



**ALLEGIANCE COAL  
LIMITED**

**ABN 47 149 490 535**

**Annual Report – June, 2013**

# Contents

	<b>Page</b>
Chairman's Letter to Shareholders	1
Review of Operations	2
Review of Projects	3
Directors' Report	16
Auditor's Independence Declaration	25
Corporate Governance	26
Financial Report	34
Statement of Comprehensive Income	35
Statement of Financial Position	36
Statement of Changes in Equity	37
Statement of Cash Flows	38
Notes to the Financial Statements	39
Directors' Declaration	72
Independent Auditor's Report	73
Shareholder Information	75

# Chairman's Letter to Shareholders

Dear Fellow Shareholders

The past year to 30 June, 2013 has been just about the most difficult I have encountered in my fifty one years in the Exploration Industry.

The high dollar, directionless and chaotic Federal Government and little support from State Governments, which when added to the woes of lower metal prices materially affected sentiment and confidence across the junior exploration sector. The major fall in stock prices in all exploration sectors reflected this malaise.

However, the new Federal Government has indicated that tax deductibility for exploration expenditure will be introduced on 1 July, 2014. The nature of this legislation is unknown at this stage – let us hope that the Canadian Flow Through Fund System, which has been in operation for fifty years, will be studied in detail, rather than attempting to re-invent a new system– although I fear the latter.

Allegiance was successful in declaring a 98 million tonne JORC Inferred Resource and an application for a Mining Development Lease was lodged and approved by the Queensland Mines Department. Additional drilling would be expected to increase the Inferred Resource, and thus the future economic viability. Detailed coal quality testing of all seams at the ply level was carried out. This data demonstrated thermal coal suitable for the export market.

At Kilmain, drilling revealed seams of the Rangel Coal Measures. Detailed coal quality analysis has revealed a coking coal fraction of 30%. Work both on the property itself and using data from the surrounding deposits infer a target of 100 million to 200 million tonnes at depths of 300 metres to 480 metres.

At Mount Marrow and Townsville coal has been identified at shallow depths but remains to be fully evaluated.

Significant reductions in administrative and exploration expenditures have been implemented and will remain in force until the sentiment improves.

Finally, Allegiance operates in a cyclical business – much like all others. Thus, providing Federal and State Governments curb their current over-regulation regime, when the demand for commodities improves – **as improve it will!** Gullewa and its affiliates will be ready to exploit the new cycle. Meanwhile, austerity is the catchcry!



Anthony Howland-Rose  
MSc, DIC, FGS, FIMMM, FAusIMM, MAICD, FAIG, CEng  
**Executive Chairman**

# Review of Operations

The following activities were undertaken by Allegiance Coal Limited or its subsidiaries

- Drilling within Back Creek Project (EPC 1297) undertaken throughout the tenement enabled completion of Stage 2 drilling and included the drilling of 27 non-cored holes and 4 partially diamond drill cored holes. A Maiden Resource compliant with the JORC Code of 98Mt Inferred was reported in November 2012. Subsequently an MDL application was lodged for the Back Creek Project in March 2013. The MDL application has been accepted by the Department.
- At Kilmain Project (EPC 1298) the three drill holes in the north of the tenement intersected 3.1m of Castor/Pollux Seam which enabled a target of 100Mt to 200Mt<sup>(1)</sup>. Analysis of the coal cores from the Aries and Castor/Pollux Seams indicated presence of a coking fraction. A data swap with adjacent tenement holder concluded.
- The Mt Marrow tenement in the West Moreton coalfield was granted in January 2013. There is potential to bring this project into production in near term.
- The number of granted exploration tenements is now 14.
- At the Townsville tenement coal seam outcrops were uncovered following extensive study of archival information.
- On 15 January 2013 the company entered into a Farm-Out and JV Agreement with Square Exploration Pty Ltd ("Square"); with respect to EPC 1631 and EPC 1820 and competing/secondary EPC applications 2154, 2634, 2698 and 2899. These tenements are in the Calen Basin which is some 45km north of Mackay.

Under the terms of the Agreement, Square is able to earn up to a 51% interest in the tenements through sole funding of Stage 1 exploration programme expenditure including 3,000 metres of exploration drilling.

Square can earn an additional 24% interest through sole funding of Stage 2 exploration programme expenditure including pre-feasibility study.

Square can earn an additional 15% interest through sole funding of Stage 3 exploration programme expenditure including a feasibility study.

If the Farm-Out proceeds to completion to Stage 3, Allegiance will hold 10% of the joint venture.

- The company continued discussions with neighbours to conclude data swapping arrangements to enhance understanding of the geology of the tenements and to reduce where possible unnecessary exploration costs.
- Attention throughout the year to reducing operating costs led to a new streamlined budget for 2013/2014 and 2014/2015 with increased focus on cost control and cash preservation which were approved in June 2013.
- Investigating additional value creating opportunities where a free carried interest could be created by initiating work on external near term coal projects.

## Safety and Environmental Requirements

There were no lost-time injuries or environmental incidents whilst undertaking field activities associated with tenement inspections, geological investigations and drilling.

### Exploration Target Clarification

(1) All statements pertaining to the Company's exploration target and statements as to the potential quantity and grade made in this Statement are conceptual in nature. There has been insufficient exploration undertaken to date to define a coal resource in accordance with the JORC Code, and it is uncertain if further exploration will result in the definition of a coal resource in accordance with the JORC Code.

### Competent Person Statement

Mr Colin Randall is the Managing Director of Allegiance Coal Limited and is a Fellow of the Australasian Institute of Mining and Metallurgy. He has a minimum of 15 years experience in the field of activity being reported on and is a Competent Person as defined in the JORC Code. This announcement accurately summarises and fairly reports his assessment and where required, has consented to the report in the form and context in which it appears

# Review of Projects



*Plan 1 - Coal Exploration Projects*

Allegiance Coal has, during the year, advanced its two lead projects at Back Creek in the Surat Basin and Kilmain in the Bowen Basin while welcoming the grant of the Mt Marrow tenement.

The Company announced a Maiden JORC Resource of 98Mt Inferred Resource at its Back Creek Project <sup>(1)</sup>.

At Kilmain the target tonnage was raised from 100Mt to a 100Mt to 200Mt range <sup>(2)</sup>.

Field operations on other projects included field mapping at Townsville, surface geophysical studies at Normanby and the drilling of three holes at Connemarra.

### **Back Creek Project (EPC 1297)**

The Back Creek tenement area is located approximately 50km northeast of Miles and 45km southeast of Wandoan in the Surat Basin. The Taroom Measures are the dominant coal bearing formation throughout the tenement. Up to 25 coal plies are grouped into 11 main coal intervals forming 3 coal seams: Auburn, Bulwer and Condamine. The seams vary in thickness up to a maximum of 9.3m although plies are commonly not laterally continuous.

Following completion of Stage 2 drilling, a Maiden Resource compliant with the JORC Code was reported as 98Mt Inferred Resource at Back Creek in November 2012.

Location :	45km south east of Wandoan in the Surat Basin.
Area :	68km <sup>2</sup>
Target :	Low ash thermal coal
Tenement :	EPC 1297
Proximity to Infrastructure :	Planned Surat Basin Rail Line is 20km to the west of the tenement connecting to the Port of Gladstone.

The data package generated from the Company's two stages of drilling, plus the coal quality data generated from Stage 2 coal cores, as well as data from Cockatoo Coal Limited and Stanmore Coal Limited on their adjacent tenements, provided sufficient data to allow the Reporting of an Inferred Resource of 98Mt<sup>(1)</sup> compliant with JORC Code. The Resource Report was prepared by Runge Limited (now RungePincockMinarco Limited, an independent mining advisory and geological consultant group. *See Plan 1.*

The Inferred Resource significantly exceeded the previous target of 60Mt to 80Mt<sup>(2)</sup>.

The posting of the 98Mt JORC Inferred Resource enabled the Company to progress the Project by lodging in March 2013 a Mineral Development Licence Application. *See Plan 2.*

### **Competent Person Statement -----**

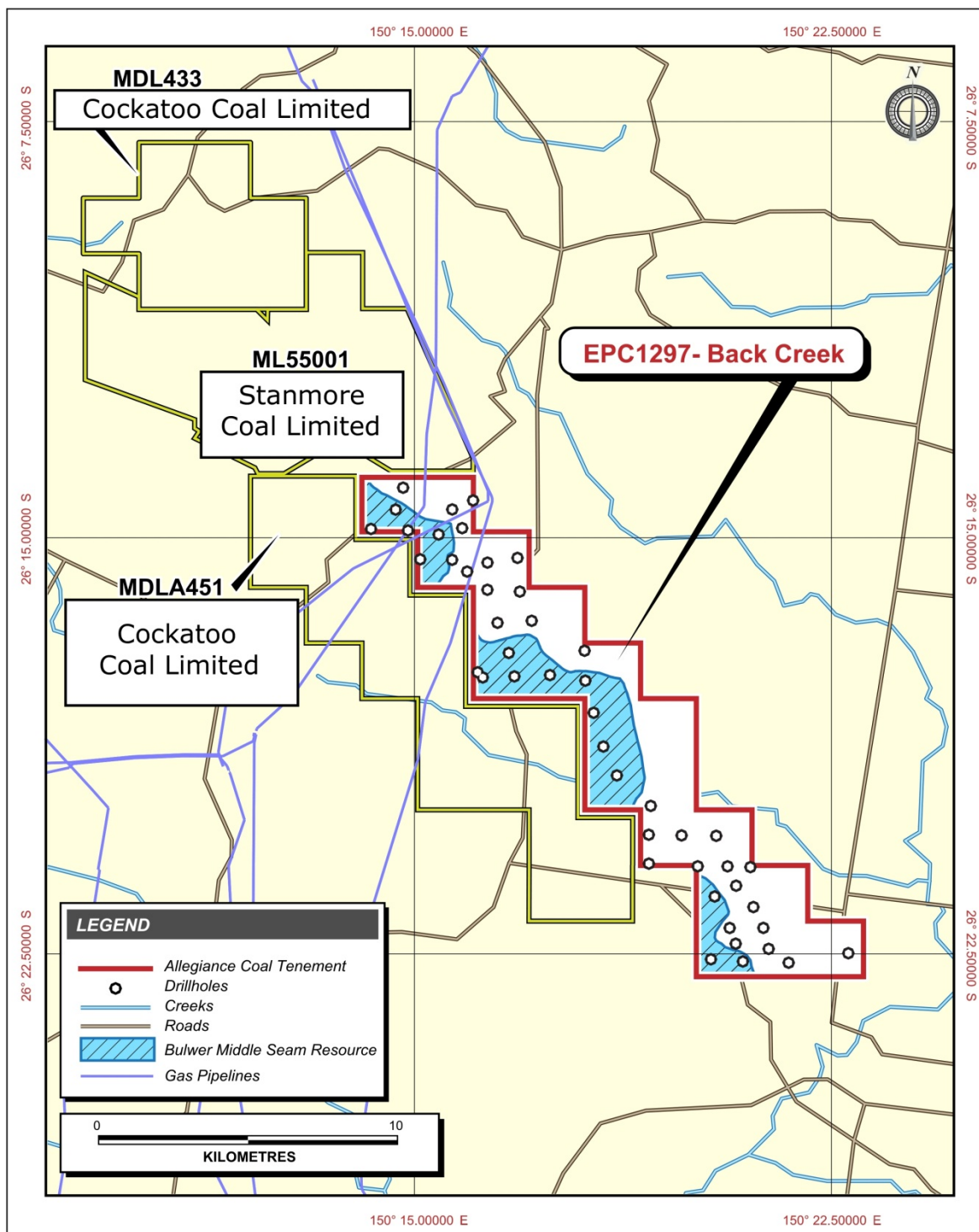
Mr Colin Randall is the Managing Director of Allegiance Coal Limited and is a Fellow of the Australasian Institute of Mining and Metallurgy. He has a minimum of 15 years experience in the field of activity being reported on and is a Competent Person as defined in the JORC Code. This announcement accurately summarises and fairly reports his assessment and where required, has consented to the report in the form and context in which it appears.

### **Exploration Target Clarification**

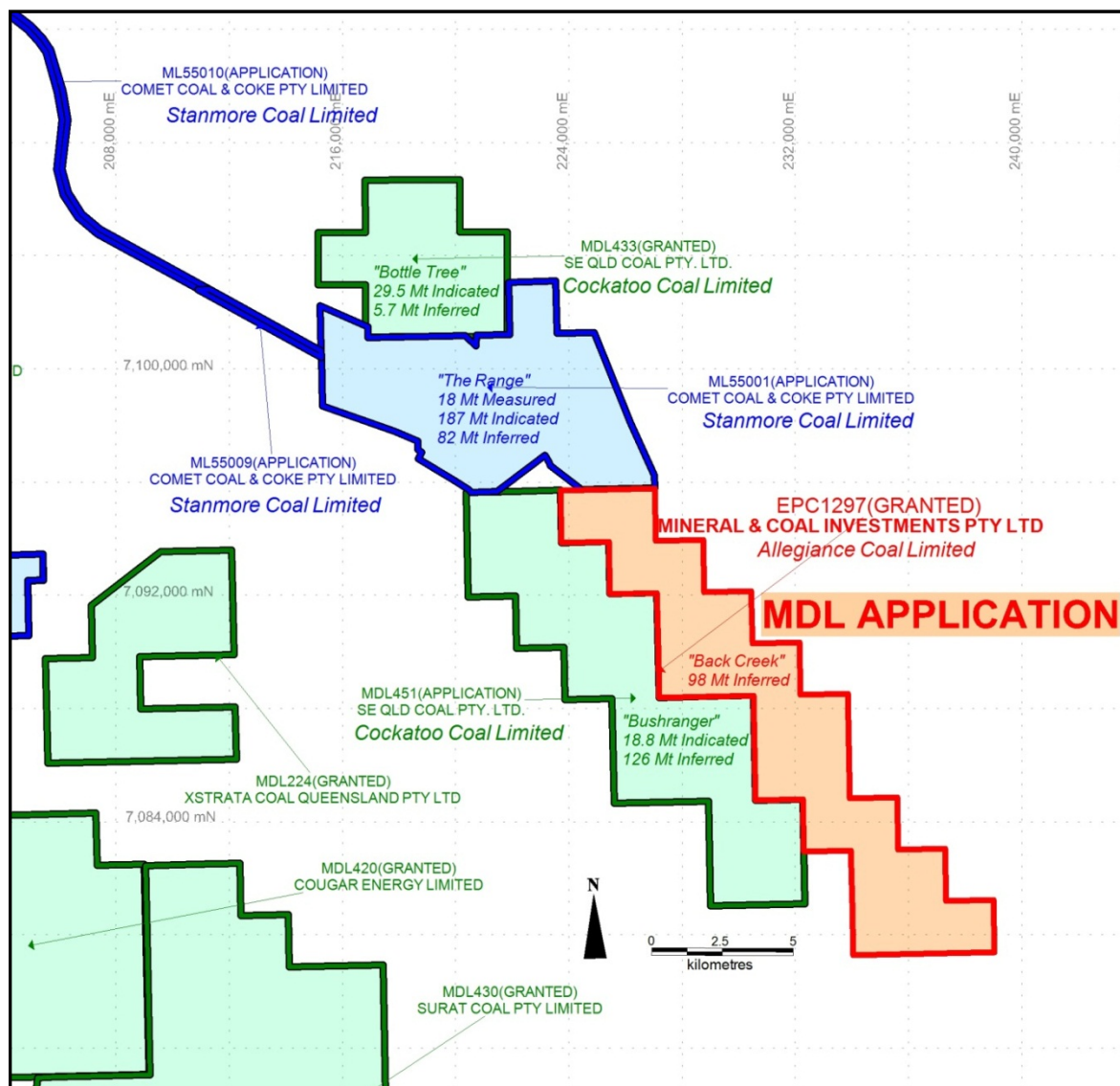
(1) All statements pertaining to the Company's exploration target and statements as to the potential quantity and grade made in this Statement are conceptual in nature. There has been insufficient exploration undertaken to date to define a coal resource in accordance with the JORC Code, and it is uncertain if further exploration will result in the definition of a coal resource in accordance with the JORC Code.

<sup>(2)</sup> [www.stanmorecoal.com.au](http://www.stanmorecoal.com.au)

<sup>(3)</sup> [www.cockatoocoal.com.au](http://www.cockatoocoal.com.au)



**Plan 2 - Back Creek Inferred Resources**



**Plan 3 - Back Creek Project – MDL Application**

Sources of information in Plan 3:

- "Bottle Tree" and "Bushranger" resources are from [www.cockatoocoal.com.au](http://www.cockatoocoal.com.au)
- "The Range" resource is from [www.stanmorecoal.com.au](http://www.stanmorecoal.com.au)
- "Back Creek" resource is from [www.allegiancecoal.com.au](http://www.allegiancecoal.com.au)
- Mt = Million tonnes
- Measured, Indicated and Inferred are resource categories defined by the Joint Ore Reserve Committee (JORC) of the Australasian Institute of Mining and Metallurgy (AusIMM)
- Map projection is Map Grid of Australia Datum 1994, Zone 56



# Drilling Summary - Back Creek EPC 1297

LOCATION (GDA 94 MGA 56)				COAL INFORMATION			
Hole Number	Easting	Northing	Elevation ASL	Total Drilled Depth	Cumulative Seam Thickness	Depth to Base of Coal	Year Drilled
BC001	224000	7095000	365	-	-	-	ND
BC002	224752	7094723	362	99.50	3.10	34.10	<b>2012</b>
BC003	226420	7094696	354.1	100.00	0.45	20.50	2011
BC004	227039	7095012	352.5	76.00	SH		2011
BC005	224000	7094000	370	113.00	9.30	66.70	<b>2012</b>
BC006	225111	7093878	360.6	88.50	3.90	45.80	2011
BC007	226000	7094000	362.2	91.00	1.60	42.60	2011
BC008	226730	7094081	359.5	88.00	SH		2011
BC009	225496	7093012	370.8	100.00	1.16	42.16	2011
BC010	226449	7093019	365.3	100.00	1.96	55.25	2011
BC011	227509	7092950	359.3	82.00	2.34	59.54	2011
BC012	228404	7093129	353.5	52.00	0.86	38.67	2011
BC013	227525	7092045	363.7	100.00	3.02	65.02	2011
BC014	228495	7092007	364.8	31.00	1.49	27.10	2011
BC015	227848	7090951	373.5	64.00	2.28	57.65	2011
BC016	228869	7091042	371.0	34.00	SH		2011
BC017	228207	7089954	358.5	64.00	2.01	47.60	2011
BC017C	228204	7089954	358.6	53.00	2.02	47.50	2011
BC018	230465	7090094	359	31.00	SH		<b>2012</b>
BC019	227445	7089121	366.3	82.00	6.89	69.85	2011
BC019C	227442	7089120	366.4	72.00	7.20	69.90	2011
BC020	228387	7089177	363.8	65.00	2.16	48.42	2011
BC021	229448	7089238	365	107.00	3.55	76.60	<b>2012</b>
BC022	230516	7089084	366	88.00	0.90	37.20	<b>2012</b>
BC023	230788	7088020	375	30.00	SH		<b>2012</b>
BC024	231097	7086902	370	44.00	3.19	36.47	<b>2012</b>
BC026	232500	7086000	350	-	-	-	ND

LOCATION (GDA 94 MGA 56)				COAL INFORMATION			
Hole Number	Easting	Northing	Elevation ASL	Total Drilled Depth	Cumulative Seam Thickness	Depth to Base of Coal	Year Drilled
BC027	231500	7085000	345	-	-	-	ND
BC029	233500	7085000	342	-	-	-	ND
BC030	232510	7083997	350	63.79	3.95	48.35	<b>2012</b>
BC031	233491	7083998	359	63.79	0.97	29.45	<b>2012</b>
BC032	234528	7084012	348	48.79	2.92	34.45	<b>2012</b>
BC033	235500	7084000	342	-	-	-	ND
BC034	232500	7083000	362	68.69	4.66	57.65	<b>2012</b>
BC035	233986	7082987	349	108.79	5.05	48.60	<b>2012</b>
BC035CR	233994	7082979	354	52.98	4.85	48.50	<b>2012</b>
BC036	234500	7083000	352	73.79	3.11	36.60	<b>2012</b>
BC037	235572	7082988	335	58.79	2.80	43.76	<b>2012</b>
BC038	234530	7081978	358	88.79	6.50	64.08	<b>2012</b>
BC038C	234530	7081980	358	127.44	6.32	64.53	<b>2012</b>
BC039	235688	7081663	348	43.79	0	-	<b>2012</b>
BC040	236500	7082000	347	-	-	-	ND
BC041	234986	7080936	359	143.69	8.26	50.98	<b>2012</b>
BC042	235996	7080970	355	58.69	0.76	41.68	<b>2012</b>
BC043	237000	7081000	347	-	-	-	ND
BC044	234451	7079888	378	68.59	5.91	49.23	<b>2012</b>
BC045	235179	7080423	357	103.69	1.33	54.50	<b>2012</b>
BC046	236174	7080279	382	58.79	2.85	51.6	<b>2012</b>
BC047	237500	7080000	347	-	-	-	ND

*All measurements are in metres. ND : Not Drilled, SH : Sterilisation Hole – no coal intersected  
2011 : Phase 1 drilling (surveyed collar) and 2012 : Phase 2 drilling*

### **Kilmain Project (EPC 1298 and 1917)**

The Kilmain tenement is located about 75km southeast of Emerald in the Bowen Basin and is approximately 15km west of the Rolleston rail line that connects to the Port of Gladstone.

Location :	Approximately 300km west of the Port of Gladstone in the Bowen Basin
Area :	56km <sup>2</sup> (8.7km <sup>2</sup> overlaps MDL 340)
Target :	Coking/PCI and low ash thermal coal
Tenements :	EPC 1298 and EPC 1917
Proximity to Infrastructure :	Approximately 15km west of the Rolleston rail line which connects to the port of Gladstone

The project area is located down dip from BHP's Togara South (MDL340) which has total resources of 2.015 billion tonnes<sup>(4)</sup>. To the west, is Bandanna Energy's Arcturus project that has open cut and underground resources of 206.3 million tonnes<sup>(5)</sup>. The planned Arcturus underground mine's eastern longwall blocks are truncated by the western boundary of EPC 1298 Kilmain and show clear potential for the resources to extend well into the Kilmain tenement.

Drilling commenced in mid September 2011 of three partially cored deep holes in the northeast of the tenement. The drilling intersected the 3.1m thick conjoined Castor/Pollux Seam and gave rise to a review of the target for Kilmain from the original 100 to 200 million tonnes<sup>(1)</sup>.

Bottom depths of holes were between 470 and 500m and cored to recover the Aries, Castor, Pollux and Orion Seams from each hole. All coal plies were sampled and analysed with results confirming the potential for washed coking, PCI or low ash thermal coal or an unwashed thermal or PCI coal product.

In one hole coal cores were canistered and gas analysed. Results showing a predominantly methane rich gas with low concentration (less than 4m<sup>3</sup> per tonne). The gas concentrations were considered too low to be of commercial interest by way of pre-drainage prior to mining.

A drilling programme was planned to enable the estimation of an Inferred Resource in accordance with the JORC Code.

To fund the extensive drilling programme, discussions were held with Prospective JV partners on potential involvement in the Kilmain Project. While none of these have come to fruition at this time, discussions are continuing. The presence of coking coal and proximity to existing rail infrastructure are two of the features that interest prospective JV partners.

The decision by Aurizon (ASX : AJZ) to electrify the Rolleston rail line to meet the planned increase in production from Xtrata's Rolleston Mine to the south enhances the Kilmain Project.<sup>(3)</sup>

<sup>1</sup> Aurizon Holdings Limited ASX Announcement 13/04/2013

<sup>1</sup> Exploration Target Clarification

All statements pertaining to the Company's exploration target and statements as to the potential quantity and grade made in this Statement were conceptual in nature. There was insufficient exploration undertaken at that date to define a coal resource in accordance with the JORC Code, and it was uncertain if further exploration would result in the definition of a coal resource in accordance with the JORC Code.

#### **Exploration Target Clarification**

(1) All statements pertaining to the Company's exploration target and statements as to the potential quantity and grade made in this Statement are conceptual in nature. There has been insufficient exploration undertaken to date to define a coal resource in accordance with the JORC Code, and it is uncertain if further exploration will result in the definition of a coal resource in accordance with the JORC Code.

#### **Competent Person Statement**

Mr Colin Randall is the Managing Director of Allegiance Coal Limited and is a Fellow of the Australasian Institute of Mining and Metallurgy. He has a minimum of 15 years experience in the field of activity being reported on and is a Competent Person as defined in the JORC Code. This announcement accurately summarises and fairly reports his assessment and where required, has consented to the report in the form and context in which it appears.

<sup>(4)</sup> [www.bhpbilliton.com](http://www.bhpbilliton.com)

<sup>(5)</sup> [www.bandannaenergy.com.au](http://www.bandannaenergy.com.au)

Following the data swap arrangement with neighbour Bandanna Energy on their Arcturus and Springsure Creek projects, detailed coal quality information has enabled Indicative Typical Coal Specifications to be developed.

- A single high yielding 9% ash thermal coal specification; and
- three specifications from washing of the seam to recover three fractions, 5% ash semi hard coking coal, 9% ash PCI coal and 15% ash thermal coal.

*The Kilmain Project has potential for an underground deposit of coking/PCI/thermal coal within the Rangal Coal Measures and has an initial exploration target of 100Mt to 200Mt of coal.* <sup>(4)</sup>

### **Mt Marrow Project**

The Company was granted EPC 2374, Mt Marrow, on 14 January 2013.

The tenement is located within the West Moreton coalfield west of Ipswich and hosts sequences from the Walloon Coal Measures and the company believes that the project is very significant because :

- It is close to existing rail infrastructure (only 90km from Port of Brisbane);
- Walloon coal is export quality thermal coal with low sulphur and low nitrogen;
- It has potential to become a near term producer;
- It has the potential to be a low capital cost project.

The Mt Marrow Project has potential for open pit shallow thermal coal mines. The coal is suitable for export markets.

Location :	20km west of Ipswich in the West Moreton Basin.
Area :	91km <sup>2</sup>
Target :	Thermal coal
Tenement :	EPC 2374
Proximity to Infrastructure :	Within 5km of existing rail that is then 85km to the Port of Brisbane.

Detailed studies of historic drill hole and coal quality data have been undertaken. Some 200 holes (mainly cored) were drilled in the West Moreton coalfields in the period 1950 – 1962. Over 300 individual coal quality data sets accompanied the detailed core logs. Drill core from some of the deeper sections of the Walloon Coal Measures are retained at the State Core Library in Brisbane in remarkably good condition.

A company geologist studied four of these drill holes on site at the State Core Library where re-logging and proximate sample testing were conducted. Although the drill core is over 50 year old, coal sample assays conducted by a NATA-certified laboratory show little diminution of the coal properties compared to assays conducted by the Government in the 1950's. Selected inter-seam sandstone cores were submitted to certified geotechnical laboratories where they were tested for compression strength, abrasiveness and tensile characteristics. These results are essential for providing data for costing the potential use of a surface miner to extract the overburden and coal.

In addition, the one entire drill hole (which has been quoted as a type-section for the Walloon Coal Measures) was submitted for new technology 'HyLogger' analysis. Output from this technique includes high resolution core photography and multi-spectral mineral scanning data which provides a complete mineralogical (clay) profile of the entire hole. This information will be valuable for coal washing planning.

An Indicative Specification for washed West Moreton Coal has been developed for the Mt Marrow Project.

Based on selective mining of the coal plies, an Indicative Specification for Selectively Mined West Moreton Coal is being developed.

*The Mt Marrow Project EPC 2374 has the potential to be a near term open pit thermal coal mine.*

### Mintovale Project

In December 2010 the Company completed the purchase of Moreton Coal Pty Ltd from Cockatoo Coal. Moreton Coal Pty Ltd is the holder of Mineral Development Licence 138 which hosts the Mintovale Project.

The Mintovale Project has potential for an open pit thermal coal deposit with an identified target of shallow thermal coal suitable for domestic and export markets.

Location : 87km southeast of Brisbane in the Moreton Basin. Within Scenic Rim Council area.  
Area : 244 ha  
Target : Thermal coal  
Tenement : MDL 138  
Proximity to Infrastructure : Approximately 30km west of standard gauge rail into the Port of Brisbane.

In order to advance the project, an inspection was made of a potential rail siding on the main north-south standard guage Australian Rail Track Corporation Ltd (ARTC) controlled rail line near Beaudesert. A subsequent meeting with the ARTC officer responsible for the area discussed the potential for reinstatement of a turn out from the siding to the main line. The potential for transport of coal in containers remains under study.

Meanwhile, the Queensland Government is yet to advise of a mooted ban on future mining within the Scenic Rim Shire.

*Potential exists for Mintovale to be a small open cut direct shipping thermal coal project with transport in containers by road and rail to the Port of Brisbane.*

### Connemarra Project

The Company considers that the Connemarra Project EPC 1296 remains a speculative exploration area.

Location : In the Bowen Basin 345km west of Gladstone.  
Area : 138km<sup>2</sup>  
Target : Thermal Coal  
Tenement : EPC 1296  
Proximity to Infrastructure : The rail line to the Minerva Mine is approximately 21km to the east connecting to the port of Gladstone.

Three drill holes, each to a depth of 120m, were drilled within the Connemarra project area to test for possible open cut depths coal. None of the holes intersected coal.

#### Summary of all Connemarra Drilling by Allegiance Coal

Hole Number	MGA94E Zone 55	MGA94N Zone 55	Elevation ASL	Total Drilled Depth	Year Drilled	Comment
CN004	582747	7338877	272	120	2012	No coal intersected
CN005	579086	7337073	267	120	2012	No coal intersected
CN006	580350	7339921	291	120	2012	No coal intersected

*Notes : All measurements are in metres. Collars were surveyed using a handheld CPS. All holes were drilled vertically.*

The Project is considered suitable for coal at depth and suitable for underground mining. Before deciding on drilling the area additional geological data is required. A data swap with the adjacent tenement holders Yancoal/Sojitz remains under negotiation. Yancoal/Sojitz have the Athena Project to the northeast of Connemarra and had reported an intersection of 5m of coal at underground mining depths.

## Calen Project

The Calen Project has potential for underground and open cut PCI coal deposits.

Location :	25km west of Mackay in the Calen Basin.
Area :	214km <sup>2</sup>
Target :	Low volatile PCI coal
Tenements :	EPCs 1631 and 1820
Proximity to Infrastructure :	The main northern rail line to Mackay is approximately 5km east of the area, connecting to Dalrymple Bay Coal Terminal.

On 15 January 2013 the company entered into a Farm-In and JV Agreement between its wholly owned subsidiary Mineral & Coal Investments Pty Ltd ("MCI") and Square Exploration Pty Ltd ("Square"); with respect to MCI's tenements EPC 1631 and EPC 1820 and competing/secondary EPC applications 2154, 2634, 2698 and 2899. These tenements are in the Calen Basin which is some 45km north of Mackay.

Under the terms of the Agreement, Square is able to earn up to a 51% interest in the tenements through sole funding of Stage 1 exploration programme expenditure including 3,000 metres of exploration drilling.

Square can earn an additional 24% interest through sole funding of Stage 2 exploration programme expenditure including a pre-feasibility study.

Square can earn an additional 15% interest through sole funding of Stage 3 exploration programme expenditure including a feasibility study.

If the Farm-In proceeds to completion of Stage 3, Allegiance will hold 10% of the joint venture.

Detailed planning for exploration was undertaken by Square during the last three months. A shareholder of Square is Japanese coal trader Mitsui Matsushima.

## Lochaber

The Lochaber Project has potential for open pit thermal coal deposits.

Location :	In the southern extension of the Mulgildie Basin 170km south of Gladstone.
Area :	118km <sup>2</sup>
Target :	Thermal coal
Tenement :	EPC 1672
Proximity to Infrastructure :	The rail line connecting to the port of Gladstone via Monto and Maryborough to the east lies within the area. There is future potential for loading in Bundaberg.

An Access agreement concluded with a landowner in the area proposed to involve some 6 holes in the central prospective area. There is an unconfirmed occurrence of coal in a nearby waterbore.

The company is a member of the North Burnett Mineral Group that has been considering transport options for bulk commodities from the North Burnett region.

## **Townsville**

The Townsville Project EPC 1492 and EPC 1617, has potential for open pit and highwall mining.

Location :	Surrounding the city of Townsville in the northern most part of the Bowen Basin.
Area :	696km <sup>2</sup>
Target :	Coking and high rank thermal coal
Tenements :	EPCs 1492 and 1617
Proximity to Infrastructure :	The rail line through the area connects to Abbot Point to the south. There is potential for coal loading in the port of Townsville.

During the period, the company completed some field mapping within its Townsville tenement, EPC 1492, and confirmed the presence of an outcropping 1-metre thick coal seam.

This followed extensive archival investigations into all previous reports of coal occurrences in the region and plotting of their locations and of all historic drill holes on current topographic and cadastral maps.

The exposures of the seam in outcrop and in an adjacent quarry, combined with all of the drill hole information, has provided the company with sufficient data to prepare an application for a Mineral Development Licence, the granting of which would enable subsequent excavation of a bulk sample for testing purposes.

The work within the Townsville project area has proven the Company's low cost exploration approach of making extensive archival searches and research before spending exploration dollars in the field.

## **Pinetree**

The Pinetree Project EPC 1875 has potential for underground coal deposits.

Location :	100km west of Cooktown in the Laura Basin.
Area :	670km <sup>2</sup>
Target :	PCI and high rank thermal Coal
Tenement :	EPC 1875
Proximity to Infrastructure :	There is very limited infrastructure apart from the Peninsula Development Road and Cooktown Development Road between Cooktown and Laura, and the Wongai project 150km north west of Cooktown and 45km north of the project area.

A review of drilling results from historic exploration in areas adjacent to the tenement had enabled definition of target areas within EPC 1875.

Field mapping undertaken earlier in the year has assisted in the interpretation of these results.

Negotiation for an access agreement with the single landowner continued.

Discussions have been held with a number of potential JV partners. Discussion with one group continues.

## **Normanby**

The Normanby Project EPC 1874, has potential for an open pit coal deposit.

Location:	40km southwest of Cooktown in the Hodgkinson Basin.
Area :	267km <sup>2</sup>
Target :	PCI high rank thermal coal/anthracitic coal
Tenement :	EPC 1874
Proximity to Infrastructure :	There is very limited infrastructure apart from the Cooktown Development Road that passes through the area.

Field mapping and surface geophysical surveys undertaken during the year has delineated a structure likely to contain the anthracitic coal.

The potential for delineating a small deposit of anthracite suitable for us as a water filtration medium is the basis of continuing work on the Normanby area. A detailed photo interpretation was undertaken to assist in delineating the edge of the narrow zone of coal measures under cover and the placement of drill holes.

## **Cedar Creek**

The Cedar Creek Project EPC 2309 has potential for an open pit thermal coal deposit.

Location:	30km northwest of Injune in the Surat Basin.
Area :	36km <sup>2</sup>
Target :	Thermal coal
Tenement :	EPC 2278
Proximity to Infrastructure :	A 33kv power transmission line is near the area. There is a rail line at Injune connecting to the Port of Brisbane. There is potential for the rail upgrades including the Surat rail line connecting to the Port of Gladstone.

A review of drilling data from past exploration data was completed and has assisted in the planning of a future drilling program.

The potential for development of a gasification project based on the Cedar Creek deposit and adjacent tenements was progressed during the year. Discussions were held as to the potential for use of the resulting carbon dioxide for stimulating a nearby dwindling oil field. At this time there is no interest and the gasification project will not longer be pursued,

Consideration is now being given as to whether the area should be relinquished.



## **Mobs Creek**

The Mobs Creek Project EPC 2309 has potential for an open pit thermal coal deposit.

Location :	30km east of Dalby in the Surat Basin.
Area :	96km <sup>2</sup>
Target :	Thermal coal
Tenement :	EPC 2309
Proximity to Infrastructure :	20km from the Dalby to Oakey rail line connecting to the Port of Brisbane. There is potential for the rail upgrades including the Surat rail line connecting to the Port of Gladstone.

A literature search has taken place within this tenement. Coal bearing strata have been intersected in adjacent areas at New Acland and Irvingdale.

Potential data swap with adjacent tenement holders was pursued unsuccessfully.

Following the review of available geological and soil data within and adjacent to the Mobs Creek tenement as well as rail transport options, it is now considered that Mobs Creek is of lesser interest than other tenements held by the Company.

Consideration is now being given to relinquishment of the Mobs Creek tenement in favour of funding better placed and more prospective tenements.

## **Pending Applications**

Allegiance has 8 pending applications for coal tenements. Six applications are Competing Applications. In addition, the Company has two Secondary Applications pending.

- EPCA 2182 Lilyvale – lodged 2 August 2010;
- EPCA 2251 Sandy Creek – lodged 1 November 2010;
- EPCA 2281 Dingo – lodged 1 December 2010;
- EPCA 2592 Corsia – lodged 1 June 2011;
- EPCA 2634 Galium – lodged 1 July 2011;
- EPCA 2644 Mayaca – lodged 1 July 2011.

## **Secondary Applications**

The following secondary applications are yet to be determined :

- EPCA 2698 Fleetwood South – lodged 29 July 2011;
- EPCA 2699 Fleetwood East – lodged 29 July 2011.

# Directors' Report

30 June 2013

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Allegiance Coal Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2013.

## Directors

The following persons were directors of Allegiance Coal Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Anthony Howland-Rose - Chairman  
Colin Randall  
David Deitz  
Peter Donkin

## Principal activities

The continuing principal activity of the consolidated entity during the financial year was the acquisition and exploration of coal tenements.

## Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

## Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,555,474 (30 June 2012: \$1,663,284).

### *Back Creek*

Stage 2 drilling of 27 non-cored holes and 4 partially diamond drill cored holes was completed. A Maiden Resource compliant with the JORC Code of 98 Mt Inferred was reported in November 2012 for the Back Creek Project. Subsequently an MDL application was lodged for the Back Creek Project in March 2013 and has been accepted by the Department.

### *Mount Marrow*

The Mount Marrow tenement in the West Moreton coalfield was granted in January 2013.

### *Townsville*

Following extensive study of archival information, coal seam outcrops were uncovered within the Townsville tenement in May 2013.

The company is investigating additional value creating opportunities where a free carried interest could be created by initiating work on external near term coal projects.

Attention throughout the year to reducing operating costs lead to a new reduced cost budget for 2013/2014 and 2014/2015 with increased focus on cost control and cash preservation were approved by the board of directors in June 2013.

## Significant changes in the state of affairs

On 15 January 2013 the company, through its wholly owned subsidiary Mineral & Coal Investments Pty Ltd ('MCI'), entered into a Farm-In and Joint Venture Agreement with Square Exploration Pty Ltd ('Square'); with respect to MCI's tenements EPC 1631 and EPC 1820 and competing/secondary EPC applications 2154, 2634, 2698 and 2899. These tenements are in the Calen Basin which is some 45km north of Mackay.

Under the terms of the Agreement, Square is able to earn up to a 51% interest in the tenements through sole funding of Stage 1 exploration program expenditure including 3,000 metres of exploration drilling.

Square can earn an additional 24% interest through sole funding of Stage 2 exploration program expenditure including a pre-feasibility study.

## Directors' Report

Square can earn an additional 15% interest through sole funding of Stage 3 exploration program expenditure including a feasibility study.

If the Farm-In proceeds to completion of Stage 3, Allegiance will hold 10% of the joint venture.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

### Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

### Likely developments and expected results of operations

The consolidated entity will be limiting all exploration until confidence has picked up in the sector and the market price of coal has recovered to a level where exploration becomes viable again.

### Environmental regulation

The consolidated entity is subject to and compliant with all aspects of environmental regulations of its exploration activities. Management are not aware of any environmental law that has not been complied with.

### Information on directors

Name:	Anthony Howland-Rose
Title:	Executive Director and Chairman
Qualifications:	MSc, DIC, FGS, FIMMM, FAusIMM, MAICD, FAIG, Ceng
Experience and expertise:	Anthony has over 49 years' experience in exploration, discovery, development and corporate activity worldwide in the junior exploration sector. He has been involved in a number of mineral discoveries, the most recent of which was the Avebury Nickel Project for which he was co-recipient of the Association of Mining and Exploration Companies Prospector of the Year Award in 2007. Anthony, for the years 1996 to 2008 as a Director and Chairman of Allegiance Mining NL, together with David Deitz, presided over the discovery, drill out, financing and building of the \$180 million Avebury Nickel Mine and processing facility. Allegiance Mining NL was acquired by a hostile takeover by Zinifex Limited in 2008 for approximately \$860 million.
Other current directorships:	Executive Chairman of Gullewa Limited (ASX: GUL) and Director of Central Iron Ore Limited, listed on the Toronto Stock Exchange - Venture
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	500,000 ordinary shares held directly (756,667 ordinary shares held indirectly)
Interests in options:	1,200,000 options over ordinary shares held directly (244,222 options over ordinary shares held indirectly)

## Directors' Report

Name:	Colin Randall
Title:	Executive Managing Director
Qualifications:	BEng (Mining), FAusIMM
Experience and expertise:	Colin is a mining engineer with over 40 years' experience in most facets of the coal mining industries of New South Wales and Queensland. He has been involved in the operating, exploring, developing and financing of coalmines in both states. He was involved in the management of the Ravensworth No. 2, Warkworth and Bayswater open cut coalmines in the Hunter Valley. He was General Manager of the Bayswater Colliery Co Pty Ltd and was Chief Executive of Wambo Mining Corporation Pty Limited, at which time he undertook the marketing of coal into Japan and other parts of Asia. In mine development, he was the Project Manager for the exploration, planning, design and construction of the Warkworth Mine and was its first Mine Manager. Involvement in coal exploration includes Chairman of Curlewis Coal & Coke Pty Limited, Booyan Coal Pty Limited, Comet Coal & Coke Pty Limited (sold to Stanmore Coal Pty Limited) and then Director of Hydro-Mining Australia Pty Limited and Mineral and Coal Investments Pty Limited, with coal exploration activities in New South Wales and Queensland.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	No ordinary shares held directly (27,882,165 ordinary shares held indirectly)
Interests in options:	No options over ordinary shares held directly (1,725,000 options over ordinary shares held indirectly)

---

Name:	David Deitz
Title:	Non-Executive Director and Company Secretary
Qualifications:	B.Com, MAusIMM, CPA
Experience and expertise:	David joined Allegiance Mining NL in 1996 and became a Director in August, 2000. As Chief Financial Officer he was part of the team with Anthony Howland-Rose that discovered and brought into production the Avebury Nickel Mine in Tasmania. Allegiance Mining NL was taken over in 2008 for approximately \$860 million.
Other current directorships:	Director of Gullewa Limited (ASX: GUL)
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	No ordinary shares held directly (686,667 ordinary shares held indirectly)
Interests in options:	1,000,000 options over ordinary shares held directly (224,722 options over ordinary shares held indirectly)

---

## Directors' Report

Name:	Peter Donkin
Title:	Independent Non-Executive Director
Qualifications:	BEC, LLB, FFIN, MAICD
Experience and expertise:	Peter has 28 year's experience in investment banking, the majority of which involved a primary focus on the mining and resources sector. He completed his career in investment banking as the Managing Director of the Mining Finance Division of Societe Generale in Australia, having worked for that bank for 21 years in both their Sydney and London offices. Prior to joining Societe Generale he was with the corporate and international banking division of the Royal Bank of Canada. He currently works as a financial consultant to the minerals sector. Peter's experience in investment banking involved structuring and executing transactions for mining companies, both in Australia and internationally. This included advising on and arranging transactions in a wide variety of financial products covering mining project finance, corporate finance, acquisition finance, pre-export finance, and early stage investment capital.
Other current directorships:	Director of Paladin Energy Ltd (ASX: PDN)
Former directorships (in the last 3 years):	Former Director of Sphere Minerals Ltd (ASX: SPH) (resigned 16 November 2010)
Special responsibilities:	None
Interests in shares:	10,000 ordinary shares held directly (333,334 ordinary shares held indirectly)
Interests in options:	1,002,500 options over ordinary shares held directly (111,112 options over ordinary shares held indirectly)

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

### Company secretary

David Deitz was appointed company secretary on 4 March 2013 following the resignation of former company secretary Graham Hurwitz. Information on David Deitz is included in 'Information on directors' above.

### Meetings of directors

The number of meetings of the company's Board of Directors ("the Board") held during the year ended 30 June 2013, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Anthony Howland-Rose	12	12
Colin Randall	12	12
David Deitz	12	12
Peter Donkin	12	12

Held: represents the number of meetings held during the time the director held office.

The roles of the Nomination and Remuneration Committee and Audit Committee were performed by the full Board.

## Directors' Report

### Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation

#### **A. *Principles used to determine the nature and amount of remuneration***

The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth and delivering constant or increasing return on assets
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

#### *Non-executive directors remuneration*

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors receive a fixed fee for time, commitment and responsibilities and may be paid remuneration as the directors determine where the director performs services outside the scope of the ordinary duties of the director. Non-executive directors may also be paid expenses properly incurred in attending meetings or otherwise in connection with the company's business.

## Directors' Report

Non-executive directors' fees and payments are reviewed annually by the Board. The Board also ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration.

The company's constitution provides that the non-executive directors as a whole may be paid or provided fees or other remuneration for their services as a director of the company, the total amount or value of which must not exceed \$500,000 (excluding mandatory superannuation) per annum or such other maximum amount periodically determined by the company in a general meeting.

Fees for non-executive directors are not linked to individual performance. Given the company is at its early stage of development and the financial restrictions placed on it, the company may consider it appropriate to issue individual options to non-executive directors, subject to obtaining relevant shareholder approvals.

### *Executive remuneration*

The consolidated entity and company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and adds additional value to the executive.

There are no short-term incentives ('STI').

The long-term incentives ('LTI') includes long service leave and share-based payments.

### *Consolidated entity performance and link to remuneration*

There is no link between the consolidated entity's performance and remuneration.

### *Use of remuneration consultants*

During the financial year ended 30 June 2013, the company did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the short-term incentives ('STI') and long-term incentives ('LTI') programs of the company and consolidated entity.

### *Voting and comments made at the company's 2012 Annual General Meeting ('AGM')*

At the last AGM, the shareholders voted to adopt the remuneration report for the year ended 30 June 2012. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

## Directors' Report

### B. *Details of remuneration*

#### *Amounts of remuneration*

Details of the remuneration of the directors and key management personnel are set out in the following tables. Key management personnel are defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity.

The key management personnel of the consolidated entity consisted of the directors of Allegiance Coal Limited and the following person:

- Graham Hurwitz - Former Company Secretary (resigned on 4 March 2013)

2013	Short-term benefits			Post Employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non- monetary	Super- annuation	Long service leave	Equity settled	
	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Anthony Howland-Rose	35,000	-	-	25,000	-	-	60,000
David Deitz	50,000	-	-	4,500	-	-	54,500
Peter Donkin	50,000	-	-	4,500	-	-	54,500
<i>Executive Directors :</i>							
Colin Randall	229,357	-	-	20,643	-	-	250,000
	364,357	-	-	54,643	-	-	419,000

Graham Hurwitz received no salary or share based payment benefits in the year ended 30 June 2013.

2012	Short-term benefits			Post Employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non- monetary	Super- annuation	Long service leave	Equity settled	
	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Anthony Howland-Rose	14,550	-	-	50,000	-	-	64,550
David Deitz	29,179	-	-	2,626	-	-	31,805
Peter Donkin	50,174	-	-	4,515	-	-	54,689
<i>Executive Directors :</i>							
Colin Randall	206,551	-	-	18,590	-	-	225,141
	300,454	-	-	75,731	-	-	376,185

Graham Hurwitz received no salary or share based payment benefits in the year ended 30 June 2012.



## Directors' Report

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2013	2012	2013	2012	2013	2012
<i>Non-Executive Directors</i>						
Anthony Howland-Rose	100%	100%	-%	-%	-%	-%
David Deitz	100%	100%	-%	-%	-%	-%
Peter Donkin	100%	100%	-%	-%	-%	-%
<i>Executive Director:</i>						
Colin Randall	100%	100%	-%	-%	-%	-%
	100%	100%	-%	-%	-%	-%

**C. Service agreements**

Key management personnel have no entitlement to termination payments in the event of removal for misconduct. There is no termination or redundancy benefits for non-executive directors, other than superannuation entitlements.

**D. Share-based compensation**

*Issue of shares*

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2013.

*Options*

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2013.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2013.

***This concludes the remuneration report, which has been audited.***

**Shares under option**

Unissued ordinary shares of Allegiance Coal Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
9 May 2011	9 May 2016	\$0.250	5,650,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

**Shares issued on the exercise of options**

There were no shares of Allegiance Coal Limited issued on the exercise of options during the year ended 30 June 2013 and up to the date of this report.

**Indemnity and insurance of officers**

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

## Directors' Report

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

### **Indemnity and insurance of auditor**

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

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

### **Proceedings on behalf of the company**

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

### **Non-audit services**

There were no non-audit services provided during the financial year by the auditor.

### **Officers of the company who are former audit partners of Deloitte Touche Tohmatsu**

There are no officers of the company who are former audit partners of Deloitte Touche Tohmatsu.

### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

### **Auditor**

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors



David Deitz  
Director

25 September 2013  
Sydney

The Board of Directors  
Allegiance Coal Limited  
Level 2 Quantum House  
49-51 York Street  
SYDNEY NSW 2000

Dear Board Members

## **Allegiance Coal Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Allegiance Coal Limited.

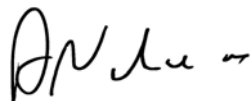
As lead audit partner for the audit of the financial statements of Allegiance Coal Limited for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



**Alfred Nehama**  
Partner  
Chartered Accountants  
Sydney, 25 September 2013

# Corporate Governance Statement

30 June 2013

Allegiance Coal Limited ('the company') has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. To the extent they are applicable and appropriate, the company has adopted the Corporate Governance Principles and Recommendations as published by the ASX Corporate Governance Council.

## 1. Summary of Corporate Governance Practices

A summary of the company's corporate governance practices is set out below.

### 1.1 Summary of board charter

The role of the Board of Directors ('the Board') is to provide leadership for and supervision of senior management. The Board provides strategic direction and regularly measures the progression by senior management of that strategic direction. The Board also reviews the company's policies on risk oversight and management, internal compliance and control, its code of conduct, and legal compliance. There are mechanisms in place so that the Board can satisfy itself that senior management has developed and implemented a sound system of risk management and internal controls in relation to financial reporting risk and material business risks.

The Board Charter also sets out quantitative and qualitative materiality thresholds.

The Board delegates to senior management the responsibility of the day-to-day activities in fulfilling the Board's responsibility. Senior executives are responsible for supporting the managing director and assisting the managing director in implementing the running of the general operations and financial business of the company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the company's materiality thresholds at first instance to the managing director or, if the matter concerns the managing director then directly to the chairman or the lead independent director, as appropriate.

The Board Charter describes the division of responsibilities between the chairman, the lead independent director (if any) and the managing director.

The role of non-executive and independent directors is also set out in the Board Charter.

### 1.2 Summary of audit committee charter

The role of the audit committee is to monitor and review the integrity of the financial reporting of the company and to review significant financial reporting judgments. The audit committee is also to review internal financial control system and risk management systems and to monitor, review and oversee the external audit function. The audit committee has the power to conduct or authorise investigations into any matters within the audit committee's scope of responsibilities. The audit committee has the authority, as it deems necessary or appropriate, to retain independent legal, accounting or other advisors.

The audit committee also assesses whether external reporting is consistent with audit committee members' information and knowledge and is adequate for shareholder needs and assesses the management processes supporting external reporting.

### 1.3 Summary of nomination committee charter

The role of the nomination committee is to effectively examine the selection and appointment practices of the company. The nomination committee regularly reviews the size and composition of the Board and makes recommendations on any appropriate changes. The nomination committee identifies and assesses necessary and desirable director competencies with a view to enhancing the Board.

## Corporate Governance Statement

The nomination committee also regularly reviews the time required from non-executive directors and whether non-executive directors are meeting that requirement.

Initial director appointments are made by the Board. Any new director will be required to stand for election at the company's next annual general meeting following their appointment.

### 1.4 Summary of remuneration committee charter

The function of the remuneration committee is to review and make appropriate recommendations on remuneration packages of executive directors, non-executive directors and senior executives. The remuneration committee is also responsible for reviewing any employee incentive and equity-based plans, including the appropriateness of performance hurdles and total payments proposed.

### 1.5 Summary of remuneration policy

Emoluments of directors and senior executives are set by reference to payments made by other companies of similar size and industry, and by reference to the skills and experience of the directors and executives.

The company's policy is to remunerate non-executive directors at a fixed fee for time, commitment and responsibilities. Fees for non-executive directors are not linked to individual performance. Given the company is at its early stage of development and the financial restrictions placed on it, the company may consider it appropriate to issue individual options to non-executive directors, subject to obtaining relevant shareholder approvals. This policy is subject to annual review. All of the directors' option holdings are fully disclosed, refer to Directors report and notes to the financial statements.

Executive pay and reward consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant regulatory and shareholder approvals. The grant of options is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of performance hurdles.

Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

As an incentive, the Board may in its discretion approve the company adopting an employee incentive scheme. The purpose of the scheme is to give employees, directors and officers of the company an opportunity, in the form of options, to subscribe for shares. The directors consider the scheme will enable the company to retain and attract skilled and experienced employees, board members and officers, and provide them with the motivation to make the company more successful.

### 1.6 Summary of code of conduct

The Code of Conduct sets out the principles and standards which the Board, management and employees are encouraged to strive towards when dealing with each other, shareholders, other stakeholders and the broader community.

The company is to comply with all legislative and common law requirements which affect its business. The company will deal with others in a way that is fair and will not engage in deceptive practices.

The Code of Conduct sets out directives for directors, management and staff relating to conflicts of interests, protection of the company's assets and confidentiality.

## Corporate Governance Statement

### 1.7 Summary of policy and procedure for selection and (re)appointment of directors

In considering new candidates, the nomination committee evaluates the range of skills, experience and expertise of the existing Board. In particular, the nomination committee is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors on the Board.

Reference is made to the company's size and operations as they evolve from time to time.

All directors are required to consider the number and nature of their directorships and calls on their time from other commitments.

### 1.8 Summary of process for performance evaluation

The chairman evaluates the performance of the Board by way of ongoing review. The chairman reports back to the Board as to its performance at least annually.

The chairman reviews the performance of the committees of the Board by assessing the performance and contribution of the Committee to the Board and the company.

The chairman meets with each individual director to discuss that individual director's performance and contribution to the Board.

The managing director's performance evaluation is reviewed by the Board. Given the current size and structure of the company, in addition to the process for evaluation of the Board as described above, specific evaluation of the managing director may be carried out on an ongoing basis through open and regular communication between the Board and the managing director to identify and monitor the achievement of key performance indicators, to provide feedback and to provide guidance and support where any issues may become evident. The managing director reviews the performance of the senior executives and management, reporting to the Board (as the nomination committee and remuneration committee) at least annually.

The current size and structure of the company allows the managing director to conduct informal performance evaluations of senior executives regularly. Approximately annually, individual performance may be more formally assessed in conjunction with a remuneration review.

### 1.9 Summary of policy for trading in company securities

The Board has adopted a policy which prohibits dealing the company's securities by directors, officers, employees, contractors and, where applicable, consultants when those persons possess inside information. The policy also contains a blackout period within which directors, officers, employees, contractors and consultants are prohibited from trading. The policy prohibits short term or speculative trading of the company's securities. Trading may be permitted in a blackout period in certain exceptional circumstances subject to obtaining prior written clearance.

Directors, officers and employees are required to obtain clearance prior to trading at all times.

### 1.10 Summary of diversity policy

The Board has adopted a Diversity Policy which describes the company's commitment to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees, to enhance company performance. The Diversity Policy addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees. The Diversity Policy outlines the process by which the Board may set targets to achieve the objectives of its Diversity Policy. The Board is responsible for monitoring company performance in meeting the Diversity Policy requirements, including the achievement of any diversity targets.

## Corporate Governance Statement

### 1.11 Summary of compliance procedures

The Board has adopted Compliance Procedures to assist it to comply with the ASX Listing Rules disclosure requirements. Under the Compliance Procedures, a responsible officer is appointed who is primarily responsible for ensuring the company complies with its disclosure obligations. The Compliance Procedures provide guidelines as to the type of information that needs to be disclosed. The Compliance Procedures contain information on avoiding a false market, safeguarding confidentiality of corporate information, and information on external communication for the purpose of protecting the company's price sensitive information.

### 1.12 Summary of procedure for the selection, appointment and rotation of external auditor

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as per the recommendations of the audit committee.

Candidates for the position of external auditor of the company must be able to demonstrate complete independence from the company and an ability to maintain independence through the engagement period. The audit committee will review the performance of the external auditor on an annual basis and make any recommendations to the Board.

### 1.13 Summary of shareholder communication strategy

The Board aims to ensure that the shareholders are informed of all major developments affecting the company. The company provides shareholder materials directly to shareholders through electronic means. A shareholder may request a hard copy of the company's annual report to be posted to them. The company maintains a website on which the company makes certain information available on a regular basis.

### 1.14 Summary of risk management policy

The Board has adopted a Risk Management Policy. Under the policy, the Board delegates day-to-day management of risk to the managing director, with the assistance of senior management as required. The Policy sets out the role of the managing director and accountabilities. It also contains the company's risk profile and describes some of the policies and practices the company has in place to manage specific business risks.

The managing director is required to report on the progress of, and on all matters associated with risk management. The managing director is to report to the Board as to the effectiveness of the company's management of its material business risks at least annually. The Board is responsible for approving the company's policies on risk oversight and management and satisfying itself at least annually that management has developed and implemented a sound system of risk management and internal control.

## 2. ASX Corporate Governance Council Principles and Recommendations

The Board sets out below its "if not, why not" report. Where the company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

### 2.1 Board

#### ***Roles and responsibilities of the Board and senior executives (Recommendations: 1.1, 1.3)***

The company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter, summarised above in section 1.1 titled 'Summary of board charter'.

#### ***Skills, experience, expertise and period of office of each director (Recommendation: 2.6)***

A profile of each director setting out their skills, experience, expertise and period of office is provided on the company's website at [www.allegiancecoal.com.au](http://www.allegiancecoal.com.au) and also in the Directors report section titled 'Information on directors'.

## Corporate Governance Statement

### ***Director independence (Recommendations: 2.1, 2.2, 2.3, 2.6)***

The Board does not have a majority of directors who are independent. Based on the ASX Guidelines relating to independence, some board members could not be considered to be independent. Anthony Howland-Rose and David Deitz are directors of Gullewa Limited, the controlling shareholder of the company. Colin Randall is a director of C.Randall & Associates Pty. Limited, a substantial shareholder of the company.

The sole independent director of the company is Peter Donkin. Peter Donkin is independent as he is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of his judgement.

While the company does not presently comply with this Recommendation 2.1, the company may consider appointing further independent directors in the future. The company believes that given the size and scale of its operations, non-compliance by the company with this Recommendation 2.1 will not be detrimental to the company.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the company's materiality thresholds. The materiality thresholds are set out below. The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the company's Board Charter:

- (a) Statement of financial position items are material if they have a value of more than 10% of pro-forma net asset.
- (b) Profit or loss items are material if they will have an impact on the current year operating result of 10% or more.
- (c) Items are also material if they impact on the reputation of the company, involve a breach of legislation, are outside the ordinary course of business, they could affect the company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on statement of financial position or profit or loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- (d) Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The non-independent chairman of the Board is Anthony Howland-Rose. Anthony Howland-Rose is the chairman of the company and Gullewa Limited, the controlling shareholder of the company. The company is of the view that the size and scale of its current operations do not warrant the appointment of an independent chairperson and that non-compliance with this Recommendation 2.2 will not be detrimental to the company. The managing director is Colin Randall who is not chairman of the Board.

### ***Independent professional advice (Recommendation: 2.6)***

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the chairman, the company will pay the reasonable expenses associated with obtaining such advice.

### ***Selection and (re)appointment of directors (Recommendation: 2.6)***

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Re-appointment of directors is not automatic.



## Corporate Governance Statement

In determining candidates for the Board, the nomination committee (or equivalent) follows a prescribed procedure set out in the company's Policy and Procedure for Selection and (Re)Appointment of Directors.

Providing only a summary of the company's policy and procedures for the for selection and (re)appointment of directors is not consistent with Recommendation 2.6. However, the Board considers that the summary disclosed above in section 1.7 titled 'Summary of policy and procedure for selection and (re)appointment of directors' provides all material information to investors in relation to this policy.

### 2.2 Board committees

#### ***Nomination committee (Recommendations: 2.4, 2.6)***

The company has not established a separate nomination committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate nomination committee. Accordingly, the full Board performs the role of the nomination committee. Items that are usually required to be discussed by a nomination committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the nomination committee it carries out those functions which are delegated in the company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of nomination committee by ensuring the director with conflicting interests is not party to the relevant discussions.

To assist the Board to fulfil its function as the nomination committee, it has adopted a Nomination Committee Charter, which is summarised above in section 1.3 titled 'Summary of nomination committee charter'.

#### ***Audit committee (Recommendations: 4.1, 4.2, 4.3, 4.4)***

The company has not established a separate audit committee and therefore it is not structured in accordance with Recommendation 4.2. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate audit committee. Accordingly, the full Board performs the role of audit committee. Items that are usually required to be discussed by an audit committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the audit committee it carries out those functions which are delegated in the company's Audit Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of audit committee by ensuring the director with conflicting interests is not party to the relevant discussions.

To assist the Board to fulfil its function as the audit committee, it has adopted an Audit Committee Charter. The company has also established procedures for the selection, appointment and rotation of its external auditor. The company's Audit Committee Charter and the company's Procedure for Selection, Appointment and Rotation of External Auditor are summarised above in sections 1.2 and 1.12 titled 'Summary of audit committee charter' and 'Summary of procedure for the selection, appointment and rotation of external auditor'. Providing only a summary of these policies is not consistent with Recommendation 4.4. However, the Board considers that these summaries provide all material information to investors in relation to the Audit Committee Charter and the company's Procedure for Selection, Appointment and Rotation of External Auditor.

#### ***Remuneration committee (Recommendations: 8.1, 8.2, 8.3)***

The company has not established a separate remuneration committee and therefore it is not structured in accordance with the guidance provided for Recommendations 8.1 and in 8.2. Given the current size and composition of the company, the Board believes that there would be no efficiencies gained by establishing a separate remuneration committee. Accordingly, the full Board performs the role of remuneration committee. Items that are usually required to be discussed by a remuneration committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the remuneration committee it carries out those functions which are delegated in the company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of remuneration committee by ensuring the director with conflicting interests is not party to the relevant discussions.

## Corporate Governance Statement

To assist the Board to fulfil its function as the remuneration committee, it has adopted a Remuneration Committee Charter. There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The company's Remuneration Committee Charter includes a statement of the company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

The company's Remuneration Committee Charter is summarised above in section 1.4 titled 'Summary of remuneration committee charter'.

### 2.3 Performance evaluation

#### ***Senior executives (Recommendation: 1.2)***

The company has established a process for evaluating the performance of senior executives. Refer to the above section 1.8 titled 'Summary of process for performance evaluation'.

#### ***Board, its committees and individual directors (Recommendation: 2.5)***

The company has established a process for evaluating the performance of the Board, its committees and individual directors. Refer to the above section 1.8 titled 'Summary of process for performance evaluation'.

### 2.4 Ethical and responsible decision making

#### ***Code of conduct (Recommendations: 3.1, 3.5)***

The company has established a Code of Conduct as to the practices necessary to maintain confidence in the company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The company's Code of Conduct is summarised above in section 1.6 titled 'Summary of code of conduct'.

#### ***Diversity policy (Recommendations: 3.2, 3.5)***

The company has established a Diversity Policy to ensure diversity in the workplace. Refer to the above section 1.10 titled 'Summary of diversity policy'.

Except for female contractors, there are no women on either the Board or employees of the company.

#### ***Continuous disclosure (Recommendations: 5.1, 5.2)***

The company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

A summary of the company's policy to guide compliance with ASX Listing Rules disclosure is included above under section 1.11 titled 'Summary of compliance procedures'.

#### ***Shareholder communication (Recommendations: 6.1, 6.2)***

The company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings. This is summarised above under section 1.13 titled 'Summary of shareholder communication strategy'.

## Corporate Governance Statement

### ***Risk management (Recommendations: 7.1, 7.2, 7.3, 7.4)***

The Board has adopted a Risk Management Policy, which sets out the company's risk profile. This policy is summarised above under section 1.14 titled 'Summary of risk management policy'.

The Board has required management to design, implement and maintain risk management and internal control systems to manage the company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. The Board will receive a report from management as to the effectiveness of the company's management of its material business risks.

### **CEO and CFO certification**

The chief executive officer (or equivalent) and chief financial officer (or equivalent) have given a written declaration to the Board required by section 295A of the Corporations Act 2001 that in their view:

- the company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board;
- the company's risk management and internal compliance and control system is operating effectively in all material respects;
- the company's financial statements and notes thereto comply with the accounting standards; and
- the company's financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date.

# Financial Report

30 June 2013

<b>Contents</b>	<b>Page</b>
Statement of profit or loss and other comprehensive income	35
Statement of financial position	36
Statement of changes in equity	37
Statement of cash flows	38
Notes to the financial statements	39
Directors' declaration	72
Independent auditor's report to the members of Allegiance Coal Limited	73

## **General Information**

The financial report covers Allegiance Coal Limited as a consolidated entity consisting of Allegiance Coal Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Allegiance Coal Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Allegiance Coal Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 1, Level 2  
49-51 York Street  
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 25 September 2013. The directors have the power to amend and reissue the financial report.

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2013

		<b>Consolidated</b>	
	<b>Note</b>	<b>2013</b>	<b>2012</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>	4	179,826	50,224
Other income			
<b>Expenses</b>			
Employee benefits expense		(476,269)	(364,107)
Depreciation and amortisation expense		(21,147)	(10,080)
Impairment of exploration and evaluation asset		(533,687)	-
Administrative expenses		(410,071)	(470,190)
Listing expense		(50,600)	(630,585)
Finance costs	5	(243,526)	(238,546)
<b>Loss before income tax expense</b>		(1,555,474)	(1,663,284)
Income tax expense	6	-	-
<b>Loss after income tax expense for the year attributable to the owners of Allegiance Coal Limited</b>	19	(1,555,474)	(1,663,284)
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year attributable to the owners of Allegiance Coal Limited</b>		(1,555,474)	(1,663,284)
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	32	(0.880)	(1.199)
Diluted earnings per share	32	(0.880)	(1.199)

# Statement of financial position

As at 30 June 2013

		Consolidated	
	Note	2013 \$	2012 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	3,479,146	5,916,394
Trade and other receivables	8	173,632	158,397
Other	9	17,283	29,049
Total current assets		<u>3,670,061</u>	<u>6,103,840</u>
<b>Non-current assets</b>			
Property, plant and equipment	10	63,653	40,123
Intangibles	11	-	6,404
Exploration and evaluation	12	4,340,244	3,675,328
Total non-current assets		<u>4,403,897</u>	<u>3,721,855</u>
<b>Total assets</b>		<u>8,073,958</u>	<u>9,825,695</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	232,167	671,720
Borrowings	14	2,905,064	-
Employee benefits	15	3,823	3,823
Total current liabilities		<u>3,141,054</u>	<u>675,543</u>
<b>Non-current liabilities</b>			
Borrowings	16	-	2,647,995
Total non-current liabilities		<u>-</u>	<u>2,647,995</u>
<b>Total liabilities</b>		<u>3,141,054</u>	<u>3,323,538</u>
<b>Net assets</b>		<u>4,932,904</u>	<u>6,502,157</u>
<b>Equity</b>			
Issued capital	17	9,137,801	9,137,801
Reserves	18	315,286	329,065
Accumulated losses	19	(4,520,183)	(2,964,709)
<b>Total equity</b>		<u>4,932,904</u>	<u>6,502,157</u>

# Statement of changes in equity

For the year ended 30 June 2013

	Issued capital \$	Reserves \$	Accumulated losses \$	Total Equity \$
<b>Consolidated</b>				
Balance at 1 July 2011	100,300	331,485	(1,301,425)	(869,640)
Loss after income tax expense for the year	-	-	(1,663,284)	(1,663,284)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(1,663,284)	(1,663,284)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 17)	9,037,501	-	-	9,037,501
Shareholder loan reserve adjustment	-	(2,420)	-	(2,420)
Balance at 30 June 2012	9,137,801	329,065	(2,964,709)	6,502,157
	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
<b>Consolidated</b>				
Balance at 1 July 2012	9,137,801	329,065	(2,964,709)	6,502,157
Loss after income tax expense for the year	-	-	(1,555,474)	(1,555,474)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(1,555,474)	(1,555,474)
<i>Transactions with owners in their capacity as owners:</i>				
Shareholder loan reserve adjustment	-	(13,779)	-	(13,779)
Balance at 30 June 2013	9,137,801	315,286	(4,520,183)	4,932,904

# Statement of cash flows

For the year ended 30 June 2013

		Consolidated	
	Note	2013 \$	2012 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		13,634	-
Payments to suppliers and employees		(857,008)	(1,402,852)
		(843,374)	(1,402,852)
Interest received		166,192	50,224
Net cash used in operating activities	31	(677,182)	(1,352,628)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	10	(38,273)	(41,679)
Payments for intangibles	11	-	(10,200)
Payments for exploration and evaluation		(1,730,914)	(2,144,495)
Payments for security deposits		-	(13,476)
Proceeds from release of security deposits		9,121	-
Net cash used in investing activities		(1,760,066)	(2,209,850)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	17	-	9,500,001
Share issue transaction costs		-	(462,500)
Proceeds from borrowings		-	301,165
Net cash from financing activities		-	9,338,666
Net increase/(decrease) in cash and cash equivalents		(2,437,248)	5,776,188
Cash and cash equivalents at the beginning of the financial year		5,916,394	140,206
Cash and cash equivalents at the end of the financial year	7	3,479,146	5,916,394



# Notes to the financial statements

30 June 2013

## Note 1 Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **New, revised or amending Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following new Accounting Standard is most relevant to the consolidated entity:

### *AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income*

The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The amendments also introduced the term 'Statement of profit or loss and other comprehensive income' clarifying that there are two discrete sections, the profit or loss section (or separate statement of profit or loss) and other comprehensive income section.

### **Going concern**

The consolidated financial statements have been prepared on a going concern basis.

For the year ended 30 June 2013, the consolidated entity incurred a loss from continuing operations after tax of \$1,555,474 (2012: \$1,663,284). In the same period the consolidated entity had operating cash outflows of \$677,182 (2012: \$1,352,628) and outflows due to investing activities of \$1,760,066 (2012: \$2,209,850).

A cash flow forecast for the next 12 months prepared by management has indicated that the consolidated entity will have sufficient cash assets to be able to meet its debts as and when they are due.

The commitments for exploration and evaluation for the next three years have been disclosed in note 25 to the financial statements. Due to current market conditions the company will not commit to the minimum expenditure for the next three years and this has resulted in the impairment expense in the current financial year.

No adjustments have been made relating to recoverability and classification of other asset amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

### **Basis of preparation**

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

## Notes to the financial statements

### *Historical cost convention*

The financial statements have been prepared under the historical cost convention.

### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

### **Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 28.

### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Allegiance Coal Limited ('company' or 'parent entity') as at 30 June 2013 and the results of all subsidiaries for the year then ended. Allegiance Coal Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

The acquisition of common control subsidiaries is accounted for using common control method. The acquisition of other subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### **Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

## Notes to the financial statements

### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

### **Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Allegiance Coal Limited (the 'head entity') and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'stand-alone taxpayer' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

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

The tax consolidated group has entered into a tax funding agreements whereby member of the group contributes to the income tax payable by the consolidated group in proportion to their contribution to taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

### **Cash and cash equivalents**

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

## Notes to the financial statements

### **Trade and other receivables**

Other receivables are recognised at amortised cost, less any provision for impairment.

### **Jointly controlled assets**

A jointly controlled asset is a contractual arrangement whereby two or more parties has control over its share of future economic benefits through its share of the jointly controlled asset. Investments in jointly controlled assets are recognised in the financial statements by its share of the jointly controlled asset, classified according to the nature of the asset, any liabilities that it has incurred, its share of any liabilities incurred jointly with the other parties to the jointly controlled asset and any income from the sale or use of its share of the output, together with its share of any expenses incurred by the joint venture. As the assets, liabilities, income and expenses are recognised in the financial statements of the venturer, no adjustments or other consolidation procedures are required in respect of these items when the venturer presents consolidated financial statements.

### **Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

### *Impairment of financial assets*

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

## Notes to the financial statements

### Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	4 years
Plant and equipment	4 years
Motor vehicles	4 years
Computer equipment	4 years
Office equipment	4 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

### Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

## Notes to the financial statements

### *Software*

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

### **Exploration and evaluation assets**

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

### **Impairment of non-financial assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### **Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

## Notes to the financial statements

### Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on short-term and long-term borrowings

### *Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

### *Long service leave*

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

### *Share-based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

## Notes to the financial statements

### Issued capital

Ordinary shares are classified as equity.

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

### Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Common control transactions, where the acquisition does not meet the definition of a business combination in accordance with AASB 3 'Business Combinations' ('AASB 3') are brought together as follows: The assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments have been made to reflect fair values, or recognise any new assets or liabilities and no 'new' goodwill is recognised. Any difference between the consideration paid and the equity 'acquired' is reflected in equity.



## Notes to the financial statements

### Earnings per share

#### *Basic earnings per share*

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

#### *Diluted earnings per share*

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

### **Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### **New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2013. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

*AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9*

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by the consolidated entity.

## Notes to the financial statements

### *AASB 10 Consolidated Financial Statements*

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

### *AASB 11 Joint Arrangements*

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, in accordance with the standards applicable to the particular assets, liabilities, revenues and expenses. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

### *AASB 12 Disclosure of Interests in Other Entities*

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

### *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13*

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

### *AASB 127 Separate Financial Statements (Revised)*

### *AASB 128 Investments in Associates and Joint Ventures (Reissued)*

These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

## Notes to the financial statements

### *AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*

This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments eliminate the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The amendments also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. This will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 July 2013 will not have a material impact on the consolidated entity.

### *AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement*

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2014 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No. 1) now specify the KMP disclosure requirements to be included within the directors report for annual reporting periods beginning 1 July 2013.

### *AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

### *Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine and AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20*

This interpretation and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The Interpretation clarifies when production stripping costs should lead to the recognition of an asset and how that asset should be initially and subsequently measured. The Interpretation only deals with waste removal costs that are incurred in surface mining activities during the production phase of the mine. The adoption of the interpretation and the amendments from 1 July 2013 will not have a material impact on the consolidated entity.

### *AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 1) 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities. The adoption of the amendments from 1 July 2013 will not have a material impact on the consolidated entity.

## Notes to the financial statements

### *AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039*

This amendment is applicable to annual reporting periods beginning on or after 1 January 2013. The amendment removes reference in AASB 1048 following the withdrawal of Interpretation 1039. The adoption of this amendment will not have a material impact on the consolidated entity.

### *AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2013. They amend AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of these amendments will not have a material impact on the consolidated entity.

### *AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of the amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

## **Note 2 Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### *Share-based payment transactions*

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

### *Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

### *Exploration and evaluation expenditure*

The consolidated entity capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at cost.

## Notes to the financial statements

### Note 3 Operating segments

#### *Identification of reportable operating segments*

The consolidated entity is organised into one operating segment being the acquisition and exploration of coal tenements in Australia. The operating segment information is as disclosed in the statements and notes to the financial statements throughout the report.

The Chief Operating Decision Maker ('CODM') is the Board of Directors.

#### *Major customers*

During the year ended 30 June 2013 there were no major customers who derive more than 10% of the consolidated entity's revenue (30 June 2012: none derived from major customers). Interest from cash deposits in banking institutions account for \$166,192 (2012: \$50,224).

### Note 4 Revenue

	Consolidated	
	2013	2012
	\$	\$
Interest	166,192	50,224
Other revenue	13,634	-
Revenue	179,826	50,224

### Note 5 Expenses

Loss before income tax includes the following specific expenses:

#### *Depreciation*

Leasehold improvements	240	222
Plant and equipment	3,260	436
Motor vehicles	6,962	-
Computer equipment	3,797	5,252
Office equipment	484	374
Total depreciation	14,743	6,284

#### *Amortisation*

Software	6,404	3,796
	21,147	10,080

#### *Impairment*

Exploration and evaluation	533,687	-
----------------------------	---------	---

#### *Finance costs*

Interest and finance charges paid/payable	243,526	238,546
---	---------	---------

#### *Rental expense relating to operating leases*

Minimum lease payments	49,574	48,600
------------------------	--------	--------

## Notes to the financial statements

### Note 5 Expenses (continued)

	2013 \$	Consolidated 2012 \$
<i>Employee benefits expense</i>		
Defined contribution superannuation expense	37,512	75,731
Employee benefits expense	438,757	288,376
	<hr/>	<hr/>
Total employee benefits expense	476,269	364,107
	<hr/>	<hr/>

### Note 6 Income tax expense

<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(1,555,474)	(1,663,284)
Tax at the statutory tax rate of 30%	(466,642)	(498,985)
Current year tax losses not recognised	466,642	498,985
	<hr/>	<hr/>
Income tax expense	-	-
	<hr/>	<hr/>
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	3,124,729	2,102,942
	<hr/>	<hr/>
Potential tax benefit @ 30%	937,419	630,883
	<hr/>	<hr/>

The above potential tax benefit for tax losses has not been recognised in the statement of financial position as the company is in the exploration stage and their usage is not yet probable. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

### Note 7 Current assets – cash and cash equivalents

Cash at bank	375,244	5,916,394
Cash on deposit	3,103,902	-
	<hr/>	<hr/>
	3,479,146	5,916,394
	<hr/>	<hr/>

## Notes to the financial statements

		Consolidated	
		2013	2012
		\$	\$
<b>Note 8</b>	<b>Current assets - trade and other receivables</b>		
	Receivable from other related parties	609	-
	Goods and services tax receivable	173,023	158,397
		<u>173,632</u>	<u>158,397</u>
	Receivables are neither past due nor impaired.		
<b>Note 9</b>	<b>Current assets - other</b>		
	Prepayments	436	3,081
	Security deposits	16,847	25,968
		<u>17,283</u>	<u>29,049</u>
<b>Note 10</b>	<b>Non-current assets - property, plant and equipment</b>		
	Leasehold improvements - at cost	2,403	2,403
	Less: Accumulated depreciation	(462)	(222)
		<u>1,941</u>	<u>2,181</u>
	Plant and equipment - at cost	15,907	13,424
	Less: Accumulated depreciation	(3,745)	(485)
		<u>12,162</u>	<u>12,939</u>
	Motor vehicles - at cost	35,790	-
	Less: Accumulated depreciation	(6,962)	-
		<u>28,828</u>	<u>-</u>
	Computer equipment - at cost	25,571	25,571
	Less: Accumulated depreciation	(7,284)	(3,487)
		<u>18,287</u>	<u>22,084</u>
	Office equipment - at cost	3,390	3,390
	Less: Accumulated depreciation	(955)	(471)
		<u>2,435</u>	<u>2,919</u>
		<u>63,653</u>	<u>40,123</u>

## Notes to the financial statements

### *Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Leasehold improvements \$	Plant and equipment \$	Motor vehicles \$	Computer equipment \$	Office Equipment \$	Total \$
<b>Consolidated</b>						
Balance at 1 July 2011	-	864	-	2,142	1,722	4,728
Additions	2,403	12,511	-	25,194	1,571	41,679
Depreciation expense	(222)	(436)	-	(5,252)	(374)	(6,284)
	2,181	12,939	-	22,084	2,919	40,123
Balance at 30 June 2012	-	2,483	35,790	-	-	38,273
Additions	(240)	(3,260)	(6,962)	(3,797)	(484)	(14,743)
Depreciation expense	1,941	12,162	28,828	18,287	2,435	63,653
Balance at 30 June 2013						

### **Note 11 Non-current assets - intangibles**

	2013 \$	2012 \$
<b>Consolidated</b>		
Software - at cost	10,200	10,200
Less: Accumulated amortisation	(10,200)	(3,796)
	-	6,404
	-	6,404

### *Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Software \$	Total \$
<b>Consolidated</b>		
Balance at 1 July 2011	-	-
Additions	10,200	10,200
Amortisation expense	(3,796)	(3,796)
	6,404	6,404
Balance at 30 June 2012	(6,404)	(6,404)
Amortisation expense	-	-
Balance at 30 June 2013		



## Notes to the financial statements

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Note 12 Non-current assets – exploration and evaluation</b>		
Exploration and evaluation - at cost	4,873,931	3,675,328
Less: Impairment	(533,687)	-
	4,340,244	3,675,328

### *Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	<b>Exploration and evaluation</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>
<b>Consolidated</b>		
Balance at 1 July 2011	1,369,645	1,369,645
Additions	2,305,683	2,305,683
	3,675,328	3,675,328
Balance at 30 June 2012	3,675,328	3,675,328
Additions	1,198,603	1,198,603
Impairment of assets	(533,687)	(533,687)
	4,340,244	4,340,244

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Note 13 Current liabilities – trade and other payables</b>		
Trade payables - ultimate parent entity	31,913	-
Trade payables - other entities	105,090	575,836
Accrued expenses	-	52,750
Other payables	95,164	43,134
	232,167	671,720

Refer to note 21 for further information on financial instruments.

<b>Note 14 Current liabilities - borrowings</b>		
Loan - Gullewa Limited	2,395,894	-
Loan - C Randall & Associates Pty. Limited	509,170	-
	2,905,064	-

Loans are due for repayment on 30 June 2014 and are subject to interest charged based on the 90 day bank bill swap rate plus 4%.

## Notes to the financial statements

### Note 15 Current liabilities – employee benefits

	Consolidated	
	2013 \$	2012 \$
Employee benefits	3,823	3,823

### Note 16 Non-current liabilities - borrowings

Loan - Gullewa Limited	-	2,182,119
Loan - C Randall & Associates Pty. Limited	-	465,876
	-	2,647,995

Refer to note 21 for further information on financial instruments.

Loans are due for repayment on 30 June 2014 and are subject to interest charged based on the 90 day bank bill swap rate plus 4%.

### Note 17 Equity – issued capital

	Consolidated		Consolidated	
	2013 Shares	2012 Shares	2013 \$	2012 \$
Ordinary shares – fully paid	176,666,674	176,666,674	9,137,801	9,137,801

#### *Movements in ordinary share capital*

Details	Date	No. of shares	Issued price	\$
Balance	1 July 2011	125,000,000		100,300
Seed capital raising	30 November 2011	16,666,674	\$0.150	2,500,001
Issue of shares on Initial Public Offering	24 May 2012	35,000,000	\$0.200	7,000,000
Share issue transaction costs				(462,500)
Balance	30 June 2012	176,666,674		9,137,801
Balance	30 June 2013	176,666,674		9,137,801

## Notes to the financial statements

### *Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### *Share buy-back*

There is no current on-market share buy-back.

### *Attaching Shareholder Options*

Upon the successful completion of the Initial Public Offering on 24 May 2012, the company issued Attaching Shareholder Options ('Attaching Options') for no consideration. Each Attaching Option entitles the holder to subscribe for one ordinary share upon payment of \$0.25 per ordinary share subscribed. Attaching Options may be exercised by written notice to the company at any time, on or before 30 March 2014. Each Attaching Option is convertible into one ordinary share and rank equally with other ordinary shares. Attaching Options are freely transferrable and may be listed for official quotation on the ASX.

Holders of Attaching Options are not entitled to participate in any new issues of ordinary shares that may be offered to shareholders, unless they exercise their Attaching Options prior to the date for determining entitlements to any such issue. The company will grant holders of Attaching Options a period of 10 business days in which to exercise their Attaching Options before closing a new issue of ordinary shares. If a pro rata issue (except a bonus issue) is made to shareholders, the exercise price of the Attaching Options may be reduced in accordance with the ASX Listing Rules.

If the issued share capital of the company is re-organised (including through a reconstruction, consolidation, subdivision, reduction or return of capital), the Attaching Options will be re-organised in accordance with the ASX Listing Rules.

At 30 June 2013 there were 14,305,561 (2012: 14,305,561) Attaching Options on issue.

### *Capital risk management*

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

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

There are no externally imposed capital requests.

The capital risk management policy remains unchanged from the 30 June 2012 Annual Report.

## Notes to the financial statements

### Note 18 Equity - reserves

	Consolidated		
	2013		2012
	\$		\$
General reserve	16		13,795
Share-based payments reserve	315,270		315,270
	<u>315,286</u>		<u>329,065</u>
	General	Share-based	Total
	\$	payments	\$
		\$	
<b>Consolidated</b>			
Balance at 1 July 2011	16,215	315,270	331,485
Shareholder loan reserve adjustment	(2,420)	-	(2,420)
	<u>13,795</u>	<u>315,270</u>	<u>329,065</u>
Balance at 30 June 2012	13,795	315,270	329,065
Shareholder loan reserve adjustment	(13,779)	-	(13,779)
	<u>16</u>	<u>315,270</u>	<u>315,286</u>
Balance at 30 June 2013	16	315,270	315,286

#### *General reserve*

The reserve has arisen as a result of a \$300,000 loan from a shareholder of the company being present valued to take account of no interest being charged in the first year of the loan agreement.

#### *Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

### Note 19 Equity – accumulated losses

	Consolidated	
	2013	2012
	\$	\$
Accumulated losses at the beginning of the financial year	(2,964,709)	(1,301,425)
Loss after income tax expense for the year	<u>(1,555,474)</u>	<u>(1,663,284)</u>
Accumulated losses at the end of the financial year	<u>(4,520,183)</u>	<u>(2,964,709)</u>

### Note 20 Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

## Notes to the financial statements

### Note 21 Financial instruments

#### *Financial risk management objectives*

The consolidated entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed, such as sensitivity analysis in the case of interest rate risk.

Risk management is carried out by the directors under policies approved by the Board of Directors ('Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. The Board identifies, evaluates and, if applicable, hedges financial risks.

#### *Market risk*

##### *Foreign currency risk*

The consolidated entity is not exposed to any significant foreign currency risk.

##### *Price risk*

The consolidated entity is not exposed to any significant price risk.

##### *Interest rate risk*

The consolidated entity's main interest rate risk arises from cash and cash equivalents and related party loans.

The sensitivity analyses have been determined based on the exposure to interest rates and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

As at the reporting date, the consolidated entity had the following cash and cash equivalents and loan balances outstanding:

	2013		2013	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
<b>Consolidated</b>				
Cash and cash equivalents	3.96	3,479,146	3.50	5,916,394
Loans	8.91	(2,905,064)	8.91	(2,647,995)
Net exposure to cash flow interest rate risk		574,082		3,268,399

## Notes to the financial statements

	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
<b>Consolidated - 2013</b>						
Cash and cash equivalents	200	69,583	69,583	200	(69,583)	(69,583)
Loans	200	(58,101)	(58,101)	200	58,101	58,101
		<u>11,482</u>	<u>11,482</u>		<u>(11,482)</u>	<u>(11,482)</u>
<b>Consolidated - 2012</b>						
Cash and cash equivalents	200	118,327	118,327	200	(118,327)	(118,327)
Loans	200	(52,960)	(52,960)	200	52,960	52,960
		<u>65,367</u>	<u>65,367</u>		<u>(65,367)</u>	<u>(65,367)</u>

### ***Credit risk***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity does not have any significant credit risk exposure.

The consolidated entity's maximum exposure to credit risk at the reporting date in relation to each class of recognised financial assets is the carrying amount as disclosed in the statement of financial position and notes to the financial statements.

### ***Liquidity risk***

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

### ***Remaining contractual maturities***

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

## Notes to the financial statements

Consolidated - 2013	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	137,003	-	-	-	137,003
Other payables	-	95,164	-	-	-	95,164
<i>Interest bearing – variable rate</i>						
Loans	8.91	3,163,905	-	-	-	3,163,905
Total non-derivatives		3,396,072	-	-	-	3,396,072

Consolidated - 2012	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	575,836	-	-	-	575,836
Other payables	-	43,134	-	-	-	43,134
<i>Interest bearing – variable rate</i>						
Loans	8.91	235,936	3,001,899	-	-	3,237,835
Total non-derivatives		854,906	3,001,899	-	-	3,856,805

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

### ***Fair value of financial instruments***

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

## **Note 22 Key management personnel disclosures**

### *Directors*

The following persons were directors of Allegiance Coal Limited during the financial year:

Anthony Howland-Rose	Non-Executive Chairman
Colin Randall	Executive Managing Director
David Deitz	Non-Executive Director
Peter Donkin	Non-Executive Director

## Notes to the financial statements

### Other key management personnel

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Graham Hurwitz (resigned on 4 March 2013)                      Former Company Secretary

### Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2013	2012
	\$	\$
Short-term employee benefits	364,357	300,454
Post-employment benefits	54,643	75,731
	<u>419,000</u>	<u>376,185</u>

### Shareholding

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of Remuneration	Additions	Disposals/ other	Balance at the end of the year
<b>2013</b>					
<i>Ordinary shares</i>					
Anthony Howland-Rose	1,256,667	-	-	-	1,256,667
Colin Randall	25,100,000	-	2,832,165	(50,000)	27,882,165
David Deitz	686,667	-	-	-	686,667
Peter Donkin	343,334	-	-	-	343,334
	<u>27,386,668</u>	<u>-</u>	<u>2,832,165</u>	<u>(50,000)</u>	<u>30,168,833</u>
	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<b>2012</b>					
<i>Ordinary shares</i>					
Anthony Howland-Rose	-	-	1,256,667	-	1,256,667
Colin Randall	25,000,000	-	100,000	-	25,100,000
David Deitz	-	-	686,667	-	686,667
Peter Donkin	-	-	343,334	-	343,334
	<u>25,000,000</u>	<u>-</u>	<u>2,386,668</u>	<u>-</u>	<u>27,386,668</u>

### Option holding

The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:



## Notes to the financial statements

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other *	Balance at the end of the year
<b>2013</b>					
<i>Options over ordinary shares</i>					
Anthony Howland-Rose	1,444,222	-	-	-	1,444,222
Colin Randall	1,725,000	-	-	-	1,725,000
David Deitz	1,224,722	-	-	-	1,224,722
Peter Donkin	1,113,612	-	-	-	1,113,612
Graham Hurwitz	750,000	-	-	(750,000)	-
	6,257,556	-	-	(750,000)	5,507,556

\* Expired/forfeited/other represents no longer key management personnel not necessarily a disposal of holding.

	Vested and exercisable	Vested and un- exercisable	Vested at end of the year
<b>2013</b>			
<i>Options over ordinary shares</i>			
Anthony Howland-Rose	1,444,222	-	1,444,222
Colin Randall	1,725,000	-	1,725,000
David Deitz	1,224,722	-	1,224,722
Peter Donkin	1,113,612	-	1,113,612
	5,507,556	-	5,507,556

	Balance at the start of the year	Granted*	Exercised	Expired/ forfeited/ other *	Balance at the end of the year
<b>2013</b>					
<i>Options over ordinary shares</i>					
Anthony Howland-Rose	1,200,000	244,222	-	-	1,444,222
Colin Randall	1,700,000	25,000	-	-	1,725,000
David Deitz	1,000,000	224,722	-	-	1,224,722
Peter Donkin	1,000,000	113,612	-	-	1,113,612
Graham Hurwitz	750,000	-	-	-	750,000
	5,650,000	607,556	-	-	6,257,556

\* Options were purchased as part of the IPO rather than granted as part of remuneration.

## Notes to the financial statements

	Vested and exercisable	Vested and un-exercisable	Vested at end of the year
<b>2012</b>			
<i>Options over ordinary shares</i>			
Anthony Howland-Rose	1,444,222	-	1,444,222
Colin Randall	1,725,000	-	1,725,000
David Deitz	1,224,722	-	1,224,722
Peter Donkin	1,113,612	-	1,113,612
Graham Hurwitz	750,000	-	750,000
	<u>6,257,556</u>	<u>-</u>	<u>6,257,556</u>

### *Related party transactions*

Related party transactions are set out in note 26.

## **Note 23 Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company, and unrelated firms:

	Consolidated	
	2013	2012
	\$	\$
<i>Audit services - Deloitte Touche Tohmatsu</i>		
Audit or review of the financial statements	<u>35,000</u>	<u>-</u>
<i>Audit services - unrelated firm</i>		
Audit or review of the financial statements	<u>-</u>	<u>35,000</u>
<i>Other services - unrelated firm</i>		
IFRS accounting services	15,000	-
Tax compliance services	<u>12,500</u>	<u>-</u>
	<u>27,500</u>	<u>-</u>
	<u>27,500</u>	<u>35,000</u>

Unrelated firm relates to the company's previous auditor, Grant Thornton Audit Pty Ltd.

## Notes to the financial statements

### Note 24 Contingent liabilities

The consolidated entity has no contingent liabilities as at 30 June 2013 or 30 June 2012.

### Note 25 Commitments

	Consolidated	
	2013	2012
	\$	\$
<i>Capital commitments - exploration and evaluation</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,941,854	1,395,717
One to five years	2,160,382	2,554,167
	<u>4,102,236</u>	<u>3,949,884</u>
<i>Lease commitments – operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	4,555

Operating lease commitments includes contracted amounts for offices under non-cancellable operating leases which are on a month by month expiry basis.

### Note 26 Related party transactions

#### *Parent entities*

Allegiance Coal Limited is the parent entity. The ultimate parent entity is Gullewa Limited.

#### *Subsidiaries*

Interests in subsidiaries are set out in note 29.

#### *Key management personnel*

Disclosures relating to key management personnel are set out in note 22 and the remuneration report in the directors' report.

#### *Transactions with related parties*

The following transactions occurred with related parties:

	Consolidated	
	2013	2012
	\$	\$
Payment for other expenses:		
Consulting and administration fees paid to ultimate parent entity, Gullewa Limited	403,832	289,511
Consultant fees paid to other related party, C Randall & Associates Pty. Limited	86,027	305,601

## Notes to the financial statements

### *Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	<b>2013</b>	<b>Consolidated</b>	<b>2012</b>
	<b>\$</b>		<b>\$</b>
Current receivables:			
Trade receivables from other related party		609	-
Current payables:			
Consulting and administration fees payable to parent entity, Gullewa Limited		31,913	-

### *Loans to/from related parties*

The following balances are outstanding at the reporting date in relation to loans with related parties:

Current borrowings:			
Loan from Gullewa Limited		2,395,894	-
Loan from C Randall & Associates Pty. Limited		509,170	-
Non-current borrowings:			
Loan from Gullewa Limited		-	2,182,119
Loan from C Randall & Associates Pty. Limited		-	465,876

Borrowings include capitalised interest.

### *Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

## **Note 27 Jointly controlled assets**

On 15 January 2013 the company, through its wholly owned subsidiary Mineral & Coal Investments Pty Ltd ('MCI'), entered into a Farm-In and Joint Venture Agreement with Square Exploration Pty Ltd ('Square'); with respect to MCI's tenements EPC 1631 and EPC 1820 and competing/secondary EPC applications 2154, 2634, 2698 and 2899. These tenements are in the Calen Basin which is some 45km north of Mackay.

Under the terms of the Agreement, Square is able to earn up to a 51% interest in the tenements through sole funding of Stage 1 exploration program expenditure including 3,000 metres of exploration drilling.

Square can earn an additional 24% interest through sole funding of Stage 2 exploration program expenditure including a pre-feasibility study.

Square can earn an additional 15% interest through sole funding of Stage 3 exploration program expenditure including a feasibility study.

If the Farm-In proceeds to completion of Stage 3, Allegiance will hold 10% of the joint venture.

## Notes to the financial statements

### Note 28 Parent entity information

Set out below is the supplementary information about the parent entity.

#### *Statement of profit or loss and other comprehensive income*

	2013 \$	Parent 2012 \$
Loss after income tax	(769,530)	(1,136,572)
Total comprehensive income	(769,530)	(1,136,572)

#### *Statement of financial position*

Total current assets	7,144,402	7,905,186
Total assets	7,288,826	8,025,733
Total current liabilities	174,719	142,096
Total liabilities	174,719	142,096
Net assets	7,114,107	7,883,637
Equity		
Issued capital	9,137,801	9,137,801
Share-based payments reserve	315,270	315,270
Accumulated losses	(2,338,964)	(1,569,434)
	7,114,107	7,883,637

#### *Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2013 and 30 June 2012.

#### *Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2013 and 30 June 2012.

#### *Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2013 and 30 June 2012.

#### *Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

## Notes to the financial statements

### Note 29 Subsidiaries

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

Name of entity	Country of incorporation	Equity holding	
		2013 \$	2012 \$
Mineral & Coal Investments Pty Limited	Australia	100.00	100.00
Echidna Coal Pty Limited	Australia	100.00	100.00
Moreton Coal Pty Limited	Australia	100.00	100.00

### Note 30 Events after the reporting date

No matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

### Note 31 Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2013 \$	2012 \$
Loss after income tax expense for the year	(1,555,474)	(1,663,284)
Adjustments for:		
Depreciation and amortisation	21,147	10,080
Impairment of exploration and evaluation assets	533,687	-
Non-cash interest expense	243,290	238,546
Change in operating assets and liabilities:		
Increase in trade and other receivables	(15,235)	(130,023)
Decrease/(increase) in prepayments	2,645	(3,081)
Increase in trade and other payables	145,508	319,302
Increase in employee benefits	-	3,823
Decrease in other operating liabilities	(52,750)	(127,991)
Net cash used in operating activities	(677,182)	(1,352,628)

## Notes to the financial statements

### Note 32 Earnings per share

	Consolidated	
	2013	2012
	\$	\$
Loss after income tax attributable to the owners of Allegiance Coal Limited	(1,555,474)	(1.663.284)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	176,666,674	138,697,367
Weighted average number of ordinary shares used in calculating diluted earnings per share	176,666,674	138,697,367
	Cents	Cents
Basic earnings per share	(0.880)	(1.199)
Diluted earnings per share	(0.880)	(1.199)

Options have been excluded from the above calculation as their inclusion would be anti-dilutive.

### Note 33 Share-based payments

#### *Employee option plan*

An Employee Option Scheme ('EOS') was established on 9 May 2011 by the company, in accordance with a resolution of the Board. The purpose of the EOS is to attract, motivate and retain directors and employees ('Eligible Employees') of the consolidated entity through ownership of shares.

Under the EOS the Board may in its discretion offer employee options to Eligible Employees. Offers must be made under an offer document, which complies with applicable laws. Eligible Employees may accept such offers by completing and returning to the company an application form within the timeframe specified in the offer document.

Each employee option held by an employee or director entitles them to subscribe for and be allotted one fully paid ordinary share. Employee options are personal to the participant and may not be exercised by another person, or transferred, disposed of or otherwise dealt with, except in certain limited circumstances. A participant has no rights to participate in new issues of capital offered to shareholders. However, the company will ensure that for the purposes of determining entitlements to such an issue, the record date will be at least seven business days after the issue is announced. The rights of a participant may be changed to the extent necessary to comply with the ASX listing rules in respect of a reorganisation of capital. Employee options are issued under the EOS for no consideration.

## Notes to the financial statements

Employee options will lapse if:

- (i) the conditions of exercise of the employee options have not been met, or where the participant ceases to render services to the consolidated entity;
- (ii) the conditions of exercise of the employee options are unable to be met;
- (iii) five years, or any other lapsing period specified in the offer document, has passed after the grant of the employee options; or
- (iv) the conditions of exercise of the employee options have been met, and the participant does not exercise his or her employee options within 28 days after ceasing to render services to the consolidated entity.

All of a participant's rights in respect of employee options are immediately lost if the employee options lapse.

### *Consultant option scheme*

A Consultant Option Scheme ('COS') was established on 9 May 2011 by the company, in accordance with a resolution of the Board. The purpose of the COS is to attract and motivate consultants or contractors that provide goods or services to the consolidated entity through ownership of shares.

Under the COS the Board may in its discretion offer options to eligible consultants. Offers must be made under an offer document, which complies with applicable laws. Eligible consultants may accept such offers by completing and returning to the company an application form within the timeframe specified in the offer document.

Each consultant option held by a consultant or contractor entitles them to subscribe for and be allotted one fully paid ordinary share. Consultant options are personal to the participant and may not be exercised by another person, or transferred, disposed of or otherwise dealt with, except in certain limited circumstances. A participant has no rights to participate in new issues of capital offered to shareholders. However, the company will ensure that for the purposes of determining entitlements to such an issue, the record date will be at least seven business days after the issue is announced. The rights of a participant may be changed to the extent necessary to comply with the ASX listing rules in respect of a reorganisation of capital. Consultant options are issued under the COS for no consideration.

Consultant options will lapse if:

- (i) the conditions of exercise of the consultant options have not been met, or where the participant ceases to render services to the consolidated entity;
- (ii) the conditions of exercise of the consultant options are unable to be met;
- (iii) five years, or any other lapsing period specified in the offer document, has passed after the grant of the consultant options; or
- (iv) the conditions of exercise of the consultant options have been met, and the participant does not exercise his or her consultant options within 28 days after ceasing to render services to the consolidated entity.

All of a participant's rights in respect of consultant options are immediately lost if the consultant options lapse.

Set out below are summaries of options granted under the plan:



# Notes to the financial statements

## 2013

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
09/05/11	09/05/16*	\$0.250	4,900,000	-	-	-	4,900,000
09/05/11	09/05/16**	\$0.250	750,000	-	-	-	750,000
			5,650,000	-	-	-	5,650,000

Weighted average exercise price \$0.250

\* Employee Option Scheme

\*\* Consultant Option Scheme

## 2012

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
09/05/11	09/05/16*	\$0.250	4,900,000	-	-	-	4,900,000
09/05/11	09/05/16**	\$0.250	750,000	-	-	-	750,000
			5,650,000	-	-	-	5,650,000

Weighted average exercise price \$0.250

\* Employee Option Scheme

\*\* Consultant Option Scheme

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2013 Number	2012 Number
09/05/11	09/05/16*	4,900,000	4,900,000
09/05/11	09/05/16**	750,000	750,000
		5,650,000	5,650,000

\* Employee Option Scheme

\*\* Consultant Option Scheme

The weighted average share price during the financial year was \$0.05 (2012: \$0.11).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3 years (2012: 4 years).

For the options granted during the current and previous financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
09/05/11	09/05/16	\$0.150	\$0.250	74.50%	0.00%	4.75%	\$0.0558

# Directors' Declaration

In the directors' opinion :

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors

A handwritten signature in black ink, appearing to read 'David Deitz', with a stylized flourish extending to the right.

David Deitz  
Director

25 September 2013  
Sydney

# Independent Auditor's Report to the members of Allegiance Coal Limited

## Report on the Financial Report

We have audited the accompanying financial report of Allegiance Coal Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 35 to 72.

### *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 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Auditor's Independence Declaration*

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

## *Opinion*

In our opinion:

- (a) the financial report of Allegiance Coal Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 5 to 8 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Opinion*

In our opinion the Remuneration Report of Allegiance Coal Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



**Alfred Nehama**

Partner

Chartered Accountants

Sydney, 25 September 2013

# Shareholder Information

30 June 2013

The shareholder information set out below was applicable as at 1 October 2013.

## Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

		Number of holders of ordinary shares
1 to	99	9
100 to	999	1
1,000 to	9,999	12
10,000 to	99,999	306
100,000 to	999,999	78
1,000,000 to	9,999,999	9
10,000,000 and over		3
		<hr/> 416
Holding less than a marketable parcel		<hr/> <hr/> 212

## Equity security holders

### Twenty largest quoted equity security holders

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

	Ordinary shares Number held	% of total shares issued
Gullewa Limited	102,105,667	57.80
C Randall & Associates Pty Limited	25,000,000	14.15
Nefco Nominees Pty Ltd	11,666,667	6.60
Winchester Investments Group Pty Limited	2,630,000	1.49
Mr Ross Mason	2,500,000	1.42
Whittingham Securities Pty Ltd	1,333,334	0.75
The Launch Company Pty Ltd	1,250,000	0.71
Mr Wouter Codee	1,150,000	0.65
Mrs Kerry Marie Bishop	1,000,000	0.57
Cushnie Pty Ltd	1,000,000	0.57
Kurraba Investments Pty Ltd	1,000,000	0.57
SPO Equities Pty Ltd <March Street Equity A/C>	1,000,000	0.57
National Nominees Limited	968,900	0.55
Howlandrose Holdings Pty Ltd	796,667	0.45
Rainidays Pty Ltd	666,667	0.38
Woodlawn Capital Pty Ltd <MVIL A/C>	666,667	0.38
Ben Roth Enterprises Pty Ltd <Ben Roth Family A/C>	500,000	0.28
DFS Super Pty Ltd <Dettick Family Super A/C>	500,000	0.28
HS Superannuation Pty Ltd <HS Superannuation Fund A/C>	500,000	0.28
Mr Tony Howland-Rose	500,000	0.28
	<hr/> 156,734,569	<hr/> 88.72

#### *Unquoted equity securities*

There are no unquoted equity securities.

#### **Substantial holders**

Substantial holders in the company are set out below:

	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>% of total shares issued</b>
Gullewa Limited	102,105,667	57.80
C Randall & Associates Pty Limited	25,000,000	14.15
Nefco Nominees Pty Ltd	11,666,667	6.60

#### **Voting rights**

The voting rights attached to ordinary shares are set out below:

#### *Ordinary shares*

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

# Schedule of Tenements

Description	Tenement Number	Location	Gullewa Interest	Area (Units)	Tenement Status
<b>Mineral &amp; Coal Investments Pty Ltd</b>					
CONNEMARRA	EPC 1926	27 km north west of Springsure	57.86%	40	Granted
BACK CREEK	EPC 1297	40 km north east of Miles; 40 km south east of Wandoan	57.86%	20	Granted
KILMAIN	EPC 1298	43 km east of Springsure	57.86%	16	Renewal Pending
TOWNSVILLE	EPC 1492	adjacent to Townsville	57.86%	152	Pending
TOWNSVILLE EXTENDED	EPC 1617	35 km south south east of Townsville	57.86%	65	Granted
CALEN SOUTH	EPC 1631	30 km west north west of Mackay	57.86%	52	Granted
LOCHABER	EPC 1672	60 km south of Monto	57.86%	47	Granted
BOLDON	EPC 1820	25 km west of Mackay	57.86%	17	Granted
NORMANBY	EPC 1874	40 km south west of Cooktown	57.86%	86	Granted
PINETREE	EPC 1875	110 km west of Cooktown	57.86%	217	Granted
KILMAIN SOUTH	EPC 1917	46 km east south east of Springsure	57.86%	2	Granted
CEDAR CREEK	EPC 2278	30 km north west of Injune	57.86%	12	Granted
MOBS CREEK	EPC 2309	27 km east north east of Dalby	57.86%	28	Granted
MT MARROW	EPCA 2374	12 km north west of Amberley	57.86%	30	Application
<b>Moreton Coal Pty Ltd</b>					
MDL 138 MINTOVALE		16 km south south west of Boonah; 59 km east north east of Warwick	57.86%	244.6 Ha	Granted

# Corporate Directory

Directors	Anthony Howland-Rose - Chairman Colin Randall David Deitz Peter Donkin
Company secretary	David Deitz
Registered office	Suite 1, Level 2 49-51 York Street Sydney NSW 2000 Telephone: +61 2 9397 7555 Facsimile: +61 2 9397 7575
Principal place of business	Suite 1, Level 2 49-51 York Street Sydney NSW 2000
Share register	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford VIC 3067 Telephone: 1300 787 272 Facsimile: +61 3 9473 2500
Auditor	Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney NSW 2000
Solicitors	Cardinals Ground Floor 57 Havelock Street West Perth WA 6872
Stock exchange listing	Allegiance Coal Limited shares are listed on the Australian Securities Exchange (ASX code: AHQ)
Website	<a href="http://www.allegiancecoal.com.au">www.allegiancecoal.com.au</a>