CELSIUS COAL LIMITED

A.B.N. 95 009 162 949

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2013

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CELSIUS COAL LIMITED
CORPORATE DIRECTORY

DIRECTORS

Alexander Molyneux – Executive Chairman
Alistair Muir – Technical Director
William Oliver - Non Executive Director
Ranko Matic – Non Executive Director

COMPANY SECRETARY

Ranko Matic

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Your Directors present their report together with the half year financial report on the consolidated entity, consisting of Celsius Coal Limited and the entities it controlled at the end of, or during the half-year ended 31 December 2013.

Directors

The Directors in office at the date of this report and at any time during the half-year are as follows.

Alexander Molyneux	Executive Chairman
Alistair Muir	Technical Director
Bill Oliver	Non-Executive Director
Ranko Matic	Non-Executive Director

Review of Operations

Corporate:

The consolidated net loss of the Company after income tax for the six months ended 31 December 2013 amounted to $4,228,520 (December 2012: $1,686,560).

On 6 August, 6 September and 24 October 2013, a total of 15,000,000 options at $0.01 each were exercised providing the company with $150,000 in funds and resulting in the issuing of 15,000,000 shares.

On 24 October 2013, the Company issued 5,000,000 options under their Employee Option plan with an exercise price of $0.02 and expiry date of 24/10/2016.

On 12 December 2013, the Company issued 12,500,000 options to Directors with an exercise price of $0.02 and an expiry date of 12/12/2016, as approved by shareholders at the Annual General Meeting on 13 November 2013.

On 12 December 2013, the Company issued 16,000,000 ordinary shares to Alexander Molyneux upon conversion of his Performance Rights and the second tranche of 25 million Performance Rights (Class B) as per his remuneration package, as approved by shareholders at a General Meeting held 23 January 2013.

On 1 July 2013, the Convertible Note Facility, provided by Blumont, became available. The Convertible Note Facility was advised to the market on ASX release dated 7 February 2013 and advised that the Company would be able to draw between $3 million and $5 million (at the Company's option) after 30 June 2013. The Convertible Notes will carry the interest rate of 12.5% per annum payable half-yearly. The Convertible Notes will be convertible into ordinary shares of Celsius Coal based on the 20-day volume weighted average share price prior to conversion and subject to a floor price of $0.025 per share and a cap of $0.030 per share. Blumont will have the right to call conversion anytime after issuance and the Company will have the right to call conversion anytime from 12-months after issuance, with any conversion subject to the condition that it does not result in a voting interest exceeding 19.90% of Celsius Coal.

On 25 September 2013, the Company made its first drawing under the Convertible Note Facility for $2 million with funds utilised in covering the costs of the exploration program and administrative overheads of the Company. On 5 December 2013, the Company made its second drawing under the Convertible Note Facility for $500,000, with funds utilised in covering administrative and exploration costs.

Exploration Activities:

Kyrgyz Republic Coal Projects

Exploration and Development (Uzgen Basin Coking Coal Project)

At the Company's 80% owned flagship Uzgen Basin Coking Coal Project, the Company has a JORC resource of 255Mt (Inferred), which comprises 230Mt at Kargasha and 25Mt at Kokkia.

The Project is ideally located to supply the expanding steel industry in Xinjiang Province, Western China. Xinjiang Province has been highlighted as a special case for economic development. Kashgar, Xinjiang's second city, has been designated as a new Special Economic Zone as a trade gateway to Central Asia.

During October 2013 the Company completed the 2013 field exploration programme. In January 2014 the Company has received initial coal quality test results for samples from the Kargasha and Kokkia tenements that were sent to SGS laboratories in Novokuznetsk, Russia. Results of these tests are discussed further below, and also in the ASX releases dated 17 and 22 January 2014.

Further detailed metallurgical analysis, including Coke Strength after Reaction (CSR) analysis, is expected to be available in late March or early April 2014. These results will assist the Company with its ongoing mining studies that are currently underway and in discussions with potential off-take partners.

In addition to coal quality testing, desktop studies will focus on interpretation of drilling results, modelling of geology and correlation of coal seams. The company expects to release an updated JORC compliant resource by the end of March 2014.

On 11 February 2014, the Company announced that the licenses for its Kargasha and Kokkia tenements, which together comprise the Uzgen Basin Coking Coal Project, were successfully extended by a meeting of the licensing committee of the Kyrgyz Republic's State Agency for Geology on 16 January 2014. The two licenses have had their expiration dates extended to 31 December 2015.

Further on 5 March 2014, the Company announced that it had signed a non-binding memorandum of understanding ("MOU") with Xinjiang Bayi Iron and Steel Group ("Bayi Steel") and China Minmetals Group ("China Minmetals"). Both of these tier-one Chinese companies have operations in the Chinese province of Xinjiang neighbouring the Kyrgyz Republic.

Bayi Steel is the Xinjiang Division of Baosteel Group, China's second largest and the world's fourth largest steel maker. Bayi Steel is itself the largest producer of steel in Xinjiang and currently has a publicly stated target to increase its steelmaking capacity to 15 million tonnes per annum in 2015.

China Minmetals is a Chinese Government key state-owned enterprise and a Fortune Global 500 company focused on all aspects of the metals and minerals supply-chain. China Minmetals is the largest iron and steel trader in China and its Xinjiang division is a meaningful importer of steel supply chain materials.

The purpose of the MOU is to establish a working arrangement between Celsius, Bayi Steel and China Minmetals, to undertake preliminary investigations for the export, testing and supply of coking coal from Celsius' projects in the Kyrgyz Republic. The commencement for the delivery of the trial

shipments is yet to be agreed, but will occur no earlier than Q2 2014, and will expire on 31 December 2014.

The primary goal of the MOU is to facilitate the trial shipment of small parcels of coking coal, totalling up to 5,000 tonnes, for metallurgical testing by the customers, resolution of transport methods and transport routes, and cross border transfer between the Kyrgyz Republic and China.

Upon successful completion of the primary goal, the MOU covers the potential for long-term supply and purchase arrangements of an estimated 500,000 tonnes of coking coal per annum from 2015 to 2019 to be supplied by Celsius Coal from its Kyrgyz Republic coal properties and shared at a to-be-agreed-upon allocation between Bayi Steel and China Minmetals. Pricing for deliveries beyond the trial stage will be subject to negotiation.

KOKKIA

The 2013 exploration programme included the initial drilling work undertaken by the Company at the Kokkia tenement within the Uzgen Basin Coking Coal Project. The results of the drilling intercepts and coal quality testing results have previously been reported in ASX releases made on 24 October 2013 and 22 January 2014. Please refer to those releases for further details.

Results of the raw coal sample testing on the core from drill holes DDKK0001, DDKK0002, DDKK0003 and DDKK0005 undertaken in the internationally accredited SGS laboratory in Novokuznetsk, Russia, confirm that all drill holes tested from the Kokkia area have returned intercepts with good coking coal potential.

Coking coal potential is demonstrated by the results from Free Swell Index (FSI) coking tests which returned results generally in the range of 7.5 to 9.5, with 60 of 63 coal samples from drill holes DDKK0001, DDKK0002, DDKK0003 & DDKK0005 submitted for FSI tests returning results greater than 4.5, which is generally considered a threshold for coking coals.

All coal samples also show very good thermal characteristics with high GCV^{ad} (air dried gross calorific value), very low inherent moisture (IM), and acceptable total sulphur (TS^{d}). Coking coals with low concentrations of deleterious elements such as phosphorus and total sulphur are preferred by steel producers.

Results from the Kokkia area compared with laboratory results from the Kargasha area consistently show FSI's higher than Kargasha by 1.0 to 1.5 points, and slightly elevated sulphur when compared to Kargasha. Previous wash data for Kargasha though indicated that float/sink testing could reduce sulphur levels, which suggests that coal washing may reduce sulphur levels in the coal. Given the locations of the drill holes (Figure 1) it suggests that the majority of the north of the Kokkia area has coking coal potential and trends suggest that coals to the south of Kokkia will produce similar results.

KARGASHA

The results of the drilling intercepts and coal quality testing results for the 2013 exploration programme for Kargasha have previously been reported in ASX releases made on 24 October 2013 and 17 January 2014. Please refer to those releases for further details.

Results of the raw coal sample testing on the core from drill holes DDTK0008, DDTK0009, DDTK0010 and DDTK0011 undertaken in the internationally accredited SGS laboratory in Novokuznetsk, Russia, confirm that all drill holes tested from the Kargasha area have returned intercepts with good coking coal potential.

Coking coal potential is demonstrated by the results from Free Swell Index (FSI) coking tests which returned results generally in the range of 6.5 to 8.5, with 46 of 49 coal samples from drill holes DDTK0008 to DDTK0011 submitted for FSI tests returning results greater than 4.5, which is generally considered a threshold for coking coals.

As with the results from Kokkia, all coal samples also show very good thermal characteristics with high GCV^{ad} (air dried gross calorific value), very low inherent moisture (IM), and acceptable total sulphur (TS^{d}). Coking coals with low concentrations of deleterious elements such as phosphorus (confirmed in 2012 programme laboratory analysis) and sulphur are preferred by steel producers.

Results from DDTK0008 to DDTK0011 are consistent with the 2012 laboratory results and continue to show a consistently high FSI and a low to moderate total sulphur trend. Given the spacing of the drill holes (Figure 1) it suggests that most of the Kargasha area has coking coal potential.

On-going Testing Program and Mine planning

Samples for DDTK0012, located in the previously untested eastern side of Kargasha where significant coal intercepts have been returned in the recent drilling campaign, are currently undergoing testing at SGS Novokuznetsk laboratory. This will add to the analysis already received from the laboratory for Kargasha drill holes DDTK0008 to DDTK0011, as well as Kokkia drill holes DDKK0001, DDKK0002, DDKK0003 & DDKK0005.

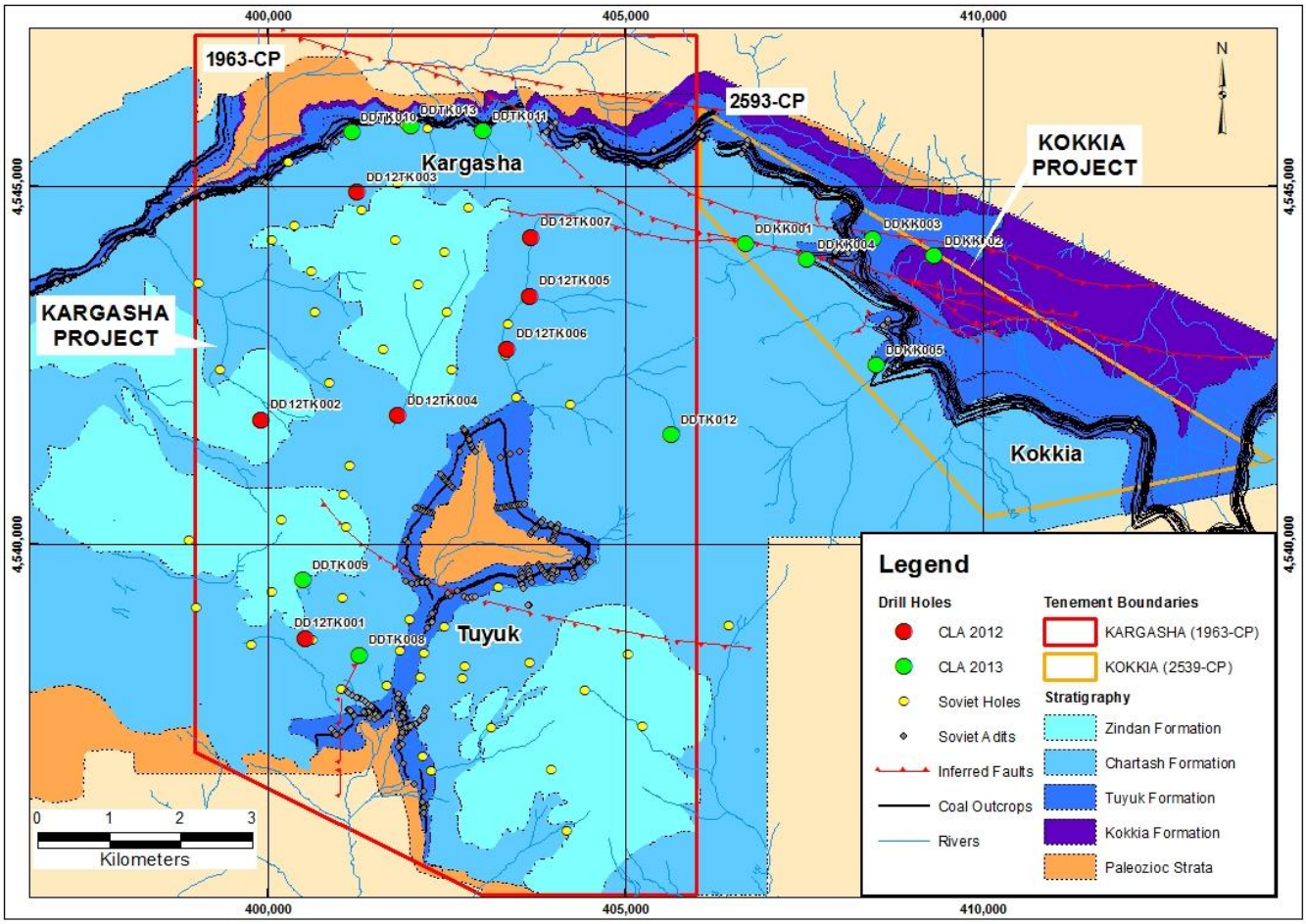
Further, samples for float/sink beneficiation testing on drill holes DDTK0008 to DDTK0011, as well as DDKK0001, DDKK0002, DDKK0003 & DDKK0005 have been identified and testing is underway.

Samples from PQ drill holes DDTK0013 & DDKK0004 have been received at ALS Richlands laboratory in Australia and work has commenced on Coke Strength after Reaction (CSR) analysis.

The Company expects to receive the results from the ongoing test work over the balance of the March and potentially early April 2014. These results will assist the Company with its mining studies that are currently underway and in discussions with potential off-take partners.

To complement the drilling works the Company also collected additional environmental and geotechnical data to be used to further mine plan studies. The mine plan study initiated is a high-level concept study to help define target start-up areas and mining methods. This study is still in progress. In brief the study is considering a combination of open-cut, underground and auger mining methods. The goal of this study is to compare the relative costs and recoveries of different mining methods and to highlight areas of the resource that could be expected to provide the best return for mining operations.

Figure 1: ***Geology Map of Kargasha and Kokkia showing Celsius 2012 & 2013 drilling and historical Soviet-era drilling.***



Mining – Sary Mogol (Alai Range Project)

During the third quarter of 2013 the company decided to idle mine operations at the Sary Mogul site. This decision was taken after efforts to secure sales contracts at positive cash margins were not successful. An internal review determined that there was currently insufficient demand for the coal products from Sary Mogul, which in turn created a negative cash margin for coal sales. As management were unable to determine a future period where this market environment may change to produce a positive economic outcome for Sary Mogul a decision has been made to place the site on care and maintenance and to impair the assets associated with this license. The mine remains on care and maintenance pending further management review.

Infrastructure

Celsius continues to monitor the progress of the Trans-Asia Railway, which is currently anticipated to be completed by the end of 2016. The current mapped route comes within 10 kilometers of Celsius' Uzgen Basin Coking Coal Project (Figure 2) and will connect to the existing Chinese railway network at Kashgar (Kashi) in Xinjiang.

In addition Celsius is also continuing to review the existing transport options available to facilitate coal export prior to completion of the Trans-Asia Railway. For the Uzgen Basin coking coal projects, the

Company has identified a route for export to China via Osh and then the Irkeshtam border crossing between the Kyrgyz Republic and China that uses generally paved and rehabilitated roads (Figure 2). This route is approximately 385km in length and the Company has estimated a transport cost of approximately $10 per tonne to the Kyrgyz Republic-China border utilizing this route. A more detailed transport study will provide more accurate costings and identify potential bottlenecks on the route.

Further, during the fourth quarter of 2013, the Government of the Kyrgyz Republic announced that Chinese funding of US$400m is now available for the construction of the first phase of a new north-south road between the capital of Bishkek and Jalal-Abad near Osh in the south of the country. The road will pass through Kazarman, which was Celsius' operational base for the 2012 exploration season, and will therefore allow easier access to the Company's Kokkia and Kargasha deposits in the Uzgen Basin Coking Coal Project.

The road will ultimately form part of a link between the Kyrgyz Republic, China, Kazakhstan and Russia. This new road infrastructure will open up new markets for Celsius by creating a much shorter and more efficient transport corridor to Bishkek in the north, as well as additional options for transporting coal into the south of the Kyrgyz Republic and into Uzbekistan. In addition, coal once on this new road will be able to link to other existing roads that provide transport options for export via road to Xinjiang Province in China.

Figure 2 – Location of Celsius' projects and export routes including the proposed Trans-Asia Railway and new North – South link road



Min Teke Deposit

During 2013 the company suspended mining operations at the Min Teke deposit. In 2014, the Company has no plans to undertake any further mining activity at Min Teke in the foreceeable future and will instead primarily focus its efforts on development opportunities for the Uzgen Basin Coking Coal Project. As a result the decision has been made to fully impair all exploration assets associated with the Min Teke deposit. The Company will advise if its position on Min Teke changes in the future.

Carnilya Hill Joint Venture

Celsius (through View Nickel Pty Ltd) owns a 30% joint venture interest in the Carnilya Hill Joint Venture in Western Australia with Mincor Resources NL (**Joint Venture**). Mincor Resources NL (**Mincor**, ASX:MCR) is the operator of the Carnilya Hill JV. The tenements covered by the Carnilya Hill Joint Venture (JV) include Mining Licences M26/47, M26/48, M26/49 and M26/453.

The Carnilya Hill site is currently on care and maintenance. The Joint Venture will incur nominal running costs to ensure the site is kept secure, safe and well maintained. Exploration continues on the tenements comprising the Joint Venture, and is managed by Mincor as the Operator of the Joint Venture. Results from exploration programmes will be released as they become available.

West Australian Regional Nickel Exploration

The Company continues to compile all data relevant to E39/1641 and E39/1684 in the Eastern Goldfields region of Western Australia. The tenements are located near to Minara Resources' Murrin Murrin mine and the NiWest operation currently under development by GME Resources Ltd and are believed to have potential for both nickel laterite and nickel sulphide mineralisation. In due course, the Company may consider divesting its nickel interests, either through a partial or outright sale, or by spinning out the assets into a new public vehicle.

Competent Person's Statement

The information in this announcement that relates to resource estimates initially reported to the ASX on 15th March 2013 (Celsius Establishes Maiden JORC Resource at Uzgen Basin) is based on information compiled by Dr Gavin Springbett, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Dr Springbett is acting as a consultant to Celsius Coal Limited and is an employee of G&S Resources. Dr Springbett has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Springbett consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

The information in this report that relates to exploration results initially reported to the ASX on 24th October 2013, 17th January 2014 and 22nd January 2014 is based on information compiled by Mr Alistair Muir, who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Muir is the Technical and Operations Director of Celsius Coal Limited and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr

Muir consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

Further the company confirms it is not aware of any new information, or data which materially affects the original announcement and that all material assumptions and technical parameters underpinning the resource estimates are unchanged. In addition the company confirms that the form and context in which the CP's findings are presented have not been materially modified.

Events after the Balance Sheet Date

On 25 February 2014, the Company made a further drawing under their Convertible Note Facility with the Blumont Group and received $1,000,000 with the funds to be utilised in covering the costs of exploration and administrative overheads of the consolidated entity.

On 5 March 2014, the Company issued 494,850 ordinary shares to Alexander Molyneux, being a shortfall relating to the conversion of the Class A Performance Rights on 12 December 2013.

Other than the above, no other matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is included within this half-year financial report.

This directors' report is signed in accordance with a resolution of the Board of Directors



Alexander Molyneux
Executive Chairman

Dated this 14th day of March 2014

CELSIUS COAL LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Consolidated	
	31 December 2013 $	**31 December 2012 $**
Revenue		
Other income	4,675	43,959
Share of net profits of associate	-	126,362
Employee benefits expense	(1,038,190)	(369,669)
Director fees	(234,365)	(149,583)
Legal and other professional fees	(278,663)	(294,462)
Travel and accommodation	(299,211)	(154,457)
Share based payments	(46,642)	(283,000)
Impairment of exploration assets	(1,497,016)	-
Interest expense	(73,288)	-
Other expenses	(765,820)	(602,900)
Loss before income tax	(4,228,520)	(1,683,750)
Income tax expense	-	(2,810)
Loss for the period	**(4,228,520)**	**(1,686,560)**
Other comprehensive income		
Items that may be reclassified subsequently to operating result		
Foreign currency translation	275,994	57,374
Total comprehensive loss for the period	**(3,952,526)**	**(1,629,186)**
Net loss attributable to:		
Members of parent entity	(3,878,976)	(1,519,899)
Non-controlling interest	(349,544)	(166,661)
	(4,228,520)	(1,686,560)
Total comprehensive loss attributable to:		
Members of the parent entity	(3,585,946)	(1,462,525)
Non-controlling interest	(366,580)	(166,661)
	(3,952,526)	(1,629,186)
Earnings per share:	Cents	Cents
Basic earnings per share	(0.19)	(0.13)
Diluted earnings per share	(0.19)	(0.13)

The accompanying notes form part of this interim financial report.

CELSIUS COAL LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	Consolidated 31 December 2013 $	Consolidated 30 June 2013 $
ASSETS			
Current Assets			
Cash and cash equivalents		461,966	2,339,971
Trade and other receivables		36,666	121,758
Inventories		159,411	157,051
Other assets		67,249	439,054
Total Current Assets		**725,292**	**3,057,834**
Non-Current Assets			
Other non-current assets		484,874	203,928
Property, plant and equipment		478,293	590,635
Exploration and evaluation expenditure		18,683,495	17,151,936
Total Non-Current Assets		**19,646,662**	**17,946,499**
Total Assets		**20,371,954**	**21,004,333**
LIABILITIES			
Current Liabilities			
Trade and other payables		1,347,562	790,529
Total Current Liabilities		**1,347,562**	**790,529**
Non-Current Liabilities			
Borrowings	3	2,573,288	-
Total Non-Current Liabilities		**2,573,288**	**-**
Total Liabilities		**3,920,850**	**790,529**
Net Assets		**16,451,104**	**20,213,804**
EQUITY			
Issued capital	4	23,628,065	23,303,437
Reserves		1,591,699	1,433,471
Accumulated losses		(8,362,046)	(4,483,070)
Parent entity interest		16,857,718	20,253,838
Non-controlling interest		(406,614)	(40,034)
Total Equity		**16,451,104**	**20,213,804**

The accompanying notes form part of this interim financial report.

CELSIUS COAL LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

Consolidated	Issued Capital $	Retained Earnings/ (Accumulated Losses) $	Foreign Currency Translation Reserve $	Equity Based Payments Reserve $	Non-Controlling Interest $	Total $
Balance at 1 July 2012	5,336,646	2,311,192	(13,256)	40,076	-	7,674,658
Loss for the period	-	(1,519,899)	-	-	(166,661)	(1,686,560)
Other comprehensive income	-	-	57,374	-	-	57,374
Total comprehensive loss for the period	-	(1,519,899)	57,374	-	(166,661)	(1,629,186)
Issue of share capital	14,300,000	-	-	-	-	14,300,000
Capital raising costs	(575,870)	-	-	-	-	(575,870)
Share based payments	-	-	-	283,000	-	283,000
Recognition of non-controlling interest on acquisition of subsidiary	-	-	-		156,979	156,979
Balance at 31 December 2012	**19,060,776**	**791,293**	**44,118**	**323,076**	**(9,682)**	**20,209,581**
Balance at 1 July 2013	23,303,437	(4,483,070)	411,293	1,022,178	(40,034)	20,213,804
Loss for the period	-	(3,878,976)	-	-	(349,544)	(4,228,520)
Other comprehensive income / (loss)	-	-	293,030	-	(17,036)	275,994
Total comprehensive loss for the period	-	(3,878,976)	293,030	-	(366,580)	(3,952,526)
Issue of share capital	331,443	-	-	-	-	331,443
Capital raising costs	(6,815)	-	-	-	-	(6,815)
Share based payments	-	-	-	(134,802)	-	(134,802)
Balance at 31 December 2013	**23,628,065**	**(8,362,046)**	**704,323**	**887,376**	**(406,614)**	**16,451,104**

The accompanying notes form part of this interim financial report.

CELSIUS COAL LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Consolidated	
	31 December 2013 $	31 December 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(1,690,770)	(1,569,477)
Payments for exploration and evaluation	(2,766,807)	(3,258,508)
Interest received	4,032	33,948
Receipts from customers	643	20,992
Net cash outflow from operating activities	(4,452,902)	(4,773,045)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from associates	-	319,580
Payments for property, plant and equipment	(68,288)	(382,295)
Net cash outflow from investing activities	(68,288)	(62,715)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	2,500,000	-
Proceeds from share issue	150,000	4,000,000
Payment for capital raising	(6,815)	(275,870)
Net cash inflow from financing activities	2,643,185	3,724,130
Net decrease in cash held	(1,878,005)	(1,111,630)
Cash at the beginning of the financial period	2,339,971	2,494,580
Cash at the end of the financial period	**461,966**	**1,382,950**

The accompanying notes form part of this interim financial report.

1. BASIS OF PREPARATION

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report. It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2013 and any public announcements made by Celsius Coal Ltd during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year financial report has also been prepared on an accruals basis and is based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted in the annual financial report for the year ended 30 June 2013, except as set out below:

New and Revised Accounting Standards and Interpretations

The consolidated entity has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the company's accounting policies. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the consolidated entity.

Going Concern

The half-year financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

As disclosed in the half-year financial report, the consolidated entity incurred a net loss after tax of $4,228,520 and had net cash outflows from operating activities of $4,452,902 and investing activities 68,288 for the half-year ended 31 December 2013. As at that date, the consolidated entity had net current liabilities of $622,270.

The Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the half-year financial report, after consideration of the following factors:

- Subsequent to half-year end, the Company made a drawing under their Convertible Note Facility with Blumont Group and received $1,000,000 for exploration expenses and working capital. There remains an unutilised amount of $1.5 million available for future use (Refer to Note 7).
- The ability of the Company to issue additional equity pursuant to the *Corporation Act 2001*; and
- The consolidated entity has the ability to scale down its operations in order to reduce costs, in the event that any capital raising is delayed or insufficient cash is available, to meet future expenditure commitments.

2. OPERATING SEGMENTS

Identification of Reportable Segment

The consolidated entity operates within two reportable business segments, being mineral exploration and extraction operations in Australia and the Kyrgyz Republic.

Half-Year Ended 31 December 2013	Australia $	Kyrgyz Republic $	Consolidated $
Sales to external customers	-	643	643
Other revenue/income	4,032	-	4,032
Total segment revenue	4,032	643	4,675
Segment result before income tax	(1,525,211)	(2,703,309)	(4,228,520)
Loss before income tax			(4,228,520)
As At 31 December 2013			
Segment assets	11,193,813	9,178,141	20,371,954
Total assets			20,371,954
Segment liabilities	2,895,576	1,025,274	3,920,850
Total liabilities			3,920,850

Half-Year Ended 31 December 2012	Australia $	Kyrgyz Republic $	Consolidated $
Sales to external customers	-	20,992	20,992
Other revenue/income	142,274	7,055	149,329
Total segment revenue	142,274	28,047	170,321
Segment result before income tax	(1,005,977)	(677,773)	(1,683,750)
Loss before income tax			(1,683,750)
As At 31 December 2012			
Segment assets	1,344,889	19,280,513	20,625,402
Total assets			20,625,402
Segment liabilities	265,478	150,343	415,821
Total liabilities			415,821

3. BORROWINGS

This is comprised of Convertible Notes issued to the Blumont Group. The Convertible Notes bears interest at 12.5% per annum, payable half-yearly. The Convertible Notes will be convertible into ordinary shares of the Company, based on the 20-day volume weighted average share price prior to conversion and subject to a floor price of $0.025 per share and a cap of $0.030 per share. Blumont Group will have the right to call conversion any time after issuance and the Company will have the right to call conversion anytime from 12 months after issuance, with any conversion subject to the condition that it does not result in a voting interest exceeding 19.90% of the Company.

4. CONTRIBUTED EQUITY

The changes to contributed equity were as follows:

	Number of Shares	$
At beginning of reporting period	1,979,976,397	23,303,437
Shares issued during the period:		
- 6/8/13 Exercise of options	5,000,000	50,000
- 11/9/13 Exercise of options	5,000,000	50,000
- 24/10/13 Exercise of options	5,000,000	50,000
- 12/12/13 Conversion of Performance Rights	16,000,000	176,000
- 31/12/13 Conversion of Performance Rights	494,850	5,443
Capital raising costs		(6,815)
At reporting date	**2,011,471,247**	**23,628,065**

5. CONTINGENT LIABILITIES

Since the last annual report date, there has been no material changes to any contingent liabilities.

6. DIVIDENDS

No dividends have been paid or provided for during the half-year (2012: nil).

7. EVENTS SUBSEQUENT TO REPORTING DATE

On 25 February 2014, the Company made a further drawing under their Convertible Note Facility with the Blumont Group and received $1,000,000 with the funds to be utilised for exploration expenses and working capital of the consolidated entity.

On 5 March 2014, the Company issued 494,850 ordinary shares to Alexander Molyneux, being the shortfall relating to the conversion of the Class A Performance Rights on 12 December 2013.

Other than the above, no other matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

The directors of the Company declare that:

1. The financial statements and notes, as set out in this half-year financial report:

    a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001; and

    b. give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date.

2. In the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Alexander Molyneux
Executive Chairman

Dated this 14th day of March 2014

RSM Bird Cameron Partners

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
CELSIUS COAL LIMITED

We have reviewed the accompanying half-year financial report of Celsius Coal Limited which comprises the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Celsius Coal Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Celsius Coal Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Celsius Coal Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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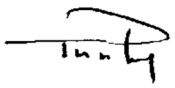

Perth, WA
Dated: 14 March 2014

TUTU PHONG
Partner

RSM Bird Cameron Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Celsius Coal Limited for the half-year ended 31 December 2013, 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 review; and

(ii) any applicable code of professional conduct in relation to the review.

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TUTU PHONG
Partner

Perth, WA
Dated: 14 March 2014

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