CELSIUS COAL LIMITED

A.B.N. 95 009 162 949

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2014

CONTENTS

Corporate Directory	**1**
Directors' Report	**2**
Statement of Profit or Loss and Other Comprehensive Income	**5**
Statement of Financial Position	**6**
Statement of Changes in Equity	**7**
Statement of Cash Flows	**8**
Notes to the Financial Statements	**9**
Directors' Declaration	**13**
Independent Review Report	**14**
Auditor's Independence Declaration	**16**

CELSIUS COAL LIMITED
CORPORATE DIRECTORY

DIRECTORS

William Oliver – Non-Executive Chairman
Ranko Matic – Non-Executive Director
Alistair Muir – 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 2014.

Directors

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

Alexander Molyneux	Non-Executive Chairman (resigned on 10 November 2014)
William Oliver	Non-Executive Director and Chairman
Alistair Muir	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 2014 amounted to $19,580,539 (31 December 2013: $4,228,520).

On 2 July 2014, the Company made a further drawing under their Convertible Note Facility with the Blumont Group and received $100,000 (USD) with the funds utilised for exploration expenses and working capital of the consolidated entity.

On 14 August 2014, the Company issued 227,062,500 ordinary shares under the Share Purchase Plan (SPP). The issue price was $0.0008 per share representing a 20% discount to the 5-day volume weighted average price (VWAP), providing the Company with $181,650 in funds.

On 29 August 2014, the Company issued 18,750,000 ordinary shares under the Share Purchase Plan (SPP). The issue price was $0.0008 per share representing a 20% discount to the 5-day volume weighted average price (VWAP), providing the Company with $15,000 in funds.

On 31 October 2014, 5,000,000 unlisted options exercisable at $0.02 expired.

Alexander Molyneux, the Non-Executive Chairman for Celsius Coal Limited resigned on 10 November 2014 in order to pursue other executive and non-executive opportunities. The role of Chairman was then assumed by current Non-Executive Director, William Oliver.

On 23 December 2014, the Company issued 238,365,922 ordinary fully paid shares at $0.0009 to the Directors in lieu of director fees and salaries owed as per approval received at the Company's Annual General Meeting held on 28 November 2014. The Company also issued 122,393,512 ordinary fully paid shares at $0.0009 to ex-employees in lieu of salaries owed, and issued under the Company's general placement facility.

Exploration:

Kyrgyzstan Coal Projects

The initial coal testing program from the 2013 drilling campaign at the Company's Uzgen Basin Coking Coal Project was completed and reported during the 2014 financial year. As reported at the time this work identified the need for further CSR testing based on the initial results. The Company has suspended further work at the Uzgen Basin Coking Coal Project until its funding position is resolved, and/or alternative decisions are required on these projects.

Celsius has decided not to proceed with any further works at its non-core thermal coal property in Southern Kyrgyz Republic, namely Sary Mogol.

West Australian Nickel Assets

Celsius owns two nickel assets in Western Australia. Celsius (through View Nickel Pty Ltd) owns a 30% joint venture interest in the Carnilya Hill Joint Venture (JV) in Western Australia with Mincor Resources NL. Mincor Resources NL (**Mincor**, ASX: MCR) is the operator of the Carnilya Hill JV. The tenements covered by the Carnilya Hill JV include Mining Licences M26/47, M26/48, M26/49 and M26/453. Additionally the Company has a 100% interest in the Abengo Hill Nickel Project to the south and west of Minara Resources' Murrin Murrin nickel mine. 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.

Celsius initiated a reassessment of its nickel assets earlier in 2014. A data compilation and target generation exercise on its Abengo Hill Project for laterite and sulphide nickel was finalized during the Quarter. Based on this work, the Company is assessing its options for further work on this Project, either resuming exploration activity or seeking to monetize its nickel assets.

Events Subsequent to Reporting Date

On 3 March 2015, the Company converted the outstanding debt and accrued interest owing on the Blumont Group Ltd's Convertible Notes. The Company issued 155,368,852 fully paid ordinary shares at $0.025 to convert the total principal outstanding and issued 21,782,674 fully paid ordinary shares at $0.0275 to convert the accrued interest, as per the Convertible Note Agreement. On 6 March 2015, the Company and Blumont Group Ltd signed a Deed of Termination and Release in respect of the Convertible Note Deed and Subscription Agreement signed between the Company and Blumont Group Ltd. The effect is that the Company will no longer be receiving any further funds from Blumont Group Ltd as previously expected and with the amount outstanding converted into ordinary shares, the Company no longer has any loans payable or borrowings outstanding to Blumont Group Ltd.

On 21 February 2015, 20,000,000 unlisted Class C options exercisable at $0.02 expired.

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 section 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.



William Oliver
Non-Executive Chairman
Dated this 16th day of March 2015

CELSIUS COAL LIMITED
STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Consolidated	
	31 December 2014 $	**31 December 2013 $**
Other income	1,773	4,675
Employee benefits expense	(49,704)	(1,038,190)
Director fees	(190,385)	(234,365)
Legal and other professional fees	(61,658)	(278,663)
Travel and accommodation	(16,370)	(299,211)
Share based payments	133,131	(46,642)
Impairment of exploration assets	(18,503,744)	(1,497,016)
Impairment of other assets	(101,850)	-
Interest expense	(242,504)	(73,288)
Other expenses	(549,228)	(765,820)
Loss before income tax	(19,580,539)	(4,228,520)
Income tax expense	-	-
Loss for the period	**(19,580,539)**	**(4,228,520)**
Other comprehensive income		
Items that may be reclassified subsequently to operating results		
Foreign currency translation	412,137	275,994
Total comprehensive loss for the period	**(19,168,402)**	**(3,952,526)**
Net loss attributable to:		
Members of the parent entity	(19,579,048)	(3,878,976)
Non-controlling interest	(1,491)	(349,544)
	(19,580,539)	(4,228,520)
Total comprehensive loss attributable to:		
Members of the parent entity	(19,166,911)	(3,585,946)
Non-controlling interest	(1,491)	(366,580)
	(19,168,402)	(3,952,526)
Loss per share:	Cents	Cents
Basic loss per share	(0.93)	(0.19)
Diluted loss per share	(0.93)	(0.19)

The accompanying notes form part of this interim financial report.

CELSIUS COAL LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	Consolidated 31 December 2014 $	Consolidated 30 June 2014 $
ASSETS			
Current Assets			
Cash and cash equivalents		18,951	117,231
Trade and other receivables		8,510	44,082
Other assets		-	30,119
Total Current Assets		**27,461**	**191,432**
Non-Current Assets			
Other non-current assets			
Property, plant and equipment		18,623	87,490
Exploration and evaluation expenditure		130,935	18,562,486
Total Non-Current Assets		**149,558**	**18,649,976**
Total Assets		**177,019**	**18,841,408**
LIABILITIES			
Current Liabilities			
Trade and other payables		1,560,003	1,805,233
Borrowings	3	4,384,327	-
Total Current Liabilities		**5,944,330**	**1,805,233**
Non-Current Liabilities			
Borrowings	3	-	3,987,443
Total Non-Current Liabilities		**-**	**3,987,443**
Total Liabilities		**5,944,330**	**5,792,676**
Net (Liabilities)/ Assets		**(5,767,311)**	**13,048,732**
EQUITY			
Issued capital	4	24,110,506	23,625,016
Reserves		1,827,810	1,548,804
Accumulated losses		(31,130,159)	(11,551,111)
Parent entity interest		(5,191,843)	13,622,709
Non-controlling interest		(575,468)	(573,977)
Total Equity		**(5,767,311)**	**13,048,732**

The accompanying notes form part of this interim financial report.

CELSIUS COAL LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Consolidated	Issued Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Equity Based Payments Reserve $	Non-Controlling Interest $	Total $
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	-	-	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**
Balance at 1 July 2014	23,625,016	(11,551,111)	661,428	887,376	(573,977)	13,048,732
Loss for the period	-	(19,579,048)	-	-	(1,491)	(19,580,539)
Other comprehensive income	-	-	412,137	-	-	412,137
Total comprehensive loss for the period	-	(19,579,048)	412,137	-	(1,491)	(19,168,402)
Issue of share capital	521,333	-	-	-	-	521,333
Capital raising costs	(35,843)	-	-	-	-	(35,843)
Share based payments	-	-	-	(133,131)	-	(133,131)
Balance at 31 December 2014	**24,110,506**	**(31,130,159)**	**1,073,565**	**754,245**	**(575,468)**	**(5,767,311)**

The accompanying notes form part of this interim financial report.

CELSIUS COAL LIMITED
STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Consolidated	
	31 December 2014 $	**31 December 2013 $**
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(266,951)	(1,690,770)
Payments for exploration and evaluation	(99,194)	(2,766,807)
Interest received	1,773	4,032
Receipts from customers	-	643
Net cash outflow from operating activities	(364,372)	(4,452,902)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	-	(68,288)
Net cash outflow from investing activities	-	(68,288)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	105,285	2,500,000
Proceeds from share issue	196,650	150,000
Payment for capital raising	(35,843)	(6,815)
Net cash inflow from financing activities	266,092	2,643,185
Net decrease in cash held	(98,280)	(1,878,005)
Cash at the beginning of the financial period	117,231	2,339,971
Cash at the end of the financial period	**18,951**	**461,966**

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 2014 and any public announcements made by Celsius Coal Limited 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 for certain classes of assets and 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 2014, 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 consolidated entity'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 the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the half-year financial report, the consolidated entity incurred a loss of $19,580,539 and had net cash operating outflows of $364,372 for the half-year ended 31 December 2014. As at that date, the consolidated entity had net current liabilities of $5,916,869 and net liabilities of $5,767,311.

The Directors believe that there are reasonable grounds to believe that the consolidated entity will continue as a going concern after consideration of the following factors:

- Subsequent to 31 December 2014, $4,483,245 of the Blumont Convertible Note debt and the corresponding accrued interest were converted into equity;
- The Company has director related payables of $138,276 as at 31 December 2014 and has negotiated with the directors for those payables to be repaid in shares as was done during the half-year;
- The Company is negotiating with other creditors in order to be able to satisfy a significant number of liabilities via share based payments;
- The Company has received written confirmation from an independent stockbroker of their intention to undertake a capital raising where some funds will be applied to satisfy remaining creditors and provide working capital; and
- The ability to scale down its operations in order to curtail expenditure, in the event insufficient cash is available to meet projected expenditures.

1. BASIS OF PREPARATION (Continued)

Accordingly, the Directors believe that the consolidated entity will be able to 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.

If the consolidated entity is not successful in raising additional capital, there is significant uncertainty whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

The half-year financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

2. OPERATING SEGMENTS

Identification of Reportable Segments

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 2014	Australia $	Kyrgyz Republic $	Consolidated $
Sales to external customers	-	-	-
Other revenue	158	1,615	1,773
Total segment revenue	158	1,615	1,773
Segment results before income tax	(512,784)	(19,067,755)	(19,580,539)
Loss before income tax			(19,580,539)
As At 31 December 2014			
Segment assets	177,019	-	177,019
Total assets			177,019
Segment liabilities	4,880,343	1,063,987	5,944,330
Total liabilities			5,994,330

Half-Year Ended 31 December 2013	Australia $	Kyrgyz Republic $	Consolidated $
Sales to external customers	-	643	643
Other revenue	4,032	-	4,032
Total segment revenue	4,032	643	4,675
Segment results before income tax	(1,525,211)	(2,703,309)	(4,228,520)
Loss before income tax			(4,228,520)

2. OPERATING SEGMENTS (continued)

As At 31 December 2013

Segment assets	253,078	20,118,876	20,371,954
Total assets			20,371,954
Segment liabilities	2,895,576	1,025,274	3,920,850
Total liabilities			3,920,850

3. BORROWINGS

This is comprised of Convertible Notes issued to Blumont Group Ltd and interest accrued on these notes.

On 3 March 2015, the Company converted the outstanding debt and accrued interest owing on the Blumont Group Ltd's Convertible Notes. The Company issued 155,368,852 fully paid ordinary shares at $0.025 to convert the total principal outstanding and issued 21,782,674 fully paid ordinary shares at $0.0275 to convert the accrued interest, as per the Convertible Note Agreement. On 6 March 2015, the Company and Blumont Group Ltd signed a Deed of Termination and Release in respect of the Convertible Note Deed and Subscription Agreement signed between the Company and Blumont Group Ltd. The effect is that the Company will no longer be receiving any further funds from Blumont Group Ltd as previously expected and with the amount outstanding converted into ordinary shares, the Company no longer has any loans payable or borrowings outstanding to Blumont Group Ltd.

4. ISSUED CAPITAL

	Number of Shares	$
At the beginning of the reporting period	2,011,471,247	23,625,016
Shares issued during the period:		
- 6/8/14 Shares issued under Share Purchase Plan	227,062,500	181,650
- 29/8/14 Shares issued under Share Purchase Plan	18,750,000	15,000
- 23/12/14 Shares issued to directors and ex-employees	360,759,434	324,683
Capital raising costs	-	(35,843)
At reporting date	**2,618,043,181**	**24,110,506**

5. CONTINGENT LIABILITIES

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

6. DIVIDENDS

No dividends have been paid or provided for during the half-year (2013: nil).

7. EVENTS SUBSEQUENT TO REPORTING DATE

On 3 March 2015, the Company converted the outstanding debt and accrued interest owing on the Blumont Group Ltd's Convertible Notes. The Company issued 155,368,852 fully paid ordinary shares at $0.025 to convert the total principal outstanding and issued 21,782,674 fully paid ordinary shares at $0.0275 to convert the accrued interest, as per the Convertible Note Agreement. On 6 March 2015, the Company and Blumont Group Ltd signed a Deed of Termination and Release in respect of the Convertible Note Deed and Subscription Agreement signed between the Company and Blumont Group Ltd. The effect is that the Company will no longer be receiving any further funds from Blumont Group Ltd as previously expected and with the amount outstanding converted into ordinary shares, the Company no longer has any loans payable or borrowings outstanding to Blumont Group Ltd.

On 21 February 2015, 20,000,000 unlisted Class C options exercisable at $0.02 expired.

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 are in accordance with *Corporations Act 2001* including:

    a. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

    b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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.

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



William Oliver
Non-Executive Chairman
Dated this 16th day of March 2015

RSM Bird Cameron Partners

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

We were engaged to review the accompanying half-year financial report of Celsius Coal Limited which comprises the statement of financial position as at 31 December 2014 and the statement of profit or loss and other comprehensive income, statement of changes in equity and the 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 internal 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 conducting the review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity.* Because of the matter described in the Basis for Disclaimer of Conclusion paragraph, however, we were not able to obtain sufficient appropriate evidence to provide a basis for a review conclusion.

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.

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Major Offices in: Perth, Sydney, Melbourne, Adelaide and Canberra
ABN 36 965 185 036

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Basis for Disclaimer of Conclusion

The consolidated entity includes two wholly-owned controlled entities, Pandj Sher ANK LLC and Baidamar Mining Company LLC, in the Kyrgyz Republic, which had combined net assets of $3,971,936 as at 30 June 2014. The directors of the company have been unable to obtain the financial statements for the half-year ended 31 December 2014 of these wholly-owned controlled entities. We were unable to conduct our required review procedures on these wholly-owned controlled entities for the half-year ended 31 December 2014. As a result, we were unable to obtain sufficient appropriate evidence to provide a basis for a review conclusion. Accordingly we were unable to determine whether any adjustments were necessary in respect of the consolidated entity's share of these wholly-owned controlled entities' assets and liabilities as at 31 December 2014, its share of these wholly-owned controlled entities' income and expenses for the half-year ended 31 December 2014 and the effect of this on the statement of changes in equity and the statement of cash flows.

Disclaimer of Conclusion

Because of the significance of the matter described in the Basis for Disclaimer of Conclusion paragraph, we were unable to, and do not express a conclusion as to whether the half-year financial report of Celsius Coal Limited is 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 2014 and of its performance for the half-year ended on that date; and

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

Emphasis of Matter

We draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a loss of $19,580,539 and had net cash operating outflows of $364,372 for the half-year ended 31 December 2014. As at that date, the consolidated entity had net current liabilities of $5,916,869 and net liabilities of $5,767,311. These conditions, along with other matters as set forth in Note 1, 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.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 16 March 2015

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 2014, 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.

Rsm Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 16 March 2015

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