



ABN 20 075 877 075

**ANNUAL REPORT
FOR YEAR ENDED 30 JUNE 2016**

	Page
Corporate Directory	1
Chairman's Report	2
CEO's Report and Operational Review	3
Directors' Report	8
Auditor's Independence Declaration	18
Directors' Declaration	19
Financial Report	
Consolidated Statement of Profit or Loss and Other Comprehensive Income	20
Consolidated Balance Sheet	21
Consolidated Statement of Changes in Equity	22
Consolidated Statement of Cash Flows	23
Notes to the Financial Statements	24
Independent Auditor's Report to the Members	45
Shareholder Information	47

CORPORATE DIRECTORY

Directors	Anthony Chan (Chairman) Nick Bolkus (Deputy Chairman) George Lam Daniel Chan Ronald Marks
Executives	Andrew Fogg (Chief Executive Officer) Bruce Patrick (Chief Operating Officer)
Company Secretary	Leni Stanley
Registered office	Level 16, 344 Queen Street Brisbane QLD 4000 (07) 3229 6606
Share register	Link Market Services Limited Level 19, 324 Queen Street Brisbane QLD 4000 (02) 8280 7454
Auditor	RSM Australia Partners Level 2, 370 Queen Street Brisbane QLD 4000 (07) 3225 7800
Bankers	Westpac Banking Corporation 388 Queen Eagle Street Brisbane QLD 4000
Stock exchange listing	Coalbank Limited shares are listed on the Australian Securities Exchange – using the stock code 'CBQ'.
Website address	www.coalbank.com

COMPETENT PERSON'S STATEMENT

The information in this Annual Report that relates to the Resources Statement for Coalbank's Blackall Coal Project has been based on information compiled by Mr. Rowan Johnson who is a member of the Australasian Institute of Mining and Metallurgy and is a senior geologist employed by McElroy Bryan Geological Services Pty Ltd (MBGS).

Mr. Johnson has more than 30 years' experience as a geologist in the resources industry and more than 15 years in the estimation of coal resources for coal projects and coal mines in Australia and overseas. This expertise has been acquired principally through exploration and evaluation assignments at operating coal mines and for exploration areas in Australia's major coal basins and in other coal basins overseas. This experience is more than adequate to qualify him as a Competent Person for the purpose of Resource Reporting as defined in the 2012 edition of the JORC Code. Mr. Johnson consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

The Chairman's Report

On behalf of the Coalbank Board I am pleased to introduce the Company's 2016 Annual Report.

In light of the continued low level of thermal coal prices driven by oversupply in the market and the resultant industry-wide effect on coal exploration activity the Board and Executive team continued to focus on potential new opportunities for the Company.

In the latter part of the financial year, the board moved to invest in the biogas renewable energy sector through a 25% investment in the Brisbane based company Utilitas Pty Ltd. Utilitas Pty Ltd is a specialist biogas energy developer which scopes, designs and delivers process plants for both solid organic wastes and wastewater. After completing due diligence, the company confirmed in August 2016 that it had settled its investment in Utilitas Group Pty Ltd (100% owner of Utilitas Pty Ltd). As part of the restructure of the Utilitas Group, Coalbank also acquired the shares held by a number of small shareholders representing just less than 1% and resulting in a reduced number of shareholders in the Utilitas Group.

We look forward through this investment to participating in the biogas industry which is in its infancy in Australia and provides Coalbank with exposure to exciting developments in the renewable energy sector.

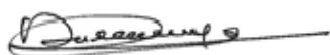
The board continued to reduce the number of coal exploration tenements the Company holds. It maintained the view that a number of its tenements were in areas where development of rail infrastructure was unlikely until well into the future and hence holding and exploration costs could not be justified. The Blackall Coal Project remains a medium term development option.

With regard to the three Authorities to Prospect for petroleum and gas in Queensland obtained by the Company in 2015 through its acquisition of Surat Gas Pty Ltd, we are engaging with potential joint venture or farm-in partners to assist in the advancement of these prospects.

The board continues to monitor the gradual progress of approvals for planned mine and infrastructure developments in the Galilee Basin. These developments will provide opportunity for the Company to progress its 1.3 Bt thermal coal Inferred Coal Resource at the Blackall Coal Project once rail infrastructure is improved in the region.

On behalf of the Board, I thank existing shareholders for your continued support and welcome new shareholders to the Company.

I also take this opportunity to thank the Board of Directors for their contribution to the company during the year.



Anthony Chan
Chairman

CEO'S REPORT AND OPERATIONAL REVIEW

In 2015-2016 Coalbank took steps to contain its exploration and tenement holding costs by reducing the number of coal exploration permits (EPCs) held. Coalbank's coal exploration footprint is shown in Figure 1.

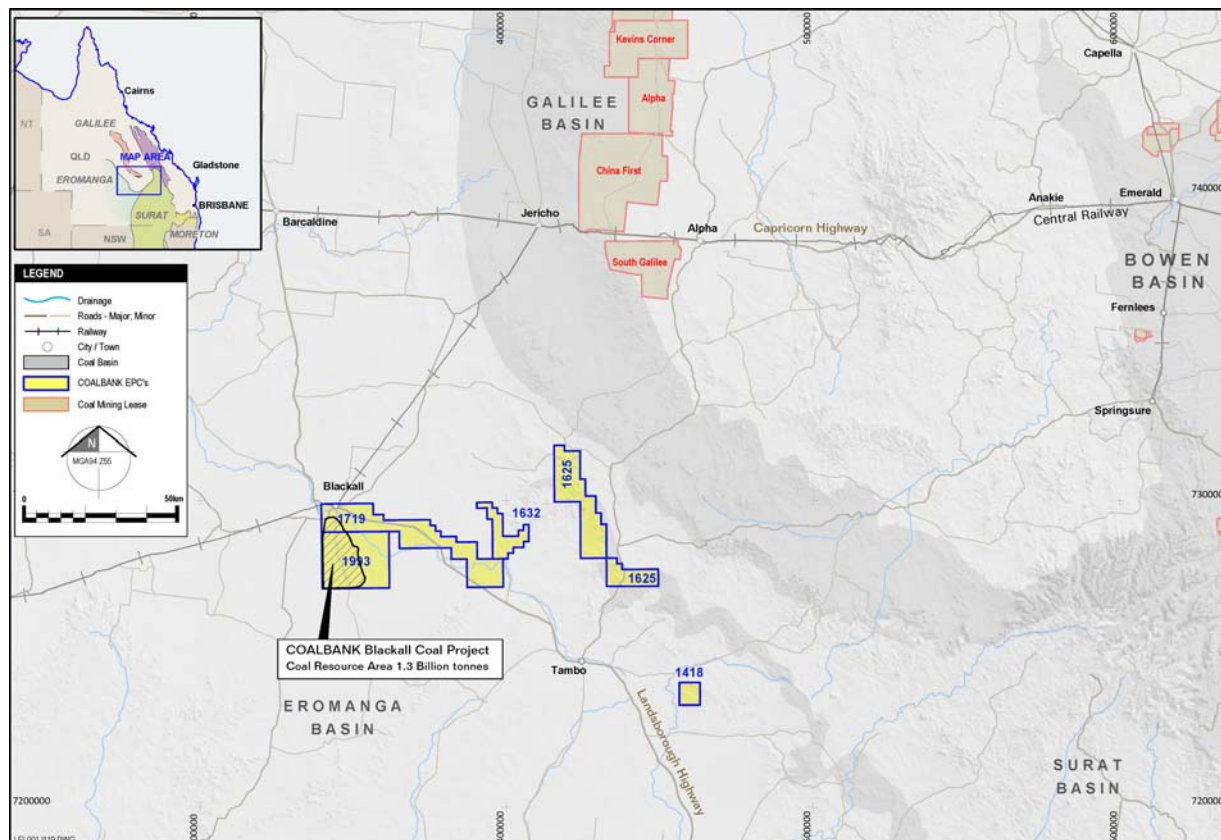


Figure 1: Coalbank Coal Exploration Portfolio in Queensland at 30th June 2016.

Tenement Update

In the 2015-2016 financial year the Company further reviewed its tenure holdings in light of the current economic and investment climate. The prospects for development of the Blackall Coal Project would be enhanced should rail infrastructure for coal projects in the nearby Galilee Basin progress, however the development status for these Galilee Basin mining projects remains unclear. There is also uncertainty with regard to the near to medium term coal market outlook. Coalbank took the view that further rationalization of its coal exploration portfolio was necessary.

In the June quarter three permits were surrendered and a fourth (EPC1418) targeted for surrender early in the 2016-2017 year.

The reduction in tenure holdings will reduce operational expenditure through containment of permit holding and exploration costs.

As at 30 June 2016 five exploration permits for coal were current (Figure 1) along with three petroleum and gas permits (Figure 2). Table 2 is a schedule of the Exploration Permits held.

COALBANK LIMITED: TENEMENT SCHEDULE				
TENEMENT	PROJECT NAME	OWNERSHIP %	DATE GRANTED	EXPIRY DATE
EPC1418	TAMBO EAST 2	100	21/05/2010	20/05/2020
EPC 1625	ALPHA SOUTH WEST 2	100	29/04/2010	29/04/2020
EPC 1632	TAMBO	100	29/10/2010	28/10/2020
EPC 1719	BARCOO RIVER-BLACKALL RAIL	100	28/07/2010	27/07/2020
EPC 1993	BLACKALL SOUTH CORNER	100	17/03/2010	16/03/2019
ATP1072	CHARLEVILLE SOUTH	100	1/02/2013	31/01/2019
ATP1095	AUGATHELLA EAST	100	1/06/2014	31/05/2019
ATP1098	MORVEN SOUTH	100	1/06/2014	31/05/2019

Table 1: Coalbank Tenement Portfolio at 30th June 2016.

No new exploration drilling was undertaken in the year.

Review of Mineral Resources and Reserves 2016

The company has undertaken a review of its mineral reserves and resources.

The company's sole Mineral Resource relates to its Blackall Coal Project where an Inferred Resource of thermal coal 1.3 billion tonnes has been reported in accordance with the JORC Code (Table 2) ¹.

Table 2: Summary of Coal Resources (EPC1719 and EPC1993)

Tenement	Block Name	Seam Name	Block Area (km ²)	Coal Area (km ²)	Coal Thickness (m)	In Situ Density (g/cc) ⁽¹⁾	Raw Ash (%) ⁽²⁾	Specific Energy (kcal/kg) (a.d.) ⁽³⁾	Specific Energy (kcal/kg) ⁽²⁾	Total Sulphur (%) ⁽²⁾	Inferred Resources (Mt)			
											Subcrop-50m	50-100m	100-150m	Total
EPC1719	F_INF1	F	7.70	6.37	1.2	1.56	35	3090	2640	0.53	10	1	-	11
	E_INF1	E	12.23	5.50	2.1	1.42	18	4480	3940	0.37	15	16	-	31
	D_INF1	D	15.33	7.70	2.2	1.39	14	4800	4250	0.48	16	27	-	43
	C_INF1	C	12.73	5.75	0.6	1.39	15	4880	4180	0.42	1	5	-	6
	B_INF1	B	22.48	8.04	0.7	1.43	20	4500	3810	1.21	4	11	2	17
Total for EPC1719											46	60	2	108
EPC1993	F_INF2	F	6.17	3.45	1.4	1.50	29	3620	3120	0.50	7	1	-	8
	F_INF3	F	1.95	1.73	1.6	1.55	23	3190	2770	0.84	4	-	-	4
	F_INF4	F	23.89	20.45	1.0	1.46	24	4060	3500	0.55	27	-	-	27
	F_INF5	F	3.50	2.29	0.5	1.48	26	3890	3350	0.56	2	-	-	2
	E_INF2	E	76.10	53.59	3.0	1.41	17	4450	4020	0.37	242	25	-	267
	E_INF3	E	14.68	6.99	1.7	1.42	18	4260	3920	0.37	14	1	-	15
	D_INF2	D	151.01	72.42	2.6	1.42	19	4330	3890	0.63	309	107	-	416
	C_INF2	C	159.66	59.97	1.4	1.41	18	4410	3950	0.41	128	100	1	229
	B_INF2	B	173.57	75.11	1.1	1.43	20	4280	3810	1.31	36	114	9	159
	A_INF1	A	56.07	17.67	1.0	1.38 ⁽⁴⁾	14 ⁽⁵⁾	4790	4290	-	10	17	30	57
Total for EPC1993											779	365	40	1184
Total for EPC1719 & EPC1993											1292			
Total for EPC1719 & EPC1993 (Rounded)											1300			

- Notes: 1 In Situ Density generated from Ash regression at 25% moisture basis
2 Raw coal quality parameters reported at In Situ Moisture basis (25%)
3 Specific Energy reported at air dried basis
4 Default In Situ Density generated from available laboratory data
5 Default Raw Ash generated from default In Situ Density and ash/density regression

This information was prepared and first disclosed under the JORC Code 2004. It has since been updated to comply with the JORC Code 2012 although the resource information has not materially changed since it was last reported.

There are no Mineral Reserves pertaining to the company's tenements.

Coalbank has reviewed its mineral resource statements during the year and as there has been no material change in status there is no change to the coal resource previously announced and presented here in Table 2.

Authorities to Prospect for Petroleum and Gas

Surat Gas Pty Ltd (100% subsidiary of Coalbank Limited) currently holds three granted Authorities to Prospect (ATPs) for petroleum and gas in Southern-Central Queensland (Figure 2). ATP1072 was granted in early 2013, and ATPs 1095 and 1098 were granted in June 2015. In May 2016 the term, work program and relinquishment conditions for ATP 1072 were extended by two years under special statutory extensions under sections 63C and 63E of the Petroleum and Gas (Production and Safety) Act 2004.

Coalbank is actively seeking options for the exploration of these tenements through joint venture(s) or farm-in arrangements with other companies.

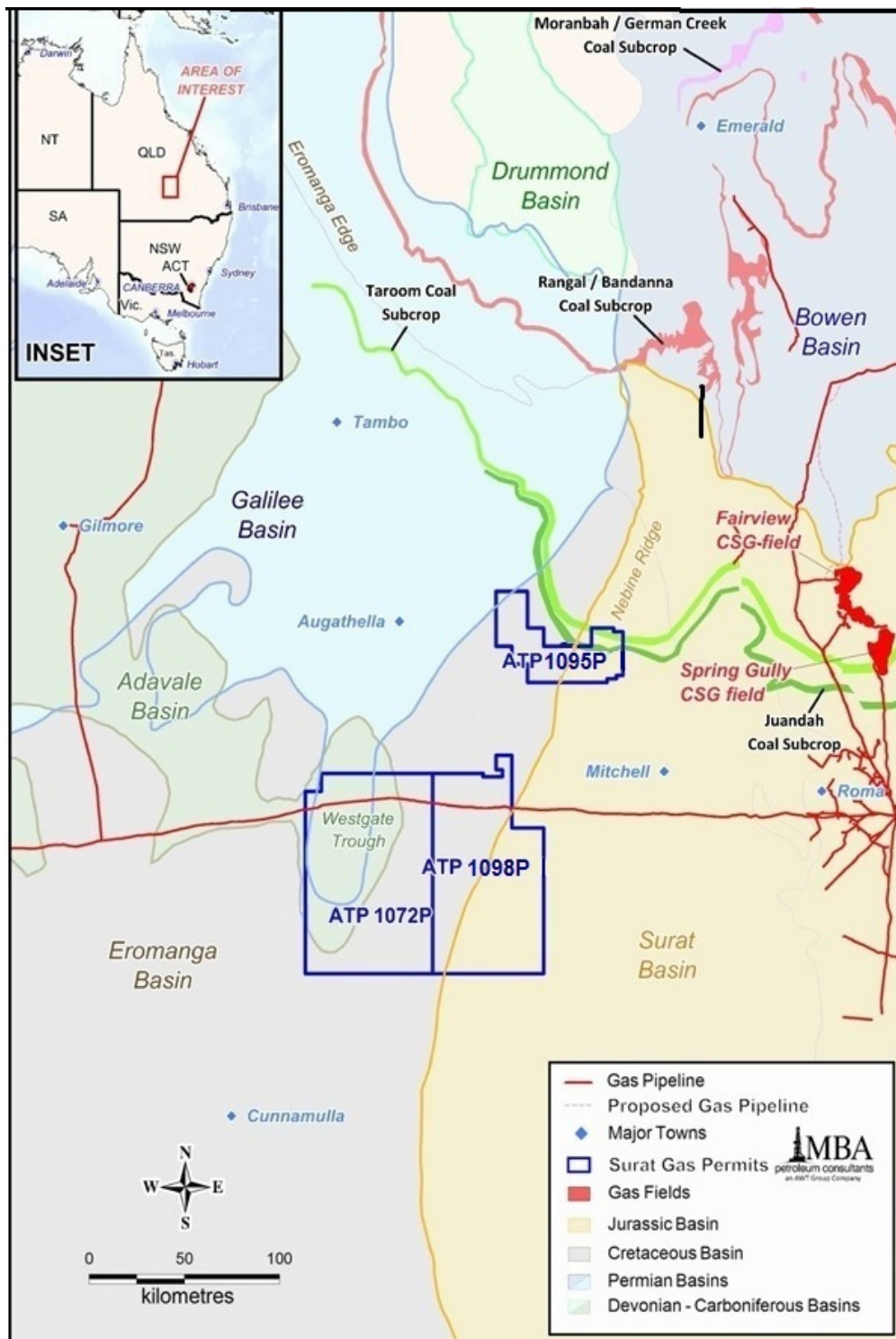


Figure 2: Surat Gas Authorities to Prospect for Petroleum and Gas

Investment in Biogas Renewable Energy Sector

Over the past year Coalbank evaluated a number of potential investments in the coal sector and also other energy-related opportunities.

On 15th July 2016 Coalbank was pleased to announce that it had entered into an Agreement to subscribe for shares representing a 25% shareholding in Utilitas Pty Ltd for \$1 million². Following completion of due diligence, on 19th August 2016 Coalbank settled on its subscription for shares in Utilitas Group Pty Ltd (Utilitas) (100% holder of Utilitas Pty Ltd)³.

As part of the restructure of the Utilitas, Coalbank acquired the shares held by a number of small shareholders at the placement price of 14.14 cents, representing just less than 1% for a total cost of \$28,849 and resulting in a reduced number of shareholders in the Utilitas Group³.

Utilitas is a Brisbane based privately owned company established in 2010 by Ms Fiona Waterhouse. The company is focused on the emerging biogas industry in Australasia and represents a unique opportunity for Coalbank to provide an additional investment in the energy and resources sector to diversify its existing portfolio. Ms Waterhouse remains a major shareholder in Utilitas and continues as its Chief Executive Officer.

Utilitas has its own Biomethane Potential (BMP) Testing Facility (co-located in conjunction with Griffith University). The equipment, method statements, training, research data base and template reports allow Utilitas to determine the energy potential of organic substrates to assess project feasibility, inform design and equipment specifications, to assist the commissioning process, manage ongoing plant health and to trouble shoot digestion issues.

The Federal Government's Clean Energy Finance Corporation (CEFC) puts the investment opportunity in this sector to be between \$3.5 billion to \$5 billion by 2020⁴. With only 0.9 per cent of Australia's electricity output currently being deployed from this sector compared to that of 2.4 percent average by OECD countries, the opportunity exists for Utilitas to further develop this market.

Opportunities in the bioenergy and energy from waste sectors vary in scale from small scale anaerobic digesters to large bio-mass fired power plants. With over 8,000 biogas plants established in Germany producing 4 GW of installed capacity and supplying more than 8 million households with clean, renewable "organic" energy each year⁵, Utilitas sees the opportunity to develop Australia's market which has currently upwards of 50 biogas plants⁶. Australia's bioenergy and energy from waste market is currently under-developed but has considerable potential, which makes the investment very attractive to Coalbank.

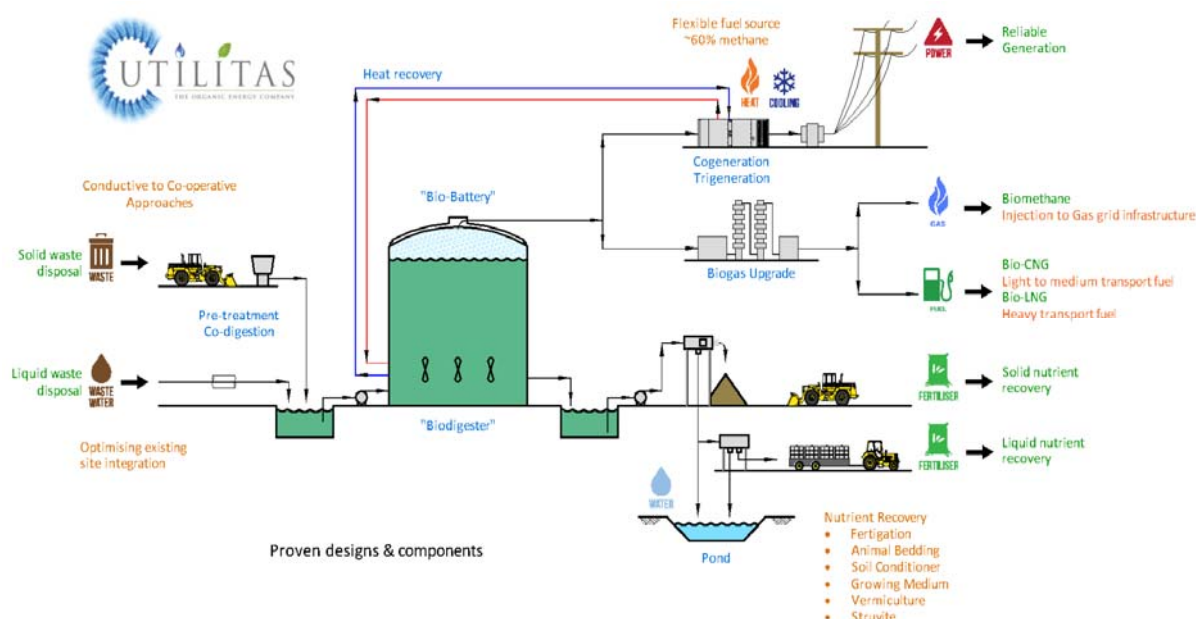


Figure 3: Biogas Energy Model

Biogas (mostly methane) is produced from organic waste including effluents, agricultural and processing residuals to produce an odourless, carbon neutral, renewable methane-rich gas that can be used to generate electricity and heat. Figure 3 shows the biogas energy model.

Biogas can also be directly used to displace other fuels in boilers and burners or “upgraded” for natural gas grid injection (Biomethane); liquefied at low temperatures (BioLNG) or compressed at high temperatures (Bio-CNG) for transport fuels.

Utilitas’ biogas plants safely and reliably capture and utilise energy and nutrient from this organic waste that would otherwise typically be disposed of to the environment at a cost.

Operations Outlook

Assessment of market conditions will determine the level of field activity in the Blackall Project and other EPCs during the year. Containment of holding costs will be a consideration. The expansion of coal fired electricity generation capacity, particularly in Southeast Asia, will be monitored in conjunction with any infrastructure developments in the Galilee Basin for potential options for Coalbank’s Blackall Coal project.

Options for the advancement of our three granted Authorities to Prospect (ATPs) for petroleum and gas in Southern-Central Queensland held by 100% subsidiary Surat Gas Pty Ltd are being sought through engagement with potential joint venture or farm-in partners.

The company looks forward to the potential in the biogas sector provided through its investment in Utilitas.

Further opportunities in the resources and energy sectors will be sought and examined in the coming year.

SUMMARY

The Company continued its close monitoring of operational expenditure due to the current economic and investment climate, particularly in relation to the coal industry. Containment of permit holding and exploration costs was assisted through further reduction in the number of coal tenements which the company viewed as not being beneficial to the company in the foreseeable future.

Coalbank will continue to evaluate options for progression of its petroleum and gas assets held in Surat Gas Pty Ltd.

With its investment strategy expanding to that of biogas in the renewable energy sector, the company continues to assess opportunities that will provide shareholder value in the current economic climate.

Andrew Fogg
Chief Executive Officer

¹ Coalbank ASX Release 20 June 2012: “Maiden Resource – 1.3 Billion Tonnes”.

²ASX (CBQ) Announcement: Coalbank Invests in Utilitas Pty Ltd, 15 July 2016

³ASX Announcement: Coalbank Settles Utilitas Investment, 19 August 2016

⁴“The Australian bioenergy and energy from waste market” - Clean Energy Finance Corporation, November 2015

⁵“Trends from the use of biogas technology in Germany” Lucas Wagner VIV Asia Biogas Conference Bangkok 2015

⁶ “Biogas: Smells like a solution to our energy and waste problems” Bernadette McCabe (Associate Professor and Vice Chancellor’s Senior Research Fellow, University of Southern Queensland) in The Conversation January 2015

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Coalbank Limited ("the company") and the entities it controlled at the end of, or during, the year ended 30 June 2016. Throughout this report the consolidated entity is referred to as the group.

Directors

The following persons were Directors at any time during the year and continue in office at the date of this report:

A Chan
D Chan
N Bolkus
G Lam
R Marks

Principal Activities

During the year the principal continuing activity of the Group consisted of exploration for mineral resources.

Review of Operations

The operating loss after income tax of the Group for the year was \$2,471,950 (2015: loss \$4,571,592). The loss includes non-cash expense items (including exploration assets written off, depreciation and finance costs) of \$1,906,316 (2015: \$3,465,986).

Information on the operations of Coalbank Limited and its business strategies and prospects is set out in the CEO's Report and Review of Operations on pages 3 to 7 of this annual report.

Dividend

The directors do not recommend the payment of a dividend. No dividend was paid during the year.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the group during the financial year.

There was no change in Contributed Equity during the year.

Matters Subsequent to the End of the Financial Year

Since 30 June 2016 Coalbank Limited has been advanced loan funds of \$280,000 from Treasure Wheel Global Limited. The loan is unsecured and for an initial period of 12 months. The loan is interest free.

Since 30 June 2016 Coalbank Limited has invested \$1,000,032 in Utilitas Group Pty Ltd in exchange for a 25% interest in the issued capital of Utilitas. As part of the settlement, the loan advance to Utilitas outstanding at 30 June 2016 of \$100,000 was offset against the subscription amount payable above.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

Likely Developments and Expected Results from Operations

Comments on expected results of certain operations of the group are included in this annual report under the CEO's report and review of operations on pages 3 to 7.

Environmental Regulation

The Group is subject to significant environmental regulation in respect of its exploration activities in Australia and is committed to undertaking all its operations in an environmentally responsible manner.

To the best of the directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation and is not aware of any breach of those requirements during the financial year and up to the date of the directors' report.

Information on Directors
A Chan MH, JP. *Non-executive director*

Experience and expertise	Mr Chan has extensive experience in managing both listed and unlisted entities, engaged in the resource industry commercial and residential development and early childhood education. Mr Chan is also actively involved in community services and organisations.
Other current directorships	Chairman and Director of Loyal Strategic Investment Limited and its wholly-owned subsidiary, Treasure Wheel Global Limited, Ruifeng Petroleum Chemical Holding Ltd and Black Sea Horizon Investment Holdings Ltd.
Former directorships in last 3 years	Nil
Special responsibilities	Chairman
Interests in shares and options	Indirect interest in 531,906,361 Ordinary Shares

The Honourable N Bolkus Lib. *Independent Non-executive director*

Experience and expertise	Mr Bolkus has a long and distinguished career in the Australian Parliament as a Senator for 24 years and having served as the Minister for Consumer Affairs, Minister for Administrative Services, Minister for Immigration, Minister Assisting The Treasurer (FIRB) and Minister for Multicultural Cultural Affairs. Since leaving politics Mr Bolkus is a partner in a Corporate Consultancy having consulted to a number of companies both within Australia and overseas.
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Deputy Chairman
Interests in shares and options	Nil

G Lam BSc, MSc, MBA, DPA, MPA, LLB (Hons), LLM, PCLL, PhD, FHKIoD, FHKI Arb FCPA(Aust.) *Independent non-executive director*

Experience and expertise	Mr Lam has over 30 years of international experience in general management, strategy consulting, corporate governance, direct investment, investment banking and fund management across the telecommunications/media/technology (TMT), consumer/healthcare, infrastructure/real estates, energy/resources and financial services sectors.
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Chairman of the Audit and Risk Management Committee and Chairman of the Remuneration Committee
Interests in shares and options	Nil

D Chan CFA, MRICS. *Non-executive director*

Experience and expertise	Mr Chan has extensive experience in the financial and investment arena and holds a Master's Degree in Finance from the Imperial College London and Chartered Financial Analyst (CFA) and is a member of the Royal Institute of Chartered Surveyors (MRICS). Mr Chan has over 11 years' experience in China real estate investment.
Other current directorships	Director of Loyal Strategic Investment Limited
Former directorships in last 3 years	Nil
Special responsibilities	Member of the Audit and Risk Management Committee and Member of the Remuneration Committee
Interests in shares and options	Indirect interest in 531,906,361 Ordinary Shares

R Marks. Independent non-executive director	
Experience and expertise	Mr Marks is the founder and Managing Director of Dynamic Products Corporation with head office in Sydney, Australia together with affiliated companies located in New Zealand, South Africa and China. He has had extensive experience over four decades with the establishment and 'hands on' control of production facilities in Australia, Thailand and China. He had led the development of export sales for this company's products to 63 countries throughout the world and is well respected in the specific fields of international marketing. Mr Marks and his company are proud winners of the coveted 'Export Award' presented by the Federal Government in recognition of outstanding Export Sales achievement.
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Nil
Interests in shares and options	Nil

Company Secretary

The company secretary is Ms Leni Stanley CA, B.Com. Ms Stanley was appointed to the position of company secretary in 2002. Ms Stanley is the principal in a Chartered Accounting firm and holds the office of company secretary with other ASX listed companies.

Meetings of Directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2016, and the numbers of meetings attended by each director were:

	Full Meetings of Directors		Meetings of Audit Committee	
	A	B	A	B
A Chan	4	4	2	2
N Bolkus	3	4	2	2
G Lam	3	4	2	2
D Chan	4	4	2	2
R Marks	4	4	2	2

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year.

There were no meetings of the Remuneration Committee during the year.

Remuneration Report (AUDITED)

The directors are pleased to present Coalbank Limited's 2016 remuneration report which sets out remuneration information for Coalbank Limited's non-executive directors, executive directors, and other key management personnel.

The report contains the following sections:

- (a) Key management personnel disclosed in this report
- (b) Remuneration governance
- (c) Use of remuneration consultants
- (d) Executive remuneration policy and framework
- (e) Relationship between remuneration and Coalbank Limited's performance
- (f) Non-executive director remuneration policy
- (g) Voting and comments made at the company's 2015 Annual General Meeting
- (h) Details of remuneration
- (i) Service agreements
- (j) Details of share-based compensation and bonuses
- (k) Equity instruments held by key management personnel
- (l) Loans to key management personnel
- (m) Other transactions with key management personnel

(a) Key management personnel disclosed in this report

<i>Non-executive and executive directors (see pages 9 to 10 for details about each director)</i>	
Name	Position
Present:	
A Chan	Non-executive Chairman – appointed 22 November 2013
N Bolkus	Independent non-executive director – appointed 22 November 2013
G Lam	Independent non-executive director – appointed 22 November 2013
D Chan	Non-executive director – appointed 22 November 2013
R Marks	Independent non-executive director – appointed 23 November 2013

Other key management personnel

Name	Position
Andrew Fogg	Chief Executive Officer – appointed 2 December 2013
Bruce Patrick	Chief Operating Officer – appointed 1 December 2013. Previously served as Chief Executive Officer.

There have been no changes in key management personnel since the end of the financial year.

(b) Remuneration governance

The board is responsible for:

- the over-arching executive remuneration framework
- operation of the incentive plans which apply to the executive team, including key performance indicators and performance hurdles
- remuneration levels of executive directors and other key management personnel, and
- non-executive directors' fees.

The objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Group.

(c) Use of remuneration consultants

The Group has not engaged the services of any remuneration consultants during the current or prior financial years.

Remuneration Report (continued)
(d) Executive remuneration policy and framework

The combination of base pay and superannuation make up the executives' fixed remuneration. Base pay for the executives is reviewed annually to ensure the executive's pay is competitive with the market. Executive pay is linked to the performance of the company through the issue of performance rights and share options. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency
- capital management.

Long-term incentives

Refer to section (j) of the Remuneration Report below for details regarding the Group's long-term incentives.

(e) Relationship between remuneration and Coalbank Limited's performance

During the year, the Company has generated losses from its principal activity of exploration for coal. As the Company is still in the exploration and development stage, the link between remuneration, company performance and shareholder wealth is tenuous. Share prices are subject to the influence of coal prices and market sentiment towards the sector, and as such increases or decreases may occur quite independent of Executive performance or remuneration.

During the current and previous financial years the group has generated losses from its exploration and evaluation activities. Given the nature of the group's activities and the consequential operating results, no dividends have been paid. There have been no returns of capital in the current or previous financial periods. The details of market price movements are as follows:

	Share price
Year end 30 June 2016	\$0.001
Year end 30 June 2015	\$0.002
Year end 30 June 2014	\$0.002
Year end 30 June 2013	\$0.010
Year end 30 June 2012	\$0.050
Year end 30 June 2011	\$0.040
Year end 30 June 2010	\$0.090

(f) Non-executive director remuneration policy

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. Non-executive directors do not receive performance based pay.

Share options are issued to non-executive directors at the discretion of the board and following shareholder approval.

The current base fees were last reviewed with effect from 22 November 2013.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$400,000 in aggregate and was approved by shareholders at the annual general meeting on 9 November 2009.

The following fees have applied:

Base fees	\$
Chair	30,000
Other non-executive directors	20,000

(g) Voting and comments made at the company's 2015 Annual General Meeting

Coalbank Limited received more than 87.3% of "yes" votes on its remuneration report for the 2015 financial year. The company did not receive any feedback at the AGM or throughout the year on its remuneration practices.

(h) Details of remuneration
Amounts of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of Coalbank Limited are set out in the following tables.

Remuneration Report (continued)
Key management personnel of Coalbank Limited

2016	Short-term benefits	Post- employment benefits	Share- based payment s			
Name	Cash salary and fees \$	Super- annuation \$	Options \$	Total \$	A %	B %
<i>Non-executive directors</i>						
A Chan, Chairman	30,000	-	-	30,000	100%	-
D Chan	20,000	-	-	20,000	100%	-
<i>Independent non-executive directors</i>						
N Bolkus	20,000	1,900	-	21,900	100%	-
G Lam	20,000	-	-	20,000	100%	-
R Marks	20,000	-	-	20,000	100%	-
Sub-total non-executive directors	110,000	1,900	-	111,900	100%	-
<i>Other key management personnel</i>						
A Fogg – Chief Executive Officer	190,000	-	-	190,000	100%	-
B Patrick– Chief Operating Officer	159,996	-	-	159,996	100%	-
Total key management personnel compensation	459,996	1,900	-	461,896	100%	-

A Proportion of remuneration that is fixed remuneration

B Percentage of remuneration that is share-based payment

2015	Short-term benefits	Post- employe nt benefits	Share- based payment s			
Name	Cash salary and fees \$	Super- annuation \$	Options \$	Total \$	A %	B %
<i>Non-executive directors</i>						
A Chan, Chairman	30,000	-	-	30,000	100%	-
D Chan	20,000	-	-	20,000	100%	-
<i>Independent non-executive directors</i>						
N Bolkus	20,000	1,900	-	21,900	100%	-
G Lam	20,000	-	-	20,000	100%	-
R Marks	20,000	-	-	20,000	100%	-
Sub-total non-executive directors	110,000	1,900	-	111,900	100%	-
<i>Other key management personnel</i>						
A Fogg – Chief Executive Officer	189,988	-	-	189,988	100%	-
B Patrick– Chief Operating Officer	160,594	-	-	160,594	100%	-
Total key management personnel compensation	460,594	1,900	-	462,494	100%	-

A Proportion of remuneration that is fixed remuneration

B Percentage of remuneration that is share-based payment

Remuneration Report (continued)

Amounts shown above as remuneration for year ended 30 June 2016 for non-executive directors A Chan, D Chan and Independent non-executive directors N Bolkus, G Lam and R Marks include accruals totaling \$83,925 for fees not yet paid during the financial year which is included in trade and other payables at 30 June 2016.

(i) **Service agreements**

The Company has a service agreement with NABJA Consulting Services Pty Ltd for the services of Mr Andrew Fogg, Chief Executive Officer. The service agreement is for a period of 5 years and commenced on 1 December 2013. The base fees are \$15,833 per month. The contract includes a change of control clause which is triggered if Treasure Wheel Global Limited ceases to hold 25% or more of Coalbank Limited. Under the change of control clause a compensation amount equal to one year remuneration is payable. In addition, under the contract the contractor or his nominee is entitled to receive five million performance rights in the Company, once the share price equals or exceeds two cents for five consecutive trading days.

The Company has a service agreement with Geomine Project Management Pty Ltd for the services of Mr Bruce Patrick, Chief Operating Officer. The service agreement is ongoing and commenced on 1 December 2013. The base fees are \$13,333 per month. There are no termination benefits under the agreement. In addition, under the contract the contractor or his nominee is entitled to receive three million performance rights in the Company, once the share price equals or exceeds two cents for five consecutive trading days.

(j) **Details of share based compensation and bonuses**

Long-term incentives are provided to directors and key management personnel via the issue of performance rights and options.

Currently Coalbank does not have an Employee Share Option Plan, though such a Plan may be recommended to Shareholders for approval in the future. It is intended that any future Coalbank Limited Employee Share Option Plan be designed to provide long-term incentives for directors and executives to deliver long-term shareholder returns. Under the plan, participants would be granted options and/or performance rights which only vest if certain performance standards are met and the employees are still employed by the group at the end of the vesting period. Participation in the plan is at the board's discretion.

Options

There were no options over ordinary shares in the company provided as remuneration during the financial year.

Shares provided on exercise of remuneration options

There were no ordinary shares in the company issued on the exercise of remuneration options during the financial year.

Performance rights

There were no performance rights over ordinary shares in the company provided as remuneration during the financial year.

Shares provided on exercise of performance rights

There were no ordinary shares in the company issued to key management personnel during the financial year from the exercise of performance rights.

(k) **Equity instruments held by key management personnel**

The tables below show the number of:

- (i) options over ordinary shares in the company
- (ii) performance rights granted, and
- (iii) shares in the company

that were held during the financial year by key management personnel of the group, including their close family members and entities related to them.

Remuneration Report (continued)

There were no shares or options granted during the reporting period as compensation.

(i) *Options and rights holdings*

2016 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Expired during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Coalbank Limited						
A Chan	-	-	-	-	-	-
N Bolkus	-	-	-	-	-	-
G Lam	-	-	-	-	-	-
D Chan	-	-	-	-	-	-
R Marks	-	-	-	-	-	-
Total	-	-	-	-	-	-
Other key management personnel						
A Fogg	-	-	-	-	-	-
B Patrick	-	-	-	-	-	-
Total	-	-	-	-	-	-

(ii) *Shareholdings*

2016 Name	Balance at the start of the year	Received during the year on the exercise of performance rights	Other changes during the year	Balance at the end of the year
Ordinary shares				
A Chan #	531,906,361	-	-	531,906,361
N Bolkus	-	-	-	-
G Lam	-	-	-	-
D Chan ^	531,906,361	-	-	531,906,361
R Marks	-	-	-	-
A Fogg	3,209,004	-	8,426,835	11,635,839
B Patrick	1,072,853	-	959,230	2,032,083

A Chan is a director and shareholder of Loyal Strategic Investment Ltd, the holding company of Treasure Wheel Global Limited, which is the registered holder of the shares.

^ D Chan is a director of Loyal Strategic Investment Ltd, the holding company of Treasure Wheel Global Limited, which is the registered holder of the shares.

(l) *Loans to key management personnel*

There were no loans to key management personnel during the financial period.

(m) *Other transactions with key management personnel*

There were no other transactions with key management personnel during the financial period.

This is the end of the remuneration report (audited).

Shares under Option

There are no unissued ordinary shares of Coalbank Limited under option or performance rights at the date of this report.

Shares Issued on the Exercise of Options

There were no ordinary shares of Coalbank Limited issued during or since the end of the year ended 30 June 2016 on the exercise of options.

Insurance of Officers

During the financial year Coalbank Limited paid a premium to insure the directors and officers of the company. The policy prohibits disclosure of details of the cover and the amount of premium paid.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company.

Agreement to Indemnify Officers

Coalbank Limited is party to an agreement to indemnify the directors and officers of the company.

The indemnity relates to any liability:

- (a) incurred in connection with or as a consequence of the directors and officers acting in the capacity including, without limiting the foregoing, representing the company on any body corporate, and
- (b) for legal costs incurred in defending an action in connection with or as a consequence of the director or officer acting in the capacity.

No liability has arisen under these indemnities as at the date of this report.

Indemnity of auditors

Coalbank Limited has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, Coalbank Limited has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on Behalf of Company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 20 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in Note 20 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of RSM Australia Partners

There are no officers of the Company who are former partners of RSM Australia Partners.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest dollar.

Auditors' independence declaration

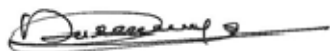
A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

Auditor

On 24 May 2016 Coalbank Limited appointed RSM Australia Partners as its auditors. The appointment of RSM Australia Partners for the 30 June 2017 financial year will be submitted for approval by shareholders at the 2016 Annual General Meeting in accordance with section 327 of the *Corporations Act 2001*.

The prior auditors, BDO Audit Pty Ltd was appointed auditor on 9 November 2009 and continued in office until 24 May 2016.

This report is made in accordance with a resolution of the directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.



A Chan
Chairman

Brisbane, 19 September 2016

RSM Australia Partners

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F +61(0) 7 32217666

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Coalbank Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



RSM AUSTRALIA PARTNERS



Albert Loots
Partner

Brisbane, QLD
Dated: 19 September 2016

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RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

DECLARATION BY DIRECTORS

In the directors' opinion:

- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, for the reasons provided in Note 3(iii).

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The remuneration disclosures contained in the Remuneration Report comply with s300A of the *Corporations Act 2001*.

The directors have been given the declarations by the chief executive officer and the chief financial officer required by s295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.



A Chan
Chairman

Brisbane, 19 September 2016

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

		Consolidated	
	Notes	2016	2015
		\$	\$
Interest income		1,144	16,889
Profit on sale of fixed asset		-	3,182
Exploration assets written off		(1,899,625)	(3,362,485)
Professional services expenses		(330,740)	(763,364)
Corporate overhead expenses		(124,138)	(244,027)
Depreciation expenses		(6,691)	(7,015)
Directors' remuneration		(111,900)	(111,900)
Net finance expense		-	(102,872)
Loss before income tax	5	(2,471,950)	(4,571,592)
Income tax expense	6	-	-
Net loss for the period		(2,471,950)	(4,571,592)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(2,471,950)	(4,571,592)
		Cents	Cents
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company:			
Basic loss per share	26	(0.25)	(0.5)
Diluted loss per share	26	(0.25)	(0.5)
Loss per share for loss attributable to the ordinary equity holders of the company:			
Basic loss per share	26	(0.25)	(0.5)
Diluted loss per share	26	(0.25)	(0.5)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2016**

		Consolidated	
		2016	2015
	Notes	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	7	932,756	233,183
Trade and other receivables	8	116,327	20,372
Total current assets		1,049,083	253,555
Non-current assets			
Plant and equipment	9	5,456	12,147
Investments	10	28,849	-
Exploration and evaluation assets	11	15,389,119	17,005,387
Other assets	12	174,796	182,296
Total non-current assets		15,598,220	17,199,830
Total assets		16,647,303	17,453,385
LIABILITIES			
Current liabilities			
Trade and other payables	13	198,615	152,747
Borrowings	14	3,620,000	2,000,000
Total current liabilities		3,818,615	2,152,747
Non-current liabilities			
Other financial liabilities	15	1,500,000	1,500,000
Total non-current liabilities		1,500,000	1,500,000
Total liabilities		5,318,615	3,652,747
Net assets		11,328,688	13,800,638
EQUITY			
Issued capital	16	62,974,400	62,974,400
Reserves	17	3,528,043	3,528,043
Accumulated losses	17	(55,173,755)	(52,701,805)
Total equity		11,328,688	13,800,638

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	Issued Capital \$	Share based payment reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2014		61,053,012	3,528,043	(48,130,213)	16,450,842
Loss for the year		-	-	(4,571,592)	(4,571,592)
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	(4,571,592)	(4,571,592)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	16	1,921,388	-	-	1,921,388
Share based payments expense	17	-	-	-	-
Balance at 30 June 2015		62,974,400	3,528,043	(52,701,805)	13,800,638
Loss for the year		-	-	(2,471,950)	(2,471,950)
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	(2,471,950)	(2,471,950)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	16	-	-	-	-
Share based payments expense	17	-	-	-	-
Balance at 30 June 2016		62,974,400	3,528,043	(55,173,755)	11,328,688

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016**

		Consolidated	
		2016	2015
	Notes	\$	\$
Cash flows from operating activities			
Receipts in the course of operations (inclusive of goods and services tax)		66,531	101,705
Payments to suppliers (inclusive of goods and services tax)		(607,681)	(1,236,391)
Interest received		1,144	16,889
Net cash outflows from operating activities	23	(540,006)	(1,117,797)
Cash flows from investing activities			
Payments for exploration and evaluation assets		(259,072)	(537,577)
Proceeds from sale of plant and equipment		-	3,500
Payment for purchase of plant and equipment		-	(2,255)
Payment for equity investment		(28,849)	-
Loan to other entity		(100,000)	-
Refunds for security deposits		7,500	47,500
Payments for security deposits		-	(24,000)
Net cash outflows from investing activities		(380,421)	(512,832)
Cash flows from financing activities			
Proceeds from share issue		-	1,921,388
Proceeds from financial liabilities		1,620,000	100,000
Repayment of financial liabilities		-	(300,000)
Net cash inflows from financing activities		1,620,000	1,721,388
Net increase / (decrease) in cash and cash equivalents		699,573	90,759
Cash and cash equivalents at the beginning of the financial year		233,183	142,424
Cash and cash equivalents at the end of the financial year	7	932,756	233,183

The above Consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Note 1 Summary of significant accounting policies

This financial report covers the Consolidated Entity of Coalbank Limited (the "Company") and its controlled entities (together referred to as the "Consolidated Entity" or "Group"). Coalbank Limited is a listed public company, incorporated and domiciled in Australia. The Consolidated Entity is a for-profit entity for the purpose of preparing the financial statements.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Operations and principal activities

The principal activity of the Consolidated Entity is coal exploration.

Currency

The financial report is presented in Australian dollars which is the functional and presentational currency of the Consolidated Entity.

Authorisation of financial report

The financial report was authorised for issue on 19 September 2016.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

Historical cost convention

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Note 1 Summary of significant accounting policies (continued)

(c) Income taxes

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(d) Exploration and evaluation assets

Exploration and evaluation assets incurred by or on behalf of the Group is accumulated separately for each area of interest until such time as the area of interest moves into development phase, or is abandoned or sold. The realisation of the value of expenditure carried forward depends upon any commercial results that may be obtained through successful development and exploitation of the area of interest or alternatively by its sale. If an area of interest is abandoned or is considered to be of no further commercial interest the accumulated exploration costs relating to the area are written off against income in the year of abandonment.

(e) Acquisitions of assets

The purchase method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

(f) Impairment of non-financial assets

At the end of each reporting period the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Note 1 Summary of significant accounting policies (continued)
(g) Property, plant and equipment

All property, plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation, and any impairment.

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment over its expected useful life to the entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Plant and equipment	3 – 5 years
Field equipment	5 years

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. These amounts are unsecured and usually have 30 day payment terms.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Issued capital and share-based payments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(k) Revenue
Interest Income

Interest income is recognised on a time proportion basis using the effective interest method.

(l) Goods and Services Tax ("GST")

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(m) Earnings per share
(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 1 Summary of significant accounting policies (continued)

(n) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances valuation techniques are adopted.

Amortised cost is calculated as:

- a. the amount at which the financial asset or financial liability is measured at initial recognition;
- b. less principal repayments;
- c. plus or minus the cumulative amortization of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method; and
- d. less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets).

(ii) Financial liabilities

Financial liabilities, after initial recognition, are measured at either amortised cost using the effective interest rate method, or at fair value. Where an instrument contains an embedded derivative that component is, where appropriate, separately identified and measured at fair value. If the embedded derivative is not capable of being measured separately at acquisition or at the end of a reporting period, the entire instrument is measured at fair value.

Note 1 Summary of significant accounting policies (continued)

(o) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

(p) Parent entity financial information

The financial information for the parent entity, Coalbank Limited, disclosed in note 18 has been prepared on the same basis as the consolidated financial statements except in respect of tax consolidation legislation.

Coalbank Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Coalbank Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Coalbank Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Coalbank Limited for any current tax payable assumed and are compensated by Coalbank Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Coalbank Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Note 1 Summary of significant accounting policies (continued)

(q) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(r) New accounting standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 2. Financial instruments

The Group's activities expose it to a variety of financial risks; credit risk, liquidity risk and cash flow interest rate risk.

The Group holds the following financial instruments:

	Consolidated	
	2016	2015
	\$	\$
Financial assets		
Cash and cash equivalents	932,756	233,183
Trade and other receivables	116,327	20,372
Security deposits	174,796	182,296
	<u>1,223,879</u>	<u>435,851</u>
Financial liabilities		
Trade and other payables	198,615	152,747
Other financial liabilities (including borrowings and derivatives)	5,120,000	3,500,000
	<u>5,318,615</u>	<u>3,652,747</u>

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

There have been no substantive changes to the Group's exposure to financial instruments, its objectives, policies and processes for managing risks from previous periods.

Credit risk

Credit risk is managed on a Group basis. Credit risk arises primarily from cash and cash equivalents and deposits with banks and financial institutions. For bank and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available).

	Consolidated	
	2016	2015
	\$	\$
Cash at bank and short-term bank deposits		
AA-	932,653	233,080
A	103	103
	<u>932,756</u>	<u>233,183</u>

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet obligations when due.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows. No finance facilities were available to the Group at the end of the reporting period.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings.

Contractual maturities of financial liabilities	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$	\$	\$
At 30 June 2016							
Trade and other payables	198,615	-	-	-	-	198,615	198,615
Borrowings	3,620,000	-	-	-	-	3,620,000	5,120,000
	<u>3,818,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,818,615</u>	<u>5,318,615</u>
At 30 June 2015							
Trade and other payables	152,747	-	-	-	-	152,747	152,747
Borrowings	2,000,000	-	-	-	-	2,000,000	3,500,000
	<u>2,152,747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,152,747</u>	<u>3,652,747</u>

Other financial liabilities of \$1,500,000 (2015: \$1,500,000) relate to a royalty agreement as outlined in Note 15. At this stage there is no known cash outflow arising from this liability.

Note 2. Financial risk management (continued)

Cash flow and fair value interest rate risk

As the Group has interest-bearing cash assets, the company's income and operating cash flows are exposed to changes in market interest rates. The company manages its exposure to changes in interest rates by using fixed term deposits.

At 30 June 2016 if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been \$161 lower/higher (2015 – change of 100 bps: \$2,382 higher/lower), as a result of higher/lower interest income from cash and cash equivalents.

Fair Value

The carrying value of all other assets and liabilities approximate their fair value.

Note 3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies.

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period or in the period and future periods if the revision affects both current and future periods. There were no key adjustments during the year which required estimates and/or judgements.

Key judgements and estimates

(i) Carrying value of exploration and evaluation assets

The Group has capitalised exploration expenditure of \$15,389,119 (2015: \$17,005,387). This amount includes costs directly associated with exploration. These costs are capitalised until assessment and/or drilling of the permit is complete and the results have been evaluated. These costs include employee remuneration, materials, rig costs, delay rentals and payments to contractors. The expenditure is carried forward until such a time as the area of interest moves into the development phase, is abandoned, sold or sub-blocks relinquished.

Given exploration activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable resources and the difficulty in forecasting cash flows to assess the fair value of exploration expenditure there is uncertainty as to the carrying value of exploration expenditure. The ultimate recovery of the carrying value of exploration expenditure is dependent upon the successful development and commercial exploitation or, alternatively, sale of the interests in the tenements. There are no factors or circumstances which suggest that the carrying amount of remaining exploration and evaluation assets may exceed recoverable amount.

(ii) Fair value of the financial liabilities

The Group has agreements with Oliver Lennox-King (Lennox-King), whereby Lennox-King has paid a net \$1.5 million to the Group and in return the Group has agreed to pay Lennox-King a royalty equal to 1% of the gross value of coal sold from the tenements currently held by the Group, in the areas of the Moreton Energy Coal Project in the Clarence-Moreton Basin and the Tambo Coal & Gas Project in the Upper Surat Basin. The liability was initially recognised at fair value. Post initial recognition, the financial liability is accounted for in accordance with the Group policy for financial instruments set out in Note 1(n).

The royalty is only payable in the event of future production of coal.

The Group's exploration and evaluation activities have not progressed to a stage to allow more reliable measurement of any future royalty payment obligations. As such, the Board is of the view that the fair value at the time of the receipt of the funds remains the appropriate measure of fair value at reporting date.

(iii) Going concern

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

As disclosed in the financial statements, the Group recorded a loss of \$2,471,950 (2015 loss: \$4,571,592) and had net cash outflows from operating activities of \$540,006 (2015: \$1,117,797) for the year ended 30 June 2016. Also, the Statement of Financial Position shows a working capital shortfall of \$2,769,532 (2015: \$1,899,192). This is due to the convertible note being a current liability and due for settlement within 12 months.

The Group also has expenditure commitments within the next 12 months of \$15,430,000 (2015: \$11,690,000) as detailed in Note 24.

Note 3. Critical accounting estimates and judgements (continued)

The Directors acknowledge that, as in the prior year, to continue the exploration and development of the Group's exploration projects, the budgeted cash flows from operating and investing activities for the future will necessitate further capital raising.

On 13 November 2014 the group's convertible note that had been issued for \$2,000,000 matured. The noteholder, Treasure Wheel Global Limited, has elected to convert the note into 133,333,333 ordinary shares in the parent entity, subject to shareholder approval. Treasure Wheel Global Limited has agreed to forego any interest which would have accrued from 13 November 2014 until conversion is approved by shareholders.

Since 30 June 2016 Coalbank Limited has received a loan of \$280,000 from Treasure Wheel Global Limited. In addition, Treasure Wheel Global Limited has provided a letter of support undertaking to provide financial support, to enable Coalbank Limited to continue operations, for at least twelve months from the date of this report.

In the event that the Group is unable to raise future funding requirements, rely on the financial support of Treasure Wheel Global Limited and/or should shareholders not approve the issue of shares necessary to convert the \$2,000,000 convertible note, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern with the result that the Group may be required to realise its assets at amounts different to those currently recognised, settle liabilities other than in the ordinary course of business and make provisions for costs which may arise as a result of cessation or curtailment of normal business operations.

Note 4 Segment information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Board of Directors carries out the role and is therefore the Chief Operating Decision Maker. Financial information provided to the board is currently at the consolidated level.

Management currently identifies the consolidated entity as having only one reportable segment, being exploration of coal, oil and gas. All significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the consolidated entity as a whole.

The Group operates solely within Australia.

The Group does not have any products or services that it derives revenue from.

Note 5 Expenses

Loss before income tax includes the following specific expenses:

	Consolidated	
	2016	2015
	\$	\$
<i>Defined contribution superannuation expense</i>	1,425	1,900
<i>Depreciation</i>		
Plant and equipment	6,691	7,015
<i>Exploration assets written off</i>	1,899,625	3,362,485
<i>Finance costs</i>		
Unwinding of issue costs financial liabilities not at fair value through profit or loss	-	96,486
Interest paid	-	6,386
<i>Finance costs expensed</i>	-	102,872

Note 6 Income tax expense
(a) Income tax expense

	Consolidated 2016 \$	2015 \$
Current tax expense	-	-
Deferred tax expense	-	-
Aggregate income tax expense	-	-

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Loss from operations before income tax expense	(2,471,950)	(4,571,592)
Tax at the Australian tax rate of 30% (2014: 30%)	(741,586)	(1,371,478)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other	-	(3,518)
	(741,586)	(1,374,996)
Deferred tax assets not recognised	741,586	1,374,996
Income tax expense	-	-

(c) Deferred Tax Liabilities

The balance comprises temporary differences attributable to:

Exploration expenditure	4,616,736	5,101,616
Property, plant and equipment	1,637	2,086
Other	-	-
Total deferred tax liabilities	4,618,373	5,103,702
Set-off of deferred tax assets pursuant to set-off provisions	(4,618,373)	(5,103,702)
Net deferred tax liabilities	-	-

(d) Deferred Tax Assets

The balance comprises temporary differences attributable to:

Tax losses	20,024,344	19,692,417
Accruals	-	18,000
Business capital costs	71,281	138,259
Available for sale financial assets	135,000	135,000
Other financial liabilities	450,000	450,000
Total deferred tax assets	20,680,625	20,433,676
Set-off of deferred tax assets pursuant to set-off provisions	(4,618,373)	(5,103,702)
Net adjustment to deferred tax assets not recognised	(16,062,252)	(15,329,974)
Net deferred tax assets	-	-

(e) Unrecognised net deferred tax assets

Unused tax losses for which no deferred tax asset has been recognised	53,540,843	51,099,913
Potential tax effect at 30%	16,062,252	15,329,974

Note 6 Income tax expense (continued)

Following the proportional takeover by Treasure Wheel Global Limited, the Group failed the Continuity of Ownership Test (COT). Unused tax losses are therefore carried forward under the Same Business Test (SBT). Management and the Directors are satisfied that the Group passes SBT on the basis that coal exploration has always been, and continues to be, the core focus of the business.

Unused losses which have not been recognised as an asset, will only be obtained if:

- (i) the group derives future assessable income of a nature and of an amount sufficient to enable the losses to be realised;
- (ii) the group continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the group in realizing the losses.

(f) Tax consolidation legislation

Coalbank Limited and its wholly-owned Australian subsidiaries have implemented the income tax consolidation legislation from 1 August 2010. Coalbank Limited is the head entity of the tax consolidated group for the year ended 30 June 2016. The Australian Taxation Office has been notified of the formation of the Coalbank Limited tax consolidated group.

Note 7 Current assets – Cash and cash equivalents

	Consolidated	
	2016	2015
	\$	\$
Cash at bank and on hand	32,136	78,641
Deposits at call	900,620	154,542
	932,756	233,183

(a) Risk exposure

The Group's exposure to interest rate risk is discussed in Note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

(b) Deposits at call

All deposits are at call bearing an interest rate of between 0% and 2.4% (2015 – 0% to 2.4%).

Note 8 Current assets – Trade and other receivables

Prepayments	8,244	8,256
Other debtors	108,083	12,116
	116,327	20,372

Note 9 Non-current assets – Plant and equipment

Consolidated	Plant & equipment \$	Field plant & equipment \$	Total \$
Year ended 30 June 2015			
Opening net book amount	298	16,927	17,225
Additions	1,937	-	1,937
Disposals	-	-	-
Depreciation charge	(298)	(6,717)	(7,015)
Closing net book amount	1,937	10,210	12,147
At 30 June 2015			
At Cost	30,008	33,186	63,194
Accumulated depreciation	(28,071)	(22,976)	(51,047)
Net book amount	1,937	10,210	12,147
Year ended 30 June 2016			
Opening net book amount	1,937	10,210	12,147
Additions	-	-	-
Disposals	-	-	-
Depreciation charge	(646)	(6,045)	(6,691)
Closing net book amount	1,291	4,165	5,456
At 30 June 2016			
At Cost	6,495	30,228	36,723
Accumulated depreciation	(5,204)	(26,063)	(31,267)
Net book amount	1,291	4,165	5,456

Consolidated
2016 **2015**
\$ **\$**

Note 10 Non-current assets – Investments

Unlisted equity securities – at cost	28,849	-
Unlisted securities are traded in inactive markets.		
Balance at the beginning of the year	-	-
Additions during the year	28,849	
Impairment charge for the year	-	-
Balance at the end of the year	28,849	-

Note 11 Non-current assets – Exploration and evaluation assets

Exploration phase costs – at cost	15,389,119	17,005,387
The capitalised exploration assets carried forward above has been determined as follows:		
Balance at the beginning of the year	17,005,387	19,810,991
Expenditure incurred during the year - additions	283,357	550,818
Expenditure incurred during the prior year – Surat Gas (refer Note 28)	-	6,063
Exploration abandoned	(1,899,625)	(3,362,485)
Balance at the end of the year	15,389,119	17,005,387

The ultimate recoupment of costs carried forward for exploration assets is dependent upon the successful development and commercial exploitation or alternatively sale of the interests in the tenements.

	Consolidated	
	2016	2015
	\$	\$
Note 12 Non-current assets – Other assets		
Security deposit	174,796	182,296

Security deposits represent amounts lodged with the Queensland Department of Natural Resources and Mines as security for tenements.

Note 13 Current liabilities – Trade and other payables

<i>Unsecured</i>		
Trade payables	198,615	152,747
	198,615	152,747

Note 14 Current liabilities – Borrowings

		-
Borrowings	1,620,000	-
Convertible note	2,000,000	2,000,000
	3,620,000	2,000,000

	2016	2015
	\$	\$
Borrowings		
Face value of notes issued	2,000,000	2,000,000
Other equity securities – value of conversion rights (note 16(e))	(260,870)	(260,870)
	1,739,130	1,739,130
Interest expense recognised in prior years	260,870	260,870
	2,000,000	2,000,000
Current liability	2,000,000	2,000,000

In 2014 financial year the 380 convertible notes on issue for \$1,900,000 were replaced with 1 convertible note with a face value of \$2,000,000. The note is convertible into 133,333,333 ordinary shares of the parent entity, at any time at the option of the holder, or repayable on 13 November 2014. On 13 November 2014 the group's convertible note that had been issued for \$2,000,000 matured. The noteholder, Treasure Wheel Global Limited, has elected to convert the note into 133,333,333 ordinary shares in the parent entity, subject to shareholder approval. No interest is payable on the loan as the holder of the loan, Treasure Wheel Global Limited has agreed to forego the interest which was payable under the agreement from 13 November 2014.

The convertible note is fully secured by a mortgage in relation to all the tenements of Coalbank and a general security agreement in relation to Coalbank's assets generally.

The initial fair value of the liability portion of the note was determined using a market interest rate for an equivalent non-convertible note at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity, net of income tax, and not subsequently re-measured.

During the current financial year Treasure Wheel Global Limited also advanced the company \$1,620,000 by way of an unsecured loan. The loan is for an initial term of 12 months and accrues interest at a rate of 0% p.a.

During the previous financial year Treasure Wheel Global Limited also advanced the company \$100,000 by way of an unsecured loan. The loan was for an initial term of 12 months and accrued interest at a rate of 0% p.a. This loan has been repaid during the prior financial year.

Consolidated	
2016	2015
\$	\$

Note 15 Non-current liabilities – Other financial liabilities

Other financial liabilities	1,500,000	1,500,000
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The Group has agreements with Oliver Lennox-King (Lennox-King), whereby Lennox-King has paid a net \$1.5 million to the Group and in return the Group has agreed to pay Lennox-King a royalty equal to 1% of the gross value of coal sold from the tenements currently held by the Group, in the areas of the Moreton Energy Coal Project in the Clarence-Moreton Basin and the Tambo Coal & Gas Project in the Upper Surat Basin. The liability was initially recognised at fair value. Post initial recognition, the financial liability is accounted for in accordance with the Group policy for financial instruments set out in Note 1(n).

The royalty is only payable in the event of future production of coal.

The Group's exploration and evaluation activities have not progressed to a stage to allow more reliable measurement of any future royalty payment obligations. As such, the Board is of the view that the fair value at the time of the receipt of the funds remains the appropriate measure of fair value at reporting date.

When the Group acquired Surat Gas Pty Ltd it assumed liability for a 1% royalty payable in respect of future production of oil and gas in the Surat Basin, which represents a contingent liability which is only payable in the event of future production of oil and gas.

The Group's exploration and evaluation activities have not progressed to a stage to allow more reliable measurement of any future royalty payment obligations.

Note 16 Issued capital

	Consolidated		Consolidated	
	2016 Shares	2015 Shares	2016 \$	2015 \$
(a) Share capital				
(i) Ordinary shares Fully paid	982,051,715	982,051,715	62,713,530	62,713,530
(ii) Other equity securities Value of conversion rights – convertible notes	-	-	260,870	260,870
	<u>982,051,715</u>	<u>982,051,715</u>	<u>62,974,400</u>	<u>62,974,400</u>

(b) Movements in ordinary share capital:

Date	Details	Note	Number of Shares	Issue Price	\$
1 July 2014	Balance		853,958,015		60,792,142
	Placement of shares	(f)	128,093,700	\$0.015	1,921,388
30 June 2015	Balance		<u>982,051,715</u>		<u>62,713,530</u>
	Placement of shares		-		-
30 June 2016			<u>982,051,715</u>		<u>62,713,530</u>

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

(d) Options

At balance date there were no options over ordinary shares of Coalbank Limited on issue.

(e) Other equity securities

The amount of \$260,870 shown for other equity securities in the prior year is the value of the conversion rights relating to the convertible notes, details of which are shown in Note 14.

(f) Placements

The following placements were made to sophisticated investors in the prior year:

- 1) On 1 September 2014 128,093,400 ordinary shares were issued at \$0.015 each to raise \$1,921,388.

(g) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group includes equity attributable to equity holders, comprising of issued capital, reserves and accumulated losses. In order to maintain or adjust the capital structure, the company may issue new shares, sell assets to reduce debt or adjust the level of activities undertaken by the company.

The Group monitors capital on the basis of cash flow requirements for operational, and exploration and evaluation expenditure. The Group will continue to use capital market issues and joint venture participant funding contributions to satisfy anticipated funding requirements.

The Group has no externally imposed capital requirements. The Group's strategy for capital risk management is unchanged from prior years.

Note 17 Reserves and accumulated losses
(a) Reserves

Share-based payments reserve

Consolidated	
2016	2015
\$	\$

3,528,043	3,528,043
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Movements:

Balance 1 July

3,528,043	3,528,043
-----------	-----------

Share based payments

-	-
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Balance 30 June

3,528,043	3,528,043
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(b) Accumulated losses

Balance 1 July

(52,701,805)	(48,130,213)
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Loss for the year

(2,471,950)	(4,571,592)
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Balance 30 June

(55,173,755)	(52,701,805)
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Nature and purpose of reserves
Share based payments reserve

The share-based payments reserve is used to recognise:

- (i) the grant date fair value of options issued to directors / contractors and vendors of assets
- (ii) the grant date fair value of performance rights issued to directors / contractors

Note 18 Parent entity information

The following information relates to the parent entity, Coalbank Limited. The information presented has been prepared using accounting policies that are consistent with those presented in Note 1 where applicable.

	2016	2015
	\$	\$
Current assets	1,048,980	253,452
Non-current assets	7,927,927	7,639,302
Total assets	8,976,907	7,892,754
Current liabilities	3,818,615	2,140,372
Non-current liabilities	1,500,000	1,500,000
Total liabilities	5,318,615	3,640,372
Issued capital	62,974,400	62,974,400
Accumulated losses	(62,844,151)	(62,250,061)
Share based payment reserve	3,528,043	3,528,043
Total equity	3,658,292	4,252,382
Profit or loss for the year	(594,090)	(1,242,748)
Total comprehensive income	(594,090)	(1,242,748)

Contingent liabilities

Coalbank Limited has contingent liabilities at 30 June 2016 as detailed in Note 15.

Guarantees

Coalbank Limited has not guaranteed any debts of its subsidiaries.

Note 19 Director and key management personnel disclosures
Key management personnel compensation

	Consolidated	
	2016	2015
	\$	\$
Short-term employee benefits	459,996	460,594
Post-employment benefits	1,900	1,900
	461,896	462,494

Note 20 Remuneration of auditors

	Consolidated	
	2016	2015
	\$	\$
During the year the following fees were paid, payable or accrued for services provided by the auditor or, its related practices and non-related audit firms:		
RSM Australia Partners		
<i>Audit services</i>		
Audit and review of financial reports	24,000	-
Total remuneration for audit and other assurance services	24,000	-
<i>Other services</i>		
Taxation services	5,000	-
Total remuneration for other services	5,000	-
BDO Audit Pty Ltd		
<i>Audit services</i>		
Audit and review of financial reports	6,024	43,140
Total remuneration for audit and other assurance services	6,024	43,140
<i>Other services</i>		
Taxation services	-	-
Total remuneration for other services	-	-
Total auditor remuneration	35,024	43,140

Note 21 Related parties
(a) Parent entities

The parent entity and ultimate Australian parent entity within the group is Coalbank Limited. The ultimate parent entity is Treasure Wheel Global Limited which at 30 June 2016 owned 54.16% (2015: 54.16%).

(b) Subsidiaries

Interests in subsidiaries are set out in Note 25.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 19.

(d) Amounts payable to related parties

During the current financial year Treasure Wheel Global Limited advanced the company \$1,680,000 by way of an unsecured loan. The loan is for an initial term of 12 months and is interest free.

During the previous financial year Treasure Wheel Global Limited also advanced the company \$100,000 by way of an unsecured loan. The loan is for an initial term of 12 months and was interest free. This loan was repaid during the previous financial year.

Included in trade payables is an amount of \$82,500 (2015: \$nil) which represents amounts payable to directors for unpaid directors' fees.

As at 30 June 2016 there is on issue 1 convertible note with a face value of \$2,000,000 (2015: \$2,000,000). The note is convertible into 133,333,333 ordinary shares of the parent entity, at any time at the option of the holder. On 13 November 2014 the group's convertible note that had been issued for \$2,000,000 matured. The noteholder, Treasure Wheel Global Limited, has elected to convert the note into 133,333,333 ordinary shares in the parent entity, subject to shareholder approval. No interest is payable on the loan as the holder of the loan, Treasure Wheel Global Limited has agreed to forego the interest which was payable under the agreement from 13 November 2014.

Note 22 Events occurring after reporting date

Since 30 June 2016 Coalbank Limited has been advanced loan funds of \$280,000 from Treasure Wheel Global Limited. The loan is unsecured and for an initial period of 12 months. The loan is interest free.

Since 30 June 2016 Coalbank Limited has invested \$1,000,000 in Utilitas Group Pty Ltd in exchange for a 25% interest in the issued capital of Utilitas. As part of the settlement, the loan advance to Utilitas outstanding at 30 June 2016 of \$100,000 was offset against the subscription amount payable.

At the date of this report there are no other matters or circumstances which have arisen since 30 June 2016 that have significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

Note 23 Reconciliation of loss after income tax to net cash outflow from operating activities

	Consolidated	
	2016	2015
	\$	\$
Loss after income tax	(2,471,950)	(4,571,592)
Exploration written off	1,899,625	3,362,485
Depreciation	6,691	7,015
Profit on sale of fixed assets	-	(3,182)
Finance costs:		
Unwinding of issue costs financial liabilities not at fair value through profit or loss	-	96,487
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	4,045	19,258
Increase/(decrease) in trade and other payables	21,583	(28,268)
Net cash outflow from operating activities	<u>(540,006)</u>	<u>(1,117,797)</u>

Note 24 Commitments for expenditure

	Consolidated	
	2016	2015
	\$	\$
Exploration commitments		
Commitments for payments under exploration permits for coal and petroleum in existence at the reporting date but not recognised as liabilities payable is as follows:		
- payable within one year	15,430,000	11,690,000
- payable between one year and five years	24,612,000	27,664,000
	<u>39,742,000</u>	<u>39,354,000</u>

So as to maintain current rights to tenure of various exploration tenements, the Group will be required to outlay amounts in respect of tenement exploration expenditure commitments. These outlays, which arise in relation to granted tenements are noted above. The outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if a tenement is relinquished.

Exploration commitments are calculated on the assumption that each of these tenements will be held for its full term. But, in fact, commitments will decrease materially as exploration advances and ground that is shown to be unprospective is progressively surrendered. Expenditure commitments on prospective ground will be met out of existing funds, joint ventures, farm-outs, and new capital raisings.

Note 25 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b):

Name of entity	Principal Activities	Country of incorporation	Class of shares	Equity holding	
				2016 %	2015 %
Lodestone Coal Pty Limited	Coal exploration	Australia	Ordinary	-	100
Tambo Coal & Gas Pty Limited	Coal exploration	Australia	Ordinary	100	100
Moreton Energy Pty Ltd	Coal exploration	Australia	Ordinary	100	100
Coalbank Qld Pty Ltd	Coal exploration	Australia	Ordinary	100	100
Surat Gas Pty Ltd	Petroleum exploration	Australia	Ordinary	100	100

During the year Lodestone Coal Pty Limited was deregistered.

Note 26 Earnings per share

	2016 Cents	2015 Cents
(a) Basic earnings per share		
From continuing operations attributable to ordinary equity holders of the company	(0.25)	(0.5)
Total basic earnings per share attributable to the ordinary equity holders of the company	<u>(0.25)</u>	<u>(0.5)</u>
(b) Diluted earnings per share		
From continuing operations attributable to ordinary equity holders of the company	(0.25)	(0.5)
Total diluted earnings per share attributable to the ordinary equity holders of the company	<u>(0.25)</u>	<u>(0.5)</u>
	2016 \$	2015 \$
(c) Reconciliation of earnings used in calculating earnings per share		
<i>Basic and diluted earnings per share</i>		
Loss attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share from continuing operations	(2,471,950)	(4,571,592)
	<u>(2,471,950)</u>	<u>(4,571,592)</u>
(d) Weighted average number of shares used as the denominator		
	2016 Number	2015 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	982,051,715	959,942,391
Adjustments for calculation of diluted earnings per share:		
Options	-	-
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	<u>982,051,715</u>	<u>959,942,391</u>
(e) Information concerning the classification of securities		
<i>Options and rights</i>		
There are no options or rights on issue at 30 June 2016.		

Note 27 Contingent liabilities

The Group has a contingent liability with respect to the royalty associated with the petroleum assets acquired with the purchase of Surat Gas Pty Ltd (refer Note 28). The royalty agreement provides that the holder of the royalty is entitled to receive equal to 1% of any Wellhead Value of Petroleum produced on any of the permits currently held.

The liability cannot be calculated at this time as there is no basis on which to determine the potential future liability associated with this royalty.

Note 28 Assets Acquisitions

During the prior year Coalbank acquired 100% of the issued capital of Surat Gas Pty Ltd, a company that holds three petroleum exploration permits in Queensland. Surat Gas Pty Ltd was previously owned by the Group until its sale in December 2012.

The total purchase consideration paid for the acquisition was \$1 plus the assumption of creditors to the value of \$85,639.

Assets and liabilities acquired:

Security deposits	128,297
Trade payables	(213,936)

The assets represent security deposits on the petroleum permits of \$128,297 and included in total liabilities is an amount which was payable to Coalbank for \$128,297 representing Coalbank's right to receive the security deposits if the permits were surrendered.

The acquisition represents purchase of assets, not a business acquisition.

The company also has a liability for a royalty equal to 1% of any Wellhead Value of Petroleum produced on any of the permits currently held. Refer Note 27.

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www.rsm.com.au**INDEPENDENT AUDITOR'S REPORT****TO THE MEMBERS OF****COALBANK LIMITED****Report on the Financial Report**

We have audited the accompanying financial report of Coalbank Limited, which comprises the consolidated balance sheet as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

- (a) the financial report of Coalbank Limited is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3(iii), which indicates that the consolidated entity incurred a loss of \$2,471,950 and had operating net cash outflows of \$540,006 (2015: \$1,117,797) for the financial year ended 30 June 2016 (2015: \$4,571,592). As at that date, the consolidated entity had a working capital shortfall of \$2,769,532 (2015: \$1,899,192). These conditions, along with other matters as set forth in Note 3(iii), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 15 of the directors' report for the financial year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Coalbank Limited for the financial year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.



RSM AUSTRALIA PARTNERS



Albert Loots
Partner

Brisbane, QLD
Dated: 19 September 2016

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SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 15 September 2016.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

<u>Class of equity security</u>	
<u>Ordinary Shares</u>	
1 – 1,000	55
1,001 – 5,000	28
5,001 – 10,000	137
10,001 – 100,000	311
100,001 and over	305
	836

There were 390 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number Held	Percentage (%) of issued shares
BNP Paribas Nominees Pty Ltd	531,906,361	54.16
KAMS Brother Holdings Limited	128,093,700	13.04
Ms Sihol Marito Gultom	28,000,000	2.85
Comsec Nominees Pty Limited	16,632,833	1.69
Group 4 Solutions Pty Ltd	11,635,839	1.18
Leejames Nominees Pty Ltd	11,500,000	1.17
Mr Anthony Bratton	10,621,709	1.08
Mr Trevor Robert Learey	10,585,126	1.08
Mr Nicholas Playford Forgan	9,264,917	0.94
Ianaki Semerdziev	6,025,675	0.61
Ms Gayle Patric Doran	6,000,000	0.61
Square Resources Pty Ltd	5,937,500	0.60
State One Nominees Pty Ltd	5,460,349	0.56
Mr John Andrew Zampaglione	5,000,000	0.51
Campbell Marine Pty Ltd	4,918,346	0.50
Mrs Fiona Mary Learey Bowles	4,104,073	0.42
Oliver Lennox-King	3,750,000	0.38
Mr Craig Sexton & Mrs Loren Sexton	3,635,274	0.37
Tre Pty Ltd	3,600,000	0.37
Mr Gary Clive Gumpf	3,500,000	0.36
	810,171,702	82.50

C. Substantial shareholders

Substantial shareholders as shown in substantial shareholder notices received by the company at 15 September 2016 are:

	Number held	Percentage
Ordinary shares		
Treasure Wheel Global Limited	531,906,361	54.16%
Kam's Brother Holdings Limited	128,093,700	13.04%

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

- (a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- (b) Options
No voting rights.