

Tigers Realm Coal Limited
(ABN 50 146 752 561)

Annual Financial Report
31 December 2010

Tigers Realm Coal Limited
Corporate Directory

DIRECTORS

Antony Manini (Chairman)

Owen Hegarty

Brian Jamieson

Martin Grant (Managing Director)

COMPANY SECRETARY

David Forsyth

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Tigers Realm Coal Limited

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Tigers Realm Coal Limited

Review of operations

For the period ended 31 December 2010

Highlights for the period include the following:

On 8 October 2010, Tigers Realm Coal Limited (the Company) was incorporated in Victoria.

On 13 October 2010, TR Coal International Limited was incorporated in Victoria as a wholly owned subsidiary of the Company, to hold the overseas interests of the Company.

On 23 November 2010, Tigers Realm Minerals Pty Ltd (TRM) undertook the first phase of its proposed restructure and IPO of its coal assets, where it sought shareholder approval at a General Meeting for return of capital.

Shareholders approved this return of capital and subsequently received shares in Tigers Realm Coal Limited (the Company) at \$0.054 per share.

As a result of the restructure, 133.2 million shares in the Company were issued to TRM shareholders and 111 million shares in the Company were issued to TRM.

The coal assets comprise:

- The Bering Basin project involves two areas of interest in the Bering Basin in Chukotka province, Russia. The area of interest we are focused on is the Amaam tenement area of 231 km². The Company currently holds a 40% interest in the project and is aiming for up to an 80% interest. The Company is currently completing a 7,500m drilling program where there is potential to add significant tonnages of coking coal to the existing 65Mt JORC compliant resource.
- The Landazuri project in Colombia involves two projects – Jaguar (earning 60% under an option agreement) and Las Palmas (earning 70% under an option agreement). Both projects are located 200 km NNE of Bogota. Drilling programs are in progress to target a total reserve of +100Mt of hard coking coal and semi soft coal. First production is targeted for 2013 with a progressive scale up of capacity.

Tigers Realm Coal Limited

Directors' report

For the period ended 31 December 2010

The Directors present their report together with the financial report of the Group, being Tigers Realm Coal Limited ("the Company") and its subsidiaries, from incorporation on 8 October 2010 to 31 December 2010 and the auditors' report thereon.

1. Directors

The Directors of the Company at any time during or since the end of the period are:

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Mr Antony Manini Chairperson BSc(Hons), FAusIMM, FSEG	Mr Manini is a geologist and business development executive with over 24 years of mineral exploration, project evaluation and development experience across a broad range of commodities. He is currently Managing Director of TRM, between 2001 and 2009 he was with Oxiana Ltd and OZ Minerals, and prior to that spent 14 years with Rio Tinto. Director since 8 October 2010. He holds no other directorships with ASX listed entities.
Mr Martin Grant Managing Director & CEO MSc, BSc (Hons)	Mr Grant is a Mining Engineer with over 20 years experience in the resources and banking industry. His most recent roles were 7 years in Executive roles with BHP Billiton. Martin joined the Company from BHP Billiton Energy Coal where he was Chief Development Officer. In the 10 years prior he held positions with Goldman Sachs and UBS. Mr Grant was appointed a Director on 7 March 2011. He holds no other directorships with ASX listed entities.
Mr Owen Hegarty Non-Executive Director BEc(Hons), FAusIMM	Mr Hegarty has over 40 years experience in the global mining industry, including 25 years with Rio Tinto plc where he was Managing Director of Rio Tinto Asia and also Managing Director of the Australian copper and gold business. He was the founder and CEO of Oxiana Limited (now OZ Minerals Limited) which grew from a small exploration company to a multi-billion dollar, base and precious metals explorer, developer and producer. Mr Hegarty is Executive Vice Chairman of Hong Kong listed G Resources Group Limited, a gold mining company and Executive Vice Chairman of CST Mining Group Limited, also a Hong Kong listed mining company. He is a Director of the AusIMM, a member of the South Australian Minerals and Petroleum Experts Group, and a Director of the WA based Mining Hall of Fame Foundation. Mr Hegarty is also a Non-Executive Director of Fortescue Metals, appointed in October 2008. He is also Chairman of TRM. Mr Hegarty was appointed a Director on 8 October 2010.
Former directorships in last 3 years (ASX listed entities): Range River Gold Limited (from July 1994 to June 2010), Oz Minerals (resigned as Non-Executive Director in December 2008).	
Mr Brian Jamieson Non-Executive Director FCA	Mr Jamieson was Chief Executive of Minter Ellison Melbourne from 2002 until he retired at the end of 2005. Prior to joining Minter Ellison, he was with KPMG for over 30 years holding the positions of Chief Executive Officer Australia, Managing Partner and Chairman of KPMG Melbourne. He was also a KPMG Board Member in Australia and Asia Pacific and a member of the KPMG USA Management Committee. Mr Jamieson is a fellow of the Institute of Chartered Accountants in Australia. Mr Jamieson was appointed as a Non-Executive Director of the Company on 25 February 2011. Mr Jamieson is a Non-Executive Chairman of Mesoblast Limited, Non-Executive Chairman of Sigma Pharmaceuticals Limited, Non-Executive Director of Tatts Group Limited and Non-Executive Director of Oz Minerals Ltd.
Mr David Forsyth Director FCIS, FCPA	Mr Forsyth has over 40 years experience in the engineering, project development and mining field. His most recent position was with Oxiana Ltd, now Oz Minerals. Here he was Company Secretary and Manager Administration from 1996 to 2008. Mr Forsyth joined TRM as Director and Company Secretary in 2009. Mr Forsyth was appointed a Director of The Company on 8 October 2010 and resigned on 7 March 2011.

Tigers Realm Coal Limited

Directors' report (continued)

For the period ended 31 December 2010

2. Company Secretary

Mr Forsyth was appointed to the position of Company Secretary on 8 October 2010. Mr Forsyth is a qualified accountant and Chartered Secretary and his most recent position was Company Secretary Manager Administration with Oxiana Ltd, now Oz Minerals Ltd.

3. Directors' meetings

During the period 8 October to 31 December 2010, 5 Directors' meetings were held for Tigers Realm Coal Limited. The three Directors, who held office in 2010 being Mr Manini, Mr Hegarty, Mr Forsyth attended these meetings.

4. Principal activities

The principal activity of the Group is the identification, exploration, development and mining of international coal deposits.

5. Operating and financial review

The operating loss after income tax of the Group for the period ended 31 December 2010 was \$585,528. Operating activities incurred a cash inflow from operations for the period of \$nil. The Group had no bank debt. As at 31 December 2010 the Group had a cash position of \$3,934. From the period the Company was restructured on 23 November 2010 until 31 December 2010 the Company was financed by advances from TRM.

6. Significant changes in the state of affairs

Shareholders of TRM, on 23 November 2010, approved the return of capital to enable the restructure and spin off of coal assets. The capital structure of the Company was established with the issue of 244.2 million shares. Tiger Realm Minerals Limited ceased to be the parent entity and became a director related entity on 23 November 2010.

In the opinion of the Directors there were no further significant changes in the state of affairs of the Group during the period ended 31 December 2010.

7. Dividends paid or recommended

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

8. Events subsequent to reporting date

Subsequent to 31 December 2010 the following events have occurred which are items, transactions or events considered of a material or unusual nature, which in the opinion of the Directors of the Company, are likely to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years:

- The Company entered into a Services Agreement with Tiger Realm Minerals Pty Ltd for the provision of services effective from 1 January 2011.
- The Company entered into a Business Development Deed with Tigers Realm Minerals Pty Ltd for the provision of Business Development Services effective from 1 January 2011.
- During the period 18 January to 7 February 2011 the Company issued a total of 36 million shares at 50 cents per share for cash to sophisticated investors. These funds are to be used to cover acquisitions, exploration and working capital.
- On 19 January 2011 a subsidiary entity in Indonesia, PT Tigers Realm Coal Indonesia was established.
- On 1 February 2011 and 7 March 2011 the Company appointed Martin Grant to the role of Chief Executive Officer and Managing Director respectively, and entered into an executive employment agreement with Mr Grant.

Tigers Realm Coal Limited

Directors' report (continued)

For the period ended 31 December 2010

8. Events subsequent to reporting date (continued)

- Tigers Realm Coal Limited (TRC) holds a 40% equity interest in Eastshore Coal Holdings Ltd which owns 100% of Northern Pacific Coal Company (NPCC). As at 31 December 2010 NPCC had a net asset deficiency. TRC has since provided funding of US\$350,000 via Eastshore to return NPCC to a positive net asset position.
- A TRM employee and the two newly appointed TRC Directors were issued options under the Tigers Realm Coal Share Option Plan. The grants and terms of these options are:

Directors	Number of options granted
B.Jamieson	1,000,000
M.Grant	2,500,000
Staff	250,000

All are 5 year options with varying vesting conditions and exercise prices.

- The Company is planning to list on the ASX in 2011 and is in the process of preparing for an IPO to fund the principal operations of the Group over the next two years.
- On 6 May 2011, Tigers Realm Minerals (Cyprus) Pty Ltd ("TR Cyprus"), Eastshore Coal Holding Ltd ("Eastshore"), Bering Coal Investments Ltd ("Bering") and Siberian Tigers International Corporation ("Siberian") executed a series of agreements in relation to the management of Eastshore, CJSC Northern Pacific Coal Company ("NPCC") and the Russian subsoil licenses being the Dalniy Subsoil License (Russian subsoil license numbered AND 13868 TP) and the Zapadny Subsoil License (Russian subsoil license numbered AND 13867 TP). As a result of these agreements TR Cyprus is entitled to appoint the majority of the members of the board of Eastshore (i.e. three out of five), providing it with the power to govern the financial and operating policies of Eastshore so as to obtain the benefits from Eastshore's activities. As a result the Company will be required to consolidate Eastshore and its subsidiary NPCC, from 6 May 2011. Further, two of the agreements may give rise to future royalty obligations for Eastshore as follows:
 - Bering Royalty Agreement:** TR Cyprus currently has a 40% interest in Eastshore and has a right to subscribe for shares equivalent to an additional 40% interest in two tranches subject to achievement of certain milestones, the final milestone being completion of a bankable feasibility study in respect of the area of the Russian Subsoil Licenses or any other subsoil license issued to Eastshore or its controlled subsidiaries ("the Eastshore Group"). If Bering fails to fund its proportion of expenditure after completion of the bankable feasibility study, its remaining 20% shareholding may be diluted in exchange for a maximum royalty of 2% of gross sales revenue from the sale of coal produced from the area of a license held by a member of the Eastshore Group.
 - Siberian Royalty Agreement:** Under this agreement, Siberian is entitled to a royalty of 3% of gross sales revenue from the sale of coal produced from the area of the Zapadny Subsoil License.

The Consolidated Entity will account for the acquisition of control of Eastshore as a business combination effective 6 May 2011. At the date of authorisation of the financial statements, the initial accounting for the business combination is incomplete. In accounting for the business combination, the Consolidated Entity will need to recognise and measure the fair value of the consideration transferred, and the fair value of the assets acquired and liabilities and contingent liabilities assumed at that date.

Under AASB 3 *Business Combinations*, the fair value of the consideration transferred will be measured as;

- the fair value of the Consolidated Entity's existing 40% equity interest in Eastshore at 6 May 2011 (estimated to be in the range of \$22,000,000 to \$39,000,000; and
- the fair value of the option inherent in the Bering Royalty Agreement whereby Bering may choose to fund its proportion of expenditure after completion of the bankable feasibility study or to have its interest diluted in return for a royalty stream (estimated to be in the range of \$1,000,000 to \$10,000,000).

Tigers Realm Coal Limited

Directors' report (continued)

For the period ended 31 December 2010

8. Events subsequent to reporting date (continued)

The Consolidated Entity's existing 40% equity interest in Eastshore has a carrying value of nil and accordingly its re-measurement to fair value as part of the consolidation of the Eastshore group, which as at 6 May 2011 comprised Eastshore and its controlled entity, NPCC, will result in the recognition of a profit in the consolidated financial statements. Additionally the fair value of the assets, liabilities and contingent liabilities of Eastshore and its controlled entity, NPCC the related deferred tax impacts and the non-controlling interest of 60% held by Bering measured as its proportionate interest in the fair value of the identifiable assets of Eastshore and its controlled entity NPCC, will be recognised in the consolidated financial statements. Any excess of the fair value of the consideration transferred over the fair value of the assets acquired and liabilities and contingent liabilities assumed (including related deferred tax impacts), after taking into account the non-controlling interest therein, will be recognised as goodwill. Loan balances receivable from NPCC at 6 May 2011 (equivalent balances at 31 December 2010 are \$12.282 million and \$0.481 million respectively) will be eliminated in the consolidated financial statements as post consolidation of Eastshore and its controlled entity, NPCC, they will be intra-group balances within the Consolidated Entity.

Whilst the Directors have not yet completed the provisional determination of the fair value of the assets acquired and liabilities and contingent liabilities assumed, the net effect of the above transactions is estimated to be an increase in net assets (in the range of \$55,000,000 to \$86,000,000), an increase in retained earnings (in the range of \$22,000,000 to \$39,000,000) and recognition of a non-controlling interest (in the range of \$33,000,000 to \$47,000,000). The majority of the increase in net assets is expected to be attributed to mineral rights (an intangible asset) which will be amortised (as an expense) in the consolidated statement of comprehensive income over the life of the relevant areas of interest from the commencement of commercial production. The mineral rights intangible asset will be subject to impairment testing in accordance with the Consolidated Entity's accounting policy for exploration, evaluation and development assets set out in note 3(e)(i).

Under AASB 3, the final accounting must be completed within 12 months of the date of acquisition. For the purpose of its interim financial statements for the half year ended 30 June 2011 the Consolidated Entity will present provisional fair values of the assets acquired and liabilities and contingent liabilities assumed.

Any movements in the fair value of the option inherent in the Bering Royalty Agreement between 6 May 2011 and its expiry will be recognised in profit or loss.

The royalty payable under the Siberian Royalty Agreement is in substance a "finders fee" payable to Siberian in compensation for originating the project. Accordingly, it will be accounted for as an acquisition related cost under AASB 3 and recognised as an expense in the period incurred. Further, as the royalty is contingent on the sale of coal produced from the area of the Zapadniy Subsoil License, it will not be given accounting recognition until such sales occur or it is subject to early settlement by mutual agreement between the parties.

9. Likely developments

The Group will continue minerals exploration on the tenements in entities in which it has a controlling or significant influence.

The Company is anticipating listing on the ASX during 2011 and as a result a prospectus will be issued as part of the listing process.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

10. Directors' interests

The relevant interest of each Director in the shares or options over such instruments issued by the companies within the Group and other related bodies corporate, at the date of this report is as follows:

	Tigers Realm Coal Limited	
	Ordinary shares	Options over ordinary shares
A. Manini	17,657,183	7,631,000
O. Hegarty	9,934,336	4,315,500
B. Jamieson	-	1,000,000
M. Grant	-	2,500,000

Tigers Realm Coal Limited
Directors' report (continued)
For the period ended 31 December 2010

11. Share options

During the financial period, the following details the options that were issued over ordinary shares in the Company. They total 26,782,300.

There are two categories of options. Category 1 relates to options issued as a result of the Company restructure in November 2010. Category 2 relates to options granted to TRM staff and Directors who had worked on the acquisition of the coal projects prior to their spin off into the Company.

Category 1 – Option Grants Following Restructure

As part of the Company restructure whereby TRM spun out its coal assets to the Company, TRM staff who held options in that Company had these options reconstructed so that neither the recipient nor the Company were worse off after the restructure. An independent adviser reviewed the terms of all options and recommended the new terms as follows.

Each TRM option holder received 0.4631 options in the Company. The exercise price for his/her existing TRM options and new TR Coal options were adjusted to ensure the payment would equal the amount that would have been paid for the TRM options:

Directors	Number of options granted
A Manini	4,631,000
O Hegarty	2,315,500
Staff	9,835,800

All are 5 year options and vest 12 months after the IPO date if the share price is 25% higher than the float price. The exercise price for the options is 7.8 cents and they can only be exercised if the grantee is an employee or Director at the time of vesting.

Category 2 – New Grants

A number of TRM employees and Directors were granted options at the time of restructure. The grants and terms of these options are:

Directors	Number of options granted
A Manini	3,000,000
O Hegarty	2,000,000
Staff	5,000,000

The options have been issued under the Tigers Realm Coal Share Option Plan. All are 5 year options and vest 12 months after the IPO date if the share price is 25% higher than the IPO price. The exercise price of the options is 19.5 cents being a 70% premium to the Company share price at the time of the restructure and they can only be exercised if the grantee is an employee or Director at the time of vesting.

Tigers Realm Coal Limited

Directors' report (continued)

For the period ended 31 December 2010

12. Indemnification and insurance of Officers

The Company provides insurance to cover legal liability and expenses for the Directors and Executive Officers of the Company. The Directors and Officers Liability Insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the Officers in their capacity as Officers. Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

The Company has entered into an agreement with the Directors and certain Officers to indemnify these individuals against any claims and related expenses, which arise as a result of their work in their respective capacities.

The Company has not provided any insurance or indemnity for the auditor of the Company.

13. Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 45 and forms part of the Directors' report for the period ended 31 December 2010.

14. Directors Declaration

The previously issued financial report of the Group for the year ended 31 December 2010 dated 27 May 2011 has been withdrawn and is replaced by this financial report. The revision was necessary as Note 25 has been updated to disclose subsequent events regarding the execution of Agreements which took place on 6 May 2011, as described in the Note. Certain other inconsequential wording adjustments have also been made to note 2 to ensure consistency with the offering of securities.

Dated at Melbourne this 1st day of JULY 2011.

Signed in accordance with a resolution of the Directors:



Antony Manini
Chairperson

Tigers Realm Coal Limited

Statement of financial position

As at 31 December 2010

	Note	Group 2010 \$
Current Assets		
Cash and cash equivalents	10	3,934
Trade and other receivables	11	17,055
Total current assets		<u>20,989</u>
Non-current assets		
Trade and other receivables	11	12,762,892
Investments in equity accounted investees	13	-
Deferred exploration, evaluation and development	12	6,157,319
Total non-current assets		<u>18,920,211</u>
Total assets		<u>18,941,200</u>
Current Liabilities		
Trade and other payables	14	7,441,980
Total current liabilities		<u>7,441,980</u>
Non-current liabilities		
Trade and other payables		-
Deferred tax liabilities	15	61,993
Total non-current liabilities		<u>61,993</u>
Total liabilities		<u>7,503,973</u>
Net assets		<u>11,437,227</u>
Equity		
Share capital	16	13,181,781
Reserves		(1,159,026)
Retained earnings		(585,528)
Total equity		<u>11,437,227</u>

The notes on pages 14 to 41 are an integral part of these financial statements.

Tigers Realm Coal Limited

Statement of comprehensive income

For the period 8 October to 31 December 2010

	Note	Group 2010 \$
Continuing operations		
Other income		-
Exploration and evaluation expenses		(291,573)
Share based payments	17	(75,547)
Administrative expenses		(35,769)
Results from operating activities		(402,889)
Net foreign exchange gain/(loss)	7	(319,508)
Finance income	7	206,644
Finance expense	7	-
Net finance income		(112,864)
Share of loss of equity accounted investees (net of income tax)	13	(7,782)
Loss before income tax		(523,535)
Income tax (expense)/ benefit	8	(61,993)
Loss from continuing operations		(585,528)
Other comprehensive income		
Foreign currency translation differences for foreign operations		(1,234,573)
Total comprehensive loss for the period		(1,820,101)
Loss per share (cents per share)		
-basic loss per share (cents)	9	(0.00)
-diluted loss per share (cents)	9	(0.00)

The notes on pages 14 to 41 are an integral part of these financial statements.

Tigers Realm Coal Limited

Statement of changes in equity

For the period 8 October to 31 December 2010

	<i>Note</i>	Share Capital	Retained Earnings	Share based payments Reserve	Foreign Exchange Reserve	Total Equity
		\$	\$	\$	\$	\$
Balance at 8 October 2010		-	-	-	-	-
Total comprehensive income for the period						
Profit or loss		-	(585,528)	-	-	(585,528)
<i>Other comprehensive income</i>						
Foreign currency translation differences for foreign operations		-	-	-	(1,234,573)	(1,234,573)
Total other comprehensive income		-	-	-	(1,234,573)	(1,234,573)
Total comprehensive income for the period		-	(585,528)	-	(1,234,573)	(1,820,101)
Transactions with owners, recorded directly in equity						
Issue of ordinary shares following incorporation	16	13,181,781	-	-	-	13,181,781
Share based payment transactions	17	-	-	75,547	-	75,547
Total transactions with owners		13,181,781	-	75,547	-	13,257,328
Balance at 31 December 2010		13,181,781	(585,528)	75,547	(1,234,573)	11,437,227

The notes on pages 14 to 41 are an integral part of these financial statements.

Tigers Realm Coal Limited

Statement of cash flows

For the period 8 October to 31 December 2010

	Note	Group 2010 \$
Cash flows from operating activities		
Net cash from (used in) from operating activities	10b	-
Cash flows from investing activities		
Acquisition of other investments	13	(7,782)
Net cash from (used in) investing activities		<u>(7,782)</u>
Cash flows from financing activities		
Loans received from related parties - TRM		11,939,249
Loans made to associated entities		<u>(11,927,533)</u>
Net cash from (used in) financing activities		<u>11,716</u>
Net increase in cash and cash equivalents		3,934
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at 31 December	10	<u>3,934</u>

The notes on pages 14 to 41 are an integral part of these financial statements.

Tigers Realm Coal Limited

Notes to the financial statements

For the financial period ended 31 December 2010

1. Reporting entity

Tigers Realm Coal Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 7, 333 Collins St, Melbourne, 3000. The consolidated financial statements of the Company as at and for the period ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The Group primarily is involved in coal exploration and development. The Company was incorporated on 8 October 2010.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 1 July 2011.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except where stated.

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As at 31 December 2010 the Group had cash and cash equivalents of \$3,934. It had current assets of \$20,989 and current liabilities of \$7,441,980.

During the period ended 31 December 2010 the net loss after tax was \$585,528. This included \$75,547 of share based payments expense.

During the period ended 31 December 2010 the cash inflow from operations was \$nil.

The Directors are satisfied with the Group's current financing position and are of the view that the continued application of the going concern basis is appropriate due to the following factors:

- During the period 18 January 2011 to 7 February 2011 the Company issued a total of 36 million shares at 50 cents per share for cash to sophisticated investors. These funds are to be used to cover acquisitions, exploration and working capital.
- We have received from TRM on 1 July 2011 a letter of financial support indicating TRM will not require repayment of the advance for at least 12 months from the date of the letter if the IPO (refer below) is delayed for at least six months from the expected float date in August 2011. The letter of financial support also indicates that should the IPO not proceed as anticipated TRC can rely on TRM for support.
- In addition, the Company is planning to list on the ASX in 2011 and is in the process of preparing for an IPO.
- The Company has developed alternative plans in the unlikely event the IPO is delayed for up to 12 months. These plans include the scale back of operations to minimum levels required to maintain the exploration assets. Management believes that the financial impact of the IPO not going ahead for 12 months would be able to be financed by an additional short term advance from TRM and/or an issue of shares to sophisticated investors.

Tigers Realm Coal Limited

Notes to the financial statements

For the financial period ended 31 December 2010

2. Basis of preparation (continued)

(b) Basis of measurement (continued)

However, if the IPO does not occur and the Company's alternative plans as described above are not successful, there will be inherent uncertainty as to whether the company and the consolidated entity can continue as going concerns, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report. This report does not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company and consolidated entity not continue as going concerns.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's reporting and functional currency. The functional currency of the international subsidiaries is United States Dollars.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with AASB's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial period and information about critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- note 12 – deferred exploration, evaluation and development
- note 2(c) –functional currency
- note 8 – income tax
- note 11 – recoverability of loans

Tigers Realm Coal Limited

Notes to the financial statements (continued)

For the financial period ended 31 December 2010

3. Significant accounting policies

The accounting policies set out below have been applied consistently for the period presented in these consolidated financial statements, and have been applied consistently by the Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the Group financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Investment in associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the net profit or loss and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date the significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long term investments, is reduced to nil, and the recognition of any further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Jointly controlled operations

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets the group controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Tigers Realm Coal Limited

Notes to the financial statements (continued)

For the financial period ended 31 December 2010

3. Significant accounting policies (continued)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Foreign currency differences are recognised in the statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at reporting date.

The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in the foreign currency translation reserve.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire, or it transfers the financial asset to another party without retaining control or substantially all risks and rewards of ownership of the financial asset. Sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

(a) Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

(c) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services provided to the Group prior to the end of the reporting period and are stated at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

(ii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Tigers Realm Coal Limited

Notes to the financial statements (continued)

For the financial period ended 31 December 2010

3. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

As there is no property, plant and equipment as at 31 December 2010 depreciation rates have not yet been determined.

(e) Intangible assets

(i) Exploration, evaluation and development assets

Exploration, evaluation and development costs, including the costs of acquiring licences, are capitalised as deferred exploration, evaluation and development assets on an area of interest basis.

Exploration, evaluation and development assets are only recognised if the rights to the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration, evaluation and development assets are assessed for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability; and
- facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Expenditure which no longer satisfies the above policy is written off. In addition, a provision is raised against expenditure where the directors are of the opinion that the carried forward net cost may not be recoverable under the above policy. The increase in the provision is charged against the financial performance for the year.

In the event that an area of interest is abandoned any expenditure carried forward in respect of that area is written off in the period in which the decision to abandon is made, firstly against any existing provision for that expenditure, with any remaining balance being charged to earnings.

Expenditure is not carried forward in respect of an area of interest/mineral resource unless the Group's right to tenure to that area of interest is current.

Tigers Realm Coal Limited

Notes to the financial statements (continued)

For the financial period ended 31 December 2010

3. Significant accounting policies (continued)

(f) Impairment

(i) Financial assets (including receivables)

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In 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.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Employee benefits

(i) Share-based payment transactions

Equity-based compensation is recognised as an expense in respect of the services received, or as capitalised exploration expenditure as appropriate.

The fair value of options granted is recognised as an asset or expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees became unconditionally entitled to the options.

Tigers Realm Coal Limited

Notes to the financial statements (continued)

For the financial period ended 31 December 2010

3. Significant accounting policies (continued)

(h) Finance income and finance costs

Finance income comprises interest income on funds loaned to equity accounted investees and funds invested. Interest income is recognised as it accrues in profit and loss, using the effective interest rate method.

Finance costs comprise interest expense on borrowings. Interest expense is recognised as it accrues in profit and loss, using the effective interest rate method.

(i) Income Tax

(i) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(ii) Tax consolidation

The Company has not chosen to implement tax consolidation at this time.

(j) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Tigers Realm Coal Limited

Notes to the financial statements (continued)

For the financial period ended 31 December 2010

3. Significant accounting policies (continued)

(k) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(l) Segment reporting

Determination and presentation of operating segments

The Group determines and presents operating segments based on the information that internally is provided to the Board of Directors, which is at this stage the consolidated entity's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities which incur expenses. An operating segment's expenditures are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment expenditure that is reported to the Board of Directors includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

Segment capital expenditure is the total cost incurred during the period on exploration and to acquire property, plant and equipment.

(m) Restoration and rehabilitation provision

Provisions for the cost of rehabilitation programs are recognised at the time that environmental disturbance occurs (or is acquired). On an ongoing basis, additional disturbances will be recognised as a rehabilitation liability.

(n) Presentation of financial statements

The Group applies revised AASB 101 Presentation of Financial Statements (2007). The Group presents in the consolidated statement of changes in equity all owner changes in equity. All non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Tigers Realm Coal Limited

Notes to the financial statements (continued)

For the financial period ended 31 December 2010

3. Significant accounting policies (continued)

(o) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 December 2010 but have not been applied in preparing this financial report:

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 31 December 2012 or earlier. The Group has not yet determined the potential effect of the standard.
- AASB 24 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Group's 31 December 2012 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 31 December 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issue* [AASB 132] (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory of the Group's 31 December 2011 financial statements, are not expected to have any impact on the financial statements.

Tigers Realm Coal Limited

Notes to the financial statements (continued)

For the financial period ended 31 December 2010

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Trade and other receivables

The fair value, which is determined for disclosure purposes, is calculated based on the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(c) Share-based payment transactions

Equity-based compensation is recognised as an expense in respect of the services received.

The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised at grant date. The fair value is measured using a Monte-Carlo Simulation Model. Measurement inputs include value on measurement date, exercise price of the instrument, expected volatility (based on comparable companies), expected life of the instruments, expected dividends and the risk free interest rate. Service conditions attached to the transactions are not taken into account in determining fair value.

5. Financial risk management

(a) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies and procedures are established with regular monitoring and reporting.

The Group has exposure to the following risks from its operations and use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. For the Group it arises from receivables from equity accounted investees.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. For the Group it arises from payables due to a related party, TRM. Refer to note 2(b).

Tigers Realm Coal Limited

Notes to the financial statements (continued)

For the financial period ended 31 December 2010

5. Financial risk management (continued)

(a) Risk management framework (continued)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. For the Group the currency risk arises from transactions in foreign currencies, predominantly USD. For the Group the interest rate risk arises from the exposure to LIBOR in the receivable relating to receivables from equity accounted investees.

(iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure and from external factors other than credit, liquidity and market risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with the overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of the Group Policies and Code of Conduct.

(b) Capital management

The Company and Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration, evaluation and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, or issue new shares. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities.

The Board has not set a target for employees ownership of the Company's ordinary shares.

The Board has not yet set a debt to capital target for the Group.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6. Segment reporting

During the financial period the Group did not split its business into operating segments. It managed the business as one business unit being the consolidated Group. As a result, there is one reportable segment.

The Board of Directors (the Chief Operating Decision Maker) review internal management reports on at least a monthly basis.

(a) Geographical information

The Group manages its business on a worldwide basis but holds assets in three geographic segments, Europe & Russia, Americas, Australasia.

Tigers Realm Coal Limited

Notes to the financial statements (continued)

For the financial period ended 31 December 2010

7. Finance income and expense

	Group 2010 \$
Net foreign exchange gain/(loss)	(319,508)
Finance income – interest income on receivables	206,644
Finance expense- interest expense	-
Net finance income	<u>(112,864)</u>

8. Income tax expense

Numerical reconciliation between tax expense and pre-tax accounting loss

	Group 2010 \$
Loss for the period before tax	(523,535)
Income tax using the domestic corporation tax rate of 30%	<u>(157,061)</u>
Decrease in income tax expense due to:	-
Effect of tax rates in foreign jurisdictions	-
-Difference in effective tax rate of equity accounted investees	-
Non-deductible expenses-impairment	2,335
Non-deductible expenses-share based payments	22,664
Non-deductible expenses-other	183,324
Change in unrecognised temporary differences	-
Current year tax losses for which no deferred tax asset was recognised	10,731
Total income tax expense (benefit) on pre-tax net profit	<u>61,993</u>

Unrecognised deferred tax assets

	Group 2010 \$
Net deferred tax assets have not been recognised in respect of the following:	
Tax losses	10,731
Total tax assets / (liabilities) not recognised	<u>10,731</u>

The tax losses incurred in Australia do not expire under current tax legislation. In the overseas jurisdictions the tax losses can be carried forward for varying periods. Deferred tax assets have not been recognised for deductible temporary differences or carried forward tax losses because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

Tigers Realm Coal Limited

Notes to the financial statements (continued)

For the financial period ended 31 December 2010

9. Loss per share

	Group 2010 cents
Loss per share	
Basic loss per share – cents	(0.00)
Diluted loss per share – cents	(0.00)

(a) Basic loss per share

The calculation of basic earnings (loss) per share (EPS) at 31 December 2010 was based on the loss attributable to ordinary equity holders of \$585,528 and a weighted average number of ordinary shares outstanding during the period ended 31 December 2010 of 244,200,000.

(b) Diluted loss per share

The calculation of diluted earnings (loss) per share at 31 December 2010 is the same as basic earnings per share. The entity had issued 26,782,300 options over ordinary shares. The options over ordinary shares could potentially dilute basic earnings per share in the future, however they have been excluded from the calculation of diluted earnings per share because they are anti-dilutive for the reporting period.

10a. Cash and cash equivalents

	Group 2010 \$
Bank balances	3,934
Cash and cash equivalents	3,934

All cash and cash equivalents are available for use by the Group.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 18.

10b. Reconciliation of cash flows from operating activities

	Group 2010 \$
Cash flows from operating activities	
Loss for the period after tax	(585,528)
<i>Adjustments for:</i>	
Exploration and evaluation expenditure	291,573
Foreign exchange losses	319,507
Administration expenditure	35,770
Share based payments	75,547
Impairment loss on equity accounted investees	7,782
Interest income	(206,644)
Tax	61,993
Operating loss before changes in working capital and provisions	-
(Increase)/decrease in trade and other receivables	(3,178,092)
(Increase)/decrease in deferred exploration, evaluation and development	(3,537,868)
(Decrease)/increase in trade and other payables	6,715,960
Net cash (used in)/from operating activities	-

Tigers Realm Coal Limited
Notes to the financial statements (continued)
For the financial period ended 31 December 2010

11. Trade and other receivables

	Group 2010 \$
Interest bearing receivables due from related parties-Equity accounted investee	12,762,892
Other receivables	17,055
	<u>12,779,947</u>
Current	17,055
Non-current	<u>12,762,892</u>
	<u>12,779,947</u>

12. Deferred exploration, evaluation and development

	Group 2010 \$
Cost	
Balance at 8 October	-
Capitalised assets received on restructure	(a) 2,619,451
Expenditure incurred	3,537,868
Exploration, evaluation and development	<u>6,157,319</u>
Impairment	-
Exploration expensed	-
Total exploration, evaluation and development at 31 December	<u>6,157,319</u>

(a) The rights to the capitalised costs were acquired from TRM as part of the restructure where TRM spun out its coal assets to the Company on 23 November 2010. The mining rights were assigned to the Company.

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

13. Equity accounted investees

	Group 2010 \$
Investment in equity accounted investee	7,782
Share of losses	<u>(7,782)</u>
	<u>-</u>

Refer to note 23 for summary information of the equity accounted investee.

Tigers Realm Coal Limited
Notes to the financial statements (continued)
For the financial period ended 31 December 2010

14. Trade & other payables

	Group 2010 \$
Payables due to related parties - TRM	7,300,862
Other trade payables and accrued expenses	141,118
	<u>7,441,980</u>
Current	7,441,980
Non-current	-
	<u>7,441,980</u>

15. Deferred Tax Liabilities

	Group 2010 \$
Deferred tax liabilities have been recognised in respect of the following:	
Accrued interest income	61,993
Total tax liabilities recognised	<u>61,993</u>

16. Share capital

(i) Movements in shares on issue:	No of shares	Issue price \$	\$
Issue of ordinary shares	244,200,000	0.054	13,181,781
Closing balance at 31 December 2010			<u>13,181,781</u>

(ii) Movements in options on issue:

There were 26,782,300 options over ordinary shares on issue at 31 December 2010

Tigers Realm Coal Limited

Notes to the financial statements (continued)

For the financial period ended 31 December 2010

17. Share based payments

During the financial period the company created a share option plan, approved by the Board. The Plan provides that the Company may, at the discretion of the Board, grant options over the ordinary shares of the Company to individuals providing services to the Company.

There are two categories of options. Category 1 relates to options issued as a result of the Company restructure in November 2010. Category 2 relates to options granted to TRM staff and Company Directors who had voted on the acquisition of the coal projects prior to their spin off into the Company. The total options issued as at 31 December 2010 were 26,782,300.

Category 1 – Option Grants Following Restructure

As part of the Company restructure whereby TRM spun out its coal assets to the Company, TRM staff who held options in that Company had these options reconstructed so that neither the recipient nor the Company were worse off after the restructure. An independent adviser reviewed the terms of all options and recommended the new terms as follows.

Each TRM option holder received 0.4631 options in the Company. The exercise price for his/her existing TRM options and new TR Coal options were adjusted to ensure the payment would equal the amount that would have been paid for the TRM options.

All are 5 year options and vest 12 months after the IPO date if the share price is 25% higher than the float price. The exercise price for the options is 7.8 cents and they can only be exercised if the grantee is an employee or Director at the time of vesting.

A total of 16,782,300 options were issued.

Category 2 – New Grants

A number of TRM employees and Company Directors were granted options at the time of restructure.

The options have been issued under the Tigers Realm Coal Share Option Plan. All are 5 year options and vest 12 months after the IPO date if the share price is 25% higher than the IPO price. The exercise price of the options is 19.5 cents being a 70% premium to the Company share price at the time of the restructure and they can only be exercised if the grantee is an employee or Director at the time of vesting.

A total of 10,000,000 were issued.

Details of the share options outstanding at 31 December 2010 are detailed below:

	2010
	\$
Balance at the beginning of the year	-
Options granted – 23 November 2010	16,782,300
Options granted – 20 December 2010	10,000,000
Balance at the end of the year	26,782,300
Exercisable at the end of the year	-

Tigers Realm Coal Limited

Notes to the financial statements (continued)

For the financial period ended 31 December 2010

17. Share based payments (continued)

Calculation Methodology

For the calculation methodology used in relation to share options, the independent organisation engaged have utilised the assumptions underlying the Black-Scholes methodology to produce a Monte-Carlo simulation model which allows for the incorporation of the performance hurdles that must be met before the share based payment vests in the holder.

The fair value of services received in return for share based payments granted is based on the fair value of share options granted, measured using a Black Scholes model, with the following inputs:

Valuation Date	25 November 2010	20 December 2010
Share price at valuation date	\$0.115	\$0.115
Assumed IPO date	31 July 2011	31 July 2011
Risk Free Rate	5.27%	5.34%
Dividend Yield	0%	0%
Volatility	60%	60%
Post-vesting Withdrawal Rate	0%	0%
Early exercise Provision	Sell price multiple 2 * Exercise Price	Sell price multiple 2 * Exercise Price

Overall impact of share based payments

For the period ended 31 December 2010	2010 \$
Share options granted – equity settled	75,547
Total expense recognised as a share based payment cost	75,547

Tigers Realm Coal Limited

Notes to the financial statements (continued)

For the financial period ended 31 December 2010

18. Financial instruments

(a) Credit risk

Exposure to credit risk

Management monitors the exposure to credit risk on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group's primary exposure to credit risk relates to its receivable from an equity accounted investee. At reporting date, cash is held with a reputable financial institution. The Company does not require collateral in respect of financial assets.

	Carrying amount 2010
31 December 2010	
Cash and cash equivalents	3,934
Trade and other receivables	12,779,947
	<u>12,783,881</u>

The Group's maximum exposure to credit risk for Trade and other receivables at the reporting date by geographical region was:

	Carrying amount 2010
31 December 2010	
Europe and Russia	12,779,947
	<u>12,779,947</u>

The Group's maximum exposure to credit risk for Trade and other receivables at the reporting date by type of counterparty was:

	Carrying amount 2010
31 December 2010	
Associated entity	12,762,892
	<u>12,762,892</u>

Impairment losses

The ageing of the Group's Trade and other receivables at the reporting date was:

	Gross 2010	Impaired 2010
31 December 2010		
Not past due	12,779,947	-
Past due 0-30 days	-	-
Past due 31-120 days	-	-
Past due 121 days to one year	-	-
More than one year	-	-
	<u>12,779,947</u>	<u>-</u>

Tigers Realm Coal Limited

Notes to the financial statements (continued)

For the financial period ended 31 December 2010

18. Financial instruments (continued)

(b) Liquidity risk

Exposure to liquidity risk

Management monitors the exposure to liquidity risk on an ongoing basis. The Group's exposure to liquidity risk relates to its payable due to related party- to TRM. Refer to note 2(b).

The following are the contractual maturities of financial liabilities.

31 December 2010	Carrying amount	Contractual cashflows	6 mths or less	6-12 mths	1-5 yrs	More than 5 yrs
Non-derivative financial liabilities						
Trade and other payables	7,441,980	7,441,980	321,567	7,120,413	-	-
	<u>7,441,980</u>	<u>7,441,980</u>	<u>321,567</u>	<u>7,120,413</u>	<u>-</u>	<u>-</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(c) Currency risk

Exposure to currency risk

Management monitors the exposure to currency risk on an ongoing basis. The Group's exposure to currency risk relates to its receivable from an equity accounted investee denominated in USD.

The Group's exposure to foreign currency risk was as follows:

	Group
	USD 2010
31 December 2010	
Receivables	<u>13,021,301</u>
Gross exposure	13,021,301
Forward exchange contracts	-
Net exposure	<u>13,021,301</u>

Exchange rates used

The following significant exchange rates applied during the year relative to 1AUD:

	Average rate	Reporting date spot rate
	2010	2010
USD	0.9811	1.0203

Tigers Realm Coal Limited

Notes to the financial statements (continued)

For the financial period ended 31 December 2010

18. Financial instruments (continued)

Sensitivity analysis

A strengthening of the AUD, as indicated below, against the USD at 31 December 2010 would have decreased profit and loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. A weakening of the AUD against the currencies at 31 December 2010 would have had the equal but opposite effect to the amounts shown below, on the basis that all other variables remain constant.

	Group Profit or loss
31 December 2010	
USD (10% strengthening)	(129,945)

(d) Interest rate risk

Exposure to interest rate risk

Management monitors the exposure to interest rate risk on an ongoing basis. The Group's exposure to interest rate risk relates to its receivable from its equity accounted investee linked to Libor. At the reporting date the interest rate profile of the company's and the Group's interest bearing financial instruments was:

	Group 2010
31 December 2010	
Fixed rate instrument	
Financial assets	-
Financial liabilities	-
Variable rate instruments	
Financial assets	10,044,872
Financial liabilities	-
	10,044,872

Interest rates used

The following significant interest rates applied during the year:

	Average rate	Reporting date spot rate
	2010 %	2010 %
LIBOR – 12 month	0.7802	0.7839

Tigers Realm Coal Limited

Notes to the financial statements (continued)

For the financial period ended 31 December 2010

18. Financial instruments (continued)

Sensitivity analysis

An increase in LIBOR, as indicated below, at 31 December 2010 would have increased equity and profit and loss by the amounts shown below. This analysis is based on interest rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular exchange rates, remain constant. A reduction in the LIBOR at 31 December 2010 would have had the equal but opposite effect to the amounts shown below, on the basis that all other variables remain constant.

	Group	
	Equity	Profit or loss
31 December 2010		
LIBOR (2.5% increase)	-	2,009

(e) Fair values

With the exception of those listed in the table below the fair values of financial assets and liabilities are the same as their carrying amounts shown in the statement of financial position.

In AUD	Note	Fair Value	Carrying Value
		2010	2010
Group			
Receivable from equity accounted investees	(a)	1,339,655	1,429,399
Receivable from equity accounted investees	(a)	8,058,905	8,615,474
Receivable from equity accounted investees	(a)	2,331,191	2,236,107

- (a) The fair value amounts in the table above include both the principle and projected interest cash flows, discounted by a risk adjusted interest rate.

Tigers Realm Coal Limited

Notes to the financial statements (continued)

For the financial period ended 31 December 2010

19. Exploration expenditure commitments

There are no commitments as at reporting date.

In order to maintain current rights of tenure to exploration tenements, the Group is required to make option payments and perform minimum exploration work to meet the minimum expenditure requirements. These obligations are expected to be fulfilled in the normal course of operations. Mining interests may be relinquished or joint ventured to reduce this amount. The various Country & State governments have the authority to defer, waive or amend the minimum expenditure requirements.

20. Contingencies

The Directors are of the opinion that provisions are not required and no contingent obligations exist. Mining interests may be relinquished or joint ventured.

Tigers Realm Coal Limited

Notes to the financial statements (continued)

For the financial period ended 31 December 2010

21. Key management personnel disclosures

(a) Identity of related parties

The Group has a related party relationship with its subsidiaries, key management personnel, TRM and Eastshore Coal Holdings Limited (formerly Zinodol Coal Holdings Limited), its equity accounted investee.

Refer to note 22 for the subsidiaries.

The key management personnel of the Group at any time during the reporting period and unless otherwise indicated were the Non-Executive Directors during 2010.

TRM is a related party as TRM is a substantial shareholder of the Company. As the Group transacted with TRM in the reporting period it is considered a related party.

Refer to note 23 for equity accounted investees.

(b) Transactions with key management personnel

The key management personnel received no remuneration or compensation during the period. They participated in the Share Option Scheme and were granted options. Refer to note 17.

(c) Other related party transactions

In AUD	Note	Transactions value period ended 31 December 2010	Balance outstanding as at 31 December 2010
Group			
Intra group receivable/payable	(a)	13,181,781	13,181,781
Intragroup receivable/payable	(b)	8,615,474	8,615,474
Intragroup receivable/payable	(c)	2,236,107	2,236,107
Receivable from equity accounted investee	(d)	1,429,399	1,429,399
Receivable from equity accounted investee	(d)	8,627,409	8,627,409
Receivable from equity accounted investee	(e)	2,224,836	2,224,836
Receivable from equity accounted investee	(f)	481,249	481,249
Trade payable to TRM	(g)	7,120,413	7,120,413
Intragroup interest income/expense	(h)	185,027	185,027
Interest income from equity accounted investee	(i)	196,962	196,962

- (a) Loans were made to a subsidiary for the purchase of the coal assets from TRM. The balance is non-interest bearing and unsecured.
- (b) Loans were made to a subsidiary to on lend to the equity accounted investee to fund its group exploration activities. The balance is interest bearing at Libor plus 3.5% and is unsecured.
- (c) Loans were made to a subsidiary to on lend to the equity accounted investee to fund its group exploration activities. The balance is non-interest bearing for the first three years of the long term loan and is unsecured.
- (d) Loans were made to the equity accounted investee to fund its exploration activities. The balance is interest bearing at Libor plus 4% and is unsecured.
- (e) Loans were made to the equity accounted investee to fund its exploration activities. The balance is non-interest bearing for the first three years of the long term loan and is unsecured.
- (f) This balance relates to recharge of costs under a services agreement. These costs are non-interest bearing.
- (g) The Group has a payable to TRM. This outstanding balance is priced on an arms length basis and is expected to settled in cash within 12 months of the reporting date. These balances are unsecured.
- (h) This relates to interest on the loan described in (b). Interest is payable on maturity.
- (i) This relates to interest on the loan described in (d). Interest is payable on maturity of the loan.

Tigers Realm Coal Limited
Notes to the financial statements (continued)
For the financial period ended 31 December 2010

22. Group entities

Significant subsidiaries

	Country of Incorporation	Date of Incorporation	Ownership Interest 2010
Parent entity			
Tigers Realm Coal Limited	Australia	8 October 2010	
Subsidiaries			
Tigers Realm Coal International Limited	Australia	13 October 2010	100%
TR Coal Holdings Spain SL	Spain	20 October 2010	100%
Tigers Realm Minerals (Cyprus) Pty Ltd	Cyprus	5 August 2010	100%
Tigers Realm Coal Spain, SL	Spain	20 October 2010	100%
Tigers Coal Singapore No. 1 PTE Limited	Singapore	16 August 2010	100%

The Australian Subsidiary has not prepared financial statements to date.

The only international subsidiary required to prepare financial statements is Tigers Realm Minerals (Cyprus) Pty Ltd.

23. Equity accounted investees

During the year the Group acquired 40% interest in Eastshore Coal Holdings Limited (formerly Zinodol Holdings Company Limited), an entity incorporated in Russia.

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:

	Company 2010 A\$
Result of the equity accounted investee	
Loss for the period	(1,712,017)
Other comprehensive income	65,775
Total comprehensive loss for the period	(1,646,242)
Financial position of the equity accounted investee at year end	
Current assets	100,299
Non-current assets	10,561,674
Total assets	10,661,973
Current liabilities	(23,910)
Non-current liabilities	(12,281,643)
Total liabilities	(12,305,553)
Net assets	(1,643,580)
Share capital	2,662
Loss for the period	(1,646,242)
Total equity	(1,643,580)

Tigers Realm Coal Limited

Notes to the financial statements (continued)

For the financial period ended 31 December 2010

24. Parent entity disclosures

As at, and throughout, the period ended 31 December 2010 the parent company of the Group was Tigers Realm Coal Limited.

	Company 2010 \$
Result of the parent entity	
Loss for the period	-
Other comprehensive income	-
Total comprehensive income for the period	-
Financial position of the parent entity at year end	
Current assets	-
Non-current assets	13,181,781
Total assets	13,181,781
Current liabilities	-
Non-current liabilities	-
Total liabilities	-
Net assets	13,181,781
Total equity of the parent entity comprising of:	
Share capital	13,181,781
Loss for the period	-
Total equity	13,181,781

25. Subsequent events

Subsequent to the end of the financial period the following events have occurred:

- The Company entered into a Services Agreement with Tiger Realm Minerals Pty Ltd for the provision of services effective from 1 January 2011.
- The Company entered into a Business Development Deed with Tiger Realm Minerals Pty Ltd for the provision of business development services effective from 1 January 2011.
- During the period 18 January to 7 February 2011 Tigers Realm Coal Limited issued a total of 36 million shares at 50 cents per share to sophisticated investors. These funds are to be used to cover acquisitions, exploration and working capital.
- On 19 January 2011 a subsidiary entity in Indonesia, PT Tigers Realm Coal Indonesia was established.
- On 1 February 2011 and 7 March 2011 the Company appointed Martin Grant to the role of Chief Executive Officer and Managing Director respectively, and entered into an executive employment agreement with Mr Grant.
- Tigers Realm Coal Limited (TRC) holds a 40% equity interest in Eastshore Coal Holdings Limited which owns 100% of Northern Pacific Coal Company (NPCC). As at 31 December 2010, NPCC had a net asset deficiency. TRC has since provided funding of US\$350,000 via Eastshore to return NPCC to a positive net asset position.
- A TRM employee and the two newly appointed TRC Directors were issued options under the Tigers Realm Coal Share Option Plan. The grants and terms of these options are:

Directors	Number of options granted
B.Jamieson	1,000,000
M.Grant	2,500,000
Staff	250,000

All are 5 year options with varying vesting conditions and exercise prices.

- The Company is planning to list on the ASX in 2011 and is in the process of an IPO to fund the principal operations of the Group for the next two years.

Tigers Realm Coal Limited

Notes to the financial statements (continued)

For the financial period ended 31 December 2010

25. Subsequent events (continued)

- On 6 May 2011, Tigers Realm Minerals (Cyprus) Pty Ltd ("TR Cyprus"), Eastshore Coal Holding Ltd ("Eastshore"), Bering Coal Investments Ltd ("Bering") and Siberian Tigers International Corporation ("Siberian") executed a series of agreements in relation to the management of Eastshore, CJSC Northern Pacific Coal Company ("NPCC") and the Russian subsoil licenses being the Dalniy Subsoil License (Russian subsoil license numbered AND 13868 TP) and the Zapadny Subsoil License (Russian subsoil license numbered AND 13867 TP). As a result of these agreements TR Cyprus is entitled to appoint the majority of the members of the board of Eastshore (i.e. three out of five), providing it with the power to govern the financial and operating policies of Eastshore so as to obtain the benefits from Eastshore's activities. As a result the Company will be required to consolidate Eastshore and its subsidiary NPCC, from 6 May 2011. Further, two of the agreements may give rise to future royalty obligations for Eastshore as follows:
 - Bering Royalty Agreement:** TR Cyprus currently has a 40% interest in Eastshore and has a right to subscribe for shares equivalent to an additional 40% interest in two tranches subject to achievement of certain milestones, the final milestone being completion of a bankable feasibility study in respect of the area of the Russian Subsoil Licenses or any other subsoil license issued to Eastshore or its controlled subsidiaries ("the Eastshore Group"). If Bering fails to fund its proportion of expenditure after completion of the bankable feasibility study, its remaining 20% shareholding may be diluted in exchange for a maximum royalty of 2% of gross sales revenue from the sale of coal produced from the area of a license held by a member of the Eastshore Group.
 - Siberian Royalty Agreement:** Under this agreement, Siberian is entitled to a royalty of 3% of gross sales revenue from the sale of coal produced from the area of the Zapadny Subsoil License.

The Consolidated Entity will account for the acquisition of control of Eastshore as a business combination effective 6 May 2011. At the date of authorisation of the financial statements, the initial accounting for the business combination is incomplete. In accounting for the business combination, the Consolidated Entity will need to recognise and measure the fair value of the consideration transferred, and the fair value of the assets acquired and liabilities and contingent liabilities assumed at that date.

Under AASB 3 *Business Combinations*, the fair value of the consideration transferred will be measured as;

- the fair value of the Consolidated Entity's existing 40% equity interest in Eastshore at 6 May 2011 (estimated to be in the range of \$22,000,000 to \$39,000,000; and
- the fair value of the option inherent in the Bering Royalty Agreement whereby Bering may choose to fund its proportion of expenditure after completion of the bankable feasibility study or to have its interest diluted in return for a royalty stream (estimated to be in the range of \$1,000,000 to \$10,000,000).

The Consolidated Entity's existing 40% equity interest in Eastshore has a carrying value of nil and accordingly its re-measurement to fair value as part of the consolidation of the Eastshore group, which as at 6 May 2011 comprised Eastshore and its controlled entity, NPCC, will result in the recognition of a profit in the consolidated financial statements. Additionally the fair value of the assets, liabilities and contingent liabilities of Eastshore and its controlled entity, NPCC the related deferred tax impacts and the non-controlling interest of 60% held by Bering measured as its proportionate interest in the fair value of the identifiable assets of Eastshore and its controlled entity NPCC, will be recognised in the consolidated financial statements. Any excess of the fair value of the consideration transferred over the fair value of the assets acquired and liabilities and contingent liabilities assumed (including related deferred tax impacts), after taking into account the non-controlling interest therein, will be recognised as goodwill. Loan balances receivable from NPCC at 6 May 2011 (equivalent balances at 31 December 2010 are \$12.282 million and \$0.481 million respectively) will be eliminated in the consolidated financial statements as post consolidation of Eastshore and its controlled entity, NPCC, they will be intra-group balances within the Consolidated Entity.

Tigers Realm Coal Limited

Directors' report (continued)

For the period ended 31 December 2010

25. Subsequent events (continued)

Whilst the Directors have not yet completed the provisional determination of the fair value of the assets acquired and liabilities and contingent liabilities assumed, the net effect of the above transactions is estimated to be an increase in net assets (in the range of \$55,000,000 to \$86,000,000), an increase in retained earnings (in the range of \$22,000,000 to \$39,000,000) and recognition of a non-controlling interest (in the range of \$33,000,000 to \$47,000,000). The majority of the increase in net assets is expected to be attributed to mineral rights (an intangible asset) which will be amortised (as an expense) in the consolidated statement of comprehensive income over the life of the relevant areas of interest from the commencement of commercial production. The mineral rights intangible asset will be subject to impairment testing in accordance with the Consolidated Entity's accounting policy for exploration, evaluation and development assets set out in note 3(e)(i).

Under AASB 3, the final accounting must be completed within 12 months of the date of acquisition. For the purpose of its interim financial statements for the half year ended 30 June 2011 the Consolidated Entity will present provisional fair values of the assets acquired and liabilities and contingent liabilities assumed.

Any movements in the fair value of the option inherent in the Bering Royalty Agreement between 6 May 2011 and its expiry will be recognised in profit or loss.

The royalty payable under the Siberian Royalty Agreement is in substance a "finders fee" payable to Siberian in compensation for originating the project. Accordingly, it will be accounted for as an acquisition related cost under AASB 3 and recognised as an expense in the period incurred. Further, as the royalty is contingent on the sale of coal produced from the area of the Zapadny Subsoil License, it will not be given accounting recognition until such sales occur or it is subject to early settlement by mutual agreement between the parties.

26. Auditors' remuneration

	Group 2010
KPMG Australia	\$
Audit services	80,000
Other services	-

27. Directors Declaration

The previously issued financial report of the Group for the year ended 31 December 2010 dated 27 May 2011 has been withdrawn and is replaced by this financial report. The revision was necessary as Note 25 has been updated to disclose subsequent events regarding the execution of Agreements which took place on 6 May 2011, as described in the Note. Certain other inconsequential wording adjustments have also been made to note 2 to ensure consistency with the offering of securities.

Tigers Realm Coal Limited

Directors' declaration

1. In the opinion of the Directors of Tigers Realm Coal Limited ('the Company'):
 - a) the financial statements and notes and the Remuneration report in the Directors' report, set out on pages 5 to 10, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2010 and of their performance, for the financial period ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a);
 - c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial period ended 31 December 2010.

Signed in accordance with a resolution of the Directors:

Dated at Melbourne this 1st day of JULY 2011



Antony Manini
Chairman



Independent auditor's report to the members of Tigers Realm Coal Limited

Report on the financial report

We have audited the accompanying financial report of Tigers Realm Coal Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2010, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 27 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group 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 of the 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 financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group 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 of the financial report that gives a true and fair view 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Other Matters

Without modification to the opinion expressed above, we draw attention to note 27 in the financial statements stating that note 25 of the financial statements has been updated to disclose subsequent events regarding the execution of Agreements on 6 May 2011, as described in the note. Certain other inconsequential wording adjustments have also been made to note 2 to ensure consistency with the offering of securities. This audit report supersedes our previous independent audit report to the members of Tigers Realm Coal Ltd dated 27 May 2011 on the Financial Report for the year ended 31 December 2010 signed and approved by the Directors on 27 May 2011.

KPMG

Michael Bray
Partner

Melbourne

1 July 2011



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Tigers Realm Coal Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the period ended 31 December 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Michael Bray', with a long, sweeping horizontal stroke extending to the right.

Michael Bray
Partner

Melbourne

1 July 2011