

# **Allegiance Coal Limited**

ABN 47 149 490 353

## **Interim Report – 31 December 2014**

**Allegiance Coal Limited**  
**Directors' Report**  
**31 December 2014**

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 half-year ended 31 December 2014.

**Directors**

The following persons were directors of Allegiance Coal Limited during the whole of the financial half-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 half-year was the acquisition and exploration of coal tenements.

**Review of operations**

The loss for the consolidated entity after providing for income tax amounted to \$602,164.

**Overview**

Joint Venture negotiations culminated in the signing of a Joint Venture with Japan Oil, Gas and Metals National Corporation (JOGMEC) for the Kilmain project. On 29 August, 2014 the Australian Government's Federal Investment Review Board approved of the Joint Exploration Agreement ("JEA"), in which JOGMEC will provide up to \$3 million of exploration expenditure to Allegiance Coal over a 3 year period for the Kilmain Coal Project in three stages.

JOGMEC, a Japanese government owned corporation, will earn up to a 40% economic interest in the Kilmain Project and has the right to assign that interest to a Japanese nominee company in the future, in order to progress the project to development.

Site works on Kilmain undertaken during the period included ground magnetometer survey, seismic surveys, the drilling of three partially cored holes and core sent for analysis.

The consolidated entity maintains focus on cost control and cash preservation.

The budget approved in December 2014 incorporated a number of cost reduction measures including:- further reduction in the Managing Director's salary (from \$100,000 to \$62,500 per annum ) further reduction in staff hours apart from that employed directly on the Kilmain project under the JEA with JOGMEC, reduction in audit and accounting fees.

During the period the decision was made to relinquish all tenements other than those associated with three projects i.e. Kilmain (EPC 1298 and EPC 1917), Back Creek (EPC 1297) and Calen (EPC 1631) projects.

Tenements now being relinquished are Townsville (EPC 1492), Townsville Extended (EPC 1617), Mt Marrow (EPC 2374), Connemarra (EPC 1296) and Boldon (EPC 1820). These join the tenements already being relinquished i.e. Pinetree (EPC 1875), Normanby (EPC 1874), Mobs Creek (EPC 2309), Cedar Creek (EPC 2278), Lochaber (EPC 1672) and Mintovale (MDL 138) tenements.

**Project Status**

**Kilmain Project**

The Kilmain Project (EPC 1298 and EPC 1917) is a 56km<sup>2</sup> area within the Bowen Basin. The project area is located 85 km southeast of Emerald and 12km west of the Rolleston rail line. The project area on its eastern boundary adjoins the BMA Togara South Project while on the western boundary adjoins the Bandanna Energy's Arcturus Project and to the north the Bandanna Energy Springsure Creek Project.

The Kilmain project has potential for an underground deposit of coking/PCI/ thermal coal within the Rangal Coal Measures.

The JEA signed with JOGMEC provides Allegiance Coal with funding for all of the planned exploration expenditure over three years including seismic exploration, drilling and associated coal quality analysis within the Kilmain Project area. Funding provided under the JEA will also allow Allegiance to build a comprehensive geological model of the area utilising the new data along with previous company drilling and historical data within and adjacent to the tenements.

Activities on the Kilmain Project commenced in mid September 2014 with seismic survey and ground magnetometer surveys.

Total length of seismic surveys was 11.25km with the first program being 7.75km and the second phase completed on 15 October 2014 of 3.5km. Ground magnetometer surveys to locate basalt involved 25km of survey lines.

Drilling on three selected sites followed the seismic and magnetometer surveys.

Completion of the drilling of three partially cored holes occurred just prior to Christmas and just prior to the setting-in of the wet weather.

Coal cores from the three drill holes' seam intersections were sent for laboratory testing.

The analytical results from the three drill holes will be assessed along with results of previous company drilling, historic drill hole data from within the tenement and adjacent drill hole data provided under a data swap arrangements with Bandanna Energy's Arcturus Project.

Assessment of the coal quality is expected to be completed during the first quarter 2015.

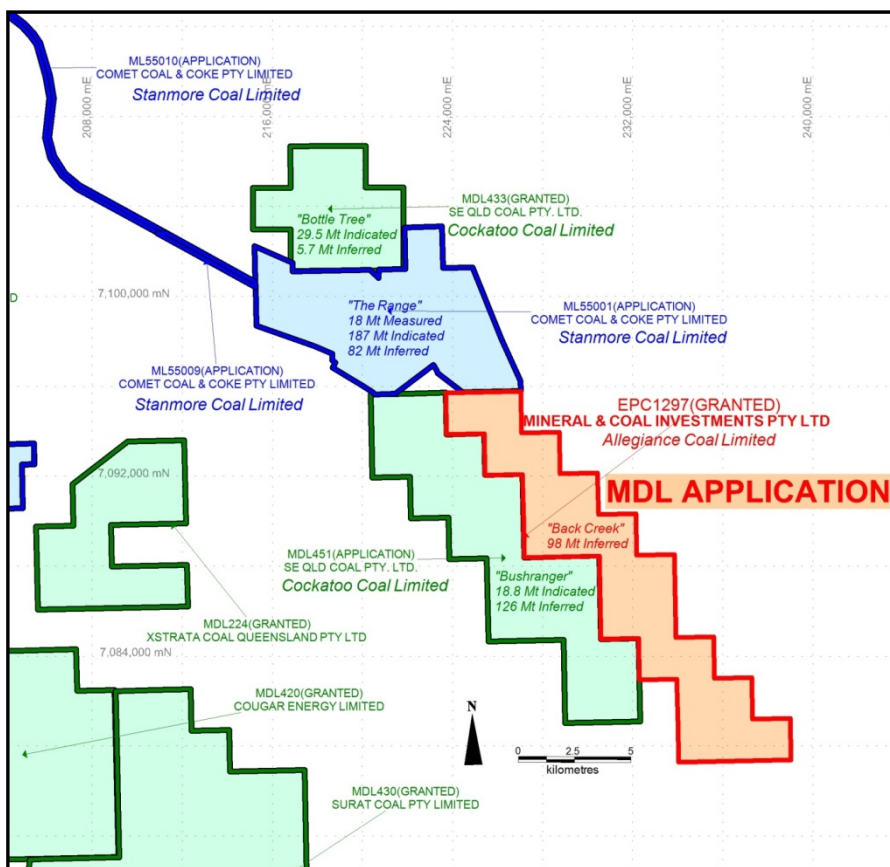
Aurizon's (ASX:AJZ) electrification of the Rolleston rail line continued during the period.

The electrification of the Rolleston rail line to meet the planned increase in production from Glencore's Rolleston Mine to the south will enhance the Kilmain project since there is the potential for lower cost rail transportation in the future<sup>(2)</sup>.

**Back Creek**

The posting of the maiden 98 Mt JORC Inferred Resource in November, 2012<sup>(1)</sup> enabled the Company to progress the Project to the stage of lodging a Mineral Development Licence Application (MDLA) in March, 2013. Following discussions with DNRM it has been decided to resubmit the MDLA utilising data and geological concepts that were either not available or considered in making the original MDLA. The resubmittal has been delayed to enable staff to focus on exploration on the Kilmain project. See Plan 1

*The Project is well suited to gain benefit from further development of Surat Basin infrastructure.*



**Plan 1 - Back Creek Project – MDL Application**

(1) Allegiance Coal Limited ASX Announcement 26/11/2012

(2) Aurizon Holdings Limited ASX Announcement 13/04/2013

*Sources of information in Plan 1:*

- "Bottle Tree" and "Busranger" 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.

**Calen Project**

Exploration planned for the period on a limited number of drill sites within the Calen tenement did not occur due to delays in obtaining cultural heritage clearance. The drilling was to be undertaken by Square Holdings with whom the Company has a farm-out and joint venture agreement.

A shareholder in Square Holdings is Japanese coal trader Mitsui Matsushima.

The Calen Joint Venture agreed drilling program for 2014 calendar year will now be carried over into 2015. The date for drilling to commence is subject to completing negotiations with Native title claimants. With drilling of 3000m, Square Resources will earn a 51% share in the joint venture.

*The Calen Project, EPC 1631 and EPC 1820, has potential for underground and open cut PCI coal deposits.*

**Corporate**

Cash : At 31 December, 2014 the company held \$1,339,295 in cash.

**Loans**

Mineral & Coal Investments Pty Ltd (MCI) is a fully owned subsidiary of Allegiance Coal Limited. MCI had loans to the value of \$3,086,164 (as at 30 June, 2014) owing to Gullewa and C. Randall & Associates Pty Ltd, which were due for repayment on 30 June, 2014, either in full or in part depending on certain circumstances.

On 22 July, 2014 it was announced that the company had negotiated the partial repayment of those loans by the repayment to Gullewa Limited of \$1,000,000 and the repayment to C. Randall & Associates Pty Ltd of \$200,000. These repayments occurred on 8 August 2014. The balance owing on these loans as at 31 December is \$1,957,700.

The company had also negotiated an extension of the balance of the loans to 30 September, 2015, subject to certain conditions.

These conditions include if MCI does not have sufficient cash to cover its 12 month operating budget at the repayment date, then the repayment date will be extended by a further 90 days. The repayment date can continue to be extended by 90 day periods in this manner if that condition cannot be met, until a sunset repayment date of 30 June, 2017, at which time all of the debts must be repaid in full. Interest is charged on the loans calculated on the 90 day bank bill swap rate plus 4%.

***Current Competing EPC Applications – Allegiance is not the primary Applicant***

At 31 December 2014 the following competing applications are yet to be determined:

EPCA 2251 Sandy Creek - lodged 1 November, 2010;  
EPCA 2592 Corsia - lodged 1 June, 2011;  
EPCA 2634 Galium - lodged 1 July, 2011;  
EPCA 2644 Mayaca - lodged 1 July, 2011.  
EPCA 2251 Sandy Creek - lodged 1 November, 2010;

***Secondary EPC Applications***

At 31 December 2014 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.

**Allegiance Coal Limited**  
**Directors' Report**  
**31 December 2014**

Holder	Project Name	Location	Tenement No.	No. of Sub-Blocks	Status
Mineral & Coal Investments Pty Ltd	Back Creek	Surat Basin	EPC 1297	20	Granted
Mineral & Coal Investments Pty Ltd	Kilmain	Bowen	EPC 1298	16	Granted
Mineral & Coal Investments Pty Ltd	Kilmain	Bowen	EPC 1917	2	Granted
Mineral & Coal Investments Pty Ltd	Connemarra	Bowen	EPC 1296	32	Being relinquished
Mineral & Coal Investments Pty Ltd	Calen	Calen	EPC 1631	27	Granted
Mineral & Coal Investments Pty Ltd	Calen	Calen	EPC 1820	17	Relinquished 19/08/2014
Mineral & Coal Investments Pty Ltd	Mt Marrow	Moreton	EPC 2374	30	Being relinquished
Mineral & Coal Investments Pty Ltd	Townsville	Northern Bowen	EPC 1492	120	Being relinquished
Mineral & Coal Investments Pty Ltd	Townsville	Northern Bowen	EPC 1617	18	Being relinquished
Mineral & Coal Investments Pty Ltd	Lochaber	Mulgildie	EPC 1672	30	Being relinquished
Mineral & Coal Investments Pty Ltd	Normanby	Hodgkinson	EPC 1874	86	Being relinquished
Mineral & Coal Investments Pty Ltd	Pinetree	Laura	EPC 1875	217	Being relinquished
Mineral & Coal Investments Pty Ltd	Cedar Creek	Surat	EPC 2278	12	Being relinquished
Mineral & Coal Investments Pty Ltd	Mobs Creek	Surat	EPC 2309	23	Relinquished 20/08/2014
Moreton Coal Pty Ltd	Mintovale	Moreton	MDL 138	N/A	Being relinquished

**\* Competent Persons Statements**

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 2012 JORC Code. This announcement accurately summarises and fairly reports his assessment and where required he has consented to the report in the form and context in which it appears.

The information in this report as it relates to the coal resources for the Back Creek Project is based on information compiled by Colin Randall who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Randall has sufficient expertise in mineral resources estimation, which is relevant to the style of mineralisation and type of deposit under consideration and is qualified as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Randall consents to the inclusion in the report of the information in the form and context in which it appears.

**Significant changes in the state of affairs**

Other than disclosed in these financial statements, there were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

**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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3) of the Corporations Act 2001.

On behalf of the directors

David Deitz  
 Director  
 16 March 2015



# SCS AUDIT & CORPORATE SERVICES PTY LTD

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ABN 99 165 260 444

## **DECLARATION OF INDEPENDENCE BY BRIAN TAYLOR TO THE DIRECTORS OF ALLEGIANCE COAL LIMITED**

As lead auditor for the review of Allegiance Coal Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Allegiance Coal Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads "Brian Taylor".

Brian Taylor  
Director

**SCS Audit & Corporate Services Pty Ltd**  
**Sydney, 16 March 2015**

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### **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 :

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 16 March 2014. The directors have the power to amend and reissue the financial report.

**Allegiance Coal Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2014**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
		<b>\$</b>	<b>\$</b>
Revenue		59,783	29
Interest income		31,626	72,268
	3	91,409	72,297
<b>Expenses</b>			
Employee benefits expense	4	(417,421)	(145,066)
Depreciation and amortisation expense	4	(16,013)	(7,754)
Impairment of assets	4	(252,071)	(650,750)
Administration expenses		(41,160)	(183,246)
Listing expense		(19,883)	-
Loss on disposal of assets		-	(8,460)
Finance costs	4	(72,820)	(90,497)
<b>Loss before income tax benefit</b>		(727,960)	(1,013,476)
Income tax benefit – R&D refund		125,795	369,989
<b>Loss after income tax benefit for the half-year attributable to the owners of Allegiance Coal Limited</b>		(602,164)	(643,487)
Other comprehensive income for the half-year, net of tax		-	-
<b>Total comprehensive income for the half-year attributable to the owners of Allegiance Coal Limited</b>		(602,164)	(643,487)
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		(0.0034)	(0.0036)
Diluted earnings per share		(0.0034)	(0.0036)

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



**Allegiance Coal Limited**  
**Statement of financial position**  
**As at 31 December 2014**

	Note	Consolidated 31 Dec 2014 \$	30 June 2014 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,358,027	3,184,894
Trade and other receivables		676,981	152,445
Other		795	17,645
<b>Total current assets</b>		<b>2,035,803</b>	<b>3,354,984</b>
<b>Non-current assets</b>			
Property, plant and equipment		11,276	25,884
Exploration and evaluation	5	3,048,865	3,327,550
<b>Total non-current assets</b>		<b>3,060,141</b>	<b>3,353,434</b>
<b>Total assets</b>		<b>5,095,944</b>	<b>6,708,418</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		197,402	140,391
Borrowings	8	1,959,091	3,090,484
Employee benefits		6,395	3,823
<b>Total current liabilities</b>		<b>2,162,888</b>	<b>3,234,698</b>
<b>Total liabilities</b>		<b>2,162,888</b>	<b>3,234,698</b>
<b>Net assets</b>		<b>2,933,056</b>	<b>3,473,720</b>
<b>Equity</b>			
Issued capital	7	9,137,801	9,137,801
Reserves		438,286	376,786
Accumulated losses		(6,643,031)	(6,040,867)
<b>Total equity</b>		<b>2,933,056</b>	<b>3,473,720</b>

The above statement of financial position should be read in conjunction with the accompanying notes

**Allegiance Coal Limited**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2014**

	<b>Issued Capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total Equity \$</b>
<b>Consolidated</b>				
Balance at 1 July 2013	9,137,801	315,286	(4,520,183)	4,932,904
Loss after income tax benefit for the half-year	-	-	(643,487)	(643,487)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(643,487)	(643,487)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	61,500	-	61,500
Balance at 31 December 2013	9,137,801	376,786	(5,163,670)	4,350,917

	<b>Issued Capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total Equity \$</b>
<b>Consolidated</b>				
Balance at 1 July 2014	9,137,801	376,786	(6,040,867)	3,473,720
Loss after income tax benefit for the half-year	-	-	(602,164)	(602,164)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(602,164)	(602,164)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	61,500	-	61,500
Balance at 31 December 2014	9,137,801	438,286	(6,643,031)	2,933,056

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

Allegiance Coal Limited  
Statement of cash flows  
For the half-year ended 31 December 2014

	<b>Consolidated</b>	
	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
	\$	\$
<b>Cash flows from operating activities</b>		
Payments to suppliers (inclusive of GST)	(1,597,106)	(319,425)
Other receipts	59,783	3,501
	<u>(1,537,323)</u>	<u>(315,924)</u>
Interest received	31,626	72,268
Income taxes refunded	125,795	369,989
	<u>(1,379,902)</u>	<u>126,333</u>
<b>Net cash from/(used in) operating activities</b>		
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(1,404)	-
Payments for exploration and evaluation	(427,781)	(215,410)
Payments for security deposits	(2,329)	(246)
Proceeds from sale of property, plant and equipment	-	20,000
	<u>(431,514)</u>	<u>(195,656)</u>
<b>Net cash (used in) investing activities</b>		
<b>Cash flows from financing activities</b>		
Loan repayment	(1,199,090)	-
Contribution from Joint Venture – JOGMEC	1,164,901	-
	<u>(34,189)</u>	<u>-</u>
<b>Cash flows (used in) financing activities</b>		
Net increase/(decrease) in cash and cash equivalents	(1,845,605)	(69,323)
Cash and cash equivalents at the beginning of the financial half-year	3,184,900	3,479,146
	<u>1,339,295</u>	<u>3,409,823</u>
Cash and cash equivalents at the end of the financial half-year		

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

## Note 1 : Significant accounting policies

### Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 '*Interim Financial Reporting*'. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 '*Interim Financial Reporting*'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with annual financial statements of the Company for the year ended 30 June 2014 together with any public announcements made during the following half-year.

The half-year financial report was authorised for issue by directors on 16 March 2015.

### Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2014 annual financial report for the financial year ended 30 June 2014, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

### Going concern

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

For the half-year ended 31 December 2014, the consolidated entity incurred a loss from continuing operations after tax of \$602,164 (31 December 2013: \$643,487). In the same period the consolidated entity had operating cash outflow of \$1,379,902 (31 December 2013: cash outflow of \$126,333) and outflows due to investing activities of \$431,514 (31 December 2013: \$195,656).

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 fall due.

The consolidated entity has commitments for exploration and evaluation for the next three years. Due to current market conditions the company will not commit to all of the minimum expenditure for the next three years and this has resulted in the impairment expense in the current financial period.

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.

## Note 2 : 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.

**Note 3 : Revenue**

	<b>Consolidated</b>	
	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
	\$	\$
Interest	31,626	72,268
Other revenue	59,783	29
	<hr/>	<hr/>
Total Revenue	<b>91,409</b>	<b>72,297</b>
	<hr/>	<hr/>

**Note 4 : Expenses**

Loss before income tax includes the following specific expenses:

*Depreciation*

Leasehold improvements	241	119
Plant and equipment	2,956	2,220
Motor vehicles	-	368
Computer equipment	11,966	4,807
Office equipment	850	240
	<hr/>	<hr/>
Total depreciation	<b>16,013</b>	<b>7,754</b>
	<hr/>	<hr/>

*Impairment*

Exploration and evaluation	252,071	650,750
	<hr/>	<hr/>

*Finance costs*

Interest and finance charges paid/payable	72,820	90,497
	<hr/>	<hr/>

*Rental expense relating to operating leases*

Minimum lease payments	1,125	1,005
	<hr/>	<hr/>

*Employee benefits expense*

Defined contribution superannuation expense	27,192	15,940
Share-based payments expense	61,500	61,500
Employee benefits expense	328,729	67,626
	<hr/>	<hr/>
Total employee benefits expense	<b>417,421</b>	<b>145,066</b>
	<hr/>	<hr/>

**Note 5 : Exploration and Evaluation**

	<b>Consolidated</b>	
	<b>31 Dec 2014</b>	<b>30 June 2014</b>
	\$	\$
Exploration and evaluation – at cost	5,194,963	5,185,800
Less : impairment	(2,146,098)	(1,858,250)
	3,048,865	3,327,550

*Reconciliations*

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

	<b>Exploration and evaluation</b>	<b>Total</b>
	\$	\$
Balance at 1 July 2014	3,327,550	3,327,550
Additions	896,796	896,796
Joint Venture – JOGMEC	(923,410)	(923,410)
Impairments of assets	(252,071)	(252,071)
	3,048,865	3,048,865

The impairment expense during the current period relates to tenements that have been relinquished or have been written down to recoverable amount.

**Note 6 : Current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>31 Dec 2014</b>	<b>30 June 2014</b>
	\$	\$
Loan – Gullewa Limited	1,611,360	2,550,663
Loan – C Randall & Associates Pty Limited	348,340	535,501
Loan – Hydromining Coal Australia Pty Ltd	(609)	4,320
	1,959,091	3,090,484

The loans are due for repayment on 30 September 2015, unless at least 14 days before the repayment date, the Allegiance group provides Gullewa Limited or Colin Randall & Associates Pty. Limited (as relevant) evidence on the basis of which MCI reasonably considers that if it were to repay the debt, the Allegiance group would not have sufficient cash to cover its 12 month operating budget, in which case the repayment date will be extended by 90 days.

The repayment date can continue to be extended by 90 day periods in this manner until a sunset repayment date of 30 June 2017, at which time all of the debts must be repaid. However, if on the repayment date MCI reasonably considers that it can pay part of the money comprising its debts, such that Allegiance will have sufficient cash to cover its 12 month operating budget, it must repay that part of the debt.

Interest charged is based on the 90 day bank bill swap rate plus 4%.

**Note 7 : Equity**  
**Issued capital**

	<b>Consolidated</b>	
	<b>31 Dec 2014</b>	<b>30 June 2014</b>
	\$	\$
Ordinary shares fully paid	9,137,801	9,137,801

There were no movements in the issued capital of the company in either the current or prior half-years.

**Dividends**

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

**Note 8 : Related party transactions**

*Parent entity*

Allegiance Coal Limited is the parent entity.

*Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
	\$	\$
<b>Payment for other expenses:</b>		
Consulting and administration fees paid to parent entity, Gullewa Limited	54,879	110,159
Consulting and administration fees paid to other related party, C Randall & Associates Pty Limited	6,501	2,032

**Receivable from and payable to related parties**

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

**Current receivables:**

Trade receivables from other related party	-	609
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**Current payables:**

Consulting and administration fees payable to parent entity, Gullewa Limited	20,949	23,735
Consulting and administration fees payable to other related party, C Randall & Associates Pty Limited	-	15,356

**Note 8 : Related party transactions (continued)**

	Consolidated	
	31 Dec 2014	31 Dec 2013
	\$	\$
<b>Loans to/from related parties</b>		
The following balances are outstanding at the reporting date in relation to loans with related parties:		
Current borrowings:		
Loan from Gullewa Limited	1,611,360	2,550,663
Loan from C Randall & Associates Pty Limited	348,340	535,501

Non-current borrowings include capitalised interest.

*Terms and conditions*

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

**Note 9 : Events after the reporting period**

No matter or circumstance has arisen since 31 December 2014 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 10 : Share-based payments**

*Employee Option Scheme*

Details of the Employee Option Scheme are disclosed in the annual financial report.

*Consultant Option Scheme*

Details of the Consultant Option Scheme are disclosed in the annual financial report.

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

December 2014

Grant date	Expiry date	Exercise Price	Balance at the start of the half-year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the half-year
05/05/2011	01/01/2016*	\$0.2500	4,900,000	-	-	-	4,900,000
05/05/2011	01/01/2016**	\$0.2500	750,000	-	-	-	750,000
05/12/2013	27/11/2018*	\$0.0495	1,000,000	-	-	-	1,000,000
05/05/2013	27/11/2018*	\$0.0495	3,100,000	-	-	-	3,100,000
			9,750,000	-	-	-	9,750,000

\* Employee Option Scheme

\*\* Consultant Option Scheme



**Allegiance Coal Limited**  
**Directors' Declaration**  
**31 December 2014**

- (a) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of directors made pursuant to section 303(5) (a) of the Corporations Act 2001.

On behalf of the Directors

David Deitz  
Director  
16 March 2015  
Sydney



# SCS AUDIT & CORPORATE SERVICES PTY LTD

ABN 99 165 260 444

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

We have reviewed the accompanying half-year financial report of Allegiance Coal Limited, which comprises the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a statement of accounting policies and selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year end or from time to time during the half-year.

### *Directors' Responsibility for the Half-Year Financial Report*

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

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Allegiance Coal Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### *Auditor's Independence Declaration*

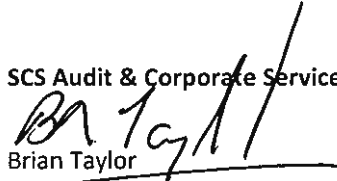
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Allegiance Coal Limited, would be in the same terms if given to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

*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

SCS Audit & Corporate Services Pty Ltd

  
Brian Taylor  
Director

Sydney, 16 March 2015