ALTONA ENERGY PLC

ANNUAL REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

ALTONA ENERGY PLC

CONTENTS

ALTONA ENERGY PLC

CORPORATE INFORMATION

DIRECTORS	Michael Zheng (Executive Chairman) Qinfu Zhang (Executive Director) Phillip Sutherland (Non-Executive Director)
SECRETARY AND REGISTERED OFFICE	Stephen Ronaldson Third Floor 55 Gower Street London WC1E 6HQ
AUDITORS	BDO LLP 55 Baker Street London W1U 7EU
NOMINATED ADVISER	WH Ireland Limited 24 Martin Lane London EC4R 0DR
BROKER	Old Park Lane Capital Plc 49 Berkeley Square London W1J 5AZ
BANKERS	HSBC Bank Plc 39 Tottenham Court Road London W1T 2AR
REGISTRARS	Share Registrars Limited Suite E, First Floor 9 Lion & Lamb Yard, Farnham Surrey GU9 7LL

ALTONA ENERGY PLC

CHAIRMAN'S REPORT

As reported in the Interim Statement earlier this year we suggested that 2014 would be a pivotal year for Altona and, following today's announcement regarding the signing of the new joint venture agreement with our partners Sino-Aus Energy Group Limited ("Sino-Aus") and Wintask Group Limited ("Wintask"), this has proven to be the case.

After a long period of negotiation we are delighted to be able to announce that an agreement has been reached with our two partners to form a joint venture entity, Arckaringa Coal Chemical Joint Venture Co Pty Ltd. The focus of the joint venture will initially be on the completion of the test drilling programme at our Arckaringa project and the Bankable Feasibility Study ("BFS"). Following the successful completion of this work the joint venture will then focus on the development of a Coal-to-Methanol (CTM), coal-chemical and synthetic gas production facility at Arckaringa.

Subject to certain conditions our partners will contribute AUD$ 33 million to the project, as well as subscribing for 200,000,000 shares in Altona, at a price of 1p over two tranches, to provide the Company with £2 million in working capital.

Review of the Year

On 31 January 2014, the Company terminated, by mutual consent, its joint venture agreement with CNOOC New Energy International (Australia) Pty Ltd (CNOOC), whereby Altona received back its 51% interest in the Arckaringa project. On 19 March 2014 Altona received approval from the South Australian Government for the return of the 51% interest in the project.

The Company also terminated its MOU with Xinjiang Hetian Duwa Industry Limited (Duwa) due to insurmountable legal issues.

Following the termination of the CNOOC joint venture the Company proceeded to quickly identify and agree a new Memorandum of Understanding (MoU) with its new partners, Sino-Aus and Wintask and the Company is delighted that this MoU has now been consummated into a new joint venture agreement.

In May, the Company was informed that its Programme for Environmental Protection and Rehabilitation (PEPR) had been renewed by the South Australian Government. The PEPR identifies all relevant environmental, social and economic impact events that may result from proposed exploration activities and how each of the identified impacts are to be managed or avoided. The approval was granted by the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE).

The Company also received an extension, until 19 May 2015, to its Water Affecting Activity Permit (WAAP), which defines water management procedures for the proposed drilling programme. This Permit was granted by the Department for Environment, Water and Natural Resources (DEWNR) via the South Australian Arid Lands Natural Resources Management Board (SAALNRMB).

On 16 May 2014, the Company advised of the sad passing of its Technical Director, Peter Fagiano, following a long illness. Peter had been with the Company since 2010 and made an enormous contribution during his time with the Company, especially with regards to his completion of the Technical Feasibility Study (TFS) for CTM in August 2013.

Peter enjoyed a career spanning over 45 years and held a number of positions of seniority at respected engineering firms, including his role immediately prior to joining Altona at Jacobs Engineering where he was operations director of the process & technology division for 12 years.

Review of the year (continued)

The board considered it appropriate to wait until it had found new partners before re-assigning the role of Technical Director, and it can now advise shareholders that, with the signing of the new JV agreement, the Company is looking to find a suitable replacement to join the Altona board.

Arckaringa Project

During the year under review, the Company commissioned a TFS to demonstrate that CTM could be capable of augmenting the BFS for Altona's flagship Arckaringa Clean Energy Coal-to-liquids (CTL) project. Part of the reasoning behind this was the continued growth in global methanol demand, particularly in Asia, with methanol being used increasingly as a fuel additive and feedstock for a wide range of high value products including acetic acid, Di-Methyl Ether, formaldehyde, olefins and gasoline. Methanol prices have been averaging more than US$400/tonne in recent years. Further, the Company is more confident that the technology used in this process is far more advanced, commercially sound and proven that that for CTL. These technologies also offer the opportunity to enhance the inherently low in-situ value and cost of Arckaringa coal beyond CTL and accordingly the Company will focus its attention on the utility value of coal mining and synthetic gas production.

The original CTL proposal was for a 45,000 Barrels per day ("BPD") CTL facility developed in three separate 15,000 BPD/ 280MW phases over a 10 year period. The CTM study proposed that one 15,000 BPD train is replaced by a 6,200 Methanol Tonne per day CTM Plant to be built in tandem with a 15,000 BPD CTL Plant rather than building the first two CTL plants in series.

The joint venture partners (Altona, Sino-Aus and Wintask) agree that the high returns and diverse markets for methanol, combined with Arckaringa's coal resource, which is capable of sustaining a wide range of coal conversion options or projects for a hundred years or more, make CTM, coal-chemical and synthetic gas production the natural choices for the project.

Altona believes the rationale for the development of the Arckaringa project remains as compelling as ever. The project's strong fundamentals include the size of the resource (7.8 billion tonnes, including 1.3 billion tonnes JORC compliant), a coal quality which is suitable for gasification and synthetic fuels production, attractive economics, combined with a very supportive South Australian government and a location which favours both domestic use and international export.

Financial Review

The financial loss of the Group for the year ended 30 June 2014 was £2,281,000 (2013: £1,398,000), which is inclusive of a £790,000 provision in respect of tax liabilities as described in detail below. The loss for the year excluding the one-off effects of the tax provision was £1,491,000 (2013: £1,398,000), which is in line with internal expectations and consistent with the prior year.

During the year the Group entered into an agreement with Wintask to issue up to 230,000,000 shares at a price of 1.4 pence to raise a total of £3.22million. The Company also welcomed Mr Qinfu Zhang to the board of Directors as representative of Wintask following this transaction.

As at 30 June 2014, the Group had cash of £1,913,000 (2013 - £679,000). Subsequent to the year end the Group entered into an agreement for the placing of 200,000,000 new Ordinary Shares, conditional inter alia on shareholder approval and government approvals relating to the joint venture, at a price of 1.0 pence to raise a total of £2 million to provide additional working capital.

Financial Review (continued)

The Group has been vigorous in cutting unnecessary costs out of the business for the past six months, the full effect of which is not recognised in these financial results. However we are confident that future financial results will evidence that the Company is committed to making shareholder's funds stretch as far as possible while the important BFS work is completed.

The balance sheet as at 30th June 2014 includes a provision amounting to £790,000 (2013: £Nil) in respect of a potential anticipated liability to HMRC for income tax not deducted and accounted for under the PAYE system, and National Insurance Contributions not accounted for, in each case in respect of payments made on a gross basis to private companies for the provision of the services of a former director.

The precise amount of the Company's liability to HMRC is currently under negotiation. The sum provided represents, in the view of the directors, having taken professional advice, a reasonable estimate of the Company's probable current liability in this context. While the quantum of the provision represents their best estimate, of the ultimate liability, no assurance can be given that the estimate will prove to be accurate.

The Company has submitted arguments which, if accepted, would result in a significantly lower liability. It is not however, anticipated that the liability could be entirely eliminated even if the Company's assertions are accepted in full.

The Company having taken professional advice, considers that it has potential claims against third parties, whereby they may be found liable to compensate the Company for a material part of any liability to HMRC which the Company is found to have. If it is necessary to pursue such claims by legal proceedings, some element of irrecoverable costs would inevitably be incurred. It is anticipated that the quantum of any such irrecoverable costs would not be substantial relative to the potential recovery.

Outlook

With the signing of the new joint venture agreement, the Company enters this historic phase of its development with confidence. Although there are many issues still to negotiate, the board offers shareholders its assurance that its focus will be on working closely with its partners to complete the test drilling programme and submit the BFS within the two year timeframe agreed.

We wish to thank our shareholders for the patience they have shown over the difficult period of the past two years, and look forward to seeing them at the AGM next month.

Michael Zheng
Executive Chairman
13 November 2014

STRATEGIC REVIEW
BUSINESS RISK REVIEW

Principal business risks

The Directors have identified the following principal risks in relation to the Company's future. The relative importance of risks faced by the Company can, and is likely to, change as the Company executes its strategy and as the external business environment evolves.

Strategic

Strategy risk

The Company's strategy may not deliver the results expected by shareholders. The Directors regularly monitor the appropriateness of the strategy, taking into account both internal and external factors, and the progress in implementing the strategy, and modify the strategy as may be required based on developments. Key elements of this process are the Company's monthly reporting and regular Board meetings.

Concentration risk

The Company has one core asset being the Arckaringa project. The Board has entered into the joint venture with Sino-Aus and Wintask to share the risk of a single-asset portfolio.

Operational

Development risk

The Arckaringa project may not result in commercial development. There is no certainty of success from the existing portfolio of licences. The Company seeks to mitigate the development risk through the experience and expertise of the Company's specialists and the Company's partners in the Arckaringa joint venture.

Other business risks

In addition to the current principal risks identified above and general business risks, the Group's business is subject to risks inherent in hydrocarbon development and production activities. There are a number of potential risks and uncertainties which could have a material impact on the Company's long-term performance and could cause actual results to differ materially from expected and historical results. The Company has identified certain risks pertinent to its business including:

Strategic and Economic
- Failure to deliver on strategy and plans
- Business environment changes
- Limited diversification

Operational
- Failure to add value through development
- Difficulty in maintaining or renewing Licences/ Approvals

Commercial
- Failure to maximise value from Arckaringa
- Loss of interest in key assets
- Regulatory compliance and legal

Human Resources and Management Processes
- Failure to recruit and retain key personnel
- Human error or deliberate negative action
- Inadequate management processes

Financial
- Restrictions in capital markets impacting available financial resource
- Cost escalation and budget overruns
- Fraud and corruption

The Directors regularly monitor such risks, using information obtained or developed from external and internal sources, and will take actions as appropriate to mitigate these. Effective risk mitigation may be critical to the Company in achieving its strategic objectives and protecting its assets, personnel and reputation. The Company assesses its risk on an ongoing basis to ensure it identifies key business risks and takes measures to mitigate these. Other steps include regular Board review of the business, monthly management reporting, financial operating procedures and anti-bribery management systems. The Company reviews its business risks and management systems on a regular basis and, through this process, the Directors have identified the principal risks.

STRATEGIC REVIEW (continued)

PRINCIPAL ACTIVITY

The principal activity of the Group is the evaluation of the development of an integrated Coal to Chemicals plant, supported by an open-cut coal mine at its Arckaringa Project in South Australia.

BUSINESS REVIEW

The developments during the period are detailed in the Chairman's Statement on pages 3 to 5.

KEY PERFORMANCE INDICATORS

The key performance indicators in assessing the completion of this activity that are monitored on a regular basis are:

- Progress of Bankable Feasibility study and monitoring licence commitments and environmental compliance
- Cash management – sufficient to meet its commitments

During the year the Company progressed the joint venture by terminating the CNOOC JV and receiving the licences in return alongside receiving permits for the planned drilling programme.

Pursuant to the signing of the recently announced JV, it has been agreed that Sino-Aus and Wintask will fund the initial A$33million of expenditure towards the BFS.

The Group cash at 30 June 2014 was £1,913,000 (2013: £679,000).

On behalf of the Board:

Michael Zheng
Director
13 November 2014

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 2014.

COMPANY FORMATION

Altona Energy Plc is a publicly listed company incorporated and domiciled in England & Wales. Alongside its subsidiaries in Australia the Company has a branch office in Beijing, China. The Company's ordinary shares are traded on the AIM market operated by the London Stock Exchange.

DIVIDENDS

The Directors do not recommend payment of a dividend (2013: £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 Directors of the Group and the Company during the year and their interests in the ordinary share capital of the Company were:

	Number of ordinary shares		Number of Options	
	30 June 2014	**30 June 2013**	**30 June 2014**	**30 June 2013**
Christopher Lambert [1]	6,100,000	6,100,000	15,000,000	11,500,000
Phillip Sutherland	940,564	-	3,000,000	1,500,000
Qinfu Zhang [2]	-	-	3,500,000	-
Chris Schrape [3]	-	600,000	-	9,500,000
Peter Fagiano [4]	-	1,000,000	-	1,000,000
Michael Zheng	2,500,000	2,500,000	15,000,000	9,500,000

[1] Christopher Lambert resigned as Director 14th October 2014
[2] Qinfu Zhang is beneficially interested in 230,000,000 shares through Wintask Group Limited
[3] Chris Schrape resigned as a Director on 18th November 2013
[4] Peter Fagiano passed away on 15th May 2014

THIRD PARTY INDEMNITY INSURANCE

The Company and Group provides Directors' and Officers' liability insurance at a cost of £6,800 (2013: £10,500).

POLITICAL CONTRIBUTIONS

During the period there were no political donations (2013: £Nil).

POST REPORTING DATE EVENTS

Details of post reporting date events are disclosed in Note 19 of the financial statements.

FUTURE DEVELOPMENTS

The future developments are detailed in the Chairman's Statement on pages 3 to 5.

GOING CONCERN

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.

On 13 November 2014 the Company announced that the Group had entered into a conditional agreement for Sino-Aus and Wintask to enter into a joint venture for the development of the Arckaringa project, whereby they undertake to fund the BFS for the Arckaringa Project and thereby the Group's licence commitments up to A$33million, and to subscribe to acquire up to 200,000,000 shares to raise a maximum of £2million. As at the date of these financial statements, the ability of the Company, and therefore the group, to continue as a going concern is dependent on securing shareholder approval for this transaction and completing the process to obtain the necessary regulatory and government approvals. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the group to continue as a going concern. However, The Directors are confident that the necessary shareholder approval will be secured and fundraising will therefore complete as anticipated and, alongside existing working capital the resources at the Company's disposal, will be sufficient for the Company to be able to meet its working capital requirements for a period of not less than 12 months from the date of this report.

The financial statements have therefore been prepared on a going concern basis and do not include the adjustments that would result if the Group was unable to continue in operation.

AUDITOR

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 auditor of the Group.

REMUNERATION

The Group remunerates the Board at a level commensurate with the size of the Group and the experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration and believes it upholds the objectives of the Group 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 Board of Directors is committed to the principles of good corporate governance, integrity and business ethics for all its activities. Under the rules of AIM, the Group is not required to comply with the UK Corporate Governance Code ("the Code"). Nevertheless, the Group has identified areas of the Code it considers relevant to the current size and nature of its operations. It does not seek to comply with all requirements of the Code. The Board is continuing to consider other aspects of the Code for appropriateness and these may be introduced when it becomes relevant for the Group to do so.

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 Director may take independent professional advice at the Group's expense. The Board currently includes one Non-Executive Director. The Board has delegated specific responsibilities to the committees described below.

The audit committee

The audit Committee currently comprises Phillip Sutherland (Chairman) and Qinfu Zhang, with two meetings held during the year ended 30 June 2014. The Committee reviews the Group'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 currently is made up of Phillip Sutherland (Chairman) and Qinfu Zhang, with two meetings held during the year ended 30 June 2014. It is responsible for reviewing the performance of the 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 Group.

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 auditor is unaware. Each Director has taken appropriate steps to ensure that they are aware of such relevant information, and that the Company's auditor is 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.

On behalf of the Board:

Michael Zheng
Director
13 November 2014

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 AUDITOR'S REPORT TO THE MEMBERS OF ALTONA ENERGY PLC

We have audited the financial statements of Altona Energy Plc for the year ended 30 June 2014 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of cash flows, the consolidated and company statements 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2014 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALTONA ENERGY PLC (continued)

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Group's ability to continue as a going concern. The ability of the Company, and therefore the group, to continue as a going concern will be dependent on raising further funds to meet its operational and capital commitments over the next twelve months. Although the directors expect to raise funds within the necessary timeframe, there can be no guarantee that they will do so.

Consequently a material uncertainty exists which may cast significant doubt over the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and 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.

Scott McNaughton (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
13 November 2014

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2014

	Notes	Group 2014 £'000	Group 2013 £'000
Other administrative expenses		(2,362)	(1,450)
Total administrative expenses and loss from operations	5	(2,362)	(1,450)
Finance income	4	1	1
Loss before taxation		(2,361)	(1,449)
Tax	9	80	51
Loss for the year attributable to the equity holders of the parent.		**(2,281)**	**(1,398)**
Other comprehensive income			
Exchange differences on translating foreign operations may be subsequently reclassified to profit or loss		(929)	(967)
Total comprehensive loss attributable to the equity holders of the parent		**(3,210)**	**(2,365)**
Loss per share expressed in pence			
- Basic and diluted attributable to the equity holders of the parent	8	**(0.33p)**	**(0.28p)**

The notes on pages 18 to 35 form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION
As at 30 June 2014

	Notes	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
ASSETS					
Non-current assets					
Intangible assets	10	11,040	11,811	-	-
Investment in subsidiaries	11	-	-	1,432	1,432
Other receivables	12	79	79	10,387	11,139
Total non-current assets		11,119	11,890	11,819	12,571
Current assets					
Trade and other receivables	12	202	143	96	108
Cash and cash equivalents		1,913	679	1,869	645
Total current assets		2,115	822	1,965	753
TOTAL ASSETS		13,234	12,712	13,784	13,324
LIABILITIES					
Non-current liabilities					
Provisions	14	-	300	-	300
Current liabilities					
Provisions	14	790	-	790	-
Trade and other payables	13	155	144	70	106
Total current liabilities		945	144	860	106
TOTAL LIABILITIES		945	444	860	406
NET ASSETS		12,289	12,268	12,924	12,918
EQUITY					
Share capital	16	792	562	792	562
Share premium		17,778	14,949	17,778	14,949
Merger reserve		2,001	2,001	2,001	2,001
Foreign exchange reserve		1,319	2,248	-	-
Retained deficit		(9,601)	(7,492)	(7,647)	(4,594)
TOTAL EQUITY		12,289	12,268	12,924	12,918

The financial statements were approved by the Board and authorised for issue on 13 November 2014 and signed on its behalf by:

Michael Zheng
Director

Registered number 05350512
(Incorporated in England and Wales)

The notes on pages 18 to 35 form part of these financial statements.

STATEMENTS OF CASH FLOWS
For the year ended 30 June 2014

	Group		Company	
	2014	**2013**	**2014**	**2013**
	£'000	**£'000**	**£'000**	**£'000**
Operating activities				
Loss for the year	(2,281)	(1,398)	(3,225)	(2,357)
Finance income	(1)	(1)	(1)	(1)
Share based payments	172	-	172	-
Foreign exchange on loans to controlled entities	-	-	981	1, 019
(Increase)/ decrease in receivables	(59)	17	12	(1)
Increase/ (decrease) in payables	801	(158)	754	(93)
Cash used in operations	(1,368)	(1,540)	(1,307)	(1,433)
Income tax benefit received	-	51	-	-
Net cash flows used in operating activities	(1,368)	(1,489)	(1,307)	(1,433)
Investing activities				
Payments to acquire intangible fixed assets	(452)	(330)	-	-
Loans to subsidiary	-	-	(529)	(412)
Interest received	1	1	1	1
Net cash flows used in investing activities	(451)	(329)	(528)	(411)
Financing activities				
Proceeds from issue of shares	3,220	1,354	3,220	1,354
Issue costs paid	(161)	(85)	(161)	(85)
Net cash inflow from financing	3,059	1,269	3,059	1,269
Net increase/(decrease) in cash and cash equivalents	1,240	(549)	1,224	(575)
Cash and cash equivalents at beginning of the year	679	1,252	645	1,220
Effect of exchange rate changes on cash and cash equivalents	(6)	(24)	-	-
Cash and cash equivalents at 30 June	**1,913**	**679**	**1,869**	**645**

The notes on pages 18 to 35 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
For the year ended 30 June 2014

	Share capital	Share Premium	Merger reserve	Foreign exchange reserve	Retained deficit	Total equity
Group	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
As at 1 July 2012	**472**	**13,810**	**2,001**	**3,215**	**(6,134)**	**13,364**
Loss for the year	-	-	-	-	(1,398)	(1,398)
Other comprehensive income	-	-	-	(967)		(967)
Issue of share capital	90	1,264	-	-	-	1,354
Costs of issue of share capital	-	(85)	-	-	-	(85)
Share based payments	-	(40)	-	-	40	-
Balance at 30 June 2013	**562**	**14,949**	**2,001**	**2,248**	**(7,492)**	**12,268**
Loss for the year	-	-	-	-	(2,281)	(2,281)
Other comprehensive income	-	-	-	(929)	-	(929)
Issue of share capital	230	2,990	-	-	-	3,220
Costs of issue of share capital	-	(161)	-	-	-	(161)
Share based payments	-	-	-	-	172	172
Balance at 30 June 2014	**792**	**17,778**	**2,001**	**1,319**	**(9,601)**	**12,289**

Company	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 30 June 2012	**472**	**13,810**	**2,001**	**-**	**(2,277)**	**14,006**
Loss for the year	-	-	-	-	(2,357)	(2,357)
Issue of share capital	90	1,264	-	-	-	1,354
Costs of issue of share capital	-	(85)	-	-	-	(85)
Share based payments	-	(40)	-	-	40	-
Balance at 30 June 2013	**562**	**14,949**	**2,001**	**-**	**(4,594)**	**12,918**
Loss for the year	-	-	-	-	(3,225)	(3,225)
Issue of share capital	230	2,990	-	-	-	3,220
Costs of issue of share capital	-	(161)	-	-	-	(161)
Share based payments	-	-	-	-	172	172
Balance at 30 June 2014	**792**	**17,778**	**2,001**	**-**	**(7,647)**	**12,924**

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

Reserve	**Description and Purpose**
Share Capital	Amount subscribed for share capital at nominal value
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.
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

The notes on pages 18 to 35 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.

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.

GOING CONCERN
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.

On 13 November 2014 the Company announced that the Group had entered into a conditional agreement for Sino-Aus and Wintask to enter into a joint venture for the development of the Arckaringa project, whereby they undertake to fund the BFS for the Arckaringa Project and thereby the Group's licence commitments up to A$33million, and to subscribe to acquire up to 200,000,000 shares to raise a maximum of £2million. As at the date of these financial statements, the ability of the Company, and therefore the group, to continue as a going concern is dependent on securing shareholder approval for this transaction and completing the process to obtain the necessary regulatory and government approvals. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the group to continue as a going concern. However, The Directors are confident that the necessary shareholder approval will be secured and fundraising will therefore complete as anticipated and, alongside existing working capital the resources at the Company's disposal, will be sufficient for the Company to be able to meet its working capital requirements for a period of not less than 12 months from the date of this report.

The financial statements have therefore been prepared on a going concern basis and do not include the adjustments that would result if the Group was unable to continue in operation.

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.

(i) The following new standards, interpretations and amendments to published standards effective in the year have been adopted by the Group:

International Accounting Standards (IAS/IFRS)		Effective date
IAS 12	Deferred Tax: Recovery of Underlying Assets	1 Jan 2013
IFRS 13	Fair Value measurements	1 Jan 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 Jan 2013
IAS 19	Employee Benefits	1 Jan 2013

NEW STANDARDS AND INTERPRETATIONS (continued)

(ii) Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements and which have not been adopted early:

Standard	Description	Effective date
IFRS 9 *	Financial instruments	1 Jan 2018
IFRS 10	Consolidated financial statements	1 Jan 2014
IFRS 11	Joint arrangements	1 Jan 2014
IFRS 12	Disclosure of Involvement with Other Entities	1 Jan 2014
IAS 28	Investments in Associates and Joint Ventures (revised 2011)	1 Jan 2014
IAS 27	Separate Financial Statements (revised 2011)	1 Jan 2014
IAS 32	Offsetting Financial Assets and Financial Liabilities	1 Jan 2014
IAS 36	Recoverable amounts disclosures for non-financial assets	1 Jan 2014

* Not yet endorsed by European Union. 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, however its impact on the financial statements has not yet been assessed. The Group have reviewed the likely impact of IFRS 11, and as a joint operator consider that the current policy for accounting for its joint arrangements will remain unchanged therefore the new standards, amendments and interpretations are not expected to materially affect the Group's reporting or reported numbers in future periods.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) as if they formed a single entity. 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 profit or loss 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.

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.

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.

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.

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 profit or loss, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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 profit or loss 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.

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 treated, in accordance with the merger relief provisions of the Companies Act 2006 and accordingly no share premium for such transactions was required to be recognised, resulting in a credit to the merger reserve.

FINANCIAL ASSETS (continued)

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 profit or loss. 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 or any of the other categories.

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 profit or loss.

Derecognition

Financial liabilities

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

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.

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 profit or loss 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 profit or loss iis 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.

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 2014 is disclosed in note 10.

ii) Share based payments

The Group has made awards of options and warrants over its unissued capital. The valuation of these options and warrants involves making a number of estimates relating to price volatility, future dividend yields, timing of performance conditions, expected life and forfeiture rates. The assumptions are disclosed in note 16.

iii) PAYE/NIC provision

The Group has made a provision in respect of unpaid NIC and PAYE. The ultimate settlement of this liability will be affected by a number of variables including but not limited to the imposition of penalties and interest. The provision is disclosed in note 14.

2. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The financial instruments were categorised as follows:

Group 30 June 2014	Loans and receivables £'000	Other financial liabilities £'000	Total £'000
Assets as per statement of financial position			
Trade and other receivables	100	-	100
Cash and cash equivalents	1,913	-	1,913
	2,013	-	2,013
Liabilities as per statement of financial position			
Provisions	-	790	790
Trade and other payables	-	155	155
	-	945	945
Group 30 June 2013			
Assets as per statement of financial position			
Trade and other receivables	111	-	111
Cash and cash equivalents	679	-	679
	790	-	790
Liabilities as per statement of financial position			
Other financial liabilities – non-current	-	300	300
Trade and other payables	-	144	144
	-	444	444

<u>**NOTES TO THE FINANCIAL STATEMENTS**</u> **(continued)**

2. FINANCIAL INSTRUMENTS (continued)

Company 30 June 2014 Assets as per statement of financial position	Loans and receivables £'000	Other financial liabilities £'000	Total £'000
Other receivables – non current	10,311	-	10,311
Trade and other receivables	97	-	97
Cash and cash equivalents	1,869	-	1,869
	12,277	-	12,277
Liabilities as per statement of financial position			
Provisions	-	790	790
Trade and other payables	-	70	70
	-	860	860

Company 30 June 2013 Assets as per statement of financial position	Loans and receivables £'000	Other financial liabilities £'000	Total £'000
Other receivables – non current	11,063	-	11,063
Trade and other receivables	108	-	108
Cash and cash equivalents	645	-	645
	11,816	-	11,816
Liabilities as per statement of financial position			
Other financial liabilities – non-current	-	300	300
Trade and other payables	-	106	106
	-	406	406

The Group's financial instruments comprise 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 substantial 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 liquid cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. FINANCIAL INSTRUMENTS (continued)

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 2014	1.80
At 30 June 2013	1.66

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

	Liabilities		**Assets**	
	2014 £'000	**2013 £'000**	**2014 £'000**	**2013 £'000**
Australian Dollar	84	38	44	37

The impact of a 10% fluctuation in the value of the Australia Dollar would result in net translation gains or losses of £4,084 (2013: £111) movement in the profit or loss and net assets of the Group.

The only monetary asset the Company has is the intercompany loan. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets	
	2014 £'000	**2013 £'000**
Australian Dollar	11,040	11,063

A 10% fluctuation in the value of the Australian Dollar would result in a net translation gain or loss of £1,010,000 (2013: £1,077,000).

Interest rate risk

The Group and Company finances its operations through the issue of equity share capital.

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:

	Pound Sterling £'000	**Australian Dollar £'000**	**Total £'000**
30 June 2014			
Cash at bank floating interest rate	1,869	44	1,913

	Pound Sterling £'000	**Australian Dollar £'000**	**Total £'000**
30 June 2013			
Cash at bank floating interest rate	645	34	679

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. FINANCIAL INSTRUMENTS (continued)

At the reporting date, cash at bank floating interest rate is accruing weighted average interest of 0.05% (2013: 0.05%) 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 £38,000 (2013: £14,000).

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 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 Group's 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.

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 revenue during the period.

During the year ended 30 June 2014 the Group operated in one segment being the evaluation of the Arckaringa coal to chemicals project in South Australia. The Parent Company serves as an administrative head office and is based in the United Kingdom. During the year ended 30 June 2014 the Group's operations spanned three countries, Australia, China and the United Kingdom. Included within the results of the administrative and corporate operations are the results of the Chinese branch. The activity of the Chinese branch does not breach the 10% level required to be separately analysed.

3. REVENUE AND SEGMENTAL INFORMATION (continued)

Segment result

	Segment result 2014 £'000	Segment result 2013 £'000
Continuing operations		
Coal and Coal to chemicals project (Australia)	(117)	(112)
Administration and Corporate (United Kingdom and China)	(2,245)	(1,338)
	(2,362)	(1,450)
Finance income	1	1
Loss before tax	(2,361)	(1,449)
Income tax benefit	80	51
Loss after tax	(2,281)	(1,398)

The current and prior year share based payment charges are included within the UK segment result.

Segment assets and liabilities

	Non-Current Assets		Non-Current Liabilities	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Coal and Coal to chemicals project (Australia)	11,040	11,811	-	-
Administration and Corporate (United Kingdom)	79	79	-	300
Total of all segments	11,119	11,890	-	300

	Total Assets		Total Liabilities	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Coal and Coal to chemicals project (Australia)	11,193	11,883	85	38
Administration and Corporate (United Kingdom)	2,041	829	860	406
Total of all segments	13,234	12,712	945	444

Other segment information

	Depreciation and amortisation		Capital expenditure	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Continuing operations				
Coal and Coal to chemicals project (Australia)	-	-	152	330
Administration and Corporate (United Kingdom)	-	-	-	-
	-	-	152	330

4. FINANCE INCOME

	Group 2014 £'000	Group 2013 £'000
Bank interest receivable	1	1

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. LOSS FROM OPERATIONS

	Group 2014 £'000	Group 2013 £'000
This has been arrived at after charging:		
Audit fee	22	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	6	8
Taxation services	-	2
Legal fees in connection with the contingent acquisition of a beneficial interest in mining licences	-	25
Share based payments – Staff and Directors	170	-
Share based payments - Consultants	2	-
Staff costs[1]	1,572	659
Operating lease charges – land and buildings	106	106

[1] The Group recognised salaries and fees and long term payments of £958,000 (2013:£931,000) during the year, of which £176,000 (2013: £272,000) was capitalised to intangibles. Included in Staff costs is an amount of £790,000 (2013: £Nil) in respect of a provision for PAYE and national insurance, further details on this provision are included in note 14.

6. STAFF COSTS (INCLUDING DIRECTORS)

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Salaries and fees	758	870	712	718
Share based payments	170	-	170	-
Provision for PAYE/NIC	790	-	790	-
Long term benefits/incentives	30	61	26	38
Salaries expense	1,748	931	1,698	756
Capitalised to intangible assets	(176)	(272)	(136)	(141)
Total	1,572	659	1,562	615

The Group averaged 11 employees during the year ended 30 June 2014 (2013:10 employees). The Company averaged 10 employees during the period (2013: 9 employees). The amount capitalised to intangible assets relates to a portion of the staff costs in connection with three of the Group's Directors. Directors have been assessed as the only key management of the Group.

	Fees / Salary £'000	Share based payments £'000	Other benefits £'000	Pension £'000	Total **2014** **£'000**	Total 2013 £'000
Michael Zheng	204	48	-	-	**252**	175
Christopher Lambert	225	48	-	-	**273**	225
Christopher Schrape	47	-	-	4	**51**	175
Qinfu Zhang	14	11	-	-	**25**	-
Phillip Sutherland	30	9	-	-	**39**	30
Peter Fagiano	84	32	16	-	**132**	157
Total Key Management 2014	**604**	**148**	**16**	**4**	**772**	-
Total Key Management 2013	731	-	7	24	**-**	762

The total amount payable to the highest paid director in respect of emoluments was £225,000 (2013: £225,000). No Directors exercised any share options during the period. The pension expense relates to compulsory superannuation in Australia. The Company provides Directors' and Officers' liability insurance at a cost of £6,900 (2013: £10,500). This cost is not included in the above table.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 loss for the year was £3,225,000 (2013: loss of £2,357,000).

8. LOSS PER SHARE

The loss for the period attributed to shareholders is £2,281,000 (2013: loss of £1,398,000).

This is divided by the weighted average number of Ordinary shares outstanding calculated to be 683.8 million (2013: 507.1 million) to give a basic loss per share of 0.33 pence (2013: basic loss per share of 0.28pence).

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 options in issue and deferred shares disclosed at note 16.

9. TAX

	Group	
	2014	**2013**
	£'000	**£'000**
Total taxation - Current year taxation		
Group corporation tax credit	80	51
Factors affecting the tax charge for the year		
Loss on ordinary activities before tax	(2,281)	(1,449)
Loss on ordinary activities at the Group standard rate of 22.5% (2013: 23.75%)	(513)	(344)
Effects of:		
Non-deductible expenses	68	26
Difference in overseas tax rates	(3)	(8)
Tax concession (research & development)	80	51
Unutilised tax losses carried forward	448	326
Total tax credit for the period	80	51
Unprovided deferred tax asset:		
Group tax losses carried forward of £18,579,000 (2013: £16,588,000) multiplied by standard rate of corporation tax 20% (2013: 21%) recoverable only when it is probable that the taxable profit will be available.	3,716	3,483

Changes in tax rates and factors affecting the future tax charge

The main UK corporation tax rate from 1 April 2013 of 23% was reduced to 21% from 1 April 2014 resulting in an effective corporation tax rate of 22.5% for this accounting period. The Finance Act 2013 includes legislation reducing the main rate of corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015. Accordingly deferred tax balances have been recognised at 20%.

10. INTANGIBLE ASSETS

	Group	
	2014	**2013**
	£'000	**£'000**
Exploration and evaluation		
Cost		
At beginning of period	11,811	12,424
Additions	152	330
Currency translation adjustment	(923)	(943)
Carrying value at 30 June	11,040	11,811

Exploration and evaluation relates to the development of an integrated Coal to Chemicals plant, supported by an open-cut coal mine at the Group's Arckaringa Project in South Australia.

11. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	**2013**
	£'000	**£'000**
Cost		
Investments in subsidiaries – opening and closing balance	1,432	1,432

Subsidiaries of Altona Energy Plc	**Country of Registration**	**Holding**		**Nature of Business**
		2014 %	**2013 %**	
Direct				
Altona Australia Pty Ltd	Australia	100	100	Dormant holding Company
Altona Investment Holding Ltd	British Virgin Islands	100	100	Holding Company
Indirect				
Arckaringa Energy Pty Ltd	Australia	100	100	Evaluation of the Arckaringa Project

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Current trade and other receivables				
Tax credit receivable	106	30	-	-
Taxes & Social security receivable	26	33	26	31
Prepayments and other receivables (i)	70	80	70	77
	202	143	96	108
Non-current other receivables				
Loans due from Group companies (ii)	-	-	10,311	11,063
Rent deposit (i)	76	76	76	76
Tenement bond	3	3	-	-
	79	79	10,387	11,139

(i) Other receivables are non-interest bearing and generally repayable between 30-60 days. Included within other receivables is an amount for rent deposit which is refundable upon expiry of the lease.
(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.

The other receivables remain within their contractual maturity at 30 June 2014 and 30 June 2013.

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade payables	127	71	46	68
Accruals and other payables	28	73	24	38
	155	144	70	106

Trade and other payables are non-interest bearing and are normally settled on terms of 30 days from month end. The trade and other payables remain within their contractual maturity at 30 June 2014 and 30 June 2013.

14. PROVISIONS

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Current provision				
Taxes & Social Security	790	-	790	-
Non-current provision				
Provision for success fee	-	300	-	300

Current year:

The balance sheet as at 30th June 2014 includes a provision amounting to £790,000 (2013: £Nil) in respect of a potential anticipated liability to HMRC for income tax not deducted and accounted for under the PAYE system, and National Insurance Contributions not accounted for, in each case in respect of payments made on a gross basis to private companies for the provision of the services of a former director.

The precise amount of the Company's liability to HMRC is currently under negotiation. The sum provided represents, in the view of the directors, having taken professional advice, a reasonable estimate of the Company's probable current liability in this context. While the quantum of the provision represents their best estimate, of the ultimate liability, no assurance can be given that the estimate will prove to be accurate.

The Company has submitted arguments which, if accepted, would result in a significantly lower liability. It is not however, anticipated that the liability could be entirely eliminated even if the Company's assertions are accepted in full.

The Company having taken professional advice, considers that it has potential claims against third parties, whereby they may be found liable to compensate the Company for a material part of any liability to HMRC which the Company is found to have. If it is necessary to pursue such claims by legal proceedings, some element of irrecoverable costs would inevitably be incurred. It is anticipated that the quantum of any such irrecoverable costs would not be substantial relative to the potential recovery.

Prior year:

Upon completion of stage 1 and stage 2 of the BFS by CNOOC as operator of the project the Group were due to pay Michael Zheng £100,000 and upon the completion of stage 2 of the BFS, the Group will pay Michael Zheng £200,000. Following the termination of the CNOOC agreement during the year, the amount is no longer payable. As a result the provision has been reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. SHARE CAPITAL

	Group		Company	
	2014	**2013**	**2014**	**2013**
Allotted, called up and fully paid	**£'000**	**£'000**	**£'000**	**£'000**
791,956,853 ordinary shares of 0.1p each (2013: 561,956,853)	792	562	792	562

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**	**Share premium £'000**
30 June 2012	**Closing balance**	**471,656,853**	**472**	**13,810**
28 January 2013	Placing shares at 1.5p per share	47,966,667	48	672
11 February 2013	Placing shares at 1.5p per share	25,666,666	25	360
28 February 2013	Placing shares at 1.5p per share	16,666,667	17	232
	Costs of issue	-	-	(125)
30 June 2013	**Closing balance**	**561,956,853**	**562**	**14,949**
8 October 2013	Placing shares at 1.4p per share	59,700,000	60	776
14 January 2014	Placing shares at 1.4p per share	170,300,000	170	2,214
	Cost of issue	-	-	(161)
30 June 2014	**Closing balance**	**791,956,853**	**792**	**17,778**

15. SHARE-BASED PAYMENTS

The Company periodically grants share options to employees, consultants and Directors, as approved by the Board. At 30 June 2014 and 30 June 2013, the following share options were outstanding in respect of the ordinary shares:

Year ended 30 June 2014

Grant Date	Expiry Date	Number of Options Outstanding at beginning of the year	Issued in Year	Forfeited / Expired / Cancelled	Exercised in Year	Number of Options Outstanding at end of the year	Exercise Price per Option
20.08.08	19.08.13	11,125,000	-	(11,125,000)	-	-	5.00p[1]
20.08.08	19.08.13	12,075,000	-	(12,075,000)	-	-	7.00p[1]
05.01.10	04.01.14	12,750,000	-	(12,750,000)	-	-	7.00p[1]
30.03.10	29.03.15	6,500,000	-	(6,500,000)	-	-	0.10p[2]
30.03.10	29.03.15	1,300,000	-	-	-	1,300,000	10.00p[1]
28.01.13	28.01.18	4,515,000	-	-	-	4,515,000	1.50p[1]
08.04.13	08.04.18	4,500,000	-	-	-	4,500,000	1.56p[1]
28.03.14	28.03.19	-	27,000,000	-	-	27,000,000	1.50p[3]
28.03.14	28.03.19	-	27,000,000	-	-	27,000,000	3.00p[3]
		52,765,000	54,000,000	(42,450,000)	-	64,315,000	

Year ended 30 June 2013

Grant Date	Expiry Date	Number of Options Outstanding at beginning of the year	Issued in Year	Forfeited / Expired / Cancelled	Exercised in Year	Number of Options Outstanding at end of the year	Exercise Price per Option
20.08.08	19.08.13	11,125,000	-	-	-	11,125,000	5.00p
20.08.08	19.08.13	12,075,000	-	-	-	12,075,000	7.00p
05.01.10	04.01.14	12,750,000	-	-	-	12,750,000	7.00p
30.03.10	29.03.15	6,500,000	-	-	-	6,500,000	0.10p
30.03.10	29.03.15	1,300,000	-	-	-	1,300,000	10.00p
28.06.12	27.06.13	7,000,000	-	(7,000,000)	-	-	10.00p
28.06.12	27.06.14	7,000,000	-	(7,000,000)	-	-	15.00p
28.06.12	27.06.15	6,000,000	-	(6,000,000)	-	-	20.00p
28.01.13	28.01.18	-	4,515,000	-	-	4,515,000	1.50p
08.04.13	08.04.18	-	4,500,000	-	-	4,500,000	1.56p
		63,750,000	9,015,000	(20,000,000)	-	52,765,000	

[1] – no vesting conditions or are fully vested at year end.
[2] – 6,500,000 options lapsed in the year on the termination of the joint venture with CNOOC.
[3] – 27,000,000 options vest upon signing of a joint venture agreement at Arckaringa and 27,000,000 options vest upon completion of an Arckaringa drilling programme.

The new options have been valued using Black-Scholes. The expected future volatility has been determined by reference to the historical volatility and the assumptions used are detailed below:

Grant date	Share price at grant	Exercise price	Volatility	Option life	Dividend yield	Risk-free investment rate	Fair value per option
28.03.14	1.0p	1.5p	100%	5 years	0%	1%	0.687p
28.03.14	1.0p	3.0p	100%	5 years	0%	1%	0.581p

The weighted average contractual life of share options outstanding at the end of the period was 4.5 years (2013: 1.2 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. SHARE BASED PAYMENTS (continued)

The highest and lowest price of the Company's shares during the year was 1.6p and 0.73p (2013: 4.38p and 0.95p). The share price at year end was 1.05p (2013: 0.95p).

The Group recognised £172,000 (2013: £40,000) related to equity-settled share based payment transactions during the year, charged to income statement (2013:£40,000 charged to share premium). There is a further £171,000 (2013: £Nil) to be recognised in the subsequent financial period, in relation to the above issue of options. Directors Options totalling 25,000,000 in respect of former Directors' Peter Fagiano (10,000,000) and Christopher Lambert (15,000,000) will be cancelled if unexercised during the next financial year.

17. COMMITMENTS

As at 30 June 2014, the Group had 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 2014 financial year. The Group has sufficient capital at its disposal to meet its exploration commitments for the coming financial year.

Total operating lease commitments

Leasing arrangements - Operating leases relate to office facilities.

	Group		Company	
	2014 £'000	**2013 £'000**	**2014 £'000**	**2013 £'000**
Non-cancellable operating lease payments:				
Not longer than one year	106	106	106	106
	106	106	106	106

18. 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.

During the period, the Company paid £225,000 (2013: £225,000) 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, no amounts were payable at the end of the year (2013: £22,500).

During the period, the Group paid £30,000 (2013: £30,000) in respect of Directors fees to Sutherland People Pty limited, a company related to the Group by Phil Sutherland, a common Director. At 30 June 2014, there was £2,500 owing/owed (2013: £Nil).

19. POST REPORTING DATE EVENTS

On 13 November 2014 Altona, Sino-Aus Energy Group Limited ("Sino-Aus") and Wintask Group Limited ("Wintask") signed an agreement in respect of the terms of the Arckaringa project joint venture ("joint venture agreement" or "the JV"). In exchange for Altona investing 100% of the Arckaringa project licences into the joint venture entity, Altona will receive 45% equity interest in the joint venture. Furthermore under the terms of the transaction Wintask and Sino-Aus will make total contributions to fund the Bankable Feasibility study up to a total of AUD$33 million alongside the investment of up to 200,000,000 ordinary shares in Altona Energy Plc. Both investments are subject to certain third party approvals including Altona shareholder approval and Australian government approval for the formation of the joint venture.