removal of the chief financial officer (or equivalent) and the Company Secretary;
- approving the nominations of Directors to the Board;
- ensuring Management maintains a sound system of internal controls to safeguard the assets of the Group;
- monitoring the performance of the Group;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
- monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- approving and monitoring financial and other Board reporting; and
- the approval of the annual and half yearly financial report.

### Performance Evaluation

An annual self-assessment of the board and all board members is conducted by the board in such manner, as the board deems appropriate.

### Trading Policy

The company's policy regarding directors and employees trading in its securities has been set by the Board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

### Audit Committee

The names and qualifications of those appointed to the Audit Committee and their attendance at meetings of the committee are included in the directors' report.

The role of the Audit Committee is to:

- to review proposed reportable financial information and to recommend its approval or otherwise by the Board;
- to review and assess the Company's accounting policies, and determine in consultation with the Chief Financial Officer if any changes to policy should be enacted;
- to communicate with, and monitor the effectiveness of the Company's external auditor; and
- to make recommendations to the Board for the appointment, reappointment or replacement and remuneration of an appropriate independent external auditor.

# COUNTY COAL LIMITED

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### Remuneration Committee

The Remuneration Committee comprises the full Board and attendance at meetings by the Board members of the committee is detailed in the Directors' Report. The responsibilities of the Remuneration Committee include:

- Assessing the skills and competencies required on the Board, from time to time assessing the extent to which the required skills are represented on the Board;
- Establishing processes for the review of the performance of individual directors and the Board as a whole;
- Encouraging and supporting directors' professional development to enhance director competencies;
- Establishing processes for the identification of suitable candidates for appointment to the Board;
- Developing Board succession plans to maintain an appropriate balance of skills, experience and expertise on the Board;
- Considering recommendations for the appointment and removal of Directors;
- Approving remuneration strategy and policies for senior management and selected packaged employees as well as the individual remuneration arrangements and terms of employment for positions/individuals who are direct reports to the Chief Executive Officer (or similar), ensuring that remuneration policies are not only effective, but that they are also reported and explained to shareholders.
- Reviewing the Company's Diversity policies and ensuring compliance with the ASX Diversity Recommendations.

Additional information on the Company's remuneration principles is contained in the Remuneration Report contained in the Directors' Report.

### Continuous Disclosure and ASX Announcements

- Directors and Executive Management are to be aware of the continuous disclosure regulations in the ASX Listing Rules.

In the event that any Director or member of management becomes aware of any fact or circumstance which may give rise to a requirement to disclose such information under the Listing Rules, they are required to immediately inform the Company Secretary, the CEO or the Chairman.

- Prior to disclosure, the Company Secretary will review the information to enable a judgement as to the appropriate disclosure, if any, to be made.
- If there is uncertainty over the requirement to comply with the continuous disclosure requirements, then the Company will seek external legal advice. The Company, through the Company Secretary, will notify the ASX of any information it is determined is required to be disclosed.

Where announcements are made to the market through the ASX, such announcements are pre-vetted by the Chairman, CEO, Company Secretary and Board of Directors to ensure that such statements are:

- factual;
- do not omit material information; and
- expressed in a clear and objective manner.

### Corporate Reporting

The Company strives to convey to its shareholders and the investing public pertinent information in a detailed, regular, factual and timely manner. Information is communicated to shareholders through: the Annual Financial Report, disclosures to the ASX, notices and explanatory memoranda of Annual General Meetings; and County Coal's website at [www.countycoal.com](http://www.countycoal.com).

### Risk Management

The board is committed to risk management and executives are expected to practise sensible risk management in the day-to-day performance of their duties and are required to escalate any material issues, which arise or have the potential to arise. The CEO has the primary responsibility to advise the Board of material risk items, which arise and together the Board and senior management are responsible for taking all reasonable steps to address and mitigate such risk items.

**COUNTY COAL LIMITED**  
**CORPORATE GOVERNANCE STATEMENT (continued)**

**Diversity**

The Board monitors recruitment and development policies, which encourages workplace diversity both in gender and skills.

Diversity at County Coal recognises and values the diverse blend of skills, experiences and perspectives from individuals, irrespective of culture, gender or age. County Coal does not consider diversity just in a metric capacity and hence measurable objectives may be subjective depending upon the specific circumstance.

County Coal regularly reviews policies to ensure that the Company is compliant with the ASX Diversity Recommendations.

Each year the County Coal's Annual Report will contain organisation-wide gender statistics. County Coal's objective is to ensure that each year its diversity statistics are equal to or an improvement on those of the previous year. A copy of the Diversity Policy is available on County Coal's website.

The Board of County Coal Limited comprises 3 men and County Coal currently has two employees both of whom are male. Thus, the following proportions were applicable as at 30 June 2014:

- of women employees in the whole organisation to men - zero to three (2013: zero to two);
- of women in executive positions to men - zero to two (2013: zero to two); and
- of women on the board to men - zero to three (2013: zero to three).

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**COUNTY COAL LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 \$	2013 \$
Interest revenue		68,244	193,403
Administration and corporate expenses		(1,571,903)	(3,112,900)
Interest paid		(8)	(18)
<b>Loss before income tax expense</b>		<b>(1,503,667)</b>	<b>(2,919,515)</b>
Income tax expense	5	-	-
<b>Loss for the period</b>		<b>(1,503,667)</b>	<b>(2,919,515)</b>
Basic earnings per share (cents per share)	23	<b>(1.60)</b>	<b>(3.10)</b>
Diluted earnings per share (cents per share)	23	<b>(1.60)</b>	<b>(3.10)</b>

The accompanying notes form part of these financial statements.

**COUNTY COAL LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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

The accompanying notes form part of these financial statements.

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**COUNTY COAL LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2014**

	Note	2014 \$	2013 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	1,564,165	3,286,810
Trade and other receivables	7	107,640	57,962
<b>Total Current Assets</b>		<b>1,671,805</b>	<b>3,344,772</b>
<b>Non-Current Assets</b>			
Exploration expenditure capitalised	8	10,272,355	10,609,873
Property, plant and equipment	9	2,026	3,758
<b>Total Non-Current Assets</b>		<b>10,274,381</b>	<b>10,613,631</b>
<b>Total Assets</b>		<b>11,946,186</b>	<b>13,958,403</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	10	288,640	383,627
<b>Total Current Liabilities</b>		<b>288,640</b>	<b>383,627</b>
<b>Non-Current Liabilities</b>			
Trade and other payables	10	-	218,895
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>218,895</b>
<b>Total Liabilities</b>		<b>288,640</b>	<b>602,522</b>
<b>Net Assets</b>		<b>11,657,546</b>	<b>13,355,881</b>
<b>Equity</b>			
Issued Capital	11	16,054,410	16,054,410
Reserves	12	1,160,091	1,354,759
Accumulated losses		(5,556,955)	(4,053,288)
<b>Total Equity</b>		<b>11,657,546</b>	<b>13,355,881</b>

The accompanying notes form part of these financial statements.

**COUNTY COAL LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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

The accompanying notes form part of these financial statements.

**COUNTY COAL LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		-	-
Payments to suppliers and employees		(1,589,895)	(1,265,533)
Interest received		81,420	204,794
Interest paid		(8)	(18)
Net cash used in operating activities	14(b)	<u>(1,508,483)</u>	<u>(1,060,757)</u>
<b>Cash flows from investing/financing activities</b>			
Proceeds issue of shares (net)		-	-
Acquisition of coal rights, freehold property and exploration and evaluation expenditure		(214,162)	(2,165,723)
Payment for property, plant and equipment		-	(788)
Net cash provided by investing/financing activities		<u>(214,162)</u>	<u>(2,166,511)</u>
Net increase/(decrease) in cash and cash equivalents held		(1,722,645)	(3,227,268)
Cash and cash equivalents at beginning of period		<u>3,286,810</u>	<u>6,514,078</u>
<b>Cash and cash equivalents at end of reporting period</b>	14(a)	<u>1,564,165</u>	<u>3,286,810</u>

The accompanying notes form part of these financial statements.

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**COUNTY COAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**1. REPORTING ENTITY**

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

**2. BASIS OF PREPARATION**

**a. Statement of compliance**

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

**b. Basis of measurement**

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

**c. Functional and presentation currency**

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

**d. Use of judgments and estimates**

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

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

**a. Basis of Consolidation**

*Controlled entities*

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

*Transactions eliminated on consolidation*

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

**b. Income Recognition**

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

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

*Interest*

Control of the right to receive the interest payment.

**COUNTY COAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c. Goods and Services Tax**

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

**d. Foreign Currency**

*Foreign currency transactions*

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

*Financial statements of foreign operations*

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

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

**e. Cash and cash equivalents**

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

**f. Provisions**

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

**g. Impairment**

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

**COUNTY COAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**g. Impairment (continued)**

*Calculation of recoverable amount*

*Receivables*

The recoverable amount of the Consolidated Entity's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date. The allowance for impairment is calculated with reference to the profile of debtors in the Consolidated Entity's sales and marketing regions.

*Other Assets*

The recoverable amount of other assets is the greater of their fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash flows from continuing use that are largely independent of the cash flows of other assets or groups of assets (cash generating units). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to the cash generating units that are expected to benefit from the synergies of the combination. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

*Reversals of Impairment*

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or recognised, if no impairment loss had been recognised.

**h. Property, Plant and Equipment**

*Owned assets*

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

*Leased assets – Operating leases*

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

*Depreciation*

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

Plant & equipment                      3 – 10 years

**COUNTY COAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**i. Exploration, Evaluation and Development Expenditure**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- ii) exploration and evaluation activities in the area have not, at balance date, resulted in booking economically recoverable reserves, and active operations in, or relating to, this area are continuing.

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

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

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

**j. Restoration**

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

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

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

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

**k. Employee Benefits**

*Wages, salaries and annual leave*

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

**l. Receivables**

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

**m. Taxation**

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

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

**COUNTY COAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**m. Taxation (continued)**

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

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

**n. Payables**

Trade and other payables are stated at amortised cost.

**o. Finance income and expense**

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

**p. Earnings per share**

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

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

**q. Ordinary shares**

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

**r. New standards and interpretations not yet adopted**

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Certain new accounting standards, amendments to accounting standards and interpretations are effective for the financial years beginning after 1 July 2013, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Consolidated Entity except for AASB 9 Financial Instruments, which becomes mandatory for the Consolidated Entity's 2016 consolidated financial statements. The Consolidated Entity does not plan to adopt this standard early and the extent of the impact has not been determined.

Annual Improvements to IFRSs 2010-2012 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the

**COUNTY COAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**r. New standards and interpretations not yet adopted (continued)**

effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

**s. New, revised or amending Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 12 Disclosure of Interests in Other Entities

The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

**COUNTY COAL LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**t. Other financial assets**

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

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

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

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

*(ii) Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when investments are derecognised or impaired, as well as through amortisation process.

*(iii) Loans and receivables*

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

*(iv) Available-for-sale investments*

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

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

**COUNTY COAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**4. FINANCIAL RISK MANAGEMENT**

**Overview**

The Company and Consolidated Entity have exposure to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

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

The Company and the Consolidated Entity are exposed to risks from movements in exchange rates and interest rates that affect revenues, expenses, assets, liabilities and forecast transactions. Financial risk management aims to limit these market risks through ongoing operational and finance activities.

Exposure to credit, foreign exchange and interest rate risks arises in the normal course of the Company's and the Consolidated Entity's business. Derivative financial instruments are not used to hedge exposure to fluctuations in foreign exchange rates.

**Credit Risk**

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

*Trade and other receivables*

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

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

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

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

**Cash and Cash Equivalents**

Credit risk related to balances with banks and other financial institutions is managed in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. Note 21 provides information regarding the credit risk relating to cash and money market securities based on S&P counterparty credit ratings.

**Liquidity Risk**

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

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

**COUNTY COAL LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

**4. FINANCIAL RISK MANAGEMENT (continued)**

**Market Risk**

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

*Currency Risk*

The Consolidated Entity will undertake its coal exploration and development activities in US and Canadian currency and be exposed to currency risk on the value of its exploration assets that are denominated in United States dollars (USD) and Canadian dollars (CAD).

A percentage of the Consolidated Entity's future revenues from coal exploration and development activities may be denominated in currencies other than AUD. Risk resulting from the translation of assets and liabilities of foreign operations into the Consolidated Entity's reporting currency is not hedged.

*Interest Rate Risk*

The Consolidated Entity is exposed to interest rate risks in Australia. See Note 21 for effective interest rates.

**Capital Management**

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

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**COUNTY COAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**5. INCOME TAXES**

**2014**  
\$                      **2013**  
\$

**(a) Tax expense/(benefit)**

The prima facie income tax expense on pre-tax accounting profit/(loss) from operations reconciles to the income tax expense in the financial statements as follows:

Net loss for the year	(1,503,667)	(2,919,515)
Income tax benefit calculated at 30% of loss using the company's domestic tax rate.	451,100	(875,855)
Add/(less) tax effect of:		
Other non-allowable items	103,100	476,956
Other allowable items	(69,055)	(69,055)
Other temporary differences not recognised	45,827	(97,879)
Unused tax losses not recognised as deferred tax assets	371,228	565,833
Income tax expense/(benefit)	-	-

**(b) Deferred Tax Assets**

The following deferred tax balances at 30% (2013: 30%) have not been recognised:

Revenue losses	1,322,152	950,924
Development expenditure	580,056	476,956
Capital raising costs	138,110	207,165
Other	(53,400)	(101,400)
Provisions and accruals	8,307	10,479
	1,995,225	1,544,124

**6. CASH AND CASH EQUIVALENTS**

Cash at bank – A\$ Accounts	1,025,370	2,828,932
Cash at bank – USD Accounts	538,112	296,854
Cash at bank – CAD Accounts	683	161,024
	1,564,165	3,286,810

Cash at bank earns interest at floating rates based on daily bank deposit rate.

**7. OTHER RECEIVABLES**

Current

Other receivables	107,640	57,962
	107,640	57,962

There is no exposure to credit risk from other receivables. Other receivables are not past due and not impaired.

**8. EXPLORATION EXPENDITURE CAPITALISED**

Coal rights, freehold property and capitalised exploration and evaluation expenditure	10,272,355	10,609,873
	10,272,355	10,609,873
Movement		
At the beginning of reporting year	10,609,873	8,444,206
Foreign exchange fluctuation	(551,680)	-
Expended during the year	214,162	2,165,667
At end of reporting year	10,272,355	10,609,873

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**NOTES TO THE FINANCIAL STATEMENTS**  
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	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>9. PROPERTY, PLANT &amp; EQUIPMENT</b>		
Cost	6,284	5,003
Less provision for depreciation	(4,258)	(1,245)
	2,026	3,758

Movements in the carrying amounts of plant and equipment during the year:

Balance at the beginning of the year	3,758	4,215
Foreign exchange fluctuation	(28)	-
Additions	-	788
Depreciation expense	(1,704)	(1,245)
Carrying amount at end of year	2,026	3,758

**10. TRADE & OTHER PAYABLES**

**Current**

Other creditors	223,516	218,895
Accruals	65,124	164,732
	288,640	383,627

**Non-Current**

Other creditors	-	218,895
	-	218,895

**11. SHARE CAPITAL**

**Issued and paid up capital**

94,175,004 (2013 – 94,175,004) Ordinary shares fully paid	16,054,410	16,054,410
	16,054,410	16,054,410

**(a) Movements in paid up capital**

At the beginning of the reporting year	16,054,410	16,054,410
- Issued during year (refer below)	-	-
- Less costs of issue	-	-
At end of reporting year	16,054,410	16,054,410

**(b) Movements in shares on issue**

	<b>2014</b>	<b>2013</b>
	<b># shares</b>	<b># shares</b>
At the beginning of the reporting year	94,175,004	94,175,004
Shares issued during the year	-	-
At end of reporting year	94,175,004	94,175,004

**COUNTY COAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. SHARE CAPITAL (CONT'D)**

**(c) Options**

At 30th June 2014 there were 10.3 million existing options on issue. The options are exercisable at prices between 15 and 40 cents each. Each option entitles the holder, when exercised, to one Share in the capital of County Coal Limited.

Number of Options	Issue Date	Exercisable Date	Expiry Date	Exercise Price
3,250,000	4 April 2011	30 September 2011	31 March 2015	40 cents
500,000	28 April 2011	30 September 2012	31 March 2015	40 cents
450,000	17 June 2011	30 September 2013	31 March 2015	40 cents
3,000,000	17 June 2011	30 September 2012	31 March 2015	40 cents
3,000,000	9 July 2012	9 July 2015	9 July 2017	40 cents
100,000	25 January 2013	14 January 2016	14 January 2018	15 cents

**Terms and conditions of contributed equity**

*Ordinary shares*

Holders of ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

*Options over ordinary shares*

There was no exercise of options during the year ended 30 June 2014.

	2014 \$	2013 \$
<b>12. RESERVES</b>		
Share option reserve	320,000	160,000
Foreign currency translation reserve	840,091	1,194,759
	1,160,091	1,354,759

The share option reserve records items recognized as expenses on valuation of share options issues as remunerations.

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

**13. REMUNERATION OF AUDITORS**

Remuneration of the Company's auditors for:

Auditing or reviewing the financial report	16,000	15,000
Other services	1,500	1,000
Total auditors' remuneration included in operating result	17,500	16,000

**COUNTY COAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**14. RECONCILIATION OF CASH**

<b>(a)</b> Cash balances comprises cash at bank:	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
- \$A accounts	1,025,370	2,828,932
- US Dollar accounts	538,112	296,854
- CAD Dollar accounts	683	161,024
	1,564,165	3,286,810
<b>(b)</b> Reconciliation of operating loss after income tax to net cash outflow from operating activities		
Net loss	(1,503,667)	(2,919,515)
Depreciation	1,704	1,245
Share option expense	160,000	160,000
Effects of movement in foreign exchange	(28,715)	1,132,510
Change in assets/liabilities:		
Increase/(decrease) in receivables	21,788	220
Increase/(decrease) in payables	(159,593)	564,784
Net cash used in operating activities	(1,508,483)	(1,060,756)

**15. INTEREST IN SUBSIDIARIES**

Interests are held in the following		Ownership Interest	Ownership Interest
Name	Country of Incorporation	2014	2013
County Coal Company LLC	USA	100%	100%
County Energy Inc.	USA	100%	100%
Clear Creek Holdings LLC	USA	100%	100%
County Coal Export Pty Limited	Australia	100%	100%
County Coal (Canada) Limited	Canada	100%	100%
County Terminals Limited	Canada	100%	100%

**16. SHARE BASED PAYMENTS**

**(a) Shareholdings and Options and Rights Holdings held by Key Management Personnel, including options held in associated entities.**

Please refer to the Remuneration Report section of the Directors' Report.

**(b) Options issued as Part of Remuneration for the year ended 30 June 2014**

No options are held by or were issued to directors as part of their remuneration in the current year. Upon Rodney Ruston's appointment as Chief Executive Officer in July 2012 a total of 3,000,000 options was issued to a share option trust on his behalf. These options were still held by the share option trust as at 30 June 2014.

In January 2013, the company issued 100,000 options to an employee vesting progressively over the next 3 years at the rate of 30,000 options for each of the first two years of completed employment by the employee from 14 January 2013 and the remaining 40,000 options vesting after the employee's third completed year of employment from 14 January 2013. The options are exercisable upon payment of 15 cents per share during the period from 14 January 2016 until their expiry on 14 January 2018.

The options issued to executives outstanding at 30 June 2014 had a weighted average exercise price of \$0.3876 (2013: \$0.3876) and a weighted average remaining contractual life of 3.52 years (2013: 4.52 years). Exercise prices range from \$0.15 to \$0.40 (2013: \$0.15 to \$0.40) in respect of options outstanding at 30 June 2014. No options were issued as remuneration in the previous year.

**COUNTY COAL LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

**16. SHARE BASED PAYMENTS (continued)**

**(b) Options issued as Part of Remuneration for the year ended 30 June 2014 (continued)**

The weighted average fair value of the options granted during the year was N/A (2013: \$0.16).

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

	2014	2013
Weighted average exercise price	-	\$0.3876
Weighted average life of the option	-	5.00 years
Underlying share price approximating	-	\$0.3529
Expected share price volatility	-	56.61
Risk free interest rate	-	4.75%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future trends, which may not eventuate.

Exercisability of the options has been considered when determining the fair value of the options.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under share and option expense in the income statement is \$160,000 (2013: \$160,000), that relates, in full, to equity-settled share-based payment transactions.

**(c) Employee Benefits**

At 30 June 2014, County Coal Limited had one executive director (2013: 2) and three employees (2013: 1)

**17. EVENTS SUBSEQUENT TO BALANCE DATE**

The directors are not aware of any matter or circumstance that has arisen since the end of the year to the date of this report that has significantly affected or may affect:

- (i) The operations of the company and the entities that it controls
- (ii) The results of those operations
- (iii) The state of affairs of the company in subsequent years.

**18. CONTINGENT LIABILITIES AND COMMITMENTS**

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

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

Pursuant to a property purchase agreement in relation to the Shell Creek Coal Project located in Johnson County, Wyoming, in addition to certain royalties payable in the future, an additional amount is payable to the vendors of US\$0.10 per short ton\* proved up to JORC Proved Coal Reserve status over 10 years, up to an estimated 220,000,000 short tons. An amount of US\$5 million was paid to the vendors in December 2011 in lieu of the first 50,000,000 short tons to be proven up.

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

**COUNTY COAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**18. CONTINGENT LIABILITIES AND COMMITMENTS (continued)**

<b>Lease commitments</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Lease commitments contracted for but not capitalised in the financial statements		
- Payable:		
- Not later than 1 year	40,500	38,940
- Later than 1 year but not later than 5 years	-	-
- Later than 5 years	-	-
	40,500	38,940
<b>Exploration Commitments</b>		
Exploration commitments contracted for but not capitalised in the financial statements		
Payable:		
- Not later than 1 year	-	-
- Later than 1 year but not later than 5 years	-	-
- Later than 5 years	-	-
	-	-
	-	-

**19. RELATED PARTY DISCLOSURES**

**(a) Ultimate Parent**

County Coal Limited is the ultimate Australian parent company.

The following companies are wholly owned subsidiaries- County Energy Inc., County Coal Company LLC and Clear Creek Holdings LLC, all of which are incorporated in the USA, County Terminals Ltd and County Coal (Canada) Limited both of which are incorporated in Canada and County Coal Export Pty Limited.

**(b) Other Related Party Transactions**

- (i) Pursuant to a property purchase agreement in relation to properties acquired in 2011 from Miller and Associates LLC, located in Campbell County, Wyoming, certain royalties may be payable to Miller and Associates LLC in the future. Pursuant to this agreement one million shares and 500,000 options were issued to Miller and Associates LLC in 2011. In the 2011/2012 year the company exercised its option to acquire additional land (including coal rights) in the Shell Creek area and in consideration US\$100,000 and an additional 500,000 shares were issued to Miller Associates LLC. Miller and Associates LLC is associated with Mr Miller a director of the company.
- All the above transactions were made on normal commercial terms and conditions.

**20. KEY MANAGEMENT PERSONNEL COMPENSATION**

**(a) Details of Key Management Personnel**

Directors during the year ended 30 June 2014 were:

Robert Cameron – Non-Executive Chairman

Rodney Ruston – Managing Director

David Miller – Non-Executive Director

Marcus Boland – Non-Executive Director (resigned 14 November 2013)

**(b) Compensation Practices and Key Management Personnel Compensation**

Details of compensation practices and key management personnel compensation are disclosed in the Directors' Report which accompanies these financial statements.

**(c) Other Transactions and Balances with Key Management Personnel**

There were no transactions with key management personnel in the year to 30 June 2014 other than as detailed in Note 19.

**COUNTY COAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**21. FINANCIAL INSTRUMENTS**

**Credit Risk**

*Exposure to Credit Risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Cash and equivalents (AA rated)	1,564,165	3,286,810
Other receivables	107,640	-
	1,671,805	3,286,810

**Currency Risk**

Consolidated Entity's exposure to foreign currency (USD) and (CAD) risk was as follows, based upon notional amounts:

**2014**

	USD	CAD
Amounts local currency		
Cash and equivalents	538,112	683
Trade Payables	(36,893)	-
	501,219	683

**2013**

	USD	CAD
Amounts local currency		
Cash and equivalents	296,854	-
Trade Payables	(40,117)	-
	256,737	-

The following significant exchange rates applied to the Company and the Consolidated Entity during the year:

	Closing Rate		Average Rate	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
AUD = 1	0.9432	0.9137	0.9134	1.0215
USD =	1.0063	0.9608	0.9743	1.0230
CAD =				

**Carrying amount**

*Profile*

At the reporting date, the interest rate profile of the Company's and the Consolidated Entity's interest bearing financial instruments was:

**Carrying amount**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Variable rate instruments</b>		
Financial assets	1,564,165	3,286,810
Financial liabilities	288,640	602,522

**COUNTY COAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**21. FINANCIAL INSTRUMENTS (continued)**

**Liquidity Risk**

The following are the contractual maturities of the Consolidated Entity's financial assets and liabilities including estimated interest payments.

<b>2014</b>	Effective interest rate p.a.	Carrying amount \$	Less than 1 year \$	1-5 years \$	More than 5 years \$
Cash and cash equivalents	3.9%	1,564,165	1,564,165	-	-
Other receivables		107,640	107,640	-	-
Payables		(288,640)	(288,640)	-	-
<b>Total</b>		<b>1,383,165</b>	<b>1,383,165</b>	<b>-</b>	<b>-</b>

<b>2013</b>	Effective interest rate p.a.	Carrying amount \$	Less than 1 year \$	1-5 years \$	More than 5 years \$
Cash and cash equivalents	4.0%	3,286,810	3,286,810	-	-
Other receivables		57,962	57,962	-	-
Payables		(602,522)	(383,627)	(218,895)	-
<b>Total</b>		<b>2,742,250</b>	<b>2,961,145</b>	<b>(218,895)</b>	<b>-</b>

**Sensitivity Analysis**

In managing interest rate and currency risks, the Consolidated Entity aims to reduce the impact of short-term fluctuations on the Consolidated Entity's earnings. Over the longer term however, permanent changes in foreign exchange and interest rates will have an impact on the result.

For the year ended 30 June 2014, it is estimated that a general increase of one percent in interest rates would have decreased the Consolidated Entity's loss after income tax and equity by approximately \$13,000 (2013: \$48,000).

It is estimated that a general increase of ten percent in the value of the AUD against the USD would have decreased the Consolidated Entity's loss for the year ended 30 June 2014 by \$27,000 (2013: \$76,000) and increase the Consolidated Entity's equity by approximately \$27,000 (2013: \$76,000).

It is estimated that a general increase of ten percent in the value of the AUD against the CAD would have decreased the Consolidated Entity's loss for the year ended 30 June 2014 by \$17,000 (2013: \$94,000) and increase the Consolidated Entity's equity by approximately \$17,000 (2013: \$94,000).

**Fair Values**

The fair values of financial assets and liabilities, together with carrying amounts in balance sheet are as follows:

	Carrying Amount 2014 \$	Fair value 2014 \$	Carrying Amount 2013 \$	Fair value 2013 \$
Cash and equivalents	1,564,165	1,564,165	3,286,810	3,286,810
Other receivables	107,640	107,640	57,962	57,962
Trade and other payables	(288,640)	(288,640)	(602,522)	(602,522)
<b>Total</b>	<b>1,383,810</b>	<b>1,383,810</b>	<b>2,742,250</b>	<b>2,742,250</b>

**Basis for determining fair values**

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

**Non-derivative financial assets and liabilities**

The fair value of cash and receivables is considered to approximate their carrying amount because of their short maturity. Other assets are based on the assets carrying values as per the subsidiary company's accounts, which approximates fair value.

**Fair value hierarchy**

There are no other financial instruments carried at fair value or valued using the following:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**COUNTY COAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**22. PARENT ENTITY DISCLOSURES**

At and throughout the financial year ended 30 June 2014, the parent company was County Coal Limited.

<b>Result of the parent entity</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Net profit/(loss)	(1,206,987)	(1,223,256)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(1,206,987)</b>	<b>(1,223,256)</b>
<b>Financial position of the parent entity at year end</b>		
Current assets	1,027,881	2,847,191
Total assets	14,467,200	14,384,148
Current liabilities	35,820	41,280
Total liabilities	35,820	41,280
<b>Total equity of the parent entity comprising of:</b>		
Issued capital	16,054,410	16,054,410
Share option reserve	320,000	160,000
Accumulated losses	(1,943,030)	(1,871,542)
<b>Total Equity</b>	<b>14,431,380</b>	<b>14,342,868</b>

**Parent entity contingencies**

The details of all contingent liabilities and future commitments in respect to County Coal Limited are in Note 18.

**23. LOSS PER SHARE**

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

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

**COUNTY COAL LIMITED**  
ACN 003255221  
**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 19 to 41 are in accordance with the Corporations Act 2001:
  - a. comply with Accounting Standards and the Corporations Regulations 2001; and
  - b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the company and Consolidated Entity;
2. The Executive Director and Company Secretary have each declared that:
  - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - b. The financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. The financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Robert Cameron  
Chairman  
30<sup>th</sup> September 2014

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**STIRLING INTERNATIONAL**  
CHARTERED ACCOUNTANTS

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF  
COUNTY COAL LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of County Coal Limited (the company) and the consolidated entity, which comprises the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of profit and loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and 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 financial year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2a, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

*Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of County Coal Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF  
COUNTY COAL LIMITED**

*Auditor's Opinion*

In our opinion:

- a. the financial report of County Coal Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2a.

**Report on the Remuneration Report**

We have audited the Remuneration Report included at pages 10 to 13 of the report of the directors for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 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 the Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the Remuneration Report of County Coal Limited for the year ended 30 June 2014, complies with s 300A of the Corporations Act 2001.

Stirling International  
Chartered Accountants



Peter Turner

285 Clarence St Sydney 2000

30<sup>th</sup> September 2014

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**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF COUNTY COAL LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Stirling International  
Chartered Accountants



Peter Turner  
30<sup>th</sup> September 2014  
285 Clarence St Sydney 2000

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## ADDITIONAL INFORMATION

### Equity Securities

a. Distribution of Equity Securities	Shareholders	Shares	Optionholders	Options
Category (size of Holding- by number)				
1-1,000	4	3,549	-	-
1,001-5,000	36	152,205	-	-
5,001-10,000	29	247,470	-	-
10,001-100,000	181	6,647,140	-	-
100,001 and over	94	87,124,640	11	10,300,000
	<b>344</b>	<b>94,175,004</b>	<b>11</b>	<b>10,300,000</b>

b. The number of shareholdings held in less than marketable parcels is 55

c. The names of the substantial shareholders listed in the holding company's register as at 19 September 2014 are:

Shareholder	# of Ordinary Shares	Percentage
RTM Holdings Limited Intercoal Holdings Limited, Resource Capital Limited and Intercoal Limited	18,250,000	19.379
Kemlay Pty Limited <Grasmere A/C>	7,335,000	7.789
Mismo Pty Limited <Southwest A/C>	7,335,000	7.789
Balander Pty Limited <Balander Super Fund A/C>	7,335,000	7.789

### d. Voting Rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands. Options do not carry a vote.

### e. 20 Largest Shareholders — Ordinary Shares as at 19 September 2014

Name	No. of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. Kemlay Pty Limited <Grasmere A/C>	7,335,000	7.789
2. Mismo Pty Limited <Southwest A/C>	7,335,000	7.789
3. Balander Pty Limited <Balander Super Fund A/C>	7,335,000	7.789
4. Resource Capital Limited	7,000,000	7.433
5. RTM Holdings Limited	6,250,000	6.637
6. Intercoal Limited	5,000,000	5.309
7. HFTT Pty Ltd <Haggarty Family A/C>	4,700,000	4.991
8. Dottie Investments Pty Ltd	3,742,500	3.974
9. Warneet Super Pty Limited <Warneet Super Fund A/C>	3,555,769	3.776
10. Mrs Paula Suzanne Cameron & Mr Robert Graham Cameron <Cameron Family S/F A/C>	2,500,000	2.655
11. Consanguine Pty Ltd	2,156,778	2.290
12. Citicorp Nominees Pty Limited	1,822,418	1.935
13. J P Morgan Nominees Australia Limited	1,779,079	1.889
14. Miller And Associates LLC	1,500,000	1.593
15. Mr Alexander John Abrahams	1,438,965	1.528
16. FNL Investments Pty Ltd <Staff Super Fund A/C>	1,394,000	1.480
17. HSBC Custody Nominees (Australia) Limited	1,254,025	1.332
18. Ms Rena Claire Merchant <Boda Investments-RSM Fund A/C>	1,005,000	1.067
19. Hacute Pty Ltd <Anne Gordon Holdings Sf A/C>	1,000,000	1.062
20. National Nominees Limited	795,020	0.844
	<b>68,898,554</b>	<b>73.162</b>

## CORPORATE DIRECTORY

### Board of Directors

Robert Cameron - Non-Executive Chairman  
Rodney Ruston – Managing Director  
David Miller - Non-Executive Director

### Company Secretary

Terence Flitcroft

### Registered Office

Level 2, 27 Macquarie Place,  
Sydney, NSW 2000  
Telephone: +61 2 9251 3007  
Facsimile: +61 2 9251 6550

### Auditors

Stirling International  
283 - 285 Clarence Street,  
Sydney, NSW 2000

### Share Registry

Boardroom Pty Limited  
Level 7, 207 Kent Street,  
Sydney, NSW 2000  
Telephone: +61 2 9290 9600  
Facsimile: +61 2 9279 0664  
[www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

### Independent Geological Consultants

Aqua Terra Consultants Inc.  
2624 Heartland Drive,  
Sheridan,  
Wyoming 82801  
United States of America

### USA Solicitors

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Suite 500, 2515 Warren Avenue,  
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Wyoming 82003-1208  
United States of America