Annual Report and Consolidated Financial Statements

for the year ended 30 June 2010

Registered number 5350512
(Incorporated in England and Wales)

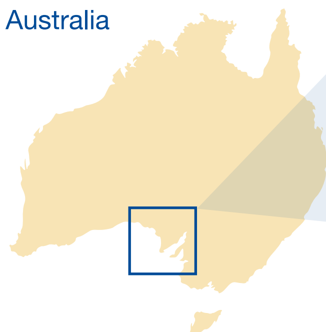
Welcome to Altona Energy

Altona Energy holds, through its wholly owned subsidiary Arckaringa Energy Pty Ltd ('Arckaringa Energy'), a 49% interest in three exploration licences covering 2,500 sq. km in the northern portion of the Arckaringa Basin in South Australia and including three coal deposits — Westfield (EL 4511), Wintinna (EL 4512) and Murloocoppie (EL 4513), which are estimated to contain more than 7.8 billion tonnes of coal (Non-JORC). All three deposits lie close to the Adelaide to Darwin railroad and the Stuart Highway.

Arckaringa Energy entered into the Arckaringa Unincorporated Evaluation Joint Venture ('the JV') with CNOOC New Energy International (Australia) Pty Ltd ('CNOOC-NEIA') whereby a 51% interest in the ELs was transferred to CNOOC-NEIA for funding the Bankable Feasibility Study ('BFS').

The JV has commenced the BFS for the Arckaringa Project, with a base case comprising:

- A 10 Million tonnes per annum open cut coal mine at Wintinna
- 10 Million barrels per annum of ultra clean fuels, mainly diesel
- 560 MW of export power



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Highlights

AUG 2009

As a result of the funding path outlined in the Joint Venture Terms Sheet with CNOOC-NEI, a subsidiary of Chinese oil major CNOOC, in June 2009, the Company and its Hong Kong based strategic investor, Tongjiang International Energy Co. Ltd mutually agreed to cancel the third and final £8m tranche of the £11.6m share subscription agreement announced in February 2008.

Share placement of £500,000 was made to Invesco Perpetual, giving them an initial interest of 3.3% in the Company's issued share capital.

SEP 2009

Became a Foundation Member of the Global Carbon Capture and Storage Institute, a worldwide organisation focused on accelerating the commercial deployment of carbon capture and storage projects and the promotion of the global reduction of carbon dioxide emissions.

NOV 2009

Achieved a major milestone by entering into a binding agreement with CNOOC-NEI for the Joint Venture terms to develop the Arckaringa Project. CNOOC-NEI agreed to fund and manage the Bankable Feasibility Study ('BFS') for the Arckaringa Project, with responsibility for assessing the full potential of the coal resource and bringing projects to development, in return for a 51% interest in the Company's wholly owned subsidiary Arckaringa Energy Pty's exploration licences.

JAN 2010

Share placement of £300,000 made to Invesco Perpetual, increasing their interest to 18.14% of the Company's issued share capital.

MAR 2010

Appointed Peter Fagiano, of Jacobs Engineering, as Senior Executive in charge of Project Technology.

Share placement of £3.0m made to UK institutions at 9p per share.

APR 2010

Completed the formal signing of the Joint Venture by the Company's wholly owned subsidiary Arckaringa Energy Pty Ltd and CNOOC New Energy International (Australia) Pty Ltd ('CNOOC-NEIA').

CNOOC-NEIA submitted its Foreign Investment Review Board ('FIRB') Application

JUN 2010

CNOOC-NEIA received notification from FIRB that there was no objection under Australia's Foreign Investment Policy for its participation in and establishment of the JV.

Completed the ceremonial signing of the JV at Parliament House in Canberra, Australia, in the presence of Mr Xi Jinping, the visiting Vice-President of the People's Republic of China, Australia's Prime Minister, Mr Kevin Rudd, and South Australia's Minister for Trade and Industry, Mr Tom Koutsantonis.

AUG 2010

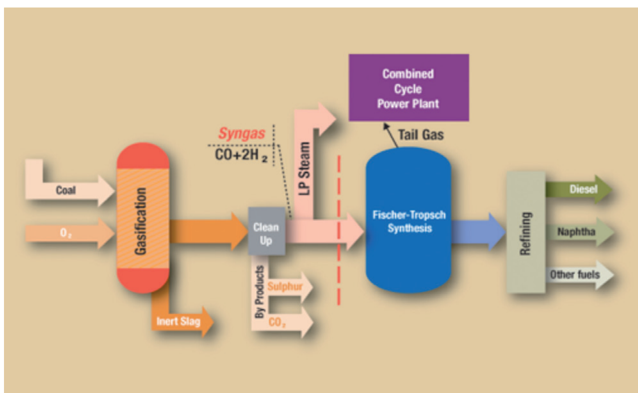
Announced the commencement of the BFS work programme.

The Arckaringa Project will convert low-value coal into feedstock to produce high-value hydrocarbons for fuel production (such as clean burning diesel) and low-cost power generation

AREA OF FOCUS

CTL is a well developed technology, currently best demonstrated in coal-rich South Africa, where commercial scale CTL plants have been operating for over 50 years and now supply 160,000 barrels or 30% of South Africa's gasoline and diesel fuel needs.[1]

These plants, like those proposed for the Arckaringa Project, involve two major stages — a gasification stage to produce synthetic gas or 'Syngas' rich in hydrogen and carbon, and a liquefaction stage, where the Syngas is reacted over a catalyst — the Fischer-Tropsch process — to produce high quality, ultra clean synthetic fuels and chemical feedstocks.



Pictured: Pre-feasibility Plant Design based on:

- Coal Gasification
- Fischer-Tropsch Synthesis
- Combined Cycle Gas Turbine power generation

A TRUE 'POLYGEN' PROJECT

- Syngas is the intermediate feedstock from which a wide range of high value products can be generated — not just clean diesel and jet fuels, but also industrial products such as synthetic natural gas, methanol, fertilisers and waxes.
- The clean up and purification processes:
  - leave a harmless glassy slag usable in construction
  - produce sulphur for industrial sales
  - allow Carbon Dioxide (CO_2) to be stripped from the Syngas ready for sequestration or sale.
- Water released from the coal during conversion to Syngas can be condensed into steam and then combined with tail gases from the Fischer-Tropsch units to feed steam and combined cycle gas turbines and generate power for the Project and surplus electricity for export.

BENEFITS OF THE PROJECT

- Domestic fuel supply will replace imports and enhance energy security, whilst power generation will help meet South Australia's growing electricity needs.
- CTL fuels are ultra clean to use — they contain zero sulphur, reduce gaseous and particulate emissions, increase engine efficiency and lower maintenance costs.
- CTL is a prime example of clean coal technology — the associated combined cycle units produce negligible SOx, significantly less NOx and 10–20% less CO_2 per unit of power generated than a conventional coal fired plant, whilst carbon capture and storage offers the potential to reduce the overall greenhouse gas emissions from CTL to below the 'well to wheel' level of fuels derived from crude oil.

[1] World Coal Institute: 'Coal: Liquid Fuels', October 2006

AltonaEnergy

Coal Deposits

COAL QUALITY

Wintinna Typical Raw Coal Quality	
Quality Parameter	As received
Total Moisture	36.6%
Raw Ash	8.2%
Volatile Matter	23.6%
Total Sulphur	1.119%
Chlorine	0.03%
Specific Energy	17.1 (MJ/kg)%
Relative Density	1.25% (g/cc)
Source: A&B Mylec – "Wintinna Resource Coal Quality Review"	

COAL RESOURCES (non-JORC)

	Million Tonnes			
Deposit	Measured*	Indicated*	Inferred*	Total
Wintinna	1,150	750	2,000	3,900
Westfield	100	200	500	800
Murloocoppie	250	300	2,600	3,150
* based on JORC equivalent standards of the day				7,850

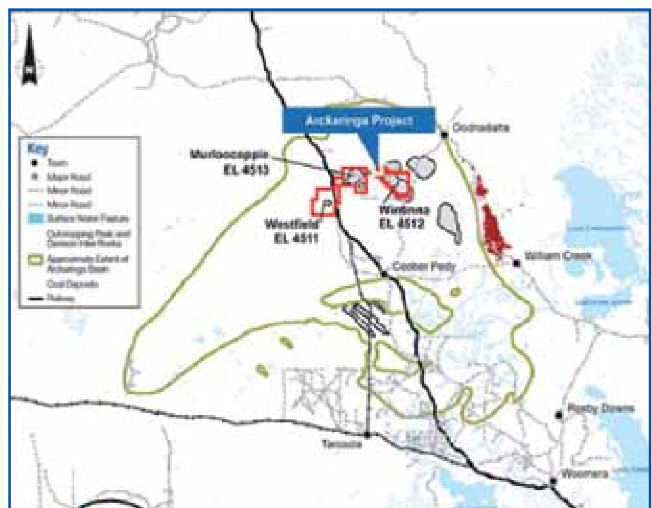
The coal resources of the Arckaringa Basin were extensively explored in the 1980s and several feasibility studies were carried out for the Wintinna deposit, as a fuel source for potential offsite base load power stations and private industrial projects. In 1984, a bankable feasibility study was submitted to the South Australia Government. However, like other projects for which Wintinna was a potential source of supply, the power station was never built. Approximately 24,000 metres of drilling in 105 boreholes at 93 sites were completed in past exploration programs to define the current deposit. Approximately 30% of the boreholes were cored at either HQ or larger diameter and all boreholes were geophysically logged. A comprehensive set of hydro-geological, geo-technical, mining and environmental studies was also completed for the Wintinna deposit at this time.

	Million Tonnes			
Deposit	Measured	Indicated	Inferred	Total
Wintinna	187	650	450	1,287

Source: "Statement of Coal Resources Wintinna 31 July 2008". McElroy Bryan Geological Services, Sydney, NSW, July 2008

The exploration programme in 2007–2008 resulted in an updated JORC compliant Resources Estimate for an area covering 25% of the known Wintinna deposit, as shown in the above table.

Pictured: Coal seam from Wintinna.



Above: The Arckaringa Project Location

Chairman's Statement

Above: Left to Right: Mr Fu Chengyu, President, CNOOC; Mr Xi Jinping, Vice-President, the People's Republic of China; Hon. Kevin Rudd MP, then Prime Minister of Australia; Mr Chris Lambert, Chairman, Altona Energy PLC.

This has been a transformational period for your Company, the major achievement being the signing of a joint venture agreement ('JV') with CNOOC New Energy International (Australia) Pty Ltd ('CNOOC-NEIA'), a subsidiary of one of China's largest national oil companies. With a major internationally recognised partner with the financial and technical resources to materially influence the genesis of the Arckaringa Project ('the Project') into development, the Board believes that a step change has occurred, with a resultant substantial de-risking of the Company as an investment opportunity.

Notably, the JV agreement has secured funding for the completion of the Bankable Feasibility Study ('BFS') for a coal mine and an integrated value-added project, the current base case being a 10mb per year Coal to Liquid ('CTL') plant and 560MW co-generation power facility, at the Project. The Board believes that this is one of the world's largest undeveloped energy banks, with an estimated 7.8 billion tonne coal deposit in the Arckaringa Basin of South Australia, of which 1.287 billion tonnes is a current JORC-compliant resource. To place this into context, per Jacobs Engineering's study, assuming a 50% conversion to CTL fuels and 50% to synthetic gas ('SNG'), Arckaringa's total coal resources (both JORC and non-JORC) would represent 28% and 29% of current North Sea proven reserves of oil and gas, respectively.

CNOOC-NEIA is acting as manager and operator of the Project, taking responsibility for assessing the full potential of the coal resource, in return for a 51% interest in the exploration licences ('ELs'). The JV has agreed the budget for the BFS to the amount of A$40 million (circa £24 million). Importantly, the JV will not only focus on the BFS but will also assess the multiple project potential of the Arckaringa coal deposit, including coal development, CTL, SNG, power co-generation and other potential clean energy projects. We envisage that the JV will also enable the targeting of CTL exports to China and other Asian markets.

As shareholders will be aware, the scale of the opportunities available to the JV is immense. It is really only now, with a partner of the stature of CNOOC-NEIA, that there is a belief beginning to materialise in the market that the development strategy is achievable. This view was endorsed earlier in the year by some key institutions who participated in what was a heavily over-subscribed placing.

Most recently, the JV Committee approved the annual budget and work programme of the BFS which will enable CNOOC-NEIA to lead the Project forward. The first stage starting in the fourth quarter of 2010 and anticipated to last 12 months, has a budget of AU$12 million, after which the second stage, which has a AU$28 million budget, will commence. Importantly, the finalisation of the budget and work programme means we are now moving from a conceptual and planning phase into the exciting detailed evaluation and execution phase. Further details of the programme are provided in the Operations Review.

On a political level, the Company was pleased to announce in June 2010 the formal approval of the JV by Australia's Foreign Investment Review Board ('FIRB'). Indeed, the importance of the project was emphasised in June 2010 with the ceremonial signing of the JV at Parliament House in Canberra, Australia, in the presence of Mr Xi

Jinping, the visiting Vice President of the People's Republic of China, Australia's Prime Minister at that time, Mr Kevin Rudd, and South Australia's Minister for Trade and Industry, Mr Tom Koutsantonis. We see the relationship with government in Australia as key to our success and regularly meet with key officials and institutions as part of our regular process to keep all stakeholders informed and up-to-date with our progress.

The original strategy and rationale behind the Arckaringa Project remains; the quality of our coal is suitable for conversion to Syngas, using existing tried and tested commercial technologies. The products from Arckaringa will be highly marketable given growing worldwide energy demand — in particular they would help to fill the projected energy shortfall faced by South Australia, which already has to import all its diesel fuel needs and is forecast to require an additional 1,000MW of base load power over the next 10 years.

CTL is an established recognised process that can be applied to our type of coal, which has high moisture content. South African petrochemicals giant Sasol Ltd has been using the technology commercially for decades in South Africa, a country where currently approximately 30% of gasoline and diesel fuel needs are met through CTL plants. Indeed Sasol recently announced the success of the world's first passenger aircraft test flight powered with only synthetic jet fuel produced from the CTL process. In this vein, Rentech Inc. announced a Memorandum of Understanding ('MOU') with thirteen air carriers in December 2009 to supply aviation fuel; aviation fuel is ideally suited to production from CTL technologies. Demand for such fuels means that aviation fuel production is one of several high margin products being evaluated for the Arckaringa Project.

We understand the technical requirements to develop the Project. The task now is to design the optimum Project to commercialise first. A huge amount has been achieved to date and the Board believes that the historical expenditure together with the amount invested by Altona in development studies is already in excess of A$20 million in today's terms. We have a fantastic team which has been greatly reinforced by CNOOC-NEI's industry knowledge and its extensive in-house expertise, so we are in a strong technical position.

Our management team was further strengthened during the period with the appointment of Peter Fagiano as Senior Executive in charge of Project Technology. Peter has worked closely with Altona on the pre-feasibility study in his role with Jacobs Engineering UK Limited, and while advising Altona in this new role, Peter retains his current role of Director of Operations at Jacobs. We were delighted by the vote of confidence in his decision to join Altona in a part-time executive role.

Remaining on the subject of our team, during the period Norman Kennedy, a non-executive Director of the Company, stepped down from the Board. I would like to take this opportunity to again thank him for his contribution to Altona since 2005.

In February 2010, we were pleased to appoint Evolution Securities Ltd as the Company's nominated advisor and broker.

During the period, we were pleased for Altona to be accepted as a Foundation Member of the Global Carbon Capture and Storage Institute, and the furthering of our long-term relationships with the South Australian Government, particularly the Department of Primary Industries and Resources of South Australia.

Financial Review

I believe we are seeing an emerging understanding and recognition by the investment community of the exciting significant potential of the Company and the Arckaringa Project. This is highlighted by Invesco, one of the UK's leading financial institutions, acquiring during the period an interest in approximately 18% of the Company. In March 2010 we placed 33,333,334 new Ordinary Shares with existing and new institutional investors at 9 pence each to raise gross proceeds of £3.0 million. These funds are expected to be sufficient to take the Company through to the completion of Stage 1 of the BFS in Q4 2011.

The financial loss of the Group for the 12 months ended 30 June 2010 of £2,442,000 (2009: £1,120,000) was in line with expectations and includes a share-based payments expense of £1,099,000 (2009: £292,000), as well as the benefit during the period of a £156,000 tax credit (2009: £152,000) in respect of research and development costs available to the Group.

Outlook

With the foundations now in place with CNOOC-NEIA as our JV partner, we have entered a new and important phase of development for the Company, with the commencement of the BFS. The first phase will cover key value enhancing activities including mine design and planning, groundwater engineering and environmental studies, all of which will underpin the follow-up engineering of the coal conversion plant, whilst significantly de-risking our business further. With the work programme now commencing, we aim to regularly provide investors with a clear idea of the value triggers in the project and its huge potential.

We have come a very long way forward during a time of great volatility in financial markets and the worst economic down-turn since the 1930s. Since completing the pre-feasibility study we have advanced the Project through the political process, further detailed technical studies and planning phases, whilst identifying and securing a world class major partner, providing a development and funding framework for the Project and its spin-offs. Our path as a small company with a massive project has been challenging, and I believe we are gaining recognition on the exciting development potential of Arckaringa. We will have to face challenges going forward, but I believe we have in-conjunction with CNOOC-NEIA, the team and resources to overcome these and to deliver the long term objectives. With this in mind I would like to thank all those involved in the Company for their help as well as our new and existing shareholders for their support, and I look forward to updating you all on our progress throughout the year.

Christopher Lambert
Chairman
28 October 2010

Operations Report

During the year, Altona made significant progress towards the commercialisation of its main business venture: an integrated mine and Coal to Liquids ('CTL') plant with a co-generation power facility utilising the vast coal resources within the Company's tenements in the Arckaringa Basin of South Australia — 'the Project'.

The Project base case covers a 10 million tonne per annum open cut mine based on the Wintinna coal deposit, to feed:

- A CTL plant producing 10 million barrels of distillate per annum; primarily zero sulphur diesel fuel, alongside by-products including naptha, sulphur and water; and
- An integrated gasification combined cycle plant producing 560 MW of power available for export.

Following the successful conclusion to technical pre feasibility studies on the base case in 2008–09, including the release of a JORC compliant resource estimate for the Wintinna deposit, the main focus shifted this year to the commercial aspects of the Project.

The Company's objective was to secure a firm financial footing for both the completion of the BFS and the future development of the Project. To achieve this objective, the Company management pursued the negotiation of a Joint Venture agreement with CNOOC-NEI, a subsidiary of China National Offshore Oil Corporation, one of the three largest State owned oil companies in the Peoples Republic of China. CNOOC-NEI specialises in and is dedicated to developing alternative energy sources, renewable energy, energy-efficient products and innovative technologies, including clean coal conversion.

After concluding a Memorandum of Understanding ('MOU') and a subsequent Terms Sheet with CNOOC-NEI in 2008 and 2009, the management of both parties worked co-operatively towards a JV agreement while CNOOC-NEI continued its due diligence on the results of Altona's pre feasibility studies and the investment and regulatory environment in Australia and South Australia.

By November 2009, Altona had concluded a binding agreement which established the key terms under which CNOOC-NEI would fund the BFS and would facilitate the development of the coal resources contained in the Company's tenements. Following the required establishment of CNOOC-NEI's new Australian subsidiary, CNOOC-NEIA, the Arckaringa Unincorporated Evaluation Joint Venture ('UEJV') Agreement was formally signed by Altona's wholly owned subsidiary, Arckaringa Energy Pty Ltd and CNOOC-NEIA on 15 April 2010.

The UEJV is now the vehicle which will allow the parties to evaluate and maximise the commercial value of the Company's three EL areas in the Arckaringa Basin of South Australia.

Under the terms of the UEJV Agreement, CNOOC-NEIA receives a 51% interest in the ELs (EL 4511, 4512, 4513) in return for:

- fully funding the BFS for a coal mine and an integrated value-added project;
- acting as the operator to carry out staged evaluation work under the BFS;
- taking responsibility for assessing the full potential of the coal resource; and
- bringing projects to development.

The key aspects of the UEJV Agreement are as follows:

- CNOOC-NEIA's funding commitment for the BFS for the Arckaringa Project is A$40 million, with the budget for Stage 1 and Stage 2 of the BFS set at A$12m and A$28m respectively;
- Stage 1 involves the completion of a BFS in relation to a project to develop a mine to extract coal from the Arckaringa ELs and a further pre-feasibility study in relation to at least one other value added project, such as a CTL, SNG and integrated power generation project ('Nominated Project');
- Stage 2 involves the completion of a BFS in respect of the Nominated Project(s) identified in Stage 1 to enable both parties to secure debt funding for the costs of the Nominated Project(s);
- In the event that the parties decide to proceed with the commercial development of any Nominated Project, the parties will negotiate and enter into a development agreement for each project, under which the parties will agree their respective interests or failing such agreement, CNOOC-NEIA's interest would increase from 51% to 70%;
- CNOOC-NEIA and Altona will work together to obtain funding for the development of any project. In the event that CNOOC-NEIA wishes to proceed to the development phase of a project prior to the finalisation of the BFS, CNOOC-NEIA will procure the provision of debt funding for both parties to develop the project;
- The UEJV will be governed by a Management Committee which will comprise 4 representatives of CNOOC-NEIA and 3 representatives of Altona. While general business decisions may be determined by a majority of the Management Committee, certain key decisions must be taken unanimously, including any expenditure or contract in excess of A$5m, appointment of key BFS works contractors and entry into material related party contracts; and
- An Operating Team headed by CNOOC-NEIA but including staff from both Joint Venture partners, will report to the Management Committee and will be in charge of the overall process of the Arckaringa Project, including the BFS and future construction work, production management and product sales.

Both parties bring considerable strengths to the JV. CNOOC NEI has a strong position in the international energy business backed by in-house expertise, whilst Altona has been able to build a solid base for the BFS through the completion of extensive pre-feasibility studies and historical expenditure on the Arckaringa Project. The historical expenditure together with the amount invested by Altona in these studies is in excess of A$20 million in today's terms.

The UEJV can look forward to an exciting future, not just with the BFS but with the development scope that the coal resource can support. In the first instance, the BFS will, in step with international and local market demand and the need for innovative clean coal conversion technologies, proceed selectively and progressively with the evaluation of coal development, CTL and/or SNG, power co-generation and a range of other clean energy projects. Indeed, the BFS may redefine the 'Base Case' developed by Altona. However, beyond the BFS and any initial project, the JV partners would then be in a strong position to evaluate and commercialise numerous new additional projects to create a multi-project, multi-national business.

During 2010–11, the JV will get down to business. All Australian Federal and State Government consents for the terms of the UEJV Agreement have been received, following a notification of 'no objection' from the Foreign Investment Review Board in May 2010 and subsequent confirmation of South Australian Ministerial consent for the transfer of a 51% interest in the ELs to CNOOC NEIA. The JV partners have commenced the Stage 1 works programme in the last quarter of 2010 and are in the process of establishing an office in Adelaide.

Whilst the focus in the current year has been on the negotiation of the UEJV, Altona has also achieved some important technical milestones. The Company paved the way for the transfer of interests in the ELs and the start of the BFS work programme by securing subsequent ELs (EL 4511, 4512, 4513) to fully replace the previous ELs that expired as scheduled on 5 June 2010. These subsequent ELs were granted by Department of Primary Industries and Resources of South Australia ('PIRSA') on the basis that the Company had fully complied with the technical, spending and reporting requirements under the previous ELs and that a firm programme was in place to meet future commitments via the BFS.

In addition, Altona completed a comprehensive coal quality evaluation of the Wintinna deposit, through its coal quality consultants QCC Resources (part of the Edi Downer Group). Its report confirmed and expanded on the coal quality profiles developed from historical exploration work and the JORC coal resource estimate concluded last year, and forms a solid base for the detailed assessment of suitable coal gasification technologies during the BFS. Other technical programmes which Altona had commenced last year as an early start to the BFS (including a "Process Design Package" ('PDP') from Jacobs Engineering UK for the delineation of the preferred combination of commercially available CTL and Power technologies, and a Groundwater Management Plan ('GMP') from SKM in Adelaide covering mine dewatering and water distribution) were suspended during the current year, pending the negotiation of the UEJV Agreement.

Capping off the year was the inclusion of the UEJV Agreement, amongst ten especially selected new agreements between Chinese and Australian commercial interests, at a ceremonial signing in Parliament House Canberra on 21 June 2010. The formal signing of the Agreement by CNOOC President Fu Chengyu and Altona Energy Chairman Chris Lambert was witnessed by the Vice President of the People's Republic of China and the Prime Minister of Australia. This event represented a strong endorsement for the future success of the JV and the Project.

As already mentioned, the JV recently unanimously approved the annual budget and work programme of the BFS which will see the commencement of technical studies in the fourth quarter of 2010. The JV agreed that CNOOC-NEIA will manage and operate the BFS work programme initially utilising its in-house technical resources, augmented by leading specialised consultants and actively assisted by the Altona team.

The approved work programme to date includes:

- detailed review of coal deposit geology and consideration of supplemental drilling;
- groundwater investigation and verification;
- groundwater management research and design;
- environmental baseline studies;
- open cut coal mining methodology options; and
- product market research

This work programme will help build the basis for the detailed design phase of the BFS covering mine design for an open cut mine and coal processing options (including CTL and power) for the planned mining capacity of 15 mtpa and a complete environmental management programme and approvals process.

Chris Schrape
Managing Director
28 October 2010

Directors' Report

The Directors are pleased to present their report and the audited financial statements of the Group and the Company for the year ended 30 June 2010.

Company Formation

Altona Energy PLC is a publicly listed company incorporated and domiciled in England & Wales. The Company's ordinary shares are traded on the Alternative Investment Market ('AIM') operated by the London Stock Exchange.

Principal Activity

The principal activity of the Group is the evaluation of the development of an integrated CTL plant and co-generation power facility, supported by an open-cut coal mine at its Arckaringa Project in South Australia. The developments during the period are detailed in the Chairman's Statement and Operations Report.

Business Review and Future Developments

A full review of the Group's activities during the year, recent events and expected future developments is contained within the Chairman's Statement on pages 4 to 5 and in the Operations Report on pages 6 to 7.

Principal Risks and Uncertainties

The principal risks and uncertainties for the Group include the technical, economic and regulatory outcome of the BFS, and are detailed in the Chairman's Statement and Operations Report.

Key Performance Indicators

The Group's principal focus is the evaluation of the development of an integrated CTL plant and co-generation power facility, supported by an open-cut coal mine at its Arckaringa Project in South Australia.

During the reporting period, the Company entered into the UEJV with CNOOC-NEIA, securing funding for the completion of the BFS for a coal mine and an integrated value-added project, in return for a 51% interest in the Arckaringa exploration licences (EL 4511, 4512, 4513).

Pursuant to the UEJV, it has been agreed that CNOOC-NEIA will manage and operate the BFS work programme initially utilising its in-house technical resources, augmented by leading specialised consultants and actively assisted by the Altona team. The first stage of the BFS starting in the fourth quarter of 2010 is anticipated to last 12 months and has a budget of AU$12 million, after which the second stage, which has a AU$28 million budget, will commence.

The approved first stage BFS work programme includes:

- detailed review of coal deposit geology and consideration of supplemental drilling;
- groundwater investigation and verification;
- groundwater management research and design;
- environmental baseline studies;
- open cut coal mining methodology options; and
- product market research

The Group cash at 30 June 2010 was £2,427,000 (2009: £305,000).

Results and Dividends

The loss of the Group after taxation amounted to £2,442,000 (2009: £1,120,000), which included share-based payments expense of £1,099,000 (2009: £292,000). The Directors do not recommend payment of a dividend (2009: £Nil).

Financial Instruments

Note 2 of the financial statements details the risk factors affecting the Group and summarises the Group's policies for mitigating such risks through holding and issuing financial instruments. These policies have been followed during the current and prior year.

Directors and Directors' Interests

The interests of the Directors in the ordinary share capital of the Company during the period were:

	Number of ordinary shares		Number of Options	
	30 June 2010	30 June 2009	**30 June 2010**	30 June 2009
Christopher Lambert	**6,000,000**	6,000,000	**11,500,000**	11,500,000
Anthony Samaha	**1,500,000**	1,500,000	**7,500,000**	7,500,000
Norman Kennedy[1]	**–**	17,712,693	**–**	5,000,000
Christopher Schrape	**500,000**	500,000	**9,500,000**	9,500,000
Phillip Sutherland	**–**	–	**1,500,000**	1,500,000
Michael Zheng[2]	**–**	–	**9,500,000**	3,000,000

1 Norman Kennedy resigned as a Director on 16 April 2010.

2 Michael Zheng is the Chief Executive Officer and Managing Director of Tongjiang International Energy Co., Ltd which holds 76,500,000 ordinary shares in the Company. Michael Zheng will be issued with 2,500,000 upon all conditions precedent to the BFS being achieved.

Third Party Indemnity Insurance

The Company provides Directors' and Officers' liability insurance at a cost of £13,000 (2009: £13,000).

Political Contributions and Charitable Donations

During the period there were no charitable or political donations (2009: £nil).

Payment to Suppliers

The Company's and Group's policy is to settle terms of payment with suppliers when agreeing terms of business, to ensure that suppliers are aware of the terms of payment and to abide by them. Trade payables of the Company as at 30 June 2010 were equivalent to 43 (2009: 39) days' purchases, based on the average daily amount invoiced by suppliers to the Group during the year.

Post Reporting Date Events

Details of post reporting date events since the reporting date are disclosed in Note 20 of the financial statements.

Going Concern

As is common with many junior mining companies, the Company raises money for exploration and capital projects as and when required. There can be no assurance that the Group's projects will be fully developed in accordance with current plans or completed on time or to budget. Future work on the development of these projects, the levels of production and financial returns arising therefrom may be adversely affected by factors outside the control of the Group. Under the terms of the UEJV, CNOOC-NEIA, will fund the BFS for the Arckaringa Project and thereby the Group's licence commitments.

Notwithstanding the loss incurred during the period under review, the Directors are of the opinion that based on the Group and Company's cash flow forecasts and expected discretionary and contractual commitments the preparation of the Group and Company's accounts on a going concern basis is appropriate. This is a critical stage in the development of the Arckaringa project and the Directors can confirm that working capital will be managed to ensure sufficient funding is retained by the Group to allow it to continue on a going concern for the foreseeable future.

Auditors

The Directors review the terms of reference for the auditors and obtain written confirmation that the firm has complied with its ethical guidance on ensuring independence. The level of fees charged is reviewed by the Board to ensure they remain competitive and to ensure no conflicts of interest arise. BDO LLP has indicated their willingness to continue in office as auditors of the Group.

Remuneration

The Company remunerates the Directors at a level commensurate with the size of the Company and the experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration and believes it upholds the objectives of the Company with regard to this issue. Details of Directors' emoluments and of payments made for professional services rendered are set out in Note 6 to the Financial Statements.

Corporate Governance

The Directors are committed to maintaining high standards of corporate governance. The Directors have established procedures, so far as is practicable, given the Company's size, to comply with the UK Corporate Governance Code as modified by the recommendations of the Quoted Companies Alliance. The Company has adopted and operates a share dealing code for Directors and senior employees on substantially the same terms as the Model Code appended to the Listing Rules of the UKLA. The financial risk management policies and objectives are set out in detail in Note 2 of the financial statements.

The Board

The Board meets regularly throughout the year. To enable the Board to perform its duties, each of the Directors has full access to all relevant information and to the services of the Company Secretary. If necessary the non-executive Directors may take independent professional advice at the Company's expense. The Board currently includes two non-executive Director. The Board has delegated specific responsibilities to the committees described below.

The audit committee

The audit committee comprises Phillip Sutherland (Chairman) and Anthony Samaha, with two meetings held during the period ended 30 June 2010. The Committee reviews the Company's annual and interim financial statements before submission to the Board for approval. The Committee also reviews regular reports from Management and the external auditors on accounting and internal control matters. When appropriate, the Committee monitors the progress of action taken in relation to such matters. The Committee also recommends the appointment of, and reviews the fees of, the external auditors.

The remuneration committee

The remuneration committee is made up of Phillip Sutherland (Chairman) and Christopher Lambert, with one meeting held during the period ended 30 June 2010. It is responsible for reviewing the performance of the Executive Directors and for setting the scale and structure of their remuneration, paying due regard to the interests of shareholders as a whole and the performance of the Company.

Control Procedures

The Board has approved financial budgets and cash forecasts. In addition, it has implemented procedures to ensure compliance with accounting standards and effective reporting.

Provision of Information to Auditors

As far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken appropriate steps to ensure that they are aware of such relevant information, and that the Company's auditors are aware of that information.

Annual General Meeting

This report and the Financial Statements will be presented to shareholders for their approval at the Company's Annual General Meeting ("AGM"). The Notice of the AGM will be distributed to shareholders together with the Annual Report.

By order of Board:

Chris Lambert
Chairman
28 October 2010

Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent Auditors' Report to the Members of Altona Energy PLC

We have audited the financial statements of Altona Energy PLC for the year ended 30 June 2010 which comprise the consolidated statement of comprehensive income, the statements of financial position, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 30 June 2010 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Anne Sayers
(senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Office Location
United Kingdom
28 October 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Board of Directors

Christopher Walter Lambert, Executive Chairman

Mr Lambert's financial background is predominantly commodity based in the City of London. Mr Lambert headed up the London and global trading operations for Elders Finance Group, The Rural and Industries Bank of Western Australia, Barclays Bank and Prudential Securities (USA) London. During his time at these companies, he was responsible for global dealing operations in the major financial centres around the world, along with the structuring of corporate and project finance transactions for governments, central banks, industrial companies and mining houses.

Mr Lambert is a Director of ASX listed PepinNini Minerals Limited.

Christopher John Schrape, Managing Director

Mr Schrape is a graduate of the University of Melbourne – B.A (Economics). He has more than 30 years experience in the resource and mining industries, including Chief Executive Officer of Griffin Coal in Western Australia and 20 years with Rio Tinto in a variety of senior management and marketing roles in Australia and overseas, notably as Marketing Manager with Indonesia's largest coal operation (PT Kaltim Prima Coal) for 6 years from project start-up in 1991. Before joining Altona Energy, Mr Schrape was engaged as a Marketing Adviser for several prospective coal and power projects in Asia.

Mr Schrape became a consultant and adviser to Altona October 2005 and joined the Board in July 2006. He was subsequently appointed Managing Director in August 2006, with principal operational responsibility for the development of the Arckaringa Coal to Liquids (CTL) and Power Project in South Australia.

Anthony John Samaha, Executive Finance Director

Mr Samaha holds Bachelor of Commerce and Bachelor of Economics degrees. He is an Associate of the Institute of Chartered Accountants of Australia and an Associate of the Financial Services Institute of Australasia. Mr Samaha has over 18 years experience in providing accounting and corporate advice in a diverse range of industry sectors, including resource development. Mr Samaha is a non-executive Director of AIM listed Equatorial Palm Oil Plc.

Zheng (Michael) Qiang, non-executive Director

Mr Zheng began his career as an economist at the China Economic Commission before moving to the China Rare Earth Office of The State Council Rare Earth Leading Group of the State Planning Commission, where he was in charge of rare earth production. He subsequently became the Deputy General Manager of the China Rare Earth Development Corporation, a commercial arm of the State Council Rare Earth Leading Group. Mr Zheng has also previously held senior management positions in the Beijing office of AMR Technologies Inc. ("AMR"), a resources company listed on the Toronto Stock Exchange, where he co-coordinated relations with Chinese entities and was responsible for AMR's direct liaison with the Chinese Government.

Phillip George Sutherland, non-executive Director

Mr Sutherland joined the Board of Altona Energy in November 2006. He was the Chief Executive Officer of and Chief Industry Advocate for the South Australian Chamber of Mines and Energy (SACOME) from February 2001 until January 2007. SACOME is the peak industry association for companies with business interests in the Resources Industry in South Australia. Prior to his employment with SACOME, Mr Sutherland had extensive executive management experience with local, state and federal government agencies.

Mr Sutherland is well known in government, industry and media circles and is a graduate in business management from the South Australian Institute of Technology and the University of South Australia. He is a Fellow of the Australian Institute of Management and a Member of both the Australian Institute of Company Directors and Australian Human Resources Institute.

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2010

	Notes	Group 2010 £000	2009 £000
Share based payments expense		**(1,099)**	(292)
Other administrative expenses		**(1,512)**	(1,037)
Total administrative expenses and loss from operations	4	**(2,611)**	(1,329)
Finance income	5	**13**	57
Loss before taxation		**(2,598)**	(1,272)
Tax	9	**156**	152
Loss for the year attributable to the equity holders of the parent		**(2,442)**	(1,120)
Other comprehensive income			
Exchange differences on translating foreign operations		**1,113**	135
Total comprehensive loss attributable to the equity holders of the parent		**(1,329)**	(985)
Loss per share expressed in pence			
— Basic and diluted attributable to the equity holders of the parent	8	**(0.64p)**	(0.31p)

All of the operations are considered to be continuing.

The notes on pages 18 to 37 form part of these financial statements.

AltonaEnergy

Statements of Financial Position

as at 30 June 2010

	Notes	**Group 2010 £'000**	Group 2009 £'000	**Company 2010 £'000**	Company 2009 £'000
ASSETS					
Non-current assets					
Intangible assets	10	**10,039**	6,609	**–**	–
Property, plant and equipment	11	**11**	30	**10**	29
Investment in subsidiaries	12	**–**	–	**1,432**	–
Other receivables	13	**85**	39	**8,947**	6,785
Total non-current assets		**10,135**	6,678	**10,389**	6,814
Current assets					
Trade and other receivables	13	**221**	217	**56**	52
Cash and cash equivalents		**2,427**	305	**2,417**	303
Total current assets		**2,648**	522	**2,473**	355
TOTAL ASSETS		**12,783**	7,200	**12,862**	7,169
LIABILITIES					
Non-current liabilities					
Provisions	15	**300**	–	**300**	–
Current liabilities					
Trade and other payables	14	**291**	210	**112**	107
Provisions	15	**100**	–	**100**	–
Total current liabilities		**391**	210	**212**	107
TOTAL LIABILITIES		**691**	210	**512**	107
NET ASSETS		**12,092**	6,990	**12,350**	7,062
EQUITY					
Issued capital	16	**414**	358	**414**	358
Share premium		**10,394**	6,550	**10,394**	6,550
Merger reserve		**2,001**	2,001	**2,001**	2,001
Share based payments reserve		**2,948**	693	**2,948**	693
Foreign exchange reserve		**1,756**	643	**–**	–
Retained deficit		**(5,421)**	(3,255)	**(3,407)**	(2,540)
TOTAL EQUITY		**12,092**	6,990	**12,350**	7,062

The financial statements were approved by the Board and authorised for issue on 28 October 2010 and signed on its behalf by:

Christopher Lambert
Director

The notes on pages 18 to 37 form part of these financial statements.

Statement of Cash Flows

for the year ended 30 June 2010

	Group		Company	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Operating activities				
Loss before taxation	**(2,598)**	(1,272)	**(1,143)**	(990)
Finance income	**(13)**	(57)	**(7)**	(57)
Depreciation	**19**	19	**19**	18
Foreign exchange on loans to controlled entities	**—**	—	**(1,129)**	(135)
Share options expensed	**1,099**	292	**1,099**	292
(Increase) / decrease in receivables	**(46)**	28	**(50)**	21
Increase / (decrease) in payables	**41**	116	**5**	(30)
Cash used in operations	**(1,498)**	(874)	**(1,206)**	(881)
Income tax benefit received	**152**	—	**—**	—
Net cash flows used in operating activities	**(1,346)**	(874)	**(1,206)**	(881)
Investing activities				
Payments to acquire intangible fixed assets	**(445)**	(1,598)	**—**	—
Loans to subsidiary	**—**	—	**(587)**	(1,588)
Interest received	**13**	57	**7**	57
Net cash flows used in investing activities	**(432)**	(1,541)	**(580)**	(1,531)
Financing activities				
Proceeds from issue of shares	**4,095**	—	**4,095**	—
Issue costs paid	**(195)**	—	**(195)**	—
Net cash inflow from financing	**3,900**	—	**3,900**	—
Net increase / (decrease) in cash and cash equivalents	**2,122**	(2,415)	**2,114**	(2,412)
Cash and cash equivalents at beginning of the year	**305**	2,720	**303**	2,715
Cash and cash equivalents at 30 June	**2,427**	305	**2,417**	303

The notes on pages 18 to 37 form part of these financial statements.

AltonaEnergy

Statement of Changes in Equity

for the year ended 30 June 2010

Group	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Foreign currency translation reserve £'000	Retained deficit £'000	Total equity £'000
As at 1 July 2008	358	6,550	2,001	401	508	(2,135)	7,683
Total comprehensive loss for the period	—	—	—	—	135	(1,120)	(985)
Share based payments	—	—	—	292	—	—	292
Balance at 30 June 2009	358	6,550	2,001	693	643	(3,255)	6,990
Total comprehensive loss for the period	—	—	—	—	1,113	(2,442)	(1,329)
Issue of share capital	56	4,039	—	—	—	—	4,095
Costs of issue of share capital	—	(195)	—	—	—	—	(195)
Transfer on exercise of options	—	—	—	(56)	—	56	—
Share based payments	—	—	—	2,531	—	—	2,531
Cancellation of options	—	—	—	(220)	—	220	—
Balance at 30 June 2010	**414**	**10,394**	**2,001**	**2,948**	**1,756**	**(5,421)**	**12,092**

Company	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 July 2008	358	6,550	2,001	401	—	(1,550)	7,760
Total comprehensive loss for the period	—	—	—	—	—	(990)	(990)
Share based payments	—	—	—	292	—	—	292
Balance at 30 June 2009	358	6,550	2,001	693	—	(2,540)	7,062
Total comprehensive loss for the period	—	—	—	—	—	(1,143)	(1,143)
Issue of share capital	56	4,039	—	—	—	—	4,095
Costs of issue of share capital	—	(195)	—	—	—	—	(195)
Transfer on exercise of options	—	—	—	(56)	—	56	—
Share based payments	—	—	—	2,531	—	—	2,531
Cancellation of options	—	—	—	(220)	—	220	—
Balance at 30 June 2010	**414**	**10,394**	**2,001**	**2,948**	**—**	**(3,407)**	**12,350**

The notes on pages 18 to 37 form part of these financial statements.

Notes to the Consolidated Financial Statements

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have been applied consistently throughout the year.

BASIS OF PREPARATION

The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) unless otherwise stated.

The financial statements have been prepared on a going concern basis. As is common with many junior mining companies, the Company raises money for exploration and capital projects as and when required. There can be no assurance that the Group's projects will be fully developed in accordance with current plans or completed on time or to budget. Future work on the development of these projects, the levels of production and financial returns arising there from may be adversely affected by factors outside the control of the Group. Under the terms of the UEJV, a subsidiary of CNOOC-NEI, will fund the BFS for the Arckaringa Project and thereby the Group's licence commitments.

Notwithstanding the loss incurred during the year, the Directors are of the opinion that based on the Group and Company's cash flow forecasts and expected discretionary and contractual commitments the preparation of the Group and Company's accounts on a going concern basis is appropriate. This is a critical stage in the development of the Arckaringa project and the Directors can confirm that working capital will be managed to ensure sufficient funding is retained by the Group to allow it to meet its commitments as they fall due and for it to continue as a going concern for the foreseeable future.

These financial statements have been prepared in accordance with IFRS as adopted for use in the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

NEW STANDARDS AND INTERPRETATIONS

The financial statements have been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period.

The IASB and IFRIC have issued the following standards and interpretations:

There following were amendments to published standards and interpretations to existing standards effective in the year adopted by the Group.

International Accounting Standards (IAS/IFRS)		Effective date (periods beginning on or after)
IAS 1	Amendment — Presentation of financial statements: a revised presentation	1 Jan 2009
IAS 23	Amendment — Borrowing costs	1 Jan 2009
IFRS 2	Share-based payment: vesting conditions and cancellations	1 Jan 2009
IFRS 7	Amendment — Improving Disclosures about Financial Instruments Improvements to IFRSs (2009)	1 Jan 2009
IAS 27	Amendment — Consolidated and separate financial statements	1 July 2009
IFRS 3	Revised — Business combinations	1 July 2009

NEW STANDARDS AND INTERPRETATIONS (continued)

New Standards effective in the year relevant to the Group:

International Accounting Standards (IAS/IFRS)		Effective date *(periods beginning on or after)*
IFRS 8	Operating Segments	1 Jan 2009

The adoption of IFRS 8 and the amendment to IAS 1 and IFRS 7 affected the presentation and disclosure of the financial statements. The amendment to IAS 23, IFRS 3 and IFRS 2 did not have any financial effect in the year however the accounting policies of the Group have been updated to reflect the required amendments.

Standards, interpretations and amendments to published standards effective in the year but which are not relevant to the Group:

IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 Oct 2008
IFRS 1 & IAS 27	Amendments — Cost of an Investment in a subsidiary, jointly controlled entity or associate	1 Jan 2009
IFRS 2	Amendment — Vesting conditions and cancellations	1 Jan 2009
IAS 32 & 1	Amendments — Puttable financial instruments and obligations arising on Liquidation	1 Jan 2009
IFRIC 15	Agreements for the Construction of Real Estate	1 Jan 2009
IFRIC 9 & IAS 39	Amendments — Embedded derivatives	30 June 2009
IAS 39	Amendment — Recognition and measurement: Eligible hedged items	1 July 2009
IFRIC 17	Distributions of non-cash assets to owners	1 July 2009
IFRIC 18	Transfers of assets from customers	1 July 2009
IFRS 1	First-time adoption of international accounting standards	1 July 2009

Standards, Interpretations and amendments, which are effective for reporting periods beginning after the date of these financial statements:

IFRS 1	Additional exemptions for first-time adopters	1 Jan 2010
IFRS 2	Amendment — Group cash-settled share-based payment transactions	1 Jan 2010
	Improvements to IFRSs (2009)	generally 1 Jan 2010
IAS 32	Amendment — Classification of rights issues	1 Feb 2010
IFRIC19*	Extinguishing financial liabilities with equity instruments	1 Apr 2010
IFRS 1	Amendment — first-time adopters of IFRS	1 July 2010
IAS 24	Revised — Related party disclosures	1 Jan 2011
IFRIC 14	Amendment to IFRIC 14 — IAS 19 Limit on a defined benefit asset, Minimum funding requirements and their interaction	1 Jan 2011
	Improvements to IFRSs (2010)*	generally 1 Jan 2011
IFRS9*	Financial instruments	1 Jan 2013

The adoption of IFRS 9 will eventually replace IAS 39 in its entirety and consequently may have a material affect the presentation, classification, measurement and disclosures of the Group's financial instruments. No other standard, interpretations and amendments are expected to affect the Group in future periods.

Items marked * had not yet been endorsed by the European Union at the date that these financial statements were approved and authorised for issue by the Board.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All inter-group transactions, balances, income and expenses are eliminated in full on consolidation.

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of intangibles

The Group determines whether intangibles are impaired when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include the point at which a determination is made as to whether or not commercial reserves exist. The carrying amount of intangibles at 30 June 2010 was £10,039,000 (2009: £6,609,000), refer Note 10.

(ii) Share based payment transactions

The Group measures the cost of equity settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black–Scholes model. Refer to Note 17 for variables entered into the model.

FOREIGN CURRENCIES

The functional currency and presentation currency of the Company is UK Pounds Sterling.

Transactions entered into by Group entities in currency other than the currency of the primary economic environment in which they operate (the “functional” currency) are recorded at rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency 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 Pounds Sterling at the foreign exchange rates ruling at the dates the fair value was determined.

On consolidation, the results of the operations are translated into Pounds Sterling at average rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at closing rate are recognised directly in equity (the “foreign exchange reserve”).

Exchange differences recognised in the statement of comprehensive income of Group entities’ separate financial statements on the translation of long-term monetary items forming part of the Group’s net investment in the overseas operation concerned are reclassified to the foreign exchange reserve if the item is denominated in the functional currency of the Company or the overseas operation concerned.

BUSINESS COMBINATIONS

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Revised Business Combinations are recognised at their fair values at the acquisition date.

JOINTLY CONTROLLED ASSETS

Jointly controlled assets are arrangements in which the Group holds an interest on a long term basis which are jointly controlled by the Group and one or more venturers under a contractual arrangement. The Group’s exploration, development and production activities are sometimes conducted jointly with other companies in this way. Since these arrangements do not constitute entities in their own right, the consolidated financial statements reflect the Group’s costs incurred and assets and liabilities, which are directly related to the Group’s interest and contribution.

TAXATION

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised except for differences arising on investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of the deferred tax assets is restricted to those instances where it is probable that the taxable profit will be available against which the difference can be utilised.

TAXATION (continued)

Deferred tax is calculated based on rates enacted or substantively enacted at the reporting date and expected to apply when the related deferred tax asset is realised or liability settled.

Current and deferred tax is charged or credited in the consolidated statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the related tax is also dealt with in equity.

Research and Development tax credits are recognised when they can be determined to be reliably measured.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

INTANGIBLE ASSETS — EXPLORATION AND EVALUATION ASSETS

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

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions must also be met:

   a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale, or

   b) Exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include the acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General, administrative and share-based payment costs are only included in the measurement of exploration and evaluation costs where they are related directly to exploration and evaluation activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts or circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) ('CGU') to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less depreciation and any impairment.

The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probably that future economic benefit associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation

Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The following useful lives are used in the calculation of depreciation:

Plant and equipment	3–5 years

LEASING

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an 'operating lease'), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis. The land and buildings elements of property leases are considered separately for the purposes of lease classification.

FINANCIAL ASSETS

The only financial assets currently held by the Group are classified as loans and receivables and cash and cash equivalents. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Included within loans and receivables are cash and cash equivalents which include cash in hand and other short term highly liquid investments with a maturity of three months or less. Any interest earned is accrued monthly and classified as interest. Short term deposits comprise deposits made for varying periods of between one day and three months.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Derecognition

Financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the asset and substantially all the risk and rewards of ownership of the asset to another entity.

FINANCIAL LIABILITIES

The Group classifies its financial liabilities into one category. This is other financial liabilities. At present, the Group does not have any liabilities classified as fair value through profit or loss.

The Group's accounting policy for the other financial liabilities category is as follows:

Trade payables and other short-term monetary liabilities, are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. All interest and other borrowing costs incurred in connection with the above are expensed as incurred and reported as part of financing costs in the consolidated statement of comprehensive income.

Derecognition

Financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

THE COMPANY'S INVESTMENTS IN SUBSIDIARIES

In its separate financial statements the Company recognises its investments in subsidiaries at cost, less any provision for impairment. The cost of acquisition includes directly attributable professional fees and other expenses incurred in connection with the acquisition. It also includes share-based payments issued to employees of the Company for services provided to subsidiaries.

FINANCE INCOME

Finance income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial assets and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

MERGER RESERVE

The difference between the fair value of an acquisition and the nominal value of the shares allotted in a share exchange has been credited to a merger reserve account, in accordance with the merger relief provisions of the Companies Act 2006 and accordingly no share premium for such transactions has been setup.

SHARE-BASED PAYMENTS

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The equity-settled share-based payments are expensed to the consolidated statement of comprehensive income or capitalised to investments or intangibles in the statement of financial position over a straight line basis over the vesting period based on the Group's estimate of shares that will eventually vest.

Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive income is charged with the fair value of goods and services received over a straight line basis over the vesting period based on the Group's estimate of shares that will eventually vest, except where it is in respect to costs associated with the issue of securities, in which case it is charged to the share premium account.

Where equity instruments do not vest, are cancelled, or lapse, the amount recognised is reversed directly through the retained deficit.

2. FINANCIAL INSTRUMENTS — RISK MANAGEMENT

The financial instruments were categorised as follows:

Group 30 June 2010	Loans and receivables £'000	Other financial liabilities £'000	Total £'000
Assets as per statement of financial position			
Other receivables — non-current	85	—	85
Trade and other receivables	35	—	35
Cash and cash equivalents	2,427	—	2,427
	2,547	—	2,547
Liabilities as per statement of financial position			
Trade and other payables	—	291	291
	—	291	291
Group 30 June 2009			
Assets as per statement of financial position			
Other receivables — non-current	39	—	39
Trade and other receivables	40	—	40
Cash and cash equivalents	305	—	305
	384	—	384
Liabilities as per statement of financial position			
Trade and other payables	—	210	210
	—	210	210
Company 30 June 2010			
Assets as per statement of financial position			
Other receivables — non-current	82	—	82
Trade and other receivables	32	—	32
Cash and cash equivalents	2,417	—	2,417
	2,531	—	2,531
Liabilities as per statement of financial position			
Trade and other payables	—	112	112
	—	112	112
Company 30 June 2009			
Assets as per statement of financial position			
Other receivables — non-current	36	—	36
Trade and other receivables	27	—	27
Cash and cash equivalents	303	—	303
	366	—	366
Liabilities as per statement of financial position			
Trade and other payables	—	107	107
	—	107	107

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2. FINANCIAL INSTRUMENTS (continued)

The Group's financial instruments comprise of cash and sundry receivables and payables that arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and currency risk. The Directors review and agree policies for managing these risks and these are summarised below. There have been no substantive changes to the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

There is no significant difference between the carrying value and fair value of receivables and cash and cash equivalents.

Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, as assessed by the Directors using relevant available information.

Credit risk also arises on cash and cash equivalents and deposits with banks and financial institutions. The Group's cash deposits are only held in banks and financial institutions which are independently rated with a minimum credit agency rating of A.

There were no bad debts recognised during the period and there is no provision required at the reporting date.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Short term payables are classified as those payables that are due within 30 days.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days.

Currency risk

The functional currencies of the companies in the Group are Pounds Sterling and Australian Dollars. The Group does not hedge against the effects of movements in exchange rates. These risks are monitored by the Board on a regular basis.

The following table discloses the year end rates applied by the Group for the purposes of producing the financial statements:

Foreign currency units to £1.00 GBP	**Australian Dollar**
At 30 June 2010	1.76
At 30 June 2009	2.05

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Australian Dollar	**180**	103	**179**	170

The impact of a 10% fluctuation in the value of the Australia Dollar would result in net translation gains or losses of £Nil (2009: £7,000) movement in the consolidated statement of comprehensive income and net assets of the Group. The only monetary asset the Company has is the intercompany loan. A 10% fluctuation in the value of the Australian Dollar would result in a net translation gain or loss of £1,030,000 (2009: £675,000).

2. FINANCIAL INSTRUMENTS (continued)

Borrowing facilities and interest rate risk

The Group and Company finances its operations through the issue of equity share capital. There are no significant borrowings and therefore no significant exposure to interest rate fluctuations.

The Group and Company manages the interest rate risk associated with the Group and Company cash assets by ensuring that interest rates are as favourable as possible, whether this is through investment in floating or fixed interest rate deposits, whilst managing the access the Group and Company requires to the funds for working capital purposes.

The interest rate profile of the Group's cash and cash equivalents was as follows:

30 June 2010	Pound Sterling £'000	Australian Dollar £'000	Total £'000
Cash at bank floating interest rate	**2,381**	**–**	**2,381**
Cash at bank on which no interest is received	**36**	**10**	**46**
	2,417	**10**	**2,427**

30 June 2009	Pound Sterling £'000	Australian Dollar £'000	Total £'000
Cash at bank floating interest rate	302	–	302
Cash at bank on which no interest is received	1	2	3
	303	2	305

At reporting date, cash at bank floating interest rate is accruing weighted average interest of 0.92% (2009: 0.76%). As required by IFRS 7, the Group has estimated the interest rate sensitivity on year end balances and determined that a two percentage point increase or decrease in the interest rate earned on floating rate deposits would have caused a corresponding increase or decrease in net income in the amount of £48,000 (2009: £6,000).

Capital Management

The Group considers its capital to comprise its ordinary share capital, share premium and accumulated retained losses as well as the reserves (consisting of share-based payments reserve, foreign currency translation reserve and merger reserve).

The Group's objective when maintaining capital is to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Company meets its capital needs by equity financing. The Group sets the amount of capital it requires to fund the Groups project evaluation costs and administration expenses. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Company and Group do not have any derivative instruments or hedging instruments. It has been determined that a sensitivity analysis will not be representative of the Company's and Group's position in relation to market risk and therefore, such an analysis has not been undertaken.

Fair values

The fair values of the Group and Company's financial instruments approximates to their carrying value.

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3. REVENUE AND SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment and that make strategic decisions, has been identified as the Board of Directors.

The Group had no operating revenue during the period.

The Group operates in one segment, the exploration and evaluation of coal. The Parent Company operates a head office based in the United Kingdom which incurred certain administration and corporate costs. The Group's operations span two countries, Australia and the United Kingdom.

Segment result

	Segment result	
	2010 £'000	2009 £'000
Continuing operations		
Coal (Australia)	**(333)**	(148)
Administration and Corporate (United Kingdom)	**(2,278)**	(1,181)
	(2,611)	(1,329)
Finance income	**13**	57
Loss before tax	**(2,598)**	(1,272)
Income tax benefit	**156**	152
Loss after tax	**(2,442)**	(1,120)

The share-based payment charge is included within the United Kingdom segment result.

Segment assets and liabilities

	Non-Current Assets		Non-Current Liabilities	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Coal (Australia)	**10,043**	6,613	**–**	–
Administration and Corporate (United Kingdom)	**92**	65	**300**	–
Total of all segments	**10,135**	6,678	**300**	–

	Total Assets		Total Liabilities	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Coal (Australia)	**10,218**	6,779	**180**	103
Administration and Corporate (United Kingdom)	**2,565**	421	**511**	107
Total of all segments	**12,783**	7,200	**691**	210

Other segment information

	Depreciation and amortisation		Capital expenditure	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Continuing operations				
Coal (Australia)	**–**	1	**2,327**	1,568
Administration and Corporate (United Kingdom)	**19**	18	**–**	–
	19	19	**2,327**	1,568

4. LOSS FROM OPERATIONS

	Group	
	2010 £'000	2009 £'000
This has been arrived at after charging/(crediting):		
Audit fee	**21**	20
Fees payable to the Company's auditor and its associates in respect of:		
The auditing of accounts of subsidiaries of the Company pursuant to legislation	**7**	4
Depreciation	**19**	19
Staff costs[1]	**471**	220
Share based payments expense[2]	**1,099**	292
Operating lease charges — land and buildings	**48**	42
Net foreign currency losses	**2**	2

1 The Group recognised salaries and fees and long term payments of £1,083,000 (2009: £450,000) during the year, of which £612,000 (2009: £230,000) was capitalised to intangibles.

2 The Group recognised £2,531,000 (2009: £292,000) related to equity-settled share-based payment transactions during the year, of which £1,432,000 (2009: Nil) was capitalised to intangibles.

5. FINANCE INCOME

	Group	
	2010 £'000	2009 £'000
Bank interest received / receivable	**13**	57

6. STAFF COSTS (INCLUDING DIRECTORS)

	Group		Company	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Salaries and fees	**668**	440	**489**	334
Long term benefits/incentives	**415**	10	**—**	—
Share based payments	**1,848**	292	**1,848**	292
Salaries expense	**2,931**	742	**2,337**	626
Capitalised to intangible assets	**(2,044)**	(230)	**(1,514)**	(114)
Total	**887**	512	**823**	512

The Group averaged 8 employees during the period ended 30 June 2010 (2009: 7 employees). The Company averaged 7 employees during the period (2009: 6 employees). The amount capitalised to intangible assets relates to a portion of the staff costs in connection with three of the Group's Directors.

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6. STAFF COSTS (INCLUDING DIRECTORS) (continued)

Directors have been assessed as the only key management of the Group.

	Fees/ Salary £'000	Long term incentives £'000	Pension £'000	Share-based payments £'000	Total 2010 £'000	Total 2009 £'000
Christopher Lambert	184	–	–	152	**336**	214
Christopher Schrape	167	–	15	98	**280**	186
Anthony Samaha	117	–	–	71	**188**	146
Michael Zheng	62	400[1]	–	1,434[2]	**1,896**	60
Phillip Sutherland	24	–	–	1	**25**	42
Norman Kennedy[3]	22	–	–	92	**114**	54
Total Key Management 2010	576	400	15	1,848	**2,839**	–
Total Key Management 2009	408	–	10	284	**–**	702

1 Included in Mr Zheng's long term incentives is the provision for £400,000 in success fees payable in respect to UEJV performance milestones (refer Note 15 and Note 19).

2 Share based payments for Mr Zheng are in respect of UEJV success fees related to the issue of 2,500,000 ordinary shares upon satisfaction of conditions precedent to the UEJV and the issue of 6,500,000 options exercisable at 0.1p, of which 3,000,000 vest upon completion of Stage 1 of the BFS and 3,500,000 vest upon completion of Stage 2 of the BFS (refer Note 19).

3 Norman Kennedy resigned as a Director on 16 April 2010.

The total amount payable to the highest paid Director in respect of emoluments was £184,000 (2009: £144,000).

No Directors exercised any share options during the period. The pension relate to compulsory superannuation in Australia.

The Company provides Directors' and Officers' liability insurance at a cost of £13,000 (2009: 13,000). This cost is not included in the above table.

7. LOSS FOR THE FINANCIAL YEAR

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements. The Company's comprehensive loss for the year was £1,143,000 (2009: loss £990,000).

8. LOSS PER SHARE

The loss for the period attributed to shareholders is £2,442,000 (2009: Loss £1,120,000).

This is divided by the weighted average number of Ordinary shares outstanding calculated to be 381.6 million (2009: 358.2 million) to give a basic loss per share of 0.64p (2009: basic loss per share of 0.31p).

As inclusion of the potential ordinary shares would result in a decrease in the loss per share they are considered to be anti-dilutive and, as such, the effect of the dilution has not been applied in the calculation. The potential future share issues that may dilute the loss per share relate to 57,845,675 options in issue (2009: 52,500,000) and 2,500,000 deferred shares (2009: Nil) disclosed at note 17.

9. TAX

	Group	
	2010	2009
	£'000	£'000
Current year taxation		
Group corporation tax at 28% on results for the period (2009: 28%)	**156**	152
Factors affecting the tax charge for the year		
Loss on ordinary activities before tax	**(2,598)**	(1,272)
Loss on ordinary activities at the Group standard rate of 28% (2009: 28%)	**(727)**	(356)
Effects of:		
Non deductible expenses	**630**	122
Temporary differences	**(408)**	(320)
Difference in overseas tax rates	**(36)**	(26)
Tax concession (research & development)	**156**	152
Unutilised tax losses carried forward	**541**	580
Total tax credit for the period	**156**	152
Unprovided deferred tax asset:		
Group tax losses carried forward of £11,796,000 (2009: £8,792,000) multiplied by standard rate of corporation tax 28% recoverable only when it is probable that the taxable profit will be available.	**3,303**	2,462

10. INTANGIBLE ASSETS

	Group	
	2010	2009
	£'000	£'000
Exploration and evaluation		
Cost		
At beginning of period	**6,609**	4,987
Additions	**2,327**	1,568
Currency translation adjustment	**1,103**	54
Carrying value at 30 June	**10,039**	6,609

Exploration and evaluation relates to the development of an integrated coal-to-liquid plant and co-generation power facility, supported by an open-cut coal mine at its Arckaringa Project in South Australia.

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11. PROPERTY, PLANT AND EQUIPMENT

	Group £'000	Company £'000
Cost		
Opening balance at 1 July 2008	69	67
Additions	–	–
At 30 June 2009	69	67
Additions	–	–
At 30 June 2010	**69**	**67**
Depreciation		
Opening balance at 1 July 2008	20	20
Depreciation charge for the period	19	18
At 30 June 2009	39	38
Depreciation charge for the year	19	19
At 30 June 2010	**58**	**57**
Net book value		
At 30 June 2010	**11**	**10**
At 30 June 2009	30	29
At 30 June 2008	49	47

12. INVESTMENTS

Unlisted Investments

	Company	
	2010 £'000	2009 £'000
Cost		
Investments in subsidiaries (i)	**1,432**	–

(i) During the period the Company capitalised within investments in subsidiaries, share based payments of £1,432,000 in respect of share options granted to employees of the Company for work performed on the Project.

	Company	
	2010 £'000	2009 £'000
Opening balance	**–**	–
Additions	**1,432**	–
Closing balance	**1,432**	–

Subsidiaries of Altona Energy PLC

Entity	Country of Registration	Holding		Nature of Business
		2010 %	2009 %	
Direct				
Altona Australia Pty Limited	Australia	**100**	100	Holding Company
Indirect				
Arckaringa Energy Pty Limited	Australia	**100**	100	Evaluation of the Arckaringa Project

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Current trade and other receivable				
Other receivables (i)	**35**	40	**32**	27
Tax credit receivable	**158**	152	**—**	—
Prepayments and accrued income	**28**	25	**24**	25
	221	217	**56**	52
Non-current trade and other receivable				
Loans due from Group companies (ii)	**—**	—	**8,865**	6,749
Rent deposit (iii)	**82**	36	**82**	36
Tenement bond	**3**	3	**—**	—
	85	39	**8,947**	6,785

(i) Other receivables are non interest bearing and generally repayable between 30–60 days.
(ii) The loans to wholly owned subsidiaries are non interest bearing and are repayable on demand, however payment is not anticipated to be within one year.
(iii) Rent deposit is refundable upon expiry of the lease.

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Trade payables	**178**	167	**88**	71
Accruals and other payables	**113**	43	**24**	36
	291	210	**112**	107

Trade and other payables are non interest bearing and are normally settled on terms of 30 days from month end.

15. PROVISIONS

	Group		Company	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Current provision				
Provision for success fee (i)	**100**	—	**100**	—
Non current provision				
Provision for success fee (ii)	**300**	—	**300**	—

(i) Upon satisfaction of all conditions precedent the Group will pay Michael Zheng £100,000.
(ii) Upon completion of stage 1 of the BFS the Group will pay Michael Zheng £100,000 and upon the completion of stage 2 of the BFS, the Group will pay Michael Zheng £200,000.

The above amounts have been capitalised to intangible assets, Note 10, and are included in Michael Zheng's remuneration figures in note 6.

16. SHARE CAPITAL

Authorised

	Group		Company	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
1,000,000,000 Ordinary shares of 0.1p each (2009: 1,000,000,000)	**1,000**	1,000	**1,000**	1,000

Allotted, called up and fully paid

	Group		Company	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
414,068,526 ordinary shares of 0.1p each (2009: 358,165,784)	**414**	358	**414**	358

There were no share issues in the year ended 30 June 2009.

During the period the Company issued the following Ordinary 0.1 pence fully paid shares for cash:

Date	Issue Price	Number of Shares	Nominal Value £'000
1 July 2009	Opening balance	358,165,784	358
7 August 2009	Placing at 4.1p per share (gross)	12,195,122	12
2 October 2009	Options exercised at 1p per share	107,988	—
11 January 2010	Placing at 7p per share (gross)	4,285,715	4
12 January 2010	Options exercised at 1p per share	185,829	1
12 January 2010	Options exercised at 4.75p per share	1,500,000	2
10 March 2010	Options exercised at 1p per share	1,456,183	1
30 March 2010	Placing at 9p per share (gross)	33,333,334	33
1 April 2010	Options exercised at 9.5p per share	1,288,571	1
23 April 2010	Options exercised at 5p per share	1,250,000	1
23 April 2010	Options exercised at 7p per share	300,000	1
30 June 2010	Closing balance	414,068,526	414

The following described the nature and purpose of each reserve within owners' equity:

Reserve	Description and Purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	Reserve created on issue of shares on acquisition of subsidiaries in prior years.
Share based payments reserve	Reserve created for equity settled share based payments to employees and consultants.
Foreign exchange reserve	Cumulative translation differences of net assets of subsidiaries.
Retained deficit	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

17. SHARE-BASED PAYMENTS

The Company periodically grants share options to employees, consultants and Directors, as approved by the Board. At 30 June 2010 and 30 June 2009, the following share options were outstanding in respect of the ordinary shares:

Year ended 30 June 2010

Grant date	Expiry date	Number of options	Issued in year	Forfeited/ expired/ cancelled	Exercised in year	Number of options outstanding	Exercise price per option
10.03.05	10.03.10	1,750,000	–	–	(1,750,000)	–	1.00p[1]
03.08.06	02.08.11	3,000,000	–	–	–	3,000,000	8.00p[1]
03.08.06	02.08.11	3,000,000	–	–	–	3,000,000	12.00p[1]
03.08.06	02.08.11	3,000,000	–	–	–	3,000,000	16.00p[1]
13.10.06	12.10.11	6,000,000	–	(6,000,000)	–	–	7.00p[1]
13.10.06	12.10.11	5,000,000	–	(5,000,000)	–	–	10.00p[1]
13.10.06	12.10.11	3,000,000	–	(3,000,000)	–	–	14.00p[1]
24.04.07	23.04.12	1,500,000	–	–	(1,500,000)	–	4.75p[1]
24.04.07	23.04.12	1,500,000	–	–	(1,288,571)	211,429	9.50p[1]
20.08.08	19.08.13	12,375,000	–	–	(1,250,000)	11,125,000	5.00p[1]
20.08.08	19.08.13	12,375,000	–	–	(300,000)	12,075,000	7.00p[2]
05.01.10	04.01.14	–	14,000,000	(1,250,000)	–	12,750,000	7.00p[3]
30.03.10	29.03.15	–	1,628,082	–	–	1,628,082	0.10p[1]
30.03.10	29.03.15	–	6,500,000	–	–	6,500,000	0.10p[4]
30.03.10	29.03.15	–	3,256,164	–	–	3,256,164	4.75p[1]
30.03.10	29.03.15	–	1,300,000	–	–	1,300,000	10.00p[5]
		52,500,000	26,684,246	(15,250,000)	(6,088,571)	57,845,675	

Year ended 30 June 2009

Grant date	Expiry date	Number of options	Issued in year	Forfeited/ expired/ cancelled	Exercised in year	Number of options outstanding	Exercise price per option
10.03.05	10.03.10	1,750,000	–	–	–	1,750,000	1.00p[1]
03.08.06	02.08.11	3,000,000	–	–	–	3,000,000	8.00p[1]
03.08.06	02.08.11	3,000,000	–	–	–	3,000,000	12.00p[1]
03.08.06	02.08.11	3,000,000	–	–	–	3,000,000	16.00p[1]
13.10.06	12.10.11	6,000,000	–	–	–	6,000,000	7.00p[1]
13.10.06	12.10.11	5,000,000	–	–	–	5,000,000	10.00p[1]
13.10.06	12.10.11	3,000,000	–	–	–	3,000,000	14.00p[1]
24.04.07	23.04.12	1,500,000	–	–	–	1,500,000	4.75p[1]
24.04.07	23.04.12	1,500,000	–	–	–	1,500,000	9.50p[1]
20.08.08	19.08.13	–	12,375,000	–	–	12,375,000	5.00p[1]
20.08.08	19.08.13	–	12,375,000	–	–	12,375,000	7.00p[2]
		27,750,000	24,750,000	–	–	52,500,000	

1 No vesting conditions.
2 Vested 12 months from the date of grant.
3 50% of options vest immediately, with 50% vesting 12 months from date of grant.
4 3,000,000 options vest upon completion of Stage 1 of BFS and 3,500,000 options vest upon completion of Stage 2 of the BFS (refer Note 19).
5 25% of options vest every 6 months.

17. SHARE-BASED PAYMENTS (continued)

The following are the weighted average details of options

	2010	2009
Exercise price of options at reporting date	**6.4p**	7.9p
Life of options at reporting date (years)	**3.3**	3.1
Exercise price of options issued during the period	**4.8p**	6.0p
Exercise price of options cancelled/forfeited during the period	**9.4p**	n/a
Exercise price of options exercised during the period	**4.8p**	n/a

The highest and lowest price of the Company's shares during the year was 20.15p and 3.91p (2009: 7.00p and 0.85p). The share price at year end was 11.15p (2009: 4.75p).

The inputs into the Black–Scholes model are as follows:

Grant date	Share price at date of grant	Exercise price	Volatility	Option life	Dividend yield	Risk-free investment rate	Fair value per option
2010							
30.03.2010	**15.95p**	**0.1p**	**60%**	**29.03.2015**	**0%**	**2.83%**	**15.9p**
30.03.2010	**15.95p**	**4.75p**	**60%**	**29.03.2015**	**0%**	**2.83%**	**12.6p**
30.03.2010	**15.95p**	**10.00p**	**60%**	**29.03.2015**	**0%**	**1.87%**	**8.8p**
2009							
20.08.2008	3.15p	5.0p	60%	19.08.2013	0%	4.49%	1.4p
20.08.2008	3.15p	7.0p	60%	19.08.2013	0%	4.49%	1.1p

Expected volatility was determined by calculating the historical volatility of the Group's share price since listing.

In March 2010, the Company agreed success fees with Michael Zheng, a Director of the Company, in respect of the achievement of the UEJV (refer Note 19). These success fees include the issue of 2,500,000 fully paid ordinary shares in the Company upon completion of conditions precedent to the UEJV. The deferred shares are not included in the above tables.

The Group recognised £2,531,000 (2009: £292,000) related to equity-settled share based payment transactions during the year, of which £1,432,000 (2009: Nil) was capitalised to intangibles. There is a further £100,000 (2009: £19,000) to be recognised in the subsequent financial period, in relation to the above issue of options.

18. COMMITMENTS

As at 30 June 2010, the Group had entered into the following material commitments:

Exploration commitments

The Group has three exploration tenements in South Australia. The exploration commitments relating to EL 4512 Wintinna, to EL 4511 Westfield and to EL 4513 Murloocoppie were met during the 2009 financial year. Under the terms of its three ELs, the Group is required to spend a total of AUD $690,000 (£392,000) for the period 6 June 2010 to 5 June 2011. This expenditure will be met by the Joint Venture partner.

Total operating lease commitments

Leasing arrangements

Operating leases relate to office facilities.

	Group		Company	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Non-cancellable operating lease payments				
Not longer than one year	**83**	62	**83**	62
Longer than one year and not longer than five years	**57**	—	**57**	—
	140	62	**140**	62

19. RELATED PARTY TRANSACTIONS

The Key Management personnel are considered to be the Directors. Details of their remuneration are included in Note 6 to the financial statements.

In March 2010, the Company agreed success fees with Michael Zheng, a Director of the Company, in respect of the achievement of the UEJV. Upon satisfaction of the completion of conditions precedent to the UEJV, Mr Zheng will receive £100,000 and be issued with 2,500,000 fully paid ordinary shares in the Company. Mr Zheng has been issued 6,500,000 options, exercisable at 0.1p, of which 3,000,000 vest upon completion of Stage 1 of the BFS and 3,500,000 vest upon completion of Stage 2 of the BFS. Mr Zheng will receive a further £100,000 upon completion of Stage 1 of the BFS and a further £200,000 upon completion of Stage 2 of the BFS. The share based payments calculation is disclosed in Note 17 Share-Based Payments, and the financial impact is included in the numbers disclosed in Note 6 Staff Costs. The cash element above is disclosed in Note 21 Contingent Liabilities.

During the period the subsidiary company Arckaringa Energy Pty Ltd paid geological consultancy fees and expenses reimbursements of £35,000 (2009: £36,000), and Director fees of £22,000 (2009: £24,000) to Rank Geological Services Pty Ltd, a company related to Norman Kennedy, former Director of Altona Energy PLC. At 30 June 2010 £6,000 (2009: £3,000) of the total balance was outstanding. The Director fees are included in the numbers disclosed in Note 6 Staff Costs.

During the period, the Company paid £Nil (2009: £12,000) to Reabold Ltd, a company related to Anthony Samaha, for consulting fees. These fees are included in the numbers disclosed in Note 6 Staff Costs.

During the period, the Company paid £184,000 (2009: £144,000) to CJL Consultants Limited, a company related to Christopher Lambert, for Director fees. These fees are included in the numbers disclosed in Note 6 Staff Costs.

During the period, the subsidiary company Arckaringa Energy Pty Ltd paid rent and other administrative expenses of £50,000 (2009: £19,000) to PepinNini Minerals Limited, a company of which Christopher Lambert and former Director Norman Kennedy are Directors. At 30 June 2010, there was £15,000 owing (2009: £4,000).

In a previous period, the Company entered into a joint lease of office facilities with Braemore Resources Plc, a related party due to common Directors. During the period the common Directors resigned from Braemore Resources Plc and the lease was assigned from Braemore Resources Plc to the Company. At 30 June 2010, there was £Nil owing from Braemore Resources Plc (2009: £16,000).

20. POST REPORTING DATE EVENTS

In August 2010, the Company issued 3,256,164 new ordinary shares upon the exercise of options, raising £79,000.

21. CONTINGENT LIABILITIES

Stamp Duty

In November 2005, the Group acquired the subsidiary Arckaringa Energy Pty Ltd. At that time Arckaringa Energy Pty Ltd was the holder of three exploration licences in South Australia. The Group obtained advice that this acquisition could be assessed as not subject to the land rich stamp duty provisions relating to South Australian property. Revenue SA has been reviewing this acquisition and at the date of these accounts, the Group has not yet received an assessment. The advice provided to the Group indicates that should stamp duty ultimately be payable it may amount to AUD $252,000 (GBP £143,000).

In the event that an additional stamp duty payment is required the amount paid would represent an increase in the amount recognised as capitalised exploration and evaluation expenditure.

The Group has not recognised a liability in connection to additional stamp duty as the Directors believe that no further stamp duty is payable in connection to this matter, based on professional advice received at the time of acquisition and subsequently, and in the absence of further details from Revenue SA.

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