



# **ALLEGIANCE COAL LIMITED**

**ABN 47 149 490 353**

**Annual Report - 30 June 2016**

## Corporate Directory

<b>Directors</b>	Malcolm Carson - Chairman David Deitz Jonathan Reynolds
<b>Company secretary</b>	David Deitz
<b>Registered office</b>	Suite 1, Level 2 49-51 York Street Sydney NSW 2000 Telephone: +61 2 9397 7555 Facsimile: +61 2 9397 7575
<b>Principal place of business</b>	Suite 1, Level 2 49-51 York Street Sydney NSW 2000
<b>Share register</b>	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford VIC 3067 Telephone: 1300 787 272 Facsimile: +61 3 9473 2500
<b>Auditor</b>	SCS Audit & Corporate Services Pty Ltd Level 11 309 Pitt Street Sydney 2000
<b>Solicitors</b>	Cardinals Ground Floor 57 Havelock Street West Perth WA 6872
<b>Stock exchange listing</b>	Allegiance Coal Limited shares are listed on the Australian Securities Exchange (ASX code: AHQ)
<b>Website</b>	<a href="http://www.allegiancecoal.com.au">www.allegiancecoal.com.au</a>

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# Directors' Report

30 June 2016

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 at the end of, or during, the year ended 30 June 2016.

## 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:

Malcolm Carson (Chairman) – Appointed on 11 August 2016

David Deitz

Jonathan Reynolds – Appointed on 11 August 2016

Anthony Howland-Rose – Ceased on 25 August 2016

Colin Randall – Ceased on 7 August 2015

Peter Donkin – Ceased on 25 August 2016

## 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 \$3,263,070 (30 June 2015: \$594,564).

### *Joint Exploration for Kilmain Project with JOGMEC*

Japan Oil, Gas and Metals National Corporation (JOGMEC) withdrew from the Joint Exploration Agreement with the consolidated entity after spending over \$2 Million on the Kilmain Project.

### *Back Creek*

The Back Creek project in the Surat Basin is well situated to benefit from development of Surat Basin infrastructure. However, under current market conditions, the potential rate of development of the required infrastructure is still unknown and thus the future for the project is under review.

## Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year other than the withdrawal of JOGMEC from the Kilmain Project.

## Matters subsequent to the end of the financial year

The following matters or circumstances have arisen since 30 June 2016 that have 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.

## Loan repayment

C. Randall & Associates Pty Limited was paid \$220,000 on 14<sup>th</sup> July 2016 in full discharge of its loan of \$370,535.

Gullewa Limited was paid \$1,104,000 on 4<sup>th</sup> August 2016 in partial satisfaction of the amount owed to it. The balance outstanding of \$659,000 may be satisfied by the issue and allotment of shares in Allegiance at a price of \$0.005 per share (subject to any share reconstruction and shareholders' approval) or by repayment in cash, subject to Gullewa's agreement. The loan will be interest free for a period of three years, after which interest will again accrue on any unpaid balance. The loan must be repaid in full, whether in cash or by the issue and allotment of shares in accordance with the agreement reached between the parties, within five years.

## Acquisition

The company has agreed to acquire all of the shares in Telkwa Coal Limited in consideration for 50 million ordinary shares (on a 1 for 5 post consolidation basis) in Allegiance with a nominal issue price of \$0.025 with a representative value of \$1.25 million. The issue of the shares is to be subject to shareholder approval with the following Terms and Conditions of the Acquisition:

1. Allegiance completing due diligence on Telkwa Coal Limited and the Telkwa Project which condition has now been satisfied;
2. Allegiance raising at least \$1 million by issue of shares;
3. Allegiance's shareholders passing all necessary resolutions to enable the acquisition to proceed, including approving the consolidation, the issue of shares as consideration, and the issue of further securities to raise at least \$1 million;
4. Completion of the consolidation; and
5. Allegiance satisfying whatever requirements ASX imposes.

## Placement

A placement of 26,400,000 shares issued at the price of \$0.005 per share to raise \$132,000 before costs was completed on 16<sup>th</sup> September 2016.

No other matter or circumstance has arisen since 30 June 2016 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 seeking joint venture opportunities for its Kilmain and Back Creek Projects so as to enable exploration to continue, but in the meantime, will be limiting all exploration until the market price for thermal coal recovers to a level where exploration becomes viable again. Subject to satisfaction of conditions, including shareholder approval, the company intends progressing development of the Telkwa Project.

## 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:	Malcolm Carson
Title:	Non-Executive Chairman
Qualifications:	MSc, BSc, Mem AUSIIM, AIG
Experience and expertise:	Malcolm has over 40 years' experience in the resource sector including field exploration geologist and commercial evaluation of resources and project finance. He has held senior positions in exploration and mining companies, the West Australian Government, investment banks and executive roles in ASX and TSX publicly listed companies. He was appointed to the Board on 11 August 2016.
Other current directorships:	Chairman of Dampier Gold Limited, Director Pacific Wildcat Corp (TSX), Director Compass Gold Corporation (TSX)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	Nil
Interests in options:	Nil
<hr/>	
Name:	Jonathan Reynolds
Title:	Executive director
Qualifications:	B.Com (Hons), CA, F Fin
Experience and expertise:	Jonathan is a chartered accountant with more than 25 years' experience across many sectors spent mostly in financial management roles. Most recently, he has been finance director of a resource investment house, managing investments across a range of commodities, including coal. Prior to that he held the position of chief financial officer with a number of listed entities and before that was a senior manager

with an international firm of chartered accountants. He is a member of Chartered Accountants Australia and New Zealand, a fellow of Financial Services Institute of Australia and holds a Bachelor of Commerce (Honours) degree. He was appointed to the Board on 11 August 2016.

Other current directorships: None  
 Former directorships (last 3 years): None  
 Special responsibilities: None  
 Interests in shares: Nil  
 Interests in options: Nil

Name: David Deitz  
 Title: 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 (last 3 years): None  
 Special responsibilities: None  
 Interests in shares: No ordinary shares held directly (686,667 ordinary shares held indirectly)  
 Interests in options: 500,000 options over ordinary shares held directly

Name: Anthony Howland-Rose – Ceased on 25 August 2016  
 Title: Non-Executive Chairman  
 Qualifications: MSc, DIC, FGS, FIMMM, FAusIMM, FAIG, CEng  
 Experience and expertise: Anthony has over 50 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 (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: 500,000 options over ordinary shares held directly

Name: Colin Randall – Ceased on 7 August 2015  
 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 (last 3 years):	None
Special responsibilities	None
Interests in shares:	Nil
Interests in options	2,600,000

Name:	Peter Donkin – Ceased on 25 August 2016
Title:	Independent Non-Executive Director
Qualifications:	BEC, LLB, FFIN, MAICD
Experience and expertise:	Peter has 29 years' 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 (last 3 years):	None
Special responsibilities:	None
Interests in shares:	10,000 ordinary shares held directly (333,334 ordinary shares held indirectly)
Interests in options:	500,000 options over ordinary shares held directly

'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

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 2016, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
David Deitz	7	7
Anthony Howland-Rose	7	7
Peter Donkin	7	7
Colin Randall	-	2
Malcolm Carson	-	-
Jonathan Reynolds	-	-

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

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

### 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:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Share-based compensation
- Additional disclosures relating to key management personnel

#### **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.

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 an 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 remuneration.

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 2016, 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 2015 Annual General Meeting ('AGM')*

At the last AGM, the shareholders voted to adopt the remuneration report for the year ended 30 June 2015. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

**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.

	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	
2016	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Anthony Howland-Rose	26,667	-	-	-	-	-	26,667
David Deitz	24,465	-	-	2,324	-	-	26,789
Peter Donkin	24,465	-	-	2,324	-	-	26,789
Malcolm Carson	-	-	-	-	-	-	-
<i>Executive Directors:</i>							
Jonathan Reynolds	-	-	-	-	-	-	-
Colin Randall	-	-	-	-	-	-	-
	75,597	-	-	4,648	-	-	80,245

2015	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	15,000	-	-	-	-	-	15,000
David Deitz	13,761	-	-	1,307	-	-	15,068
Peter Donkin	13,761	-	-	1,307	-	-	15,068
<i>Executive Directors:</i>							
Colin Randall	197,283	-	-	12,239	-	-	209,522
	239,805	-	-	14,853	-	-	254,658

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2016	2015	2016	2015	2016	2015
<i>Non-Executive Directors:</i>						
Anthony Howland-Rose	100%	100%	-%	-%	-%	-%
David Deitz	100%	100%	-%	-%	-%	-%
Peter Donkin	100%	100%	-%	-%	-%	-%
Malcolm Carson	100%	-	-%	-	-%	-
<i>Executive Directors:</i>						
Jonathan Reynolds	100%	-	-%	-	-%	-
Colin Randall	100%	100%	-%	-%	-%	-%

## 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 2016.

### Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
27 November 2013	27 November 2013	27 November 2018	\$0.0495	\$0.015

Options granted carry no dividend or voting rights.

There were no options granted to directors and other key management personnel as part of compensation during the year ended 30 June 2016 or 30 June 2015.

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

Name	Value of options granted during the year \$	Value of options granted during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year %
Anthony Howland-Rose	-	-	-	-
Colin Randall	-	-	-	-
David Deitz	-	-	-	-
Peter Donkin	-	-	-	-
Malcolm Carson	-	-	-	-
Jonathan Reynolds	-	-	-	-

Details of options over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2015 are set out below:

Name	Value of options granted during the year \$	Value of options granted during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year %
Anthony Howland-Rose	-	-	-	-
Colin Randall	-	-	-	-
David Deitz	-	-	-	-
Peter Donkin	-	-	-	-

#### Service agreements

Key management personnel have no entitlements to termination payments in the event of removal for misconduct.

#### Additional disclosures relating to key management personnel

In accordance with Class Order 14/632, issued by the Australian Securities and Investments Commission, relating to 'Key management personnel equity instrument disclosures', the following disclosure relates only to equity instruments in the company or its subsidiaries.

Name	Grant date	Vesting date	Number of options granted	Value of options granted \$	Value of options vested \$	Number of options lapsed	Value of options lapsed \$
Anthony Howland-Rose	27 Nov 2013	27 Nov 2013	500,000	7,500	7,500	-	-
Colin Randall	27 Nov 2013	27 Nov 2013	2,600,000	39,000	39,000	-	-
David Deitz	27 Nov 2013	27 Nov 2013	500,000	7,500	7,500	-	-
Peter Donkin	27 Nov 2013	27 Nov 2013	500,000	7,500	7,500	-	-

#### Shareholding

The number of shares in the company 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
<i>Ordinary shares</i>					
Anthony Howland-Rose	1,256,667	-	-	-	1,256,667
Colin Randall – ceased	28,032,165	-	-	28,032,165	-
David Deitz	686,667	-	-	-	686,667
Peter Donkin	343,334	-	-	-	343,334
Malcolm Carson	-	-	-	-	-
Jonathan Reynolds	-	-	-	-	-
	30,318,833	-	-	28,032,165	2,286,668

#### Option holding

The number of options over ordinary shares in the company 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	Granted	Exercised	Expired/ forfeited/other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Anthony Howland-Rose	1,700,000	-	-	1,200,000	500,000
Colin Randall – ceased	4,300,000	-	-	1,700,000	2,600,000
David Deitz	1,500,000	-	-	1,000,000	500,000
Peter Donkin	1,500,000	-	-	1,000,000	500,000
Malcolm Carson	-	-	-	-	-
Jonathan Reynolds	-	-	-	-	-
	9,000,000	-	-	4,900,000	4,100,000

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
<i>Options over ordinary shares</i>			
Anthony Howland-Rose	500,000	-	500,000
Colin Randall – ceased	2,600,000	-	2,600,000
David Deitz	500,000	-	500,000
Peter Donkin	500,000	-	500,000
	4,100,000	-	4,100,000

*Loans to key management personnel and their related parties*

There were no loans made to key management personnel and their related parties during the financial year ended 30 June 2016.

*Other transactions with key management personnel and their related parties*

Service, administration fees and reimbursements paid to former ultimate parent entity, Gullewa Limited totalling \$75,021.

Administration fees and reimbursements paid to other related party, C. Randall & Associates Pty. Limited totalling \$Nil

Loan from former ultimate parent entity, Gullewa Limited totalling \$1,774,313, Loan from other related party, C. Randall & Associates Pty Limited totalling \$220,000.

**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
27 November 2013	27 November 2018	\$0.0495	4,100,000

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 ordinary shares of Allegiance Coal Limited issued on the exercise of options during the year ended 30 June 2016 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.

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 directors of SCS Audit & Corporate Services Pty Ltd**

There are no officers of the company who are former audit directors of SCS Audit & Corporate Services Pty Ltd.

## 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 page [13].

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



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David Deitz  
Director

30 September 2016  
Sydney



# SCS AUDIT & CORPORATE SERVICES PTY LTD

ABN 99 165 260 444

30 September 2016

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

Dear Directors,

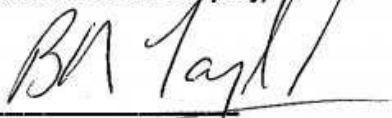
**Re: ALLEGIANCE COAL LIMITED**

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 Audit Director for the audit of the financial statements of Allegiance Coal Limited for the year ended 30 June 2016, 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 faithfully,  
SCS Audit & Corporate Services Pty Ltd  
(An Authorised Audit Company)



Brian R Taylor  
Director

Limited liability by a scheme approved under Professional Standards Legislation

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## General information

The financial statements cover Allegiance Coal Limited as a consolidated entity consisting of Allegiance Coal Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is Allegiance Coal Limited's functional and presentation currency.

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 statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2016. The directors have the power to amend and reissue the financial statements.



## Statement of profit or loss and other comprehensive income

For the year ended 30 June 2016

	Note	Consolidated	
		2016 \$	2015 \$
Revenue	4	67,945	114,782
Expenses			
Employee benefits expense		(97,919)	(59,737)
Depreciation and amortisation expense	5	(5,626)	(23,094)
Impairment of assets	5	(3,032,858)	(252,071)
Administrative expenses		(204,002)	(410,738)
Listing expense		(25,388)	(29,038)
Finance costs credit / (expense)	5	34,778	(133,557)
<b>Loss before income tax benefit</b>	6	(3,263,070)	(793,453)
Income tax benefit		-	198,889
<b>Loss after income tax benefit for the year attributable to the owners of Allegiance Coal Limited</b>		(3,263,070)	(594,564)
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive loss for the year attributable to the owners of Allegiance Coal Limited</b>		(3,263,070)	(594,564)
		<b>Cents</b>	<b>Cents</b>
Basic loss per share	31	(1.85)	(0.34)
Diluted loss per share	31	(1.85)	(0.34)

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

## Statement of financial position

As at 30 June 2016

	Note	Consolidated	
		2016	2015
		\$	\$
<b>Assets</b>			
Current assets			
Cash and cash equivalents	7	1,418,192	1,602,759
Trade and other receivables	8	5,536	134,786
Other	9	5,373	47,137
Total current assets		<u>1,429,101</u>	<u>1,784,682</u>
Non-current assets			
Property, plant and equipment	10	-	5,626
Exploration and evaluation	12	250,000	3,279,425
Total non-current assets		<u>250,000</u>	<u>3,285,051</u>
Total assets		<u>1,679,101</u>	<u>5,069,733</u>
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	13	64,561	169,935
Borrowings	14	1,994,631	2,020,022
Employee benefits	15	3,823	620
Total current liabilities		<u>2,063,015</u>	<u>2,190,577</u>
Total liabilities		<u>2,063,015</u>	<u>2,190,577</u>
Net (liabilities) / assets		<u>(383,914)</u>	<u>2,879,156</u>
<b>Equity</b>			
Issued capital	16	9,137,801	9,137,801
Reserves	17	376,786	376,786
Accumulated losses	18	(9,898,501)	(6,635,431)
Total (deficit) / equity		<u>(383,914)</u>	<u>2,879,156</u>

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

## Statement of changes in equity

For the year ended 30 June 2016

<b>Consolidated</b>	<b>Issued capital</b> \$	<b>Reserves</b> \$	<b>Accumulated losses</b> \$	<b>Total equity</b> \$
Balance at 1 July 2014	9,137,801	376,786	(6,040,867)	3,473,720
Loss after income tax benefit for the year	-	-	(594,564)	(594,564)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(594,564)	(594,564)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	-	-	-
<b>Balance at 30 June 2015</b>	<b>9,137,801</b>	<b>376,786</b>	<b>(6,635,431)</b>	<b>2,879,156</b>

<b>Consolidated</b>	<b>Issued capital</b> \$	<b>Reserves</b> \$	<b>Accumulated losses</b> \$	<b>Total equity</b> \$
Balance at 1 July 2015	9,137,801	376,786	(6,635,431)	2,879,156
Loss after income tax benefit for the year	-	-	(3,263,070)	(3,263,070)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(3,263,070)	(3,263,070)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	-	-	-
<b>Balance at 30 June 2016</b>	<b>9,137,801</b>	<b>376,786</b>	<b>(9,898,501)</b>	<b>(383,914)</b>

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

## Statement of cash flows

For the year ended 30 June 2016

	Note	Consolidated	
		2016 \$	2015 \$
<b>Cash used in operating activities</b>			
Payments to suppliers (inclusive of GST)		(314,733)	(504,609)
Other receipts		214,173	82,747
		<u>(100,560)</u>	<u>(421,862)</u>
Interest received		28,860	32,035
Interest and other finance costs paid		(34,778)	-
R & D Grants Received		-	125,795
		<u>-</u>	<u>125,795</u>
<b>Net cash used in operating activities</b>	30	<u>(106,478)</u>	<u>(264,032)</u>
<b>Cash used in investing activities</b>			
Cash flows from investing activities			
Payments for property, plant and equipment		-	(1,404)
Payments for exploration and evaluation		(603,104)	(126,393)
Payments for security deposits		-	14,100
Contribution from Joint Venture		550,406	(4,840)
		<u>550,406</u>	<u>(4,840)</u>
<b>Net cash used in investing activities</b>		<u>(52,698)</u>	<u>(118,537)</u>
<b>Cash used in financing activities</b>			
Cash flows from financing activities			
Repayments of borrowings		(25,391)	(1,199,566)
		<u>(25,391)</u>	<u>(1,199,566)</u>
<b>Net used in financing activities</b>		<u>(25,391)</u>	<u>(1,199,566)</u>
Net decrease in cash and cash equivalents		(184,567)	(1,582,135)
Cash and cash equivalents at the beginning of the financial year		1,602,759	3,184,894
		<u>1,602,759</u>	<u>3,184,894</u>
<b>Cash and cash equivalents at the end of the financial year</b>		<u>1,418,192</u>	<u>1,602,759</u>

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

# Notes to the financial statements

30 June 2016

## 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.

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and interpretations and complies with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the Group consisting of Allegiance Coal Limited and its subsidiaries.

The financial report is presented in Australian dollars.

Allegiance Coal Limited is a company limited by shares, incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are mineral exploration and investment.

#### Adoption of new and revised standards

In the year ended 30 June 2016, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for the current annual reporting period.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2016. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change necessary to Group accounting policies.

#### Statement of Compliance

The financial report was authorised for issue on 30<sup>th</sup> September 2016.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

#### Going concern

During the reporting period the consolidated entity incurred a loss from continuing operations after tax of \$3,263,070 (2015: \$594,564). During the reporting period the consolidated entity had operating cash outflows of \$106,478 (2015: \$264,032).

The Directors have concluded that it is appropriate to prepare the accounts on a Going Concern basis as the shareholders continue to provide the necessary support to enable the consolidated entity to meet its obligations to creditors.

Ongoing commitments and further exploration and development of the entity's leases may be dependent upon the entity's ability to obtain further financing through equity, debt financing or other means of capital raising.

A cash flow forecast has indicated that the consolidated entity will have sufficient cash assets to meet its obligations to creditors for the ensuing 12 months from the date of this report.

## Notes to the financial statements

30 June 2016

The commitments for exploration and evaluation for the next three years have been disclosed in note 25 to the financial statements. The company has impaired tenements that it will no longer commit to the minimum expenditure for the next three years and intends to keep exploring the other remaining tenements.

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 and statement of compliance**

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').

#### *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 2016 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 control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. 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 subsidiaries is accounted for using the acquisition method of accounting. 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.

## Notes to the financial statements

30 June 2016

### 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.

#### *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 interests in subsidiaries, associates or 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 at 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 entities which intend to settle simultaneously.

The R&D Tax Incentive is a government run program which helps to offset some of the costs of R&D. The consolidated entity claimed a refundable tax offset and has disclosed this as income tax benefit in the statement of profit or loss and other comprehensive income.

Allegiance Coal Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' 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.

### Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

## Notes to the financial statements

30 June 2016

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### 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.

### Trade and other receivables

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

### 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.

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.

### 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:



## Notes to the financial statements

30 June 2016

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.

#### 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.

## Notes to the financial statements

30 June 2016

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 of disposal 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.

### 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.

### Employee benefits

#### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service 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.

#### *Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. 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

## Notes to the financial statements

30 June 2016

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. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

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.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

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

30 June 2016

### Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

### 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.

# Notes to the financial statements

30 June 2016

## 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.

## 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 of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

### *Exploration and evaluation costs*

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. The Killmain and Back Creek Projects have yet to reach a stage of development where a determination of the technical feasibility or commercial viability can be assessed. In these circumstances, whether there is any indication that the assets have been impaired is a matter of judgment, as is the determination of the quantum of any required impairment

## Notes to the financial statements

30 June 2016

adjustment. The Directors have resolved that it is not appropriate to capitalise any further exploration expenditure in relation to the Killmain and Back Creek Projects. In addition they have, in the current period, resolved to impair exploration expenditure incurred in respect of these permit areas in an amount of \$3,032,858. The Directors have used their experience to conclude that no further impairment adjustment is required for the year ended 30 June 2016 (refer to note 12).

### 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. 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 2016 there were no major customers who derive more than 10% of the consolidated entity's revenue (30 June 2016: none derived from major customers). Interest from cash deposits in banking institutions account for \$28,680 (2015: \$32,035).

### Note 4. Revenue

	Consolidated	
	2016	2015
	\$	\$
Interest	28,680	32,035
Other revenue	39,265	82,747
Revenue	<u>67,945</u>	<u>114,782</u>

## Notes to the financial statements

30 June 2016

### Note 5. Expenses

	Consolidated	
	2016	2015
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	1,189	480
Plant and equipment	3,553	4,808
Computer equipment	-	12,320
Office equipment	-	1,690
Total depreciation	<u>4,742</u>	<u>19,298</u>
<i>Amortisation</i>		
Software	<u>884</u>	<u>3,796</u>
Total depreciation and amortisation	<u>5,626</u>	<u>23,094</u>
<i>Impairment</i>		
Exploration, evaluation and development	<u>3,032,858</u>	<u>252,071</u>
<i>Finance costs</i>		
Interest and finance charges (credit) expense	<u>(34,778)</u>	<u>133,557</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<u>8,235</u>	<u>8,235</u>
<i>Employee benefits expense</i>		
Defined contribution superannuation expense	4,562	5,183
Employee benefits expense	93,357	54,554
Total employee benefits expense	<u>97,919</u>	<u>59,737</u>

The weighted average interest rate on the company's borrowings is 6.14%.

As per Note 14, during the reporting period an agreement for cash settlement was made with a borrowing party. The balance of the borrowing, being the non cash settlement portion, is shown as a credit to financing costs.

## Notes to the financial statements

30 June 2016

### Note 6. Income tax benefit

	Consolidated	
	2016	2015
	\$	\$
<i>Income tax benefit</i>		
Current Tax	-	(198,889)
Aggregate income tax benefit	-	(198,889)
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(3,263,070)	(793,453)
Tax at the statutory tax rate of 30%	(978,921)	(238,036)
Tax effect amounts which are not deductible in calculating taxable income:		
Impairment of assets	909,857	75,621
	(69,064)	(162,415)
Current year tax losses not recognised	69,064	162,415
Research and development refund received	-	(198,889)
Income tax benefit	-	(198,889)

	Consolidated	
	2016	2015
	\$	\$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	8,340,587	8,110,375
Potential tax benefit @ 30%	2,502,176	2,433,113

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. 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

	Consolidated	
	2016	2015
	\$	\$
Cash at bank	418,192	602,759
Cash on deposit	1,000,000	1,000,000
	1,418,192	1,602,759



## Notes to the financial statements

30 June 2016

### Note 8. Current assets - trade and other receivables

	Consolidated	
	2016	2015
	\$	\$
Other Receivable	5,536	134,786
	<u>5,536</u>	<u>134,786</u>

Receivables are neither past due nor impaired.

### Note 9. Current assets - other

	Consolidated	
	2016	2015
	\$	\$
Prepayments	-	17,237
Security deposits	5,373	29,900
	<u>5,373</u>	<u>47,137</u>

### Note 10. Non-current assets - property, plant and equipment

	Consolidated	
	2016	2015
	\$	\$
Leasehold improvements - at cost	1,188	1,668
Less: Accumulated depreciation	(1,188)	(480)
	<u>-</u>	<u>1,188</u>
Plant and equipment - at cost	3,299	8,106
Less: Accumulated depreciation	(3,299)	(4,807)
	<u>-</u>	<u>3,299</u>
Computer equipment - at cost	884	14,164
Additions	-	2,835
Less: Accumulated depreciation	(884)	(16,115)
	<u>-</u>	<u>884</u>
Office equipment - at cost	255	1,946
Less: Accumulated depreciation	(255)	(1,691)
	<u>-</u>	<u>255</u>
<b>Total</b>	<u>-</u>	<u>5,626</u>

#### Reconciliations

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

## Notes to the financial statements

30 June 2016

<b>Consolidated</b>	<b>Leasehold improvements</b>	<b>Plant and equipment</b>	<b>Motor vehicles</b>	<b>Computer equipment</b>	<b>Office equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2014	1,668	8,106	-	14,164	1,946	25,884
Additions	-	-	-	2,835	-	2,835
Depreciation expense	(480)	(4,807)	-	(16,115)	(1,691)	(23,093)
Balance at 30 June 2015	1,188	3,299	-	884	255	5,626
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation expense	(1,188)	(3,299)	-	(884)	(255)	(5,626)
Balance at 30 June 2016	-	-	-	-	-	-

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

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Software - at cost	10,200	10,200
Less: Accumulated amortisation	(10,200)	(10,200)
	-	-

### Note 12. Non-current assets - exploration and evaluation

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Exploration and evaluation - at cost	3,570,706	3,567,273
Less: Impairment	(3,320,706)	(287,848)
	250,000	3,279,425

#### Reconciliations

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

<b>Consolidated</b>	<b>Exploration and evaluation</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>
Balance at 1 July 2014	3,327,550	3,327,550
Additions	239,723	239,723
Impairment of assets	(287,848)	(287,848)
Balance at 30 June 2015	3,279,425	3,279,425
Additions – Kilmain Project	598,850	598,850
Additions - Other	6,305	6,305
Tenement fees refund	-	-
Impairment of assets	(3,032,858)	(3,032,858)
Joint Venture – JOGMEC	(601,722)	(601,722)
Balance at 30 June 2016	250,000	250,000

## Notes to the financial statements

30 June 2016

### *Impairment*

The consolidated entity has stopped mining certain tenements and impaired these tenements' exploration and evaluation expenditure to reflect the fact that they are no longer meeting minimum expenditure requirements.

The Killmain and Back Creek projects have yet to reach a stage of development where a determination of the technical feasibility or commercial viability can be assessed. In these circumstances, whether there is any indication that the assets have been impaired is a matter of judgment, as is the determination of the quantum of any required impairment adjustment. The Directors have resolved that it is not appropriate to capitalise any further exploration expenditure in relation to the Killmain and Back Creek Projects. In addition they have, in the current period, resolved to impair exploration expenditure incurred in respect of these permit areas in an amount of \$3,032,858. The Directors have used their experience to conclude that no further impairment adjustment is required for the year ended 30 June 2016.

### **Note 13. Current liabilities - trade and other payables**

	Consolidated	
	2016	2015
	\$	\$
Trade payables – former ultimate parent entity	62,470	67,146
Trade payables - other entities	2,091	48,269
Other payables	-	54,520
	64,561	169,935

Refer to note 20 for further information on financial instruments.

### **Note 14. Current liabilities - borrowings**

	Consolidated	
	2016	2015
	\$	\$
Loan - Gullewa Limited	1,775,240	1,661,455
Loan - C. Randall & Associates Pty. Limited	220,000	359,176
Loan - HCA	(609)	(609)
	1,994,631	2,020,022

Refer to note 20 for further information on financial instruments.

### **Loan repayment**

C. Randall & Associates Pty Limited was paid \$220,000 on 14<sup>th</sup> July 2016 in full discharge of its loan of \$370,535.

Gullewa Limited was paid \$1,104,000 on 4<sup>th</sup> August 2016 in partial satisfaction of the amount owed to it. The balance outstanding of \$659,000 may be satisfied by the issue and allotment of shares in Allegiance at a price of \$0.005 per share (subject to any share reconstruction and shareholders' approval) or by repayment in cash, subject to Gullewa's agreement. The loan will be interest free for a period of three years, after which interest will again accrue on any unpaid balance. The loan must be repaid in full, whether in cash or by the issue and allotment of shares in accordance with the agreement reached between the parties, within five years.

## Notes to the financial statements

30 June 2016

### Note 15. Current liabilities - employee benefits

	Consolidated	
	2016	2015
	\$	\$
Employee benefits	3,823	620

### Note 16. Equity – Issued Capital

Consolidated	Consolidated			
	2016 Shares	2015 Shares	2016 \$	2015 \$
Ordinary Shares – fully paid	176,666,674	176,666,674	9,137,801	9,137,801

#### 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.

#### Options

Unissued ordinary shares of Allegiance Coal Limited under option at 30 June 2016 are 4,100,000 (2015: 9,750,000).

#### 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.

There are no externally imposed capital requests. The capital risk management policy remains unchanged from the 30 June 2015 Annual Report.

### Note 17. Equity - reserves

	Consolidated	
	2016	2015
	\$	\$
General reserve	16	16
Share-based payments reserve	376,770	376,770
	376,786	376,786

#### 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.

## Notes to the financial statements

30 June 2016

### *Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

<b>Consolidated</b>	<b>General \$</b>	<b>Share-based payments \$</b>	<b>Total \$</b>
Balance at 1 July 2014	16	376,770	376,786
Shareholder loan reserve adjustment	-	-	-
Balance at 30 June 2015	16	376,770	376,786
Share-based payments	-	-	-
Balance at 30 June 2016	16	376,770	376,786

### **Note 18. Equity - accumulated losses**

	<b>Consolidated</b>	
	<b>2016 \$</b>	<b>2015 \$</b>
Accumulated losses at the beginning of the financial year	(6,635,431)	(6,040,867)
Loss after income tax benefit for the year	(3,263,070)	(594,564)
Accumulated losses at the end of the financial year	<u>(9,898,501)</u>	<u>(6,635,431)</u>

### **Note 19. Equity - dividends**

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

### **Note 20. Financial instruments**

#### **Financial risk management objectives**

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate 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 may use derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('Finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

#### **Market risk**

##### *Foreign currency risk*

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

## Notes to the financial statements

30 June 2016

### *Commodity price risk*

The consolidated entity's main commodity price risk is an adverse movement in the price of coal.

### *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 variable rate borrowings and cash and cash equivalents:

Consolidated	2016		2015	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash and cash equivalents	2.80%	1,418,192	2.97%	1,602,759
Loans	5.64%	(1,994,631)	6.70%	(2,020,022)
<b>Net exposure to cash flow interest rate risk</b>		<b>(576,439)</b>		<b>(417,263)</b>

Consolidated - 2016	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
Cash and cash equivalents	200	28,364	28,364	200	(28,364)	(28,364)
Loans	200	(43,128)	(43,128)	200	43,128	43,128
		(14,764)	(14,764)		14,764	14,764

Consolidated - 2015	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
Cash and cash equivalents	200	32,055	32,055	200	(32,055)	(32,055)
Loans	200	(40,400)	(40,400)	200	40,400	40,400
		(8,345)	(8,345)		8,345	8,345

### *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 has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk.

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. The consolidated entity does not hold any collateral.

### *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.

## Notes to the financial statements

30 June 2016

### 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.

Consolidated - 2016	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	-%	62,470	-	-	-	62,470
Other payables	-%	2,091	-	-	-	2,091
<i>Interest-bearing - variable</i>						
Loans	5.64%	1,994,631	-	-	-	1,994,631
<b>Total non-derivatives</b>		<b>2,059,192</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,059,192</b>

Consolidated - 2015	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	-%	67,146	-	-	-	67,146
Other payables	-%	48,269	-	-	-	48,269
<i>Interest-bearing - variable</i>						
Loans	6.70%	2,020,022	-	-	-	2,020,022
<b>Total non-derivatives</b>		<b>2,135,437</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,135,437</b>

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.

### Note 21. Fair value measurement

The carrying amounts of trade and other receivables and trade and other 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 liabilities.

## Notes to the financial statements

30 June 2016

### Note 22. Key management personnel disclosures

#### Compensation

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

	Consolidated	
	2016	2015
	\$	\$
Short-term employee benefits	80,245	239,805
Post-employment benefits	-	14,853
Share-based payments	-	-
	<u>80,245</u>	<u>254,658</u>

### Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by SCS Audit & Corporate Services Pty Ltd, the auditor of the company, and unrelated firms:

	Consolidated	
	2016	2015
	\$	\$
<i>Audit review of the financial statement – SCS Audit &amp; Corporate Services Pty Ltd</i>	20,000	15,000
	-	-
	<u>20,000</u>	<u>15,000</u>

### Note 24. Contingent liabilities

The consolidated entity has no contingent liabilities as at 30 June 2016 and 30 June 2015.

### Note 25. Commitments

	Consolidated	
	2016	2015
	\$	\$
<i>Capital commitments - exploration and evaluation</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	50,000	415,115
One to five years	500,000	880,745
	<u>550,000</u>	<u>1,295,860</u>

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 entity

Allegiance Coal Limited is the parent entity.

#### Subsidiaries

Interests in subsidiaries are set out in note 28.



## Notes to the financial statements

30 June 2016

### *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:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Payment for other expenses:		
Service, administration fees and reimbursements paid to former ultimate parent entity, Gullewa Limited	79,888	134,923
Administration fees and reimbursements paid to other related party, C. Randall & Associates Pty. Limited	-	86,746

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

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

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Current receivables:		
Trade receivables from other related party	-	2,884
Current payables:		
Service, administration fees and reimbursements payable to former ultimate parent entity, Gullewa Limited	62,470	67,146

### *Loans to/from related parties*

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

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Current borrowings:		
Loan from Gullewa Limited	1,775,240	1,661,455
Loan from C. Randall & Associates Pty. Limited	220,000	359,176
Loan to HCA	(609)	(609)
	1,994,631	2,020,022

Refer to Note 14

Borrowings include capitalised interest.

### *Terms and conditions*

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

## Notes to the financial statements

30 June 2016

### Note 27. Parent entity information

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

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

	Parent	
	2016	2015
	\$	\$
Loss after income tax	(232,045)	(6,914)
Total comprehensive loss	(232,045)	(6,914)

#### *Statement of financial position*

	Parent	
	2016	2015
	\$	\$
Total current assets	1,512,290	3,740,330
Total assets	1,512,290	3,744,512
Total current liabilities	67,335	171,473
Total liabilities	67,335	171,472
Net assets	1,444,955	3,573,039
Equity		
Issued capital	9,137,801	9,137,801
Share-based payments reserve	376,770	376,770
Accumulated losses	(8,069,616)	(5,941,532)
Total equity	1,444,955	3,573,039

#### *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 2016 and 30 June 2015 aside from the loans to Gullewa Limited of \$1,775,240 and to C Randall & Associated Pty Limited of \$220,000. The parent entity had guaranteed the performance of Mineral & Coal Investments Pty Limited in the Joint Venture with JOGMEC

#### *Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

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

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2016 and 30 June 2015.

#### *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.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

## Notes to the financial statements

30 June 2016

### Note 28. Interests in 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	Principal place of business / Country of incorporation	Ownership interest	
		2016 %	2015 %
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 29. Events after the reporting period

The following matters or circumstances have arisen since 30 June 2016 that have 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.

#### Loan repayment

C. Randall & Associates Pty Limited was paid \$220,000 on 14<sup>th</sup> July 2016 in full discharge of its loan of \$370,535.  
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Gullewa Limited was paid \$1,104,000 on 4<sup>th</sup> August 2016 in partial satisfaction of the amount owed to it. The balance outstanding of \$659,000 may be satisfied by the issue and allotment of shares in Allegiance at a price of \$0.005 per share (subject to any share reconstruction and shareholders' approval) or by repayment in cash, subject to Gullewa's agreement. The loan will be interest free for a period of three years, after which interest will again accrue on any unpaid balance. The loan must be repaid in full, whether in cash or by the issue and allotment of shares in accordance with the agreement reached between the parties, within five years.

#### Acquisition

Allegiance has agreed to acquire all of the shares in Telkwa Coal Limited in consideration for 50 million ordinary shares (on a 1 for 5 post consolidation basis) in Allegiance with a nominal issue price of \$0.025 with a representative value of A\$1.25 million. The issue of the shares is to be subject to shareholder approval with the following Terms and Conditions of the Acquisition:

1. Allegiance completing due diligence on Telkwa Coal Limited and the Telkwa Project which condition has now been satisfied;
2. Allegiance raising at least \$1 million by issue of shares;
3. Allegiance's shareholders passing all necessary resolutions to enable the acquisition to proceed, including approving the consolidation, the issue of shares as consideration, and the issue of further securities to raise at least \$1 million;
4. Completion of the consolidation; and
5. Allegiance satisfying whatever requirements ASX imposes.

#### Placement

A placement of 26,400,000 shares issued at the price of \$0.005 per share to raise \$132,000 before costs was completed on 16<sup>th</sup> September 2016.

No other matter or circumstance has arisen since 30 June 2016 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.

## Notes to the financial statements

30 June 2016

### Note 30. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2016	2015
	\$	\$
Loss after income tax benefit for the year	(3,263,070)	(594,564)
Adjustments for:		
Depreciation and amortisation	5,626	23,094
Share-based payments	-	-
Write off of property, plant and equipment	-	-
Impairment of exploration and evaluation assets	3,029,425	252,071
Non-cash interest expense	-	-
Change in operating assets and liabilities:		
Decrease / (increase) in trade and other receivables	129,250	(56,157)
Decrease / (increase) in prepayments	41,764	(17,236)
Increase / (decrease) in trade and other payables	(52,676)	128,760
Decrease in other operating liabilities	3,203	-
Joint Venture Net Cash Outflow Shown as cash used in Investing activities	52,697	-
Net cash used in operating activities	<u>(106,478)</u>	<u>(264,032)</u>

### Note 31. Loss per share

	Consolidated	
	2016	2015
	\$	\$
Loss after income tax attributable to the owners of Allegiance Coal Limited	(3,263,070)	(594,564)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic loss per share	176,666,674	176,666,674
Weighted average number of ordinary shares used in calculating diluted loss per share	176,666,674	176,666,674
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(1.85)	(0.34)
Diluted loss per share	(1.85)	(0.34)

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

### Note 32. Share-based payments

#### Employee Option Scheme

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,

## Notes to the financial statements

30 June 2016

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.

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

30 June 2016

### 2016

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
09/05/2011	09/05/2016 *	\$0.2500	4,900,000	-	-	4,900,000	-
09/05/2011	09/05/2016 **	\$0.2500	750,000	-	-	750,000	-
27/11/2013	27/11/2018 *	\$0.0495	4,100,000	-	-	-	4,100,000
			9,750,000	-	-	5,650,000	4,100,000

Weighted average exercise price \$0.0495

- \* Employee Option Scheme  
\*\* Consultant Option Scheme

### 2015

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
09/05/2011	09/05/2016 *	\$0.2500	4,900,000	-	-	-	4,900,000
09/05/2011	09/05/2016 **	\$0.2500	750,000	-	-	-	750,000
27/11/2013	27/11/2018 *	\$0.0495	4,100,000	-	-	-	4,100,000
			9,750,000	-	-	-	9,750,000

Weighted average exercise price \$0.1657

- \* Employee Option Scheme  
\*\* Consultant Option Scheme

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

Grant date	Expiry date	2016 Number	2015 Number
09/05/2011	09/05/2016 *	-	4,900,000
09/05/2011	09/05/2016 **	-	750,000
27/11/2013	27/11/2018 *	4,100,000	4,100,000
		4,100,000	9,750,000

- \* Employee Option Scheme  
\*\* Consultant Option Scheme

The weighted average share price during the financial year was \$0.007 \$ (2015: \$0.011).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.5 years (2015: 1.7 years).

## DIRECTOR'S DECLARATION

30 June 2016

1. In the opinion of the directors of Allegiance Coal Limited (the 'Company'):
  - a) the accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:
    - i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
    - ii) complying with Australian Accounting Standards the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements,
  - b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
  - c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of Corporations Act 2001 for the financial year ended 30 June 2016.

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



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David Deitz  
Director

30 September 2016  
Sydney



# SCS AUDIT & CORPORATE SERVICES PTY LTD

ABN 99 165 260 444

## **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 2016, 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 14 to 46.

#### *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.

Limited liability by a scheme approved under Professional Standards Legislation



#### *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 2016 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.

#### **Matter of Emphasis**

Without qualifying our above opinion, we draw attention to Note 1 of the Financial Report, Summary of Significant Accounting Policies, which indicates that the consolidated entity incurred a loss from continuing operations after tax of \$3,263,070. The matters detailed in Note 1 indicate the existence of uncertainty which may cast doubt as to the ability of the consolidated entity to continue as a going concern. The consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of its business, and at the amounts stated in the financial report.


#### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 5 to 11 of the directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the *Corporations Act 2001*.

**SCS Audit & Corporate Services Pty Ltd**  
(An Authorised Audit Company)



Brian R Taylor  
Director

Dated: 30 September 2016

## Shareholder information

30 June 2016

The shareholder information set out below was applicable as at 15 September 2016.

### Distribution of equitable securities

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

	Number of holders of ordinary shares	% of lissed Capital
1 – 99	80	0.00
100 – 999	605	0.00
1,000 – 9,999	41,250	0.02
10,000 – 99,999	5,790,060	3.28
100,000 – 999,000	14,608,999	8.27
1,000,000 – 9,999,999	26,156,679	14.81
10,000,000 – 9,999,999,999	130,069,001	73.62
Rounding		0.00
<b>Total</b>	<b>176,666,674</b>	<b>100.00</b>

### Equity security holders

*Twenty largest quoted equity security holders*

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

Name	Units	% of Units
GFT NOMINEES (QLD) PTY LTD	35,000,000	19.81
JA ASHTON NOMINEES (QLD) PTY LTD	35,000,000	19.81
MR MICHAEL FRANK WHITE	18,602,334	10.53
GREGORY PATRICK MCDONNELL	15,300,000	8.66
CUSHNIE PTY LTD	14,500,000	8.21
REGENT PACIFIC GROUP LIMITED	11,666,667	6.60
CAPE COAL PTY LTD	7,346,419	4.16
GULLEWA LIMITED	5,200,000	2.94
MR IAN INGRAM	2,097,060	1.19
GA & AM LEAVER INVESTMENTS PTY LTD <GA & AM LEAVER S/FUND A/C>	2,000,000	1.13
TALFRESH PTY LTD	2,000,000	1.13
THE LAUNCH COMPANY PTY LTD	1,250,000	0.71
MR WOUTER CODEE	1,150,000	0.65
MR BENJAMIN HARKHAM <FAMILY SUPER FUND A/C>	1,086,200	0.61
MR IANAKI SEMERDZIEV	1,027,000	0.58
MRS KERRY MARIE BISHOP	1,000,000	0.57
MRS STELLA KIOUSSIS <ANGELA KIOUSSIS A/C>	1,000,000	0.57
KURRABA INVESTMENTS PTY LTD	1,000,000	0.57
BNP PARIBAS NOMINEES PTY LTD <GLOBAL PRIME OMNI DRP>	856,348	0.48
WOLSELEY GROUP PTY LTD <NORFOLK SUPER FUND A/C>	711,000	0.40

### *Unquoted equity securities*

There are no unquoted equity securities, other than employee / consultant options.

### Substantial Holders

Substantial holders in the company are set out below:

Rank	Name	Address	Units	% of Units
1.	GFT NOMINEES (QLD) PTY LTD	40 SLACK DRIVE, EMERALD QLD, 4720	35,000,000	19.81
2.	JA ASHTON NOMINEES (QLD) PTY LTD	62 LONG STREET, EMERALD QLD, 4720	35,000,000	19.81
3.	MR MICHAEL FRANK WHITE	3236 HUON HIGHWAY, FRANKLIN TAS, 7113	18,602,334	10.53
4.	GREGORY PATRICK MCDONNELL	PO BOX 787, EMERALD QLD, 4720	15,300,000	8.66
5.	CUSHNIE PTY LTD	130 FULLERS ROAD, CHATSWOOD NSW, 2067	14,500,000	8.21
6.	REGENT PACIFIC GROUP LIMITED	8TH FLOOR HENLEY BUILDING, 5 QUEENS ROAD CENTRAL, HONG KONG	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.

### Tenements

Description	Tenement number	Interest owned %
<i>Mineral and Coal Investments Pty Limited</i>		
Back Creek - Surat Basin	EPC 1297	100.00
Kilmain - Bowen Basin	EPC 1917	100.00
Kilmain – Bowen Basin	EPC 1298	100.00