ALLEGIANCE COAL LIMITED

ABN 47 149 490 353

Annual Report - 30 June 2022

Corporate Directory

Directors	Mark Gray – Chairman Jonathan Romcke – Chief Executive Officer Bernie Mason Matthew Wall Jonathan Reynolds
Company secretary	Jonathan Reynolds
Registered office and Principal place of business	Suite 107 109 Pitt Street Sydney NSW 2000 Telephone: +61 2 9233 5579 Facsimile: +61 2 9233 1349
Share register	Computershare Investor Services Pty Limited Level 3, 60 Carrington Street Sydney NSW 2000 Telephone: 1300 787 272 Facsimile: +61 2 8234 5050
Auditor	SCS Audit & Corporate Services Pty Ltd Suite 802 309 Pitt Street Sydney 2000
Solicitors	Hamilton Locke Level 27 152-158 St Georges Terrace Perth WA 6000
Stock exchange listing	Allegiance Coal Limited shares are listed on the Australian Securities Exchange (ASX code: AHQ)
Website	www.allegiancecoal.com.au
Email address	info@allegiancecoal.com.au

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Directors’ Report

30 June 2022

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 2022.

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:

Mark Gray (Chairman until 16 May 2022 and from 15 August 2022)
Jonathan Romcke– Appointed 3 May 2022
Bernie Mason (Chairman from 6 July 2022 until 15 August 2022)
Matthew Wall – Appointed on 23 February 2022
Jonathan Reynolds
Malcolm Carson – Deceased February 2022
Larry Cook – Retired 6 June 2022
Paul Vining - Appointed 16 May 2022, Resigned 6 July 2022 (Chairman from16 May 2022 until 6 July 2022)

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

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

Operating and financial review
United States coal
The Group’s strategy is to offer for supply a variety of coals to both the Pacific and Atlantic seaborne coal markets. Creating optionality in the products that the Group can deliver is a hedge to demand volatility and provides an opportunity to optimise value based on product demand at any point in time.

Key items of the Group’s results and cash flow for the year ended 30 June 2022 are summarised as follows:

	2022 A$’000	2021 A$’000
Revenue	78,176	97
Production, logistic and selling expenses	(94,454)	(9,143)
Administrative expenses	(14,957)	(1,637)
Exploration expenses	(2,716)	-
Depreciation and amortisation	(17,882)	(584)
Finance costs expense	(21,825)	(4,377)
Net foreign exchange gain / (loss)	5,043	(194)
Derivative financial instruments loss	(20,171)	-
Impairment expense	(7,535)	-
Loss for the year	(96,321)	(15,838)

	2022 A$'000	2021 A$'000
Loss for the year	(96,321)	(15,838)
Non cash items:		
Depreciation and amortisation	17,882	584
Share-based payments	10,011	-
Non-cash fair value of conversion rights on Mercer note	-	1,477
Present value discount of debt instruments	3,344	2,349
Derivative financial instruments loss	20,171	-
Impairment loss	7,535	-
Increase in rehabilitation provision	977	91
Adjustment for working capital	(5,937)	3,684
Net cash used in operations	(42,338)	(7,653)
Net cash used in investing activities	(60,577)	(18,189)
Net cash from financing activities	92,175	4,089

Derivatives are generally used for hedging purposes, i.e. not as trading or other speculative instruments. However, the Group does sell forward coal on fixed price contracts. Commodity contracts that do not meet the own-use exemption are accounted for as derivatives under AASB 9 *Financial Instruments* and are recorded at their estimated fair value. As of 30 June 2022, the Company determined that certain of its open forward commodity contracts would not meet the own-use exemption, and as such, the Company recorded a derivative financial instrument loss of $20.1 million, based upon the difference between the contractual settlement price and the estimated fair value of the coal volumes involved as of 30 June 2022. There are numerous factors that will affect the ultimate value of the commodity contract, the primary factor being an estimate of the fair market value for the Company's saleable coal. These uncertainties may result in future actual amounts to settle the commodity contract differing from amounts currently provided.

The Telkwa Project has yet to reach a stage of development where a final determination of the technical feasibility or commercial viability can be assessed. In these circumstances, whether there is any indication that the asset has been impaired is a matter of judgement, as is the determination of the quantum of any required impairment adjustment. The Directors have used their experience to conclude that an impairment adjustment of $7.5 million is required in the current year ended 30 June 2022.

The Group's coal production and sales performance for the year ended 30 June 2022 is summarised as follows:

Metric tonnes'000	
ROM coal production	626
Saleable coal production	334
Coal sales	271
Revenue US$'000	56,427

The following summarises the key individual sales achieved for the year ended 30 June 2022:

- 63,543 metric tonnes of New Elk Blue Seam sold in November 2021 realising revenue of US$7.4 million;
- 35,360 metric tonnes of blended coal sold in January 2022 realising revenue of US$9.7 million;

- 20,243 metric tonnes of Black Warrior blended coal sold in March 2022 realising revenue of US$4.6 million;
- 78,858 metric tonnes of blended coal sold in April 2022 realising revenue of US$17.5 million;
- 22,192 metric tonnes of Black Warrior blended coal sold in May 2022 realising revenue of US$8.0 million; and
- 21,433 metric tonnes of Black Warrior blended coal sold in May and June 2022 realising revenue of US$6.4 million.

The Company's production performance for the year ended 30 June 2022 was significantly lower than had been expected. Legacy coal sales contracts at New Elk, coupled with production constraints, staffing issues and poor logistics performance in transporting coal to port meant that overall the Company reported a significant operating loss.

Following completion of the year ended 30 June 2022, the Board has conducted a Strategic Review of its two operating mines to decide whether it should continue to ramp-up both mines simultaneously, and invest further capital expenditure to do so, or whether it should invest in one and continue the status quo with the other, or indeed idle one or the other on care and maintenance, until the producing mine achieves its target rate of, and steady, production.

The Strategic Review concluded that:

- The Company should continue to optimise performance at both mines simultaneously. Key drivers behind this decision are:
  - Generally, production at both mines continues to improve notwithstanding the challenges each mine faces.
  - The Company believes it can address and in due course overcome the challenges in a prudent and business-like manner.
  - The Marco off-take contract, discussed below, provides a fixed sales price per tonne for at least one year which is expected to see each mine generate positive operating cash flow at expected production levels and operating costs.
  - The Marco loan, discussed below, provides the capital expenditure and working capital expected to be required for both New Elk and Black Warrior mines to achieve the next stage of development.
- The Company should reduce expenditure on Tenas to simply managing the environmental assessment review process; and delay the independent feasibility study of Short Creek Underground until the acquisition of Short Creek is completed.

The Strategic Review also noted key opportunities including the following:

- New Elk mine has significant potential if manpower can be secured and equipment reliability improved.
- New Elk low sulphur coal (unlike most US coal supplied into the European energy coal market) is an attractive alternative to low sulphur Russian thermal coal. Potential remains in the coking coal market with interest from the Asian steel mills as an alternative supply of semi-coking coal from the Hunter Valley.
- Black Warrior mine can also pivot to supply high energy thermal coal, especially when blended with New Elk, to take advantage of the European energy coal market and is positioned well in Alabama to do so.
- Expansion opportunities at Black Warrior have been recognised and will be further evaluated.

- Washing both New Elk and Black Warrior coal at a higher specific gravity for a higher ash product, and in some cases by-passing some Black Warrior coal from washing altogether, will improve yield and reduce unit costs while this coal is supplied into the thermal market.
- Black Warrior mine can maintain future flexibility to pivot back to hard coking coal when appropriate low ash blending coal is available and the Company will look to continue trial cargos to both European and Asian steel mills.
- The Short Creek Project is highly prospective in the medium to long term. Completion of acquisition is not finalised due to delay by the Alabama Environmental Agency in splitting the water permit between the surface coal lease and the underground coal lease. The Company will assess means of financing completion.
- The Tenas Project remains a long-term project of merit. Internal analysis of strategic investment options will be undertaken subject to successful environmental assessment application.

The Board's immediate objective is for the Company to reach steady state production at both mines by the end of the December 2022 quarter relying on the Marco fixed price off-take contract and loan for capital investment and working capital. With an effective one-year hedge against price volatility at a favourable fixed coal price per tonne, management can focus on optimising performance, productivity, and driving unit costs down in readiness for a lower price environment.

New Elk (equity interest 100%)
In October 2020, the Company completed the acquisition of the New Elk coal mine located in southeast Colorado, United States.

The assets acquired include rights to coal resources and reserves, a coal handling and preparation plant (CHPP), production equipment, underground and above ground mine infrastructure, a power sub-station, office buildings, wash-house, warehouse and workshop, and surface support equipment. At acquisition, the Mine had been on care and maintenance for several years.

Coal production commenced in the Blue Seam at the Mine on 21 May 2021, with the first production unit. The first train was loaded late July 2021 for delivery of coal to the Port of Guaymas, Mexico with the first export of coal being achieved in November 2021.

The table below summarises New Elk's coal production and sales performance, by quarter, for the year ended 30 June 2022.

	Quarter Ended Sep-21	Quarter Ended Dec-21	Quarter Ended Mar-22	Quarter Ended Jun-22	Year Ended Jun-22
Metric tonnes'000					
ROM coal production	97	77	92	135	401
Saleable coal production	45	31	40	62	178
Total coal sales	-	64	11	27	102
Revenue US$'000	-	7,421	2,963	6,042	16,426

Issues affecting production include the following:

- Recruiting and retention of general labour has been challenging throughout the year under review and remains an ongoing issue.
- Qualified mechanics and electricians certified as such in the State of Colorado who are critical to equipment performance, maintenance, and availability, are also difficult to source.
- Equipment performance and availability.
- Isolated roof falls have occurred.

As noted above, the New Elk mine has significant potential if manpower can be secured and equipment reliability improved. In addition, New Elk low sulphur coal is an attractive alternative to low sulphur Russian thermal coal. Potential remains with interest from the Asian steel mills as an alternative supply of semi-coking coal to Hunter Valley.

Black Warrior (equity interest 100%)
In August 2021, the Group acquired 100% of the voting equity instruments of Black Warrior Minerals Inc, a company whose principal activity is the operating Black Warrior coal mine, in Alabama USA. Production had historically been sold as a thermal coal, run-of-mine, to the Alabama power market. The principal reason for this acquisition was to acquire a fully permitted operating coal mine, to supply coal onto the seaborne market, complementary to New Elk Blue Seam coal. The assets acquired include rights to coal resources and production equipment.

The fair value of identifiable assets and liabilities acquired totalled US$6.2 million and the acquisition consideration was settled in cash.

During the financial year, the Company released a JORC 2012 compliant resource statement in relation to the Black Warrior mine undertaken by Marshall Miller & Associates, summarised below.

Controlled Coal Resource (Metric tonnes)	Measured	Indicated	Inferred	Total
Newcastle	0.4	0.7	0.1	1
Mary Lee	0.9	1.3	0.7	3
Blue Creek	0.7	0.9	0.5	2
Total	**2.0**	**2.9**	**1.3**	**6**

The table below summarises Black Warrior's coal production and sales performance, by quarter, for the year ended 30 June 2022.

	Quarter Ended Sep-21	Quarter Ended Dec-21	Quarter Ended Mar-22	Quarter Ended Jun-22	Year Ended Jun-22
Metric tonnes'000					
ROM coal production	32	51	56	85	224
Saleable coal production	24	32	48	53	157
Total coal sales	22	5	45	97	169
Revenue US$'000	1,739	638	11,547	26,077	40,001

Generally, challenges at the Black Warrior mine relate to additional items of equipment required to achieve a ramp-up in production.

Short Creek (equity interest 100%)
In October 2021, the Company entered into a binding agreement to acquire the Short Creek mine assets located west of Birmingham, Alabama. The acquisition comprises the purchase of the land over the deposit, the fixed assets (primarily a CHPP, a barge load-out, conveyors and stackers), and all existing permits to operate; and the lease of the mineral rights to the Mary Lee, Blue Creek and Newcastle seams under the land for up to 23 years, in consideration for the payment of royalties ranging from 7% to 10% based on a sliding scale of the FOB sales price achieved. The acquisition cost is US$4.4M in cash to acquire the land and assets; and US$12.5M to replace the reclamation bond with the State of Alabama that follows the land and assets. Completion of acquisition is not finalised due to delay by the Alabama Environmental Agency in splitting the water permit between the surface coal lease and the underground coal lease. As noted above, the Company will assess means of financing completion.

During the financial year, the Company released a JORC 2012 compliant resource statement in relation to the Short Creek project undertaken by Marshall Miller & Associates, summarised below.

Controlled Coal Resource (Metric tonnes)	Measured	Indicated	Inferred	Total
Newcastle	8.2	10.7	-	19
Newcastle Leader	0.5	0.5	-	1
Mary Lee	16.0	35.3	-	51
Blue Creek Rider	1.7	4.8	-	7
Blue Creek	22.5	47.0	-	69
Total	**48.9**	**98.3**	**-**	**147**

Telkwa metallurgical coal project (equity interest 90%)
The Company has remained focussed on advancing the Telkwa metallurgical coal project. The Project is located on the western side of British Columbia, Canada, 375km by both rail and road to the deep water port of Prince Rupert and the Ridley Island Coal Terminal. The key attractions of the Project remain its relatively low mining strip ratio; relatively simple mining and coal washing process; and access to rail, port, power, water, workforce and services.

During the financial year ended 30 June 2022, the Application for an Environmental Assessment Certificate for the Project was filed with the BC Environmental Assessment Office, Canada (BC-EAO). This activated a nine month review process by the BC-EAO under the British Columbia Environmental Assessment Act 2002. While the review process is time regulated the Company expects the process to take longer than nine months. How much longer will depend on the quality of the submitted application and the associated assessment process.

As noted above, as the Project has yet to reach a stage of development where a final determination of the technical feasibility or commercial viability can be assessed. In these circumstances, whether there is any indication that the asset has been impaired is a matter of judgement, as is the determination of the quantum of any required impairment adjustment. The Directors have used their experience to conclude that an impairment adjustment of $7.5 million is required in the current year ended 30 June 2022.

Kilmain Project, Queensland
Post 30 June 2022, the Kilmain tenements have been relinquished. There were no activities of note during the year ended 30 June 2022.

Covid-19
Until August 2021, the Company had not suffered any direct impact from the Covid-19 pandemic. In August 2021, however, the Company reported that three staff at the New Elk mine had tested positive to Covid-19 necessitating a period of isolation for the affected teams. This was followed by a heavy impact on the mine during January and February 2022. This led to delays to planned production and sales. Covid-19 has not significantly affected either Black Warrior or the Telkwa Project.

Share capital
During the year ended 30 June 2022, the Company undertook the following capital raising initiatives:

In August 2021, the Company completed a placement of 44.8 million ordinary shares to sophisticated and professional investors raising $30 million, before costs. The capital was raised to fund the acquisition of Black Warrior Minerals Inc and for working capital.

In October 2021 (Tranche 1) and December 2021, following shareholder approval, (Tranche 2) the Company completed a placement of 60 million ordinary shares to sophisticated and professional investors raising $30 million, before costs. The capital was raised to fund the acquisition of the Short Creek assets and for working capital.

In July 2021, Mercer elected to convert $1 million of their convertible notes and the Company allotted 1.6 million shares to Mercer. In November 2021, Mercer elected to convert $0.5 million of their convertible notes and the Company allotted 1 million shares to Mercer.

Borrowings

In May 2022, the Group agreed to issue a secured convertible note (Note) to the Collins Street Convertible Note Fund (Fund), managed by Collins Street Asset Management, an Australian wholesale investment management company. Tranche 1 of the Note in an amount of A$30.7 million was issued in May 2022, and Tranche 2 of the Note in an amount of $12.2 million was issued in August 2022, post-balance sheet date. The Note, which is secured over the assets of the Group, bears interest at 10% per annum, payable monthly in advance. Tranche 1 of the Note matures on 24 May 2025 and Tranche 2 of the Note matures on 15 August 2025. The Note is convertible at the Noteholder's election at any time into ordinary shares in the Company at a Conversion Price of $0.7637 per share (subject to dilutionary adjustments). 20% of the Note face value is held in an escrow account controlled by the Fund. The Company has undertaken to maintain a cash balance of no less $5.7 million post Tranche 1, increasing to $7.1 million post Tranche 2. The Group may, upon notice, redeem the Note by repaying an amount of 102.5% of the Note face value, provided however, the Fund's conversion rights will continue for the term of the Note pursuant to an option to acquire shares at the Conversion Price. In connection with the Note, during the financial year ended 30 June 2022, the Group recognised a share based payment of $7.8 million being the fair value of the Note's conversion rights.

As at 30 June 2022, the Group has drawn US$4.4 million in supply chain finance, secured by inventory holdings, and repayable, together with the cost of funds of US$0.33 million, from coal sales revenue in the September 2022 quarter. In addition, during the financial year ended 30 June 2022, the Group drew down and repaid US$13.7 million in supply chain finance.

In October 2020, in connection with the acquisition of the New Elk mine, the Group has assumed a note, maturing 1 July 2030, in favour of Cline Mining Corporation. The note is interest free and secured against the assets of New Elk, but subordinated to up to US$40 million of project debt. The face value of the note is US$26.12 million and is repayable in quarterly instalments from 60% of New Elk's net cash flow after providing for preferred debt payments and for sustaining and working capital requirements.

In July 2020, the Company secured funding by way of a secured convertible note issued to Mercer Street Global Opportunity Fund LLC (Mercer), a New York based investment fund; $662,000 of which was drawn in August 2020; $1,338,000 of which was drawn in September 2020; $1,000,000 of which was drawn in October 2020; and $2,000,000 of which was drawn in January 2021. In August 2020, following receipt of the tranche 1 funds, notes with a face value of $772,105 maturing 5 August 2021 were issued. In September 2020, following receipt of the tranche 2 funds, notes with a face value of $1,561,228 maturing 24 September 2021 were issued. In October 2020, following receipt of the first tranche 3 funds, notes with a face value of $1,150,000 maturing 30 October 2021 were issued. In January 2021, following receipt of the second tranche 3 funds, notes with a face value of $2,300,000 maturing 20 January 2022 were issued. By 30 June 2021, all the tranche 1 and 2 notes and $750,000 of the tranche 3 notes had been converted into ordinary shares. During the financial year ended 30 June 2022, $1,510,000 of the tranche 3 notes were converted into ordinary shares in the Company and the balance of the note was redeemed by the Company in cash, in accordance with the terms of the note.

In November 2021, the Group secured a loan of US$8.9M from the Nebari Natural Resources Credit Fund 1 LP (Nebari) secured over the assets of the Company. The loan did not bear interest but was repayable by paying the amount of US$11.48M to Nebari in May 2022. The loan was repaid in May 2022, using part of the proceeds of the Collins Street note.

Going concern
The Group is involved in the exploration, evaluation, development and exploitation of mineral tenements. Further expenditure will be required upon these tenements to finally ascertain whether they contain economically recoverable reserves and can be commercially developed and whether the mineral reserves can be commercially and profitably exploited.

For the year ended 30 June 2022 the consolidated entity reported a net loss of $96,320,521 (2021: $15,837,633) and net operating cash outflows of $42,337,702 (2021: $7,653,106). The operating cash outflows have been funded by cash inflows from equity raisings of $57,488,127 (2021: $56,861,791); project participation contributions from Itochu Corporation of Japan of $nil (2021: $350,234) and borrowings of $67,874,513 (2021: $5,042,927) during the year. As at 30 June 2022 the consolidated entity had net current liabilities of $58,204,609 (2021 net current assets: $4,018,971) including cash reserves of $7,949,022 (2021: $18,689,261).

The balance of these cash reserves may not be sufficient to meet the consolidated entity's planned expenditure, evaluation and development budget, including exploration activities, evaluation, operating and administrative expenditure and current debt service, for the 12 months to 30 September 2023. In order to fully implement its exploration, evaluation and development strategy, the consolidated entity will require additional funds.

Notwithstanding the above, the financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

To continue as a going concern, the Group requires additional funding to be secured from sources including but not limited to:
- Further equity capital raisings;
- The potential farm-out of participating interests in the Group's tenements and rights; and / or
- Other financing arrangements.

Having carefully assessed the uncertainties relating to the likelihood of securing additional funding, the Group's ability to effectively manage its expenditures and cash flows from operations and the opportunity to farm-out participating interests in existing permits and rights, the Directors believe that the Group will continue to operate as a going concern for the foreseeable future. Therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

In the event that the assumptions underpinning the basis of preparation do not occur as anticipated, as noted above, there is material uncertainty that may cast significant doubt whether the Group will continue to operate as a going concern. If the Group is unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the classification of liabilities that might be necessary should the Group not continue as a going concern.

Board
Malcolm Carson passed away in February 2022, following a long battle with cancer. Mr Carson was a valued colleague and member of the board and will be missed by all.

In February 2022, Matthew Wall was appointed as a Non-Executive Director of the Company.

In May 2022, Jon Romcke was appointed as an Executive Director and Chief Executive Officer of the Company.

Also in May 2022, Paul Vining was appointed as Non-executive Chairman. Regrettably, following the Company's decision to enter the thermal coal market, which contradicted Paul's waiver from Westmoreland Coal where he also occupies the Chair, Paul resigned from the Board.

In June 2022, Larry Cook stepped down from the Board following his decision to retire as Technical Director. Larry joined the Board in 2019 bringing a wealth of much needed underground coal mining experience during the technical assessment and acquisition of the New Elk coking mine. Larry was instrumental in guiding the Board through the acquisition and commissioning of the New Elk mine, as well as the acquisition and development of Allegiance's Alabama assets.

Trading results
The loss for the consolidated entity after providing for income tax amounted to $96,320,521 (30 June 2021: $15,837,633).

Significant changes in the state of affairs
Significant changes in the state of the consolidated affairs during the current year are reflected under the operating and financial review above.

Matters subsequent to the end of the financial year

In September 2022, the consolidated entity entered a coal sale agreement with Marco International Corporation. The contract is for the supply of 40,000 metric tonnes per month for one year, with two annual extensions at the customer's election. The selling price is $250/t for the first 80,000t; $214 for the next 400,000t and $220/t for subsequent coal delivered under the contract.

On 19 July 2022, the Company announced a $5 million equity facility with Regal Funds Management (on behalf of its funds) (Fund) and an initial drawdown under the facility of $3 million with pricing to be calculated on a prospective VWAP basis. Subsequently the Company and the Fund agreed, in relation to the initial drawdown, to a fixed price of $0.10 per share and accordingly the Company issued 30,000,000 ordinary shares to the Fund. The Company presently does not intend to draw down any further capital under the facility.

Likely developments and expected results of operations
The consolidated entity intends progressing development of the New Elk and Black Warrior mines and the Telkwa and Short Creek metallurgical coal projects as reflected under the operating and financial review above.

Risk relating to future prospects
The Group operates in the coal sector. There are many factors, both specific to the Group and to the coal industry in general, that may individually or in combination affect the future operating and financial performance of the Group, its prospects and/or the value of the Company. Many of the circumstances giving rise to these risks are beyond the control of the Company's Directors and its management. The major risks believed to be associated with investment in the Company are as follows.

Coal price
The success of Allegiance's operations is primarily dependent on the price of US coal with current and potential revenues derived from the sale of coal. Coal prices may fluctuate as a result of numerous factors, which are beyond the control of Allegiance. The Company intends to pivot to the currently strong thermal market. In the event that this changes in favour of coking coal, the Company will be subject to additional risk in moving back to a coking coal production focus.

Production and costs estimates
Exploration and development of minerals involves many risks. The Company is in the process of ramping up operations at the New Elk mine and at Black Warrior mine, which will be subject to the production risk for an ongoing coal mine operation. The operations and assets of the Company, as with any other mining operations, are subject to a number of uncertainties, including in relation to ore tonnes, grade, recoveries, actual realised values and grades of stockpiles (which are also estimated), ground

conditions, operational environment, funding for development, regulatory changes, weather (including flooding in the event of heavy rainfall), accidents, difficulties in operating plan and equipment and other unforeseen circumstances such as unplanned mechanical failure of plant or equipment.

Costs of production for the Company may be affected by a variety of factors, including changing waste-to-ore ratios, geotechnical issues, unforeseen difficulties associated with power supply, water supply and infrastructure, ore grade, metallurgy, labour costs, changes to applicable laws and regulations, general inflationary pressures and currency exchange rates. Unforeseen production cost increases could result in the Company not realising its operational or development plans or in such plans costing more than expected or taking longer to realise than expected.

Hazards incidental to the mining, exploration and development of mineral properties such as unusual or unexpected geological formations may be encountered by the Company. Industrial and environmental accidents could lead to substantial claims against the Company for injury or loss of life, and damage or destruction to property, as well as regulatory investigations, clean up responsibilities, penalties and the suspension of operations.

Underground mining caries additional risks associated with the control of the mine roof. A number of roof control issues have occurred at the New Elk mine and there have been a number of roof falls. The roof support controls have been increased in density, and the pillar sizes have been increased, to address the issue however the risk remains that mining conditions may deteriorate affecting the ongoing operation of the mine.

Occupational health and safety
Allegiance's operations are subject to a variety of industry specific health and safety laws and regulations which are formulated to improve and to protect the safety and health of employees. Mining operations are potentially hazardous and the management of safety and health risks is essential. Allegiance seeks to implement best practice procedures in occupational health and safety and meet compliance with government regulations. The safety regime in the USA is different to Australia and is administered by The Mine Safety and Health Administration ("MSHA"). The inspection regime is such that citations are issued whenever an inspector finds a non-compliance situation with regulations, and the mine is required to correct the condition or non-compliance. If the number of citations are excessive against a set standard, a pattern of violation notice may be issued which can affect the ability of mining operations to operate effectively.

The occurrence of any industrial accidents, workplace injuries or fatalities may result in workers' compensation claims, related common law claims and potential occupational health and safety prosecutions.

Key personnel
The Group's future success depends on the continued services of its key personnel. Allegiance could be adversely affected if any of the key management team ceased to actively participate in the management of the Group or ceased employment with the Group. The Company has in place short-term and long-term incentive arrangements aimed at managing this risk.

The success at New Elk also depends on the ability to attract and retain key underground employees with the requisite experience and in some cases State certification.

There is a high demand in America for skilled workers from competing coal mining operators. A tight labour market due to a shortage of skilled labour, combined with a high industry turnover rate, may inhibit the Group's ability to identify, employ and retain the skilled workers required for its operations. The Company may be exposed to increased labour costs in markets where the demand for labour is strong. A shortage of skilled labour may delay or halt planned ramping up of production, limit the Company's ability to grow its operations or lead to a decline in productivity.

Exchange rates
A significant portion of operating expenditures and future project equipment expenditures are denominated in foreign currency which exposes the Company to exchange rate risk. The Company's revenue is generated in US$ which matches the currency of the Company's current cost base. The Collins Street debt is denominated in Australian dollars.

Availability of capital
Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that the Company will be able to obtain additional debt or equity funding when required, or that the terms associated with that funding will be acceptable to the Company.

Global Pandemic
The current worldwide pandemic, or any future pandemic, may have a material adverse impact on the operations and financial performance of the Company. Local, national and international events of this nature are not within the control of the Company including impacts of government and regulatory restrictions that have or may be implemented including as to travel, employment, operational matters, imports or good/services.

Mineral resource and ore reserve estimates
Mineral resource and ore reserve estimates are a subjective process based on drilling results, past experience with mining properties and modifying factors, knowledge, industry practice and many other factors. Estimates which are valid when made may change substantially when new information becomes available. Ore reserve estimation is an interpretive process based on a limited amount of geological data pursuant to JORC standards and similar applicable regimes and interpretations and thus estimations may prove to be inaccurate.

In particular, the mineral resource estimates for New Elk are a mixture of coal resources reported under the JORC Code and foreign estimates under ASX Listing Rule 5.12 and are not reported in accordance with the JORC Code. A competent person has not done sufficient work to classify the foreign estimates as a mineral resource under the JORC Code and it is uncertain that following further exploration or evaluation work that this foreign estimate will be able to be reported as a mineral resource in accordance with the JORC Code. However the mineral resource reported for the Green, Blue and Allen seams at New Elk have been completed to the JORC standards.

Climate change risk
The Company's operations could be impacted by natural events such as significant rain events and flooding or prolonged periods of adverse weather conditions including floods, drought, water scarcity and temperature extremes. Such natural events could result in impacts including reduced mining efficiencies, restrictions to or loss of access to mining operations or necessary infrastructure, or restrictions to or delays in access to the mine sites for deliveries of key consumables required for the Company's operations. This could result in increased costs and or reduced revenues which could impact the Company's performance and position.

Changes in policy, technological innovation and consumer or investor preferences could adversely impact the Company's business strategy or the value of its assets particularly in the event of a transition, which may occur in unpredictable ways to a lower carbon economy.

Environmental regulation
National and local environmental laws and regulations in jurisdictions in which Allegiance operates affect the Company. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to remediate current and former facilities and locations where operations are or were conducted. Allegiance minimises the potential impact of these laws and regulations by taking steps to ensure compliance with environmental regulations and, where possible, by carrying appropriate insurance.

Information on directors

Name:	Mark Gray
Title:	Chairman from May 2019 until May 2022 and from August 2022 Executive Director from May 2022 Managing Director from May 2017 to May 2022
Qualifications:	LLB
Experience and expertise:	Mark secured the Telkwa Project and founded Telkwa Coal Limited (a wholly owned subsidiary of the Company) in September 2014. He is a corporate lawyer with 30 years' transactional experience gained as a lawyer with Herbert Smith in London, a partner with Bell Gully in New Zealand, and as a director of the London based investment bank Barclays de Zoette Wedd. He has been an advisor to and company executive of mining companies and operations including underground coal in Australia and open pit mining in Africa, as well as exploration and development projects in several minerals including coal. He was appointed to the Board on 29 May 2017.
Other current directorships	None
Former directorships (last 3 years):	None
Special responsibilities	None
Interests in shares:	181,860 ordinary shares held directly and 1,618,600 ordinary shares held indirectly
Interests in performance rights:	2,000,000 performance rights held indirectly
Interests in options	1,000,000 options held indirectly

Name:	Jonathan (Jon) Romcke
Title:	Chief Executive Officer from May 2022
Qualifications:	Bachelor of Engineering (Mining, Honours)
Experience and expertise:	Jon has over 35 years of experience in underground and open pit mining operations in the coal and iron ore mining industry. He has held roles as Project Director, Managing Director, Project Manager, Mine General Manager and Business Development Manager with significant international mining houses. He holds formal qualifications as a Coal Mine Manager in both New South Wales and Queensland. He is a Member of the Institute of Engineers Australia (Chartered Professional status), a Member of Australasian Institute of Mining and Metallurgy (Chartered Professional) and a graduate of Australian Institute of Company Directors. He was appointed to the Board on 3 May 2022.
Other current directorships	None
Former directorships (last 3 years):	None
Special responsibilities	None
Interests in shares:	Nil
Interests in performance rights:	2,000,000 performance rights held indirectly
Interests in options	1,000,000 options held indirectly

Name:	Bernie Mason
Title:	Independent Non-Executive Chairman from July 2022 to August 2022 Independent Non-Executive Director from February 2021
Qualifications:	BSc
Experience and expertise:	Bernie has worked across many minerals although predominantly in US coal for more than 40 years. In more recent times he has assumed executive

	management positions in some very large and significant producers of coal in the United States including: President and CEO of Xinergy Ltd producing up to 3Mtpa of metallurgical and thermal coal; Chief Operating Officer of Appalachian Fuels, LLC managing a workforce of 600 employees and producing 8Mtpa of metallurgical and thermal coal from five surface mines and three underground mines; and Vice President of Technical Services and Business Development of AEI Resources, Inc which operated surface and underground coal mines producing in excess of 54Mtpa. He was appointed to the Board on 1 February 2021.
Other current directorships	None
Former directorships (last 3 years):	None
Special responsibilities	None
Interests in shares:	500,000 ordinary shares held indirectly
Interests in performance rights:	500,000 performance rights held directly
Interests in options	Nil

Name:	Matthew Wall
Title:	Independent Non-Executive Director from February 2022
Qualifications:	Diploma of Transport Economics
Experience and expertise:	For much of his career Matt worked for Rio Tinto across several business units including transport and logistics at Comalco Smelting, export logistics at Kaltim Coal, Indonesia, and sales and marketing at Coal & Allied, Hunter Valley, New South Wales. After Rio Tinto Matt led the Asia Pacific business of EDF Trading, managing a book of more than 5Mt per annum of thermal coal. He then joined Wood Mackenzie as Global Co-Head of Metals & Mining Sales for five years followed by three years with McGrath Nicol as Director of Resources & Mining. He is a Member of the Chartered Institute of Logistics and Transport and a Member of the Australian Institute of Company Directors. He was appointed to the Board on 23 February 2022.
Other current directorships	Non-executive director of Legacy Minerals Holdings Limited (ASX:LGM)
Former directorships (last 3 years):	None
Special responsibilities	None
Interests in shares:	10,000 ordinary shares held indirectly
Interests in options	Nil

Name:	Jonathan Reynolds
Title:	Finance 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 and a fellow of the Financial Services Institute of Australasia. He was appointed to the Board on 11 August 2016.
Other current directorships:	None

Former directorships (last 3 years):	Non-executive director of MCB Resources Limited (ASX: MCB)
Special responsibilities:	None
Interests in shares:	490,000 ordinary shares held directly
Interests in options:	1,300,000 options 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 Jonathan Reynolds
Information on Jonathan Reynolds 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 2022, and the number of meetings attended by each director were:

	Attended	Held
Mark Gray	9	9
Jonathan Romcke	2	2
Bernie Mason	8	9
Matthew Wall	5	5
Jonathan Reynolds	9	9
Malcolm Carson	2	4
Larry Cook	7	7
Paul Vining	2	2

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

The roles of the Remuneration and Nomination Committee and Audit and Risk 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 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 director 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 aim 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.

The short-term incentives ('STI') include bonus arrangements as may be approved by the Board.

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 2022, 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 2021 Annual General Meeting ('AGM')
At the last AGM, the shareholders voted to adopt the remuneration report for the year ended 30 June 2021. 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	
2022	**Cash salary and fees $**	**Bonus $**	**Non-monetary $**	**Super-annuation $**	**Long service leave $**	**Equity-settled $**	**Total $**
Non-Executive Directors:							
Malcolm Carson[1]	18,000	-	-	-	-	-	18,000
Bernie Mason	45,219	-	-	-	-	-	45,219
Paul Vining[2]	7,204	-	-	-	-	-	7,204
Matthew Wall[3]	17,708	-	-	-	-	-	17,708
Executive Directors:							
Mark Gray	463,328	75,000	23,792	-	-	980,000	1,542,120
Jonathan Romcke[4]	93,871	-	-	-	-	-	93,871
Larry Cook[5]	275,532	-	-	-	-	980,000	1,255,532
Jonathan Reynolds	300,000	-	-	-	-	214,553	514,553
Executives:							
Dan Farmer[6]	265,465	42,875	-	-	-	-	308,340
Amon Mahon[7]	337,700	-	77,765	9,263	-	-	424,728
Randy Wiles[8]	95,386	13,778	28,673	-	-	-	137,837
	1,919,413	131,653	130,230	9,263	-	2,174,553	4,365,112

1 Deceased February 2022
2 Appointed Non-executive Chairman 16 May 2022, resigned 6 July 2022
3 Appointed Non-executive Director 23 February 2022
4 Appointed Chief Executive Officer 3 May 2022
5 Retired 6 June 2022
6 Chief Operating Officer Telkwa Coal Ltd
7 Chief Operating Officer New Elk Coal Company, LLC until January 2022, Chief Operating Officer Black Warrior Minerals from February 2022
8 General Manager New Elk Coal Company, LLC from February 2022

2021	Short-term benefits Cash salary and fees $	 Bonus $	 Non-monetary $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments Equity-settled $	 Total $
Non-Executive Directors:							
Malcolm Carson	40,500	-	-	-	-	-	40,500
Larry Cook	224,017	-	-	-	-	-	224,017
Bernie Mason	88,943	-	-	-	-	-	88,943
Executive Directors:							
Mark Gray	410,668	120,000	36,346	-	-	-	567,014
Jonathan Reynolds	237,500	40,000	-	-	-	-	277,500
Executives:							
Dan Farmer[1]	272,940	-	-	-	-	-	272,940
Amon Mahon[2]	133,918	-	20,337	-	-	-	154,255
Angela Waterman[3]	212,534	-	-	-	-	-	212,534
	1,621,020	160,000	56,683	-	-	-	1,837,703

1 Chief Operating Officer Telkwa Coal Ltd
2 Chief Operating Officer New Elk Coal Company, LLC (since December 2020)
3 Environmental and Government Telkwa Coal Ltd

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

Name	Fixed remuneration 2022	 2021	At risk - STI 2022	 2021	At risk - LTI 2022	 2021
Non-Executive Directors:						
Malcolm Carson	100%	100%	-%	-%	-%	-%
Larry Cook	n/a	100%	n/a	-%	n/a	-%
Bernie Mason	100%	100%	-%	-%	-%	-%
Paul Vining	100%	n/a	-%	n/a	-%	n/a
Matthew Wall	100%	n/a	-%	n/a	-%	n/a
Executive Directors:						
Mark Gray	32%	77%	5%	23%	63%	-%
Jonathan Romcke	100%	n/a	-%	n/a	-%	n/a
Larry Cook	22%	n/a	-%	n/a	78%	n/a
Jonathan Reynolds	58%	86%	-%	14%	42%	-%
Executives:						
Dan Farmer	86%	100%	14%	-%	-%	-%
Amon Mahon	100%	100%	-%	-%	-%	-%
Randy Wiles	90%	n/a	10%	n/a	-%	n/a

Share-based compensation

Issue of performance rights
During the year ended 30 June 2022, 2 million performance rights were granted to each Mark Gray and Larry Cook in five separate classes, A through E. The performance rights will automatically vest and convert into Shares on a one for one basis upon satisfaction of milestones, all relating to the Company's sale of coal. A performance right will lapse upon the earlier to occur of: (a) the cessation of the holder's employment or other engagement with the Company; and (b) the Vesting Condition not being satisfied on or before the Expiry Date.

Details of performance rights issued are summarised below:
Details of the ESIP Performance Rights issued are summarised below:

- 400,000 Class A Performance Rights which will vest on the Company achieving for the first time 0.5Mt of clean coal sales in a consecutive six month period;
- 900,000 Class B Performance Rights which will vest on the Company achieving for the first time 1.0Mt of clean coal sales in a consecutive six month period;
- 900,000 Class C Performance Rights which will vest on the Company achieving for the first time 1.5Mt of clean coal sales in a consecutive six month period;
- 900,000 Class D Performance Rights which will vest on the Company achieving for the first time 2.0Mt of clean coal sales in a consecutive six month period; and
- 900,000 Class E Performance Rights which will vest on the Company achieving for the first time 2.5Mt of clean coal sales in a consecutive six month period.

Performance rights granted carry no dividend or voting rights.

During the year ended 30 June 2022, 750,000 options were granted to directors and other key management personnel as part of compensation.

Grant date	Vesting and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
3 December 2021	See table below	3 December 2026	$1.40	$0.2861

	Vesting and exercisable date					
	a	b	c	d	e	Total
J Reynolds	150,000	150,000	150,000	150,000	150,000	750,000
	150,000	150,000	150,000	150,000	150,000	750,000

a The date the Company achieves for the first time 0.5Mt of clean coal sales in a consecutive six month period.
b The date the Company achieves for the first time 1.0Mt of clean coal sales in a consecutive six month period.
c The date the Company achieves for the first time 1.5Mt of clean coal sales in a consecutive six month period.
d. The date the Company achieves for the first time 2.0Mt of clean coal sales in a consecutive six month period.
e. The date the Company achieves for the first time 2.5Mt of clean coal sales in a consecutive six month period.

Options granted carry no dividend or voting rights.

Values of performance rights granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

Name	Value of performance rights granted during the year $	Value of performance rights vested during the year $	Value of performance rights lapsed during the year $	Remuneration consisting of performance rights for the year %
Mark Gray	980,000	-	-	64%
Larry Cook	980,000	-	-	78%

Values 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 2022 are set out below:

Name	Value of options granted during the year $	Value of options vested during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
Mark Gray	-	22,319	-	-
Malcolm Carson	-	11,160	11,160	-
Jonathan Reynolds	214,553	11,160	-	42%
Dan Farmer	-	8,928	-	-

There were no performance rights, options or shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2021.

Values of performance rights granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Name	Value of performance rights granted during the year $	Value of performance rights vested during the year $	Value of performance rights lapsed during the year $	Remuneration consisting of performance rights for the year %
Larry Cook	-	325,000	-	-
Bernie Mason*	-	-	-	-
Amon Mahon*	-	-	-	-

* During the period engaged as a director or key management personnel

Values 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 2021 are set out below:

Name	Value of options granted during the year $	Value of options vested during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
Mark Gray	-	54,884	-	-
Malcolm Carson	-	16,283	-	-
Jonathan Reynolds	-	28,723	-	-
Dan Farmer	-	17,855	-	-
Angela Waterman	-	5,123	-	-

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.

Performance rights Name	Grant date	Vesting date	Number of rights granted	Value of rights granted $	Value of rights vested $	Number of rights lapsed	Value of rights lapsed $
Larry Cook	3 Dec 2019	Note 1	1,000,000	650,000	325,000	-	-
Bernie Mason	3 Dec 2019	Note 2	1,000,000	650,000	325,000	-	-
Amon Mahon	3 Dec 2019	Note 2	1,000,000	650,000	325,000	-	-
Mark Gray	3 Dec 2021	Note 3	2,000,000	980,000	-	-	-
Larry Cook	3 Dec 2021	Note 4	2,000,000	980,000	-	-	-

Note 1: The performance rights vest as follows:
- 250,000 Class B Performance Rights vested upon completion of the New Elk Mine acquisition;
- 250,000 Class C Performance Rights vested on completion of the commissioning of the New Elk Mine and commencement of production;
- 250,000 Class D Performance Rights vest on the sale of the first 500,000 metric tonnes of coal from the New Elk Mine; and
- 250,000 Class E Performance Rights vest on the sale of the second 500,000 metric tonnes of coal from the New Elk Coal Mine.

Note 2: The performance rights vest as follows:
- 250,000 Class A Performance Rights vested upon shareholder approval;
- 250,000 Class B Performance Rights vested upon completion of the New Elk Mine acquisition;
- 250,000 Class D Performance Rights vest on the sale of the first 500,000 metric tonnes of coal from the New Elk Mine; and
- 250,000 Class E Performance Rights vest on the sale of the second 500,000 metric tonnes of coal from the New Elk Coal Mine.

Note 3: The performance rights vest as follows:
- 400,000 Class A Performance Rights which will vest on the Company achieving for the first time 0.5Mt of clean coal sales in a consecutive six month period;
- 400,000 Class B Performance Rights which will vest on the Company achieving for the first time 1.0Mt of clean coal sales in a consecutive six month period;

- 400,000 Class C Performance Rights which will vest on the Company achieving for the first time 1.5Mt of clean coal sales in a consecutive six month period;
- 400,000 Class D Performance Rights which will vest on the Company achieving for the first time 2.0Mt of clean coal sales in a consecutive six month period; and
- 400,000 Class E Performance Rights which will vest on the Company achieving for the first time 2.5Mt of clean coal sales in a consecutive six month period.

Note 4: The performance rights vest as follows:
- 500,000 Class B Performance Rights which will vest on the Company achieving for the first time 1.0Mt of clean coal sales in a consecutive six month period;
- 500,000 Class C Performance Rights which will vest on the Company achieving for the first time 1.5Mt of clean coal sales in a consecutive six month period;
- 500,000 Class D Performance Rights which will vest on the Company achieving for the first time 2.0Mt of clean coal sales in a consecutive six month period; and
- 500,000 Class E Performance Rights which will vest on the Company achieving for the first time 2.5Mt of clean coal sales in a consecutive six month period.

Options **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 $**
M Gray	6 Dec 2017	Note 1	400,000	40,985	20,493	-	-
M Gray	3 Dec 2019	Note 2	600,000	133,915	66,957	-	-
M Carson	6 Dec 2017	Note 1	150,000	15,369	15,369	-	-
M Carson	3 Dec 2019	Note 2	150,000	33,478	22,319	50,000	11,159
J Reynolds	6 Dec 2017	Note 1	250,000	25,616	12,808	-	-
J Reynolds	3 Dec 2019	Note 2	300,000	66,957	33,479	-	-
D Farmer	6 Dec 2017	Note 1	300,000	30,739	15,369	-	-
D Farmer	3 Dec 2019	Note 2	240,000	53,566	26,783	-	-
A Waterman	6 Dec 2017	Note 1	300,000	30,739	15,369	150,000	15,370
J Reynolds	3 Dec 2021	Note 3	750,000	214,553	-	-	-

Note 1: The options vest on the dates set out in the following table:

	Vesting and exercisable date							
	a	**b**	**c**	**d**	**6 Dec 2018**	**6 Dec 2019**	**6 Dec 2020**	**Total**
M Gray	-	-	100,000	100,000	-	100,000	100,000	400,000
M Carson	-	-	-	-	50,000	50,000	50,000	150,000
J Reynolds	-	-	62,500	62,500	-	62,500	62,500	250,000
D Farmer	50,000	50,000	50,000	50,000	-	50,000	50,000	300,000
A Waterman	50,000	50,000	50,000	50,000	-	50,000	50,000	300,000
	100,000	100,000	262,500	262,500	50,000	312,500	312,500	1,400,000

a - The date the Tenas Project baseline studies are completed.
b - The date the Tenas Project affected party agreements are completed.
c - The date the Tenas Project mining permit applications are filed.
d - The date the Tenas Project mining permits are issued.

Note 2: The options vest on the dates set out in the following table:

	Vesting and exercisable date						
	a	b	c	3 Dec 2020	3 Dec 2021	3 Dec 2022	Total
M Gray	100,000	100,000	100,000	100,000	100,000	100,000	600,000
M Carson	-	-	-	50,000	50,000	50,000	150,000
J Reynolds	50,000	50,000	50,000	50,000	50,000	50,000	300,000
D Farmer	40,000	40,000	40,000	40,000	40,000	40,000	240,000
	190,000	190,000	190,000	240,000	240,000	240,000	1,290,000

a The date of the commissioning of the New Elk Mine and commencement of production.
b The date of the sale of the first 500,000 metric tonnes of coal from the New Elk Mine.
c The date of the sale of the second 500,000 metric tonnes of coal from the New Elk Mine.

Note 3: The options vest on the dates set out in the following table:

	Vesting and exercisable date					
	a	b	c	d	e	Total
J Reynolds	150,000	150,000	150,000	150,000	150,000	750,000
	150,000	150,000	150,000	150,000	150,000	750,000

a The date the Company achieves for the first time 0.5Mt of clean coal sales in a consecutive six month period.
b The date the Company achieves for the first time 1.0Mt of clean coal sales in a consecutive six month period.
c The date the Company achieves for the first time 1.5Mt of clean coal sales in a consecutive six month period.
d. The date the Company achieves for the first time 2.0Mt of clean coal sales in a consecutive six month period.
e. The date the Company achieves for the first time 2.5Mt of clean coal sales in a consecutive six month period.

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 / appointment	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year / appointment
Ordinary shares					
Mark Gray	5,600,460	-	-	(3,800,000)	1,800,460
Paul Vining	-	-	-	-	-
Jonathan Romcke	-	-	-	-	-
Malcolm Carson	17,514	-	-	-	17,514
Larry Cook	522,878	-	-	-	522,878
Bernie Mason	500,000	-	-	-	500,000
Matthew Wall	20,000	-	-	(10,000)	10,000
Jonathan Reynolds	490,000	-	-	-	490,000
Dan Farmer	624,205	-	-	-	624,205
Amon Mahon	500,000	-	-		500,000
Angela Waterman	50,652	-	-	-	50,652
Randy Wiles	-	-	-	-	-
	8,325,709	-	-	(3,810,000)	4,515,709

Performance rights holding

The number of performance rights 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 / appointment	Received as part of remuneration	Additions	Disposals/ vested / other	Balance at the end of the year/ appointment
Performance rights					
Mark Gray	-	-	2,000,000	-	2,000,000
Paul Vining	-	-	-	-	-
Jonathan Romcke	-	-	-	-	-
Malcolm Carson	-	-	-	-	-
Larry Cook	500,000	-	2,000,000	-	2,500,000
Bernie Mason	500,000	-	-	-	500,000
Jonathan Reynolds	-	-	-	-	-
Dan Farmer	-	-	-	-	-
Amon Mahon	500,000	-	-	-	500,000
Angela Waterman	-	-	-	-	-
Randy Wiles	-	-	-	-	-
	1,500,000	-	4,000,000	-	5,500,000

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 (post consolidation):

	Balance at the start of the year / appointment	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year/ appointment
Options over ordinary shares					
Mark Gray	1,000,000	-	-	-	1,000,000
Paul Vining	-	-	-	-	-
Jonathan Romcke	-	-	-	-	-
Malcolm Carson	300,000	-	-	-	300,000
Larry Cook	-	-	-	-	-
Bernie Mason	-	-	-	-	-
Jonathan Reynolds	550,000	750,000	-	-	1,300,000
Dan Farmer	540,000	-	-	-	540,000
Amon Mahon	-	-	-	-	-
Angela Waterman	300,000	-	-	-	300,000
Randy Wiles	-	-	-	-	-
	2,690,000	750,000	-	-	3,440,000

	Vested and exercisable	Unvested and unexercisable	Balance at the end of the year/ appointment
Options over ordinary shares			
Mark Gray	500,000	500,000	1,000,000
Paul Vining	-	-	-
Jonathan Romcke	-	-	-
Malcolm Carson	250,000	50,000	300,000
Larry Cook	-	-	-
Bernie Mason	-	-	-
Jonathan Reynolds	275,000	1,025,000	1,300,000
Dan Farmer	270,000	270,000	540,000
Amon Mahon	-	-	-
Angela Waterman	150,000	150,000	300,000
Randy Wiles	-	-	-
	1,445,000	1,995,000	3,440,000

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 2022.

Other transactions with key management personnel and their related parties
Consultancy fees paid to related parties, included in remuneration disclosures above
- Gray Corporate Law Ltd, a related party of Mark Gray, totalling $163,331
- Southdown Investments Ltd, a related party of Mark Gray, totalling $354,164
- Vivid Mining Advisory Services Pty Ltd, a related party of Jonathan Romcke, totalling $93,871
- Cook Consulting Services, a related party of Larry Cook, totalling $275,532
- J Reynolds CA Pty Ltd, a related party of Jonathan Reynolds, totalling $300,000
- Bella Investments (NSW) Pty Ltd, a related party of Matthew Wall, totalling $17,708
- Mineral Resource Consultants Pty Ltd, a related party of Malcom Carson, totalling $18,000
- Coalsense Consulting Inc, a related party of Dan Farmer, totalling $308,339

Expenses reimbursements paid to related parties:
- Southdown Investments Law Ltd, a related party of Mark Gray, totalling $165,966
- Vivid Mining Advisory Services Pty Ltd, a related party of Jonathan Romcke, totalling $19,236
- Cook Consulting Services, a related party of Larry Cook, totalling $69,224
- J Reynolds CA Pty Ltd, a related party of Jonathan Reynolds, totalling $11,884

This concludes the remuneration report, which has been audited

Performance rights
Unissued ordinary shares of Allegiance Coal Limited subject to performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number
3 December 2019	Note 1	$-	1,500,000
3 December 2021	Note 2	$-	2,000,000
3 December 2021	Note 3	$-	2,000,000
3 August 2022	Note 2	$-	2,000,000

Note 1:
- 750,000 Class D Performance Rights which will vest on the sale of the first 500,000 metric tonnes of coal from the New Elk Mine, expiring 2 December 2022; and
- 750,000 Class E Performance Rights which will vest on the sale of the second 500,000 metric tonnes of coal from the New Elk Mine, expiring 2 December 2023.

Note 2
- 400,000 Class A Performance Rights which will vest on the Company achieving for the first time 0.5Mt of clean coal sales in a consecutive six month period;
- 400,000 Class B Performance Rights which will vest on the Company achieving for the first time 1.0Mt of clean coal sales in a consecutive six month period;
- 400,000 Class C Performance Rights which will vest on the Company achieving for the first time 1.5Mt of clean coal sales in a consecutive six month period;
- 400,000 Class D Performance Rights which will vest on the Company achieving for the first time 2.0Mt of clean coal sales in a consecutive six month period; and
- 400,000 Class E Performance Rights which will vest on the Company achieving for the first time 2.5Mt of clean coal sales in a consecutive six month period.

Note 3: The performance rights vest as follows:
- 500,000 Class B Performance Rights which will vest on the Company achieving for the first time 1.0Mt of clean coal sales in a consecutive six month period;
- 500,000 Class C Performance Rights which will vest on the Company achieving for the first time 1.5Mt of clean coal sales in a consecutive six month period;
- 500,000 Class D Performance Rights which will vest on the Company achieving for the first time 2.0Mt of clean coal sales in a consecutive six month period; and
- 500,000 Class E Performance Rights which will vest on the Company achieving for the first time 2.5Mt of clean coal sales in a consecutive six month period.

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

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
6 December 2017	6 December 2022	$0.375	1,550,000
3 December 2019	3 December 2024	$1.40	1,240,000
3 March 2021	3 March 2024	$0.50	1,125,000
11 May 2021	11 May 2024	$0.5625	1,033,333
5 August 2021	5 August 2024	$0.8375	1,343,283
29 October 2021	29 October 2024	$0.625	706,268
3 December 2021	3 December 2026	$1.40	750,000
9 December 2021	9 December 2024	$0.625	1,093,732
3 August 2022	31 December 2026	$1.40	1,000,000

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 2022 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 93.

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

Mark Gray
Chairman

4 October 2022
Sydney

Corporate governance statement

30 June 2022

The Board of Allegiance Coal Limited ('Board') is committed to ensuring that the Company's obligations and responsibilities to its various stakeholders are fulfilled through its corporate governance practices. The directors of the Company ('Directors', being either Non-Executive Directors or Executive Directors) undertake to perform their duties with honesty, integrity, care and due diligence, to act in good faith in the best interests of the Company in a manner that reflects the highest standards of corporate governance.

The Company's Board are committed to a high standard of corporate governance practices, ensuring that the Company complies with the Corporations Act 2001 (Cth), ASX Listing Rules, Company Constitution and other applicable laws and regulations.

Corporate Governance Compliance

The Company has followed the 4th edition of the ASX Corporate Governance Council's Principles and Recommendations ('Principles and Recommendations') where the Board has considered the recommendations to be an appropriate benchmark for its corporate governance practices.

Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for adoption of its own practice, in compliance with the "if not, why not" regime.

The 2022 Corporate Governance Statement is dated at 4 October 2022 and reflects the corporate governance practices in place throughout the year ended 30 June 2022. A description of the Company's current corporate governance practices is set out in the Company's Corporate Governance Manual which can be viewed at www.allegiancecoal.com.au

This statement was approved by the Board on 4 October 2022.

ASX CORPORATE GOVERNANCE COUNCIL'S PRINCIPLES AND RECOMMENDATIONS

Principle	Recommendation	Conform	Disclosure
Principle 1:	Lay solid foundation for management and oversight		
1.1	A listed entity should have and disclose a board charter setting out: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	Yes	The Board Charter details the functions and responsibilities of the Board and management, including matters reserved for the Board. The Board Charter is included in the Corporate Governance Manual on the Company's website.
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.	Yes	The full Board undertakes the duties that fall to the nomination committee under the Company's Nomination Committee Charter, which is included in the Corporate Governance Manual on the Company's website. The role of the Nomination Committee is to identify and recommend candidates to fill casual vacancies and to determine the appropriateness of director nominees for election to the Board. The Nomination Committee Charter requires the Board to make appropriate background checks prior to recommending a candidate for election or re-election as a director. The Board must identify and recommend candidates only after considering the necessary and desirable competencies of new Board members to ensure the appropriate mix of skills and experience and after an assessment of how the candidate can contribute to the strategic direction of the Company. The Nomination Committee Charter also requires the Board to ensure appropriate background checks are undertaken for all senior executive candidates. All material information relevant to whether or not to elect or re-elect a director is provided to the Company's shareholders as part of the Notice of Meeting and explanatory memorandum for the relevant meeting of shareholders which addresses the election or re-election of a director.
1.3	A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.	Yes	The Remuneration Committee Charter, which is included in the Corporate Governance Manual on the Company's website, requires the Company to have a written agreement with each Director and senior executive setting out the terms of their engagement. Each Non-Executive Director has signed a letter of appointment. Each Executive Director has signed an executive service agreement. Each senior executive has signed an employment agreement.
1.4	The Company Secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.	Yes	The Company Secretary is accountable to the Board, through the Chair, on all governance matters and reports directly to the Chair as the representative of the Board. The Company Secretary has primary responsibility for ensuring that the Board processes and procedures run efficiently and effectively.
1.5	A listed entity should: (a) have and disclose a diversity policy; (b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior(c) disclose in relation to each reporting period: executives and workforce generally; and	Does not comply. Refer to "Diversity" in the Corporate Governance Manual	The Company has adopted a Diversity Policy which is included in the Corporate Governance Manual disclosed on the Company's website. The Company recognises that a diverse and talented workforce is a competitive advantage and encourages a culture that embraces diversity. The Company does not think that it is appropriate to state measurable objectives for achieving gender diversity due to its size and stage of development. The proportion of women employees in the whole organisation is < 10% (excluding directors). There are currently no women in senior executive positions or on the Board

Principle	Recommendation	Conform	Disclosure
	(1) the measurable objectives set for that period to achieve gender diversity; (2) the entity's progress towards achieving those objectives; and (3) either: (A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or (B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act. If the entity was in the S&P / ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.		
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period	Yes Yes	The process for periodically evaluating the performance of the Board, its committees and individual Directors is included in the Corporate Governance Manual on the Company's website. It requires the Chair to conduct performance reviews on an annual basis. The Chair has conducted a formal evaluation of the performance of the Board, its committees and individual Directors for the year ended 30 June 2022.
1.7	A listed entity should: (a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.	Yes Yes	The process for periodically evaluating the performance of the Company's senior executives is included in the Corporate Governance Manual on the Company's website. It requires the Chair to conduct performance reviews on an ongoing basis. This evaluation is based on specific criteria, including the business performance of the Company and its subsidiaries, whether strategic objectives are being achieved and the development of management and personnel. The Chair has conducted an evaluation of the performance of senior executives for the year ended 30 June 2022.
Principle 2	Structure the Board to be effective and add value		
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose:	Yes No No	The Board has decided that, due to the Company's current stage of development, no efficiencies will be achieved by establishing a separate nomination committee. The Board carries out the duties that would otherwise be undertaken by the nomination committee, in accordance with the Nomination Committee Charter, which is included in the Corporate Governance Manual on the Company's website. The Board has, for the year ended 30 June 2022 formally considered whether the board has the appropriate balance of skills, knowledge, experience,

Principle	Recommendation	Conform	Disclosure
	(3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	Yes Yes Yes Yes	independence and diversity to enable it to discharge its duties and responsibilities effectively
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership	Yes	The board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership is included in the Corporate Governance Manual on the Company's website.
2.3	A listed entity should disclose: (a) the names of the Directors considered by the Board to be independent Directors; (b) if a Director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and (c) the length of service of each Director.	 Yes Yes Yes	The names of the Directors considered by the Board to be independent Directors is set out in the Directors Report. Taking into account the Company's current stage of development and in an effort to minimize cash remuneration, the Board considers allocations of performance-based remuneration (including options or performance rights) does not of itself lead to a determination that the director is not independent. The details of performance based remuneration for each director is set out in the Directors Report. The Board considers these benefits are not of sufficient magnitude to affect the relevant directors' ability to discharge his duties with an independent mind. The length of service of each Directors is set out in the Directors Report.
2.4	A majority of the Board of a listed entity should be independent Directors.	No	Over the year ended 30 June 2022, independent directors have not comprised the majority of the Board. Taking into account the Company's current stage of development, the Board considers the risks resulting from this do not outweigh the potential benefits. The Board is conscious of this imbalance and keeps it under review.
2.5	The chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.	No	Until May 2022, Mr Mark Gray fulfilled the role of both Chairman and Managing Director of the Company. Taking into account the Company's current stage of development, the Board considered the benefits to be obtained from Mr Gray fulfilling both these roles outweighed the potential risks. From May 2022 until August 2022, the chair of the Board was an independent Director and not the same person as the CEO of the entity. From August 2022, Mr Mark Gray fulfills the role of Executive Chairman of the Company. Taking into account the Company's current stage of development, the Board considered the benefits to be obtained from Mr Gray fulfilling this role outweighs the potential risks.
2.6	A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills	Yes	Induction and professional development form part of the responsibilities of the Nomination Committee as noted in the Nomination Committee Charter, which is included in the Corporate Governance Manual on the Company's website. The Company Secretary is available to assist with the process of new Directors familiarising themselves with the Company.

Principle	Recommendation	Conform	Disclosure
	and knowledge needed to perform their role as directors effectively.		Professional development requirements are addressed by the Board on at least an annual basis.
Principle 3	Instil a culture of acting lawfully, ethically and responsibly		
3.1	A listed entity should articulate and disclose its values.	Yes	The Company has formulated a general Code of Conduct and a Code of Conduct for Directors and Executives which all employees and directors are expected, at a minimum, to follow. The Codes are included in the Corporate Governance Manual on the Company's website.
3.2	A listed entity should: (a) have and disclose a code of conduct for its directors, senior executives and employees; and (b) ensure that the board or a committee of the board is informed of any material breaches of that code.	Yes Yes	The Company has formulated a general Code of Conduct and a Code of Conduct for Directors and Executives which all employees and directors are expected, at a minimum, to follow. The Codes are included in the Corporate Governance Manual on the Company's website. The Code of Conduct states that any breach of the Code is to be reported directly to the Chairman or CEO or Audit Committee under the Whistle-blower Policy, as appropriate, with any material breach to be reported to the full Board.
3.3	A listed entity should: (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	Yes Yes	The Company has formulated a Whistle-blower Policy, which is included in the Corporate Governance Manual on the Company's website. The Audit Committee is responsible for carrying out the processes under the policy. The Policy states that the Committee must report the results of any material incidents to the Board.
3.4	A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or committee of the board is informed of any material breaches of that policy.	No No	The Company has formulated a general Code of Conduct and a Code of Conduct for Directors and Executives both of which include requirements to disclose conflicts, promote the highest standard of ethics and integrity and guidelines in relation to giving and receiving gifts. The Company does not think that it is appropriate to formulate a separate anti-bribery and corruption policy due to its stage of development. The Code of Conduct states that any breach of the Code is to be reported directly to the Chair or Chief Executive Officer or Audit Committee or under the Whistle-blower Policy, as appropriate, with any material breach to be reported to the full Board.
Principle 4	Safeguard the integrity of corporate reports		
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate	Yes No No Yes Yes No Yes	The Board has decided that, due to the Company's current stage of development, no efficiencies will be achieved by establishing a separate audit committee. The Board carries out the duties that would otherwise be undertaken by the audit committee, in accordance with the Audit Committee Charter, which is included in the Corporate Governance Manual on the Company's website. The relevant qualifications and experience of the Board is set out in the Directors' Report The Board has, for the year ended 30 June 2022, relied on the declarations made by the Chief Executive and Chief Financial Officers received in accordance with the requirements of the Corporations Act, and relied on the independent external audit function to verify and safeguard the integrity of its corporate reporting.

Principle	Recommendation	Conform	Disclosure
	reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.		The processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner is set out in the Policy On Selection, Appointment And Rotation Of External Auditors, which is included in the Corporate Governance Manual on the Company's website.
4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	Under the Company's Risk Management Policy, which is included in the Corporate Governance Manual on the Company's website, the Chief Executive and Chief Financial Officers will provide a written declaration of assurance that in their opinion, the financial records of the Company for the relevant reporting period have been properly maintained, comply with appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
4.3	A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	Yes	The Company provides quarterly updates of the Company's progress across all areas of the business, including select financial information. The Chief Executive Officer is responsible for all such updates. Individual components are also reviewed by senior management with responsibility for the specific component subject matter. The financial information is compiled by the Chief Financial Officer in accordance with generally accepted accounting practices.
Principle 5	Make timely and balanced disclosure		
5.1	A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	Yes	The Company has adopted a Continuous Disclosure Policy, which is included in the Corporate Governance Manual on the Company's website. The Policy is designed to guide compliance with ASX Listing Rules disclosure requirements, and to ensure all Directors, senior executives and employees of the Company understand their responsibilities under the Policy.
5.2	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	Yes	The Board Charter, which is included in the Corporate Governance Manual on the Company's website, delegates to the Company Secretary responsibility for ensuring all market announcements are provided to all directors promptly after release
5.3	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	Yes	The Company has adopted a Continuous Disclosure Policy, which is included in the Corporate Governance Manual on the Company's website. The Policy stipulates that the Company should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.
Principle 6	Respect the rights of security holders		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Yes	The Company's website provides information about the Company, its projects, its Board and management and governance. It is a platform to disclose ASX announcements of material information and periodic reports, notices and presentations.
6.2	A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	Yes	The Company has a Shareholder Communication Policy, which is included in the Corporate Governance Manual on the Company's website. The company website provides a mechanism for shareholders to contact the Company via email.

Principle	Recommendation	Conform	Disclosure
6.3	A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.	Yes	The Company has a Shareholder Communication Policy, which is included in the Corporate Governance Manual on the Company's website. The Policy specifically encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals and outlines the various ways in which the Company communicates with shareholders.
6.4	A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands	Yes	In accordance with ASX guidance, all Listing Rule resolutions and all substantive resolutions are decided by a poll rather than by a show of hands.
6.5	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	Shareholders can register with the Company to receive email notifications of when an announcement is made by the Company to ASX, including the release of annual, half-yearly and quarterly reports. Further, the Company provides information through its website enabling security holders to email the Company. The share registrar also provides the ability to email the share registrar and to receive documents by email from the share registrar.
Principle 7	Recognise and manage risk		
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	No Yes	The Board has decided that, due to the Company's current stage of development, no efficiencies will be achieved by establishing a separate risk management committee. The Board carries out the duties that would otherwise be undertaken by the risk management committee, in accordance with the Risk Management Committee Charter, which is included in the Corporate Governance Manual on the Company's website. The Board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at Board meetings and risk management culture is encouraged amongst employees and contractors.
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	Yes	The Board determines the Company's 'risk profile' and is responsible for overseeing and approving risk management strategy and policies, internal compliance and non-financial internal control. For the year ended 30 June 2022, the Board has undertaken a review of the entity's risk management framework and has satisfied itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the Board.
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is	No	The Company does not have an internal audit function.

Principle	Recommendation	Conform	Disclosure
	structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes	Yes	Under the Company's Risk Management Policy, the responsibility for undertaking and assessing risk management and internal control effectiveness is assumed by the full Board.
7.4	A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.	Yes	The Company operates in the mineral resources sector and is subject to a variety of environmental and social risks that have the potential to have a material impact on its business. These risks include, but are not limited to: *Environmental risks* As with most resources' projects, the Company's activities have the potential to impact on the environment giving rise to substantial costs for environmental rehabilitation, damage, control and losses. Exploration, development and operational activities are subject to relevant Government laws and regulations concerning the environment. The Company strives to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. In achieving its aim of maintaining stable functioning ecosystems in the environs of its activities, the Company uses careful design; creation of biodiversity offsets; progressive rehabilitation; and rigorous monitoring, management and report plans. *Social risks* Whilst not materially exposed to social risk, the Company has a Social Policy, which is included in the Corporate Overview on the Company's website, designed to prevent or minimise adverse impacts of its operations on host communities.
Principle 8	Remunerate fairly and responsibly		
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Yes Yes Yes Yes Yes Yes	The Company has established a Remuneration Committee which comprises all the Company's non-executive directors. The Remuneration Committee Charter is included in the Corporate Governance Manual on the Company's website. The Remuneration Committee chair is Mr Mason, who is considered by the Board to be an independent director and is not the chair of the Board. The qualifications and experience of the members of the Remuneration Committee are disclosed in the Directors' Report. The Remuneration Committee met once during the year ended 30 June 2022.
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the	Yes	Details of the Company's policies and practices regarding the remuneration of Directors and other senior management is set out in the Remuneration Report as disclosed in the Directors' Report.

Principle	Recommendation	Conform	Disclosure
	remuneration of executive directors and other senior executives.		
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Yes	The Company has a Securities Trading Policy, which is included in the Corporate Governance Manual on the Company's website The Company's Securities Trading Policy provides guidance encouraging employees not to engage in margin lending or otherwise leveraging securities without the fully informed consent of the board.
Principle 9	Additional recommendations that apply only in certain cases		
9.1	A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.	Not applicable	
9.2	A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.	Not applicable	
9.3	A listed entity established outside Australia, and an externally managed listed entity that has an AGM, should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Not applicable	

All references are to sections of the Company's Corporate Governance Manual unless otherwise stated.

Statement of comprehensive loss

For the year ended 30 June 2022

	Note	Consolidated 2022 $	2021 $
Revenue	5	78,175,573	97,315
Expenses			
Coal purchases		(16,791,497)	-
Mining and processing		(48,795,318)	-
Transport and logistics		(22,301,031)	-
Royalties and selling		(6,566,202)	-
Administrative		(14,956,750)	(1,637,035)
Depreciation and amortisation		(17,882,258)	(583,972)
Exploration expenses		(2,716,292)	-
Finance costs expense	6	(21,824,828)	(4,377,126)
Net foreign exchange gain / (loss)		5,043,736	(193,970)
Derivative financial instruments loss		(20,170,846)	-
Impairment loss		(7,534,808)	-
New Elk expenses, pre- and post-acquisition costs including pre-commercial production costs but excluding finance costs		-	(9,142,845)
Loss before income tax benefit		(96,320,521)	(15,837,633)
Income tax benefit	7	-	-
Loss after income tax benefit for the year attributable to			
Equity holders of the Company		(95,525,276)	(15,803,245)
Minority interest		(795,245)	(34,388)
Loss for the year		(96,320,521	(15,837,633)
Other comprehensive (loss) / income for the year, net of tax			
Foreign exchange movement		(1,240,406)	153,590
Total comprehensive loss for the year attributable to the owners of Allegiance Coal Limited		(97,560,927)	(15,684,043)
			Cents
Basic loss per share	34	(27.03)	(8.80)
Diluted loss per share	34	(25.03)	(5.55)

* The above statement of comprehensive loss should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2022

	Note	Consolidated 2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	8	7,949,022	18,689,261
Trade and other receivables	9	1,814,205	904,018
Inventory	10	21,957,145	1,167,772
Total current assets		31,720,372	20,761,051
Non-current assets			
Other receivables	9	18,842,055	3,923,408
Exploration and evaluation assets	11	24,827,657	27,565,897
Property, plant and equipment	12	89,554,779	58,625,644
Right of use assets	13	10,085,052	-
Total non-current assets		143,309,543	90,114,949
Total assets		175,029,915	110,876,000
Liabilities			
Current liabilities			
Trade and other payables	14	24,054,908	6,195,333
Borrowings	15	44,618,803	10,546,747
Provisions	16	21,251,270	-
Total current liabilities		89,924,981	16,742,080
Non-current liabilities			
Borrowings	15	38,962,930	27,324,748
Provisions	16	16,557,310	7,162,504
Total non-current liabilities		55,520,240	34,487,252
Total liabilities		145,445,221	51,229,332
Net assets		29,584,694	59,646,668
Equity			
Issued capital	17	147,478,005	91,040,096
Reserves	18	12,171,382	2,707,435
Accumulated losses	19	(130,452,353)	(35,283,768)
Total equity attributable to equity holders of the Company		29,197,034	58,463,763
Minority interest	21	387,660	1,182,905
Total equity		29,584,694	59,646,668

* 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 2022

Consolidated	Issued capital $	General reserve $	Share based payment reserve $	Foreign currency translation reserve $	Accumulated losses $	Minority interest $	Total equity $
Balance at 1 July 2021	91,040,096	16	2,356,666	350,753	(35,283,768)	1,182,905	59,646,668
Loss after income tax benefit for the year	-	-	-	-	(95,525,276)	(795,245)	(96,320,521)
Other comprehensive loss for the year, net of tax	-	-	-	(1,240,406)	-	-	(1,240,406)
Total comprehensive loss for the year	-	-	-	*(1,240,406)*	*(95,525,276)*	*(795,245)*	*(97,560,927)*
Transactions with owners in their capacity as owners:							
Share issues for cash	60,000,000	-	-	-	-	-	60,000,000
Costs of share issues	(5,072,091)	-	-	-	-	-	(5,072,091)
Share issued on note conversions	1,510,000	-	-	-	-	-	1,510,000
Share based payments	-	-	3,224,771	-	-	-	3,224,771
Conversion rights on Collins St notes	-	-	7,836,273	-	-	-	7,836,273
Mercer notes converted	-	-	(330,162)	-	330,162	-	-
Options lapsed or expired	-	-	(26,529)	-	26,529	-	-
Balance at 30 June 2022	147,478,005	16	13,061,019	(889,653)	(130,452,353)	387,660	29,584,694

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

Statement of changes in equity

For the year ended 30 June 2022 (continued)

Consolidated	**Issued capital $**	**General reserve $**	**Share based payment reserve $**	**Foreign currency translation reserve $**	**Accumulated losses $**	**Minority interest $**	**Total equity $**
Balance at 1 July 2020	33,528,305	16	2,231,784	197,163	(20,746,304)	1,217,293	16,428,257
Loss after income tax benefit for the year	-	-	-	-	(15,803,245)	(34,388)	(15,837,633)
Other comprehensive income for the year, net of tax	-	-	-	153,590	-	-	153,590
Total comprehensive loss for the year	-	-	-	*153,590*	*(15,803,245)*	*(34,388)*	*(15,684,043)*
Transactions with owners in their capacity as owners:							
Share issues for cash	51,297,890	-	-	-	-	-	51,297,890
Costs of share issues	(3,371,544)	-	-	-	-	-	(3,371,544)
Shares issued to settle debt	5,652,112	-	-	-	-	-	5,652,112
Share issued on note conversions	3,083,333	-	-	-	-	-	3,083,333
Shares issued on performance rights vesting	650,000	-	(650,000)	-	-	-	-
Share based payments	200,000	-	563,624	-	-	-	763,624
Conversion rights on Mercer notes	-	-	1,477,039	-	-	-	1,477,039
Mercer notes converted	-	-	(1,146,877)	-	1,146,877	-	-
Options lapsed or expired	-	-	(118,904)	-	118,904	-	-
Balance at 30 June 2021	91,040,096	16	2,356,666	350,753	(35,283,768)	1,182,905	59,646,668

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

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

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Statement of cash flows

For the year ended 30 June 2022

	Note	Consolidated 2022 $	2021 $
Cash used in operating activities			
Receipts from customers		78,170,264	-
Payments to suppliers (inclusive of GST)		(110,209,073)	(7,102,858)
		(32,038,809)	(7,102,858)
Interest received		1,708	869
Interest and other finance costs paid		(10,300,601)	(551,117)
Net cash used in operating activities	33	(42,337,702)	(7,653,106)
Cash used in investing activities			
Acquisition of subsidiary, net of cash acquired		(8,541,913)	30,003
Payments for reclamation bonds		(7,105,724)	(2,943,408)
Proceeds from recovery of reclamation bond		233,639	8,190,861
Payments for other assets		(1,073,956)	(610,827)
Payment to Collins St Note escrow deposit		(6,140,000)	-
Payments for property, plant and equipment		(23,256,063)	(16,300,007)
Payments for right of use assets		(11,068,623)	-
Payments for exploration and evaluation		(3,624,830)	(6,555,685)
Net cash used in investing activities		(60,577,470)	(18,189,063)
Cash from financing activities			
Share issues, net of costs		57,488,127	56,861,791
Borrowings raised		67,874,513	5,042,927
Repayments of borrowings		(45,708,485)	(18,165,577)
Instalment sale finance raised		6,674,821	-
Repayments of instalment sale finance		(2,276,227)	-
Lease finance raised		9,853,614	-
Repayments of lease finance		(1,731,430)	-
Contributions from Joint Venture partner		-	350,234
Net cash from financing activities		92,174,933	44,089,375
Net (decrease) / increase in cash and cash equivalents		(10,740,239)	18,247,206
Cash and cash equivalents at the beginning of the financial year		18,689,261	442,055
Cash and cash equivalents at the end of the financial year		7,949,022	18,689,261

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

Notes to the financial statements

30 June 2022

Note 1. General Information

The financial statements cover Allegiance Coal Limited as a consolidated entity consisting of Allegiance Coal Limited and its subsidiaries.

Allegiance Coal Limited is a listed public company whose shares are publicly traded on the Australian Securities Exchange, limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 107, 109 Pitt 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 principal accounting policies adopted in the preparation of the financial statements are set out below.

Going concern
The consolidated entity is involved in the exploration, evaluation, development and exploitation of mineral tenements. Further expenditure will be required upon these tenements to finally ascertain whether they contain economically recoverable reserves and can be commercially developed and whether the mineral reserves can be commercially and profitably exploited.

For the year ended 30 June 2022 the consolidated entity reported a net loss of $96,320,521 (2021: $15,837,633) and net operating cash outflows of $42,337,702 (2021: $7,653,106). The operating cash outflows have been funded by cash inflows from equity raisings of $57,488,127 (2021: $56,861,791); project participation contributions from Itochu Corporation of Japan of $nil (2021: $350,234) and borrowings of $67,874,513 (2021: $5,042,927) during the year. As at 30 June 2022 the consolidated entity had net current liabilities of $58,204,609 (2021 net current assets: $4,018,971) including cash reserves of $7,949,022 (2021: $18,689,261).

The balance of these cash reserves may not be sufficient to meet the consolidated entity's planned expenditure, evaluation and development budget, including exploration activities, evaluation, operating and administrative expenditure and current debt service, for the 12 months to 30 September 2023. In order to fully implement its exploration, evaluation and development strategy, the consolidated entity will require additional funds.

The existence of these conditions indicates a material uncertainty that may cast doubt on the consolidated entity's ability to continue as a going concern.

Notwithstanding the above, the financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

To continue as a going concern, the consolidated entity requires additional funding to be secured from sources including but not limited to:
- Further equity capital raisings;
- The potential farm-out of participating interests in the consolidated entity's tenements and rights; and / or
- Other financing arrangements.

Notes to the financial statements

30 June 2022

Having carefully assessed the uncertainties relating to the likelihood of securing additional funding, the consolidated entity's ability to effectively manage its expenditures and cash flows from operations and the opportunity to farm-out participating interests in existing permits and rights, the Directors believe that the consolidated entity will continue to operate as a going concern for the foreseeable future. Therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

In the event that the assumptions underpinning the basis of preparation do not occur as anticipated, as noted above, there is material uncertainty that may cast significant doubt whether the consolidated entity will continue to operate as a going concern. If the consolidated entity is unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

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

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.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

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.

Historical cost convention
The financial statements have been prepared on a historical cost basis, except for Identifiable assets and liabilities acquired through a business combination.

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 3.

Adoption of new and revised standards
In the year ended 30 June 2022, 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. 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 2022. 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.

Notes to the financial statements

30 June 2022

Statement of Compliance
The financial report was authorised for issue, in accordance with a resolution of directors, on 4 October 2022. The directors have the power to amend and reissue the financial statements.

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).

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 30.

Note 2. Significant accounting policies

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 2022 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.

Revenue recognition
The consolidated entity is principally engaged in the business of producing and selling coal. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the consolidated entity expects to be entitled in exchange for those goods. The consolidated entity has generally concluded that it is the principal in its revenue contracts because it typically controls the goods before transferring them to the customer.

Notes to the financial statements

30 June 2022

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.

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

An asset is current when: it is expected to be realised or intended to be sold or consumed in the 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 the 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
Prepayments and other receivables are recognised at amortised cost, less any provision for impairment.

Inventory
Coal Inventory is valued at the lower of an average weighted cost and net realisable value (NRV). Cost comprises direct costs and an appropriate proportion of fixed and variable expenditure including depreciation and amortisation.

Inventories of consumable supplies and spare parts to be used in production are valued at weighted average cost.

NRV is the estimated selling price in the ordinary course of business less the estimated costs of production and to complete the sale.

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.

Notes to the financial statements

30 June 2022

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
Property, plant and equipment is stated at fair value on acquisition (for assets acquired as part of a business combination) or at historical cost at the date of acquisition, less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items and costs incurred in bringing the asset into use.
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item flow to the consolidated entity and the cost of the item can be measured reliably.

Mine development costs are capitalised to property, plant and equipment only once a decision to mine is made and the development is fully funded. Mine development expenditure represents the cost incurred in preparing mines for commissioning and production, and also includes other attributable costs incurred before production commences. These costs are capitalised to the extent they are expected to be recouped through successful exploitation of the related mining project. Once production commences, these costs are amortised over the estimated economic life of the mine. Mine development costs are written off if the mine property is abandoned. Development costs incurred to maintain production are expensed as incurred against the related production.

At each reporting date, the entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the entity makes a formal assessment of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs of disposal and value in use.

Depreciation
Depreciation is provided on a straight -line basis on all plant and equipment commencing from the time the asset is held ready for use. Major depreciation periods are:

- Plant, equipment and infrastructure – 1 to 20 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de -recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Loss when the asset is derecognised.

The assets' residual values, useful lives and depreciation methods are reviewed at each reporting period and adjusted prospectively, if appropriate.

Leases

Right of use asset

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group recognises the lease payments as an expense on a straight line basis over the lease term.

The Group has elected not to recognise right of use assets and lease liabilities for short term leases and low value assets

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 de-recognition 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

Notes to the financial statements

30 June 2022

reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

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. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption being recognised in the Statement of Comprehensive Loss over the period of the borrowings on an effective interest basis.

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.

Foreign currency translation
The functional and presentation currency of Allegiance Coal Limited and its Australian subsidiaries is Australian dollars (A$). Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the financial reporting period. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

The functional currency of the overseas subsidiaries is United States dollars (US$) and Canadian dollars (C$). At the reporting date, the assets and liabilities of the overseas subsidiaries are translated into the presentation currency of Allegiance Coal Limited at the closing rate at the end of the financial reporting period and income and expenses are translated at the weighted average exchange rates for the period. All resulting exchange differences are recognised as other comprehensive income or expense and in a separate component of equity (foreign exchange translation reserve). On disposal of a foreign entity, the cumulative exchange differences recognised in foreign currency translation reserves relating to that particular foreign operation is recognised in profit or loss.

Derivatives at fair value through profit or loss
Derivative financial instruments are used to manage economic exposure to market risks relating to commodity prices. Policies and procedures are in place with respect to required documentation and approvals for the use of derivative financial instruments. Where specific financial instruments are executed, the Company assesses, both at the time of purchase and on an ongoing basis, whether the financial instrument used in the particular transaction is effective in offsetting changes in fair values or cash flows of the transaction. Derivative financial instruments are measured at fair value through profit or loss ("FVTPL") unless designated for hedge accounting.

Provisions
Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

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 the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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 may be 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.

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The cost of equity-settled transactions is 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 is 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.

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.

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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

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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 3. 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.

Impairment of Property, Plant and Equipment and Mine Development Expenditure

Non-current assets are assessed for impairment when there is an indication that their carrying amount may not be recoverable. The recoverable amount of each Cash Generating Unit (CGU) is determined as the higher of value-in-use and fair value less costs of disposal estimated on the basis of discounted present value of the future cash flows (a level 3 fair value estimation method).
The estimates of discounted future cash flows for each CGU are based on significant assumptions including:

- estimates of the quantities of mineral reserves and ore resources for which there is a high degree of confidence of economic extraction and the timing of access to these reserves and ore resources:
- future production levels and the ability to sell that production

- future product prices based on the consolidated entity's assessment of forecast short and long term prices for each of the key products
- future exchange rates for the Australian dollar compared to the US dollar using external forecasts by recognised economic forecasters
- future cash costs of production, sustaining capital expenditure, rehabilitation and mine closure
- the asset specific discount rate applicable to the CGU

Determination of Mineral Resources and Ore Reserves
The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates, and provision for decommissioning and restoration. The information in this report as it relates to ore reserves, mineral resources or mineralisation is reported in accordance with the "Australian Code for Reporting of Identified Mineral Resources and Ore Reserves 2012", known as JORC 2012 (the Code). The information has been prepared by or under supervision of competent persons as identified by the Code. There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in the reserves being restated.

Exploration and evaluation asset
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 ultimate recoupment of capitalised expenditure in relation to each area of interest is dependent on the successful development and commercial exploitation or, alternatively, sale of the respective areas the results of which are still uncertain.

The Telkwa metallurgical coal project has yet to reach a stage of development where a determination of the technical feasibility or commercial viability can be finally assessed. Whilst the project is not currently generating cash flow, the consolidated entity is of the view that the area of interest will contribute significant value in the future and that this value will be in excess of the current value of the capitalised costs. In these circumstances, whether there is any indication that the asset has been impaired is a matter of judgement, as is the determination of the quantum of any required impairment adjustment. The Directors have used their experience to conclude that an impairment adjustment is required in the current year ended 30 June 2022 (refer to note 11).

Rehabilitation Provision
Significant estimates and assumptions are made in determining the provision for rehabilitation of the mine as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from amounts currently provided.

Derivatives at fair value through profit or loss
Significant estimates and assumptions are made in determining whether an executory contract to deliver an expected amount of a fungible commodity in the future from the Company's own operations qualifies for the "own-use" exemption. Commodity contracts that do not meet the own-use exemption are accounted for as derivatives under AASB 9 *Financial Instruments* and are recorded at their estimated fair value through profit or loss. In addition, there are numerous factors that will affect the ultimate value of the commodity contract, the primary factor being an estimate of the fair market value

for the Company's saleable coal. These uncertainties may result in future actual amounts to settle the commodity contract differing from amounts currently provided.

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.

Income tax
The benefit of the tax losses has not been brought to account at 30 June 2021 because the directors do not believe it is appropriate to regard realisation of the deferred tax asset as being probable at this point in time. These tax losses are also subject to final determination by the Taxation authorities when the consolidated entity derives a taxable income. The benefits will only be realised if:

- the Company and its subsidiaries derive future assessable income of a nature and of an amount sufficient to enable the benefit of the deduction for the losses to be realised;
- the Company and its subsidiaries continue to comply with the conditions for the deductibility imposed by law; and
- no changes in the tax legislation adversely affect the Company and its subsidiaries in realising the benefit of the losses.

Australian tax losses are subject to further review by the consolidated entity to determine if they satisfy the necessary legislative requirements under the Income Tax legislation for the carry forward and recoupment of tax losses.

Note 4. Segment reporting

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, which is the Board of Directors, is responsible for the allocation of resources to operating segments and assessing their performance.

Identification of reportable operating segments
The consolidated entity is organised into one operating segment being the acquisition, exploration, evaluation, development and exploitation of coal tenements. The operating segment information is as disclosed in the statements and notes to the financial statements throughout the report.

The principal business and geographical segment of the consolidated entity is the acquisition, exploration, evaluation, development and exploitation of coal tenements within North America. The consolidated entity has its head office, which represents a non-reportable business segment, in Australia.

Major customers
During the year ended 30 June 2022 there were two major customers from whom the consolidated entity derived its revenue (2021: one major customer). Interest from cash deposits in banking institutions account for $1,708 (2021: $869).

Notes to the financial statements

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Note 5. Revenue

	Consolidated	
	2022	**2020**
	$	**$**
Coal sales revenue	78,173,865	87,352
Interest	1,708	869
Other revenue	-	9,094
Revenue	78,175,573	97,315

Revenue from coal sales is recognised at the point in time when control transfers to the customer. Control passes either at the time product is delivered to port or loaded on board the ship, depending on the contract terms, and there is no judgement involved in ascertaining this point in time. Payment is due and payable once supporting documentation relating to weight and quality parameters is presented to the customer. Generally, the full expected invoice value is supported by a letter of credit or if no letter of credit is provided, the Company requires that at least a percentage of the sale value is received at the time the product is delivered to port.

Note 6. Expenses

	Consolidated	
	2022	**2021**
	$	**$**
Loss before income tax includes the following specific expenses:		
Finance costs		
Share based payment	7,836,273	-
Instalment sale interest and finance charges	322,907	-
Interest, finance charges and finance related expense	10,172,648	3,997,554
Asset retirement obligation accretion	148,511	90,659
Unwinding of present value discount of Cline note	3,344,489	2,344,326
Less: Unwinding of present value discount of Cline note capitalised to property, plant and equipment	-	(2,055,413)
	21,824,828	4,377,126
Rental expenses		
Minimum lease payments	488,456	93,081
Employee benefits expense		
Superannuation expense	-	-
Employee benefits expense	30,930,079	687,047
Share based payment	2,174,553	-
Total employee benefits expense	33,104,632	687,047

The weighted average interest rate on the consolidated entity's borrowings is 10.7% (2021: 27%).

Notes to the financial statements

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Note 7. Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, 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 for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect their accounting profit or taxable profit.

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

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

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.

Notes to the financial statements

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Note 7. Income tax (continued)

	Consolidated	
	2022	**2021**
	$	**$**
Income tax benefit		
Current Tax	-	-
Aggregate income tax benefit	-	-
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(96,320,521)	(14,360,594)
Tax at the statutory tax rate of 25% (2021: 27.5%)	(24,080,130)	(3,949,163)
Tax effect amounts which are not deductible in calculating taxable income:		
Impairment of assets	1,883,702	-
	(22,196,428)	(3,949,163)
Current year tax losses not recognised	22,196,428	3,949,163
Income tax benefit	-	-

	Consolidated	
	2022	**2021**
	$	**$**
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	131,032,191	34,711,670
Potential tax benefit at 25% (2021: 26%)	32,758,048	9,025,034

Tax losses have been adjusted for prior income tax returns lodged.

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2022	**2021**
	$	**$**
Cash at bank	7,949,022	18,689,261
	7,949,022	18,689,261

Notes to the financial statements

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Note 9. Trade and other receivables

	Consolidated	
	2022	**2021**
	$	**$**
Current		
Trade receivable	90,372	86,771
GST recoverable	148,607	294,139
Prepayments	1,575,226	523,108
	1,814,205	904,018
Non-Current		
Prepayments	2,181,644	980,000
Reclamation bond deposits	10,520,411	2,943,408
Collins St Note escrow deposit	6,140,000	-
	18,842,055	3,923,408

Receivables are neither past due nor impaired.

See Note 15 re Collins St Note escrow deposit.

Note 10. Current assets – inventory

	Consolidated	
	2022	**2021**
	$	**$**
Consumables	1,689,282	850,347
Work in progress	1,078,111	14,984
Coal stockpile	19,189,752	302,441
	21,957,145	1,167,772

Notes to the financial statements

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Note 11. Non-current assets - exploration and evaluation

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

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

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

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

	Consolidated	
	2022	**2021**
	$	**$**
Exploration and evaluation - at cost and fair value	32,616,028	27,565,897
Less: Impairment	(7,788,371)	-
	24,827,657	27,565,897

The value of the consolidated entity's interest in exploration and evaluation expenditure is dependent upon:

- the continuance of the consolidated entity's rights to tenure of the areas of interest;
- the results of future exploration and evaluation; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

Notes to the financial statements

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Note 11. Non-current assets – exploration and evaluation (continued)

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

	Telkwa $	Total $
Balance at 1 July 2020	21,070,371	21,070,371
Additions, at cost	6,175,398	6,175,398
Foreign exchange movement	320,127	320,127
Balance at 1 July 2021	27,565,896	27,565,896
Additions, at cost	3,613,022	3,613,022
Impairment loss	(7,534,808)	(7,534,808)
Foreign exchange movement	1,183,547	1,183,547
Balance at 30 June 2022	24,827,657	24,827,657

In December 2017, the consolidated entity entered into an agreement to acquire from Altius Minerals Corporation (Altius), 100 percent ownership of all the rights to coal licences that make up the Telkwa metallurgical coal project (Telkwa Project) (Acquisition). Up until the Acquisition, the consolidated entity had earned 20 percent Telkwa Project ownership, and had the right to earn up to 90 percent Telkwa Project ownership upon satisfaction of several milestones. The remaining 10 percent Telkwa Project ownership would be retained by Altius who had a free carry on its Telkwa Project equity. In consideration for the issue to Altius of 8.12 million, post consolidation, ordinary shares in the Company and the continued performance of the milestone obligations (as set out in the table below, which table incorporates an amendment agreed to in the year ended 30 June 2019), Altius agreed to transfer full ownership of the Telkwa Project to the consolidated entity. As security against the performance of the milestone obligations, the consolidated entity has provided a charge over the Telkwa Project. The charge shall be subordinated to Telkwa Project debt finance.

Milestone	Payment Commitment *	Payable
File mine permit applications	C$0.5 million	C$300,000 upon milestone C$200,000 18 months later
Grant of small mine** permits	C$0.5 million	Upon milestone
Sale of 100k tonnes from a small mine**	C$2 million	Upon milestone
Grant of major mine** permits	C$2 million	12 months after milestone
Sale of 500k tonnes from a major mine**	C$5 million	12 months after milestone

* payable, at Altius' option, in cash or shares in the Company.
** a small mine is defined as one permitted to produce up to 250,000 saleable tpa and a major mine is one permitted to produce more than 250,000 saleable tpa.

Impairment
The Telkwa Project has yet to reach a stage of development where a final determination of the technical feasibility or commercial viability can be assessed. In these circumstances, whether there is any indication that the asset has been impaired is a matter of judgement, as is the determination of the quantum of any required impairment adjustment. The Directors have used their experience to conclude that an impairment adjustment of $7,534,808 is required in the current year ended 30 June 2022.

Notes to the financial statements

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Note 12. Non-current assets – property, plant and equipment

	Consolidated	
	2022	**2021**
	$	**$**
Cost or fair value	107,345,096	59,205,732
Less: accumulated depreciation	(17,790,317)	(580,088)
Net book value	89,554,779	58,625,644

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

Cost or fair value	**Washplant $**	**Infrastructure $**	**Equipment $**	**Total $**
Balance at 1 July 2020	-	-	-	-
Acquired through business combination, at fair value	6,566,016	17,591,246	18,828,176	42,985,438
Additions, at cost	5,864,328	3,856,712	8,986,386	18,707,426
Foreign exchange movement	(293,545)	(1,029,375)	(1,164,212)	(2,487,132)
Balance at 1 July 2021	12,136,799	20,418,583	26,650,350	59,205,732
Acquired through business combination, at fair value	-	-	16,448,763	16,448,763
Additions, at cost	886,473	7,145,993	15,223,596	23,256,062
Disposals, at cost	-	-	(102,104)	(102,104)
Foreign exchange movement	1,335,047	2,210,763	4,990,833	8,536,643
Balance at 30 June 2022	14,358,319	29,775,339	63,211,438	107,345,096

Accumulated depreciation	**Washplant $**	**Infrastructure $**	**Equipment $**	**Total $**
Balance at 1 July 2020	-	-	-	-
Depreciation	49,992	152,773	381,207	583,972
Foreign exchange movement	(332)	(1,016)	(2,536)	(3,884)
Balance at 1 July 2021	49,660	151,757	378,671	580,088
Depreciation	691,337	5,501,939	10,192,682	16,385,958
Disposals	-	-	(100,977)	(100,977)
Foreign exchange movement	41,565	308,560	575,123	925,248
Balance at 30 June 2022	782,562	5,962,256	11,045,499	17,790,317

Net book value	**Washplant $**	**Infrastructure $**	**Equipment $**	**Total $**
At 1 July 2021	12,087,139	20,266,826	26,271,679	58,625,644
At 30 June 2022	13,575,756	23,813,084	52,165,939	89,554,779

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Notes to the financial statements

30 June 2022

Note 13. Non-current assets – right of use equipment

	Consolidated	
	2022	**2021**
	$	**$**
Fair value	11,661,499	-
Less: accumulated depreciation	1,576,447	-
Net book value	10,085,052	-

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

Cost or fair value	**Equipment $**	**Total $**
Balance at 1 July 2020	-	-
Additions, at fair value	-	-
Foreign exchange movement	-	-
Balance at 1 July 2021	-	-
Additions, at fair value	11,068,623	11,068,623
Foreign exchange movement	592,876	592,876
Balance at 30 June 2022	11,661,499	11,661,499

Accumulated amortisation	**Equipment $**	**Total $**
Balance at 1 July 2020	-	-
Amortisation	-	-
Foreign exchange movement	-	-
Balance at 1 July 2021	-	-
Amortisation	1,496,300	1,496,300
Foreign exchange movement	80,147	80,147
Balance at 30 June 2022	1,576,447	1,576,447

Net book value	**Equipment $**	**Total $**
At 1 July 2021	-	-
At 30 June 2022	10,085,052	10,085,052

Notes to the financial statements

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Note 14. Current liabilities - trade and other payables

	Consolidated	
	2022	**2021**
	$	**$**
Trade payables – other entities	16,565,937	4,818,290
Other payables	7,488,971	1,377,043
	24,054,908	6,195,333

Refer to note 22 for further information on financial instruments.

Note 15. Borrowings

	Consolidated	
	2022	**2021**
	$	**$**
Current		
Supply chain finance	6,371,704	-
Finance leases – current portion	3,086,213	-
Instalment sales payable – current portion	2,450,058	-
Convertible notes - Mercer Street Global Opportunity Fund LLC	-	2,565,901
Cline Mining Corporation note - current portion	37,916,491	7,980,846
Less : Present value discount of Cline note	(10,971,250)	-
Add : Unwinding of present value discount of Cline note	5,688,815	-
Foreign exchange movement	76,772	-
	44,618,803	10,546,747
Non-Current		
Finance leases	5,471,024	-
Instalment sales payable	2,184,140	-
Collins Street convertible note	30,700,000	-
Note – Cline Mining Corporation	-	34,744,175
Less : Present value discount of Cline note	-	(10,971,250)
Add : Unwinding of present value discount of Cline note	-	2,344,326
Foreign exchange movement	-	627,974
Itochu Corporation advances to Telkwa Coal Ltd	562,746	536,596
Canadian government Covid-19 loan	45,020	42,927
	38,962,930	27,324,748

Refer to note 22 for further information on financial instruments.

As at 30 June 2022, the Group has drawn US$4.4 million in supply chain finance, secured by inventory holdings, and repayable, together with the cost of funds of US$0.33 million, from coal sales revenue in the September 2022 quarter.

Notes to the financial statements

30 June 2022

Note 15. Borrowings (continued)

In May 2022, the consolidated entity agreed to issue a secured convertible note (Note) to the Collins Street Convertible Note Fund (Fund), managed by Collins Street Asset Management, an Australian wholesale investment management company. Tranche 1 of the Note in an amount of A$30.7 million was issued in May 2022, and Tranche 2 of the Note in an amount of $12.2 million was issued in August 2022, post-balance sheet date. The Note, which is secured over the assets of the consolidated entity, bears interest at 10% per annum, payable monthly in advance. Tranche 1 of the Note matures on 24 May 2025 and Tranche 2 of the Note matures on 15 August 2025. The Note is convertible at the Noteholder's election at any time into ordinary shares in the Company at a Conversion Price of $0.7637 per share (subject to dilutionary adjustments). 20% of the Note face value is held in an escrow account controlled by the Fund (see Note 9). The consolidated entity has undertaken to maintain a cash balance of no less $5.7 million post Tranche 1, increasing to $7.1 million post Tranche 2. The consolidated entity may, upon notice, redeem the Note by repaying an amount of 102.5% of the Note face value, provided however, the Fund's conversion rights will continue for the term of the Note pursuant to an option to acquire shares at the Conversion Price.

In October 2020, in connection with the acquisition of New Elk Coal Company LLC (New Elk), the Group has assumed a note, maturing 1 July 2030, in favour of Cline Mining Corporation (Cline). The note is interest free and secured against the assets of New Elk, but subordinated to up to US$40 million of project debt. The face value of the note, net of US$4 million of Allegiance shares issued on closing (see note 16), is US$35.12 million. US$3 million of the note was repaid in January 2021 from funds held by the Colorado government as security for rehabilitation bonds, which was released upon replacement with an insurance surety bond. A further initial debt repayment of US$6 million was paid in December 2021. The balance of the note is repayable in quarterly instalments from 60% of New Elk's net cash flow after providing for preferred debt payments and for sustaining and working capital requirements.

As the Cline note contains an interest-free period, AASB 9 *Financial Instruments* requires the full amount of A$49,626,495 (US$35,120,671) to be discounted back to present value using prevailing market interest rates for an equivalent loan. The fair value of the loan at 27 October 2020 is estimated at A$38,655,245 (US$27,356,317). The difference of A$10,971,250 (US$7,764,354) is the benefit derived from the interest-free period of the loan and is recognised over the estimated life of the debt. A total of A$5,688,815 (US$4,178,173) represents the unwinding of the present value discount up to 30 June 2022 and is recognised in the statement of comprehensive loss under finance costs expense, net of any capitalised finance costs.

The Cline note contains certain affirmative and negative covenants, in which the consolidated entity was not in compliance as at 30 June 2022. As a result, although, subsequent to 30 June 2022, Cline has given the consolidated entity a waiver in respect of these matters, the entire remaining amount payable under the note has been classified as a current liability as required by AASB 101 *Presentation of Financial Statements*.

Itochu advances to Telkwa Coal Ltd (TCL), which are in addition to the tranche 1 to 3 payments, relate to amounts received from Itochu pending lodgement by TCL of the Tenas metallurgical coal project environmental assessment application. Itochu has agreed to capitalise the loan pro-rata to its equity interest in TCL following lodgement of the application. Accordingly, the advances, which are interest free and unsecured, are quasi-equity.

In September 2020, the Group received a C$40,000 loan from the Canadian government as part of its response to Covid-19. The loan is unsecured, interest free and repayable on or before 31 December 2023.

Notes to the financial statements

30 June 2022

Note 15. Borrowings (continued)

In July 2020, the Company secured funding by way of a secured convertible note issued to Mercer Street Global Opportunity Fund LLC (Mercer), a New York based investment fund; $662,000 of which was drawn in August 2020; $1,338,000 of which was drawn in September 2020; $1,000,000 of which was drawn in October 2020; and $2,000,000 of which was drawn in January 2021. In August 2020, following receipt of the tranche 1 funds, notes with a face value of $772,105 maturing 5 August 2021 were issued. In September 2020, following receipt of the tranche 2 funds, notes with a face value of $1,561,228 maturing 24 September 2021 were issued. In October 2020, following receipt of the first tranche 3 funds, notes with a face value of $1,150,000 maturing 30 October 2021 were issued. In January 2021, following receipt of the second tranche 3 funds, notes with a face value of $2,300,000 maturing 20 January 2022 were issued. By 30 June 2021, all the tranche 1 and 2 notes and $750,000 of the tranche 3 notes had been converted into ordinary shares. During the current financial year, $1,510,000 of the tranche 3 notes were converted into ordinary shares in the Company and the balance of the note was redeemed by the Company in cash, in accordance with the terms of the note. (see note 17).

The consolidated entity has instalment sale and lease contracts for various items of equipment used in its operations. Instalment sales and leases of equipment generally have terms between twenty four and forty eight months and bear interest at effective interest rates between 4%pa and 18%pa. The consolidated entity's obligations under its instalment sales and leases are secured by the underlying assets. All instalment sale and lease agreements contain fixed monthly payment terms but additional charges for mileage, repairs and maintenance are incurred. At the expiry of the lease term the equipment is required to be returned to the lessor. At the expiry of the instalment sale, the equipment is fully paid for and becomes an unencumbered asset owned by the consolidated entity (subject to liens which follow from secured borrowings which the consolidated entity is subject to).

No right of use assets or lease liabilities were present during the year ending 30 June 2021, and no interest or depreciation was incurred nor cash payments made during the year then ended.

The consolidated entity has various instalment sales contracts that have not yet commenced as at 30 June 2022. The future instalment payments for these non-cancellable contracts are $452,730 within one year (30 June 2021: $nil), and $452,730 million in one to two years (30 June 2021: $nil), and $nil in two to five years (30 June 2021: $nil).

The consolidated entity has not entered any sale and leaseback arrangements.

Notes to the financial statements

30 June 2022

Note 16. Provisions

	Consolidated	
	2022	**2021**
	$	**$**
Mine closure and rehabilitation	16,557,310	7,162,504
Derivative financial instrument	21,251,270	-
	37,808,580	7,162,504
Current portion – due within one year	21,251,270	-
Non-current portion – due after more than one year	16,557,310	7,162,504
	37,808,580	7,162,504

	Rehabilitation $	Derivative $	Total $
Balance at 1 July 2020	-	-	-
Acquired through business combination, at fair value	7,513,164	-	7,513,164
Charged to profit or loss	90,659	-	90,659
Foreign exchange movement	(441,319)	-	(441,319)
Balance at 1 July 2021	7,162,504	-	7,162,504
Acquired through business combination, at fair value	7,236,092	-	7,236,092
Capitalised to property, plant and equipment	828,096	-	828,096
Charged to profit or loss	148,511	20,170,846	20,319,357
Foreign exchange movement	1,182,107	1,080,424	2,262,531
Balance at 30 June 2022	16,557,310	21,251,270	37,808,580

Mine closure and rehabilitation obligations

The calculation of the mine closure and rehabilitation provision requires assumptions such as application of environmental legislation, mine closure dates, available technologies, engineering costs and inflation and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine closure and rehabilitation obligations.

The mine closure and rehabilitation provision is recorded as a liability at fair value, assuming a risk-free discount rate equivalent to the 30 year US Government bond rate of 3.22 % as at 30 June 2022 (30 June 2021: 1.91%) and an inflation factor of 3.125 % (30 June 2021: 1.8%). Although the ultimate amount to be incurred is uncertain, management has, at 30 June 2022, estimated the asset retirement cost of work to be completed using an expected remaining mine life of between 14 and 24 years and a total undiscounted estimated cash flow of $30.9 million (US$21.3 million) (30 June 2021: $11.5 million (US$8.6 million)).

Recognition and measurement of provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Notes to the financial statements

30 June 2022

Note 16. Provisions (continued)

A mine closure and rehabilitation provision is recognised at the commencement of a mining project and/or construction based on the estimated costs necessary to meet legislative requirements by estimating future costs and discounting these to a present value. The provision is recognised as a liability, separated into current (estimated costs arising within twelve months) and noncurrent components based on the expected timing of these cash flows. A corresponding asset is included as property, plant and equipment (mine development assets section), only to the extent that it is probable that future economic benefits associated with the restoration expenditure will flow to the entity, and is amortised over the life of the mine.

At each reporting date the mine closure and rehabilitation provision is re-measured in line with changes in discount rates and timing or amounts of the costs to be incurred. Adjustments to the estimated amount and timing of future closure and rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved and are dealt with on a prospective basis as they arise.

Changes in the liability relating to mine closure and rehabilitation obligations are added to or deducted from the related asset (where it is probable that future economic benefits will flow to the entity), other than the unwinding of the discount which is recognised as a financing expense in Profit or Loss. Changes in the asset value have a corresponding adjustment to future amortisation charges.

The mine closure and rehabilitation provision does not include any amounts related to remediation costs associated with unforeseen circumstances.

Derivative financial instrument provision
Recognition and measurement of provisions
Commodity contracts that do not meet the own-use exemption are accounted for as derivatives under AASB 9 *Financial Instruments* and are recorded at their estimated fair value. There are numerous factors that will affect the ultimate value of the commodity contract, the primary factor being an estimate of the fair market value for the Company's saleable coal. These uncertainties may result in future actual amounts to settle the commodity contract differing from amounts currently provided. A provision is recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Refer to note 23.

Note 17. Equity – Issued Capital

Issued capital

	Consolidated	
	2022	**2021**
	$	**$**
Ordinary shares - fully paid	147,478,005	91,040,096

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Notes to the financial statements

30 June 2022

Note 17. Equity – Issued Capital (continued)

Consolidated	2022 Number	2021 Number	2022 $	2021 $
Balance at 1 July	282,427,568	614,260,861	91,040,096	33,528,305
Share based payment		2,955,083		200,000
Shares issued for cash in September 2020		1,790,999		107,460
Cline Mining Initial Debt Reductions shares		70,651,405		5,652,112
Shares vesting from performance rights		3,750,000		487,500
Shares issued for cash in November and December 2020		152,658,612		7,632,931
Less costs				(541,013)
Shares issued for cash in March 2021		187,500,000		15,000,000
Less costs				(1,364,134)
March 2021 Share Purchase Plan		38,218,750		3,057,500
Less costs				(49,164)
Shares issued for cash in April 2021		125,000,000		10,000,000
Less costs				(128,555)
Shares issued on conversion of notes		25,490,121		1,475,000
		1,222,275,831		
1 for 5 consolidation (incl. rounding)		244,455,344		
Shares issued for cash in May 2021		34,444,444		15,500,000
Less costs				(1,286,373)
Shares vesting from performance rights		250,000		162,500
Less costs				(2,306)
Shares issued on conversion of notes	2,616,453	3,277,780	1,510,000	1,608,333
Shares issued for cash in August 2021	44,776,119		30,000,000	
Less costs			(2,459,616)	
Shares issued for cash in October and December 2021	60,000,000		30,000,000	
Less costs			(2,612,475)	
Balance at 30 June	389,820,140	282,427,568	147,478,005	91,040,096

In August 2021, the Company completed a placement of 44.8 million ordinary shares to sophisticated and professional investors raising $30 million, before costs. The capital was raised to fund the acquisition of Black Warrior Minerals Inc and for working capital.

In October 2021 (Tranche 1) and December 2021, following shareholder approval, (Tranche 2) the Company completed a placement of 60 million ordinary shares to sophisticated and professional investors raising $30 million, before costs. The capital was raised to fund the acquisition of the Short Creek assets and for working capital.

Notes to the financial statements

30 June 2022

Note 17. Equity – Issued Capital (continued)

In July 2021, Mercer elected to convert $1 million of their convertible notes and the Company allotted 1.6 million shares to Mercer. In November 2021, Mercer elected to convert $0.5 million of their convertible notes and the Company allotted 1 million shares to Mercer. (see note 15).

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 shares held. The 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.

Performance rights
Performance rights of Allegiance Coal Limited on issue, subject to vesting conditions, at 30 June 2022 are 5,500,000 (2021: 1,500,000).

Options
Unissued ordinary shares of Allegiance Coal Limited under option at 30 June 2022 are 8,841,616 (2021: 5,148,333).

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 requirements. The capital risk management policy remains unchanged from the 30 June 2021 Annual Report.

Notes to the financial statements

30 June 2022

Note 18. Equity – reserves

	Consolidated	
	2022	**2021**
	$	**$**
General reserve	16	16
Share-based payments reserve	13,061,019	2,356,666
Foreign currency translation reserve	(889,653)	350,753
	12,171,382	2,707,435

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.

Foreign currency translation reserve
The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

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

Consolidated	**General $**	**Share-based payment $**	**Foreign currency translation $**	**Total $**
Balance at 1 July 2020	16	2,231,784	197,163	2,428,963
Grant of performance rights and options	-	563,624	-	563,624
Performance rights vested	-	(650,000)	-	(650,000)
Options lapsed or expired	-	(118,904)	-	(118,904)
Conversion rights on Mercer note	-	1,477,039	-	1,477,039
Mercer notes converted	-	(1,146,877)	-	(1,146,877)
Foreign exchange movement	-	-	153,590	153,590
Balance at 30 June 2021	16	2,356,666	350,753	2,707,435
Grant of performance rights and share options	-	3,224,771	-	3,224,771
Options lapsed or expired	-	(26,529)	-	(26,529)
Conversion rights on Collins St note	-	7,836,273	-	7,836,273
Mercer notes converted	-	(330,162)	-	(330,162)
Foreign exchange movement	-	-	(1,240,406)	(1,240,406)
Balance at 30 June 2022	16	13,061,019	(889,653)	12,171,382

Notes to the financial statements

30 June 2022

Note 19. Equity - accumulated losses

	Consolidated	
	2022	2021
	$	$
Accumulated losses at the beginning of the financial year	(35,283,768)	(20,746,304)
Loss after income tax benefit for the year attributable to equity holders of the Company	(95,525,276)	(15,803,245)
Share options lapsed or expired	26,529	118,904
Mercer notes converted	330,162	1,146,877
Accumulated losses at the end of the financial year	(130,452,353)	(35,283,768)

Note 20. Equity - dividends

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

Note 21. Minority interest

	Consolidated	
	2022	2021
	$	$
Minority interest at the beginning of the financial year	1,182,905	1,217,293
Loss after income tax benefit for the year attributable to minority interest	(795,245)	(34,388)
Minority interest at the end of the financial year	387,660	1,182,905

Note 22. 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 generally 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 and ageing analysis for credit 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.

Notes to the financial statements

30 June 2022

Note 22. Financial instruments (continued)

Market risk
Foreign currency risk
The consolidated entity undertakes 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.

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

As of 30 June 2022, the Company determined that certain of its open forward commodity contracts would not meet the own-use exemption, and as such, the Company recorded a derivative financial instrument provision of $21,251,270, based upon the difference between the contractual settlement price and the estimated fair value of the coal volumes involved as of 30 June 2022. The related change in fair value has been recognised in the statement of comprehensive loss as a loss on derivative financial instruments. An increase in the fair value of the coal of 10% would lead to an increase in the provision, and charge to the income statement, of $5.92 million.

Interest rate risk
The consolidated entity's main interest rate risk arises from cash and cash equivalents and third 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:

	2022		2021	
Consolidated	**Weighted average interest rate %**	**Balance $**	**Weighted average interest rate %**	**Balance $**
Cash and cash equivalents	0.1%	7,949,022	0.1%	18,689,261
Loans	-	-	-	-
Net exposure to cash flow interest rate risk		7,949,022		18,689,261

Notes to the financial statements

30 June 2022

Note 22. Financial instruments (continued)

Consolidated – 2022	Basis points increase: Basis points change	Basis points increase: Effect on profit before tax	Basis points increase: Effect on equity	Basis points decrease: Basis points change	Basis points decrease: Effect on profit before tax	Basis points decrease: Effect on equity
Cash and cash equivalents	200	158,980	158,980	200	(158,980)	(158,980)
Loans	200	-	-	200	-	-
		158,980	158,980		(158,980)	(158,980)

Consolidated – 2021	Basis points increase: Basis points change	Basis points increase: Effect on profit before tax	Basis points increase: Effect on equity	Basis points decrease: Basis points change	Basis points decrease: Effect on profit before tax	Basis points decrease: Effect on equity
Cash and cash equivalents	200	373,785	373,785	200	(373,785)	(373,785)
Loans	200	-	-	200	-	-
		373,785	373,785		(373,785)	(373,785)

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.

Remaining contractual maturities

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

Notes to the financial statements

30 June 2022

Note 22. Financial instruments (continued)

Consolidated – 2022	**Weighted average interest rate %**	**1 year or less $**	**Between 1 and 2 years $**	**Between 2 and 5 years $**	**Over 5 years $**	**Remaining contractual maturities $**
Non-derivatives						
Non-interest bearing						
Trade payables	-%	16,565,937	-	-	-	16,565,937
Other payables	-%	6,759,725	-	-	-	6,759,725
Interest-bearing - fixed						
Loans	6.4%	53,996,352	7,886,989	34,211,495	-	96,094,836
Total non-derivatives		77,322,014	7,886,989	34,211,495	-	119,420,498

Consolidated – 2021	**Weighted average interest rate %**	**1 year or less $**	**Between 1 and 2 years $**	**Between 2 and 5 years $**	**Over 5 years $**	**Remaining contractual maturities $**
Non-derivatives						
Non-interest bearing						
Trade payables	-%	4,818,290	-	-	-	4,818,290
Other payables	-%	1,377,043	-	-	-	1,377,043
Interest-bearing - fixed						
Loans	-%	10,590,845	11,971,268	22,772,906	-	45,335,019
Total non-derivatives		16,786,178	11,971,268	22,772,906	-	51,530,352

Credit risk

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 23. Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Notes to the financial statements

30 June 2022

Note 23. Fair value measurement (continued)

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

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.

The calculation of the mine closure and rehabilitation provision requires assumptions such as application of environmental legislation, mine closure dates, available technologies, engineering costs and inflation and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine closure and rehabilitation obligations. The mine closure and rehabilitation provision is recorded as a liability at fair value, assuming a risk-free discount rate equivalent to the 30 year US Government bond rate of 3.22 % as at 30 June 2022 (30 June 2021: 1.91%) and an inflation factor of 3.125 % (30 June 2021: 1.8%). Although the ultimate amount to be incurred is uncertain, management has, at 30 June 2022, estimated the asset retirement cost of work to be completed using an expected remaining mine life of between 14 and 24 years and a total undiscounted estimated cash flow of $30.9 million (US$21.3 million) (30 June 2021: $11.5 million (US$8.6 million)). At each reporting date the mine closure and rehabilitation provision is re-measured in line with changes in discount rates and timing or amounts of the costs to be incurred. Adjustments to the estimated amount and timing of future closure and rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved and are dealt with on a prospective basis as they arise. Changes in the liability relating to mine closure and rehabilitation obligations are added to or deducted from the related asset (where it is probable that future economic benefits will flow to the entity), other than the unwinding of the discount which is recognised as a financing expense in Profit or Loss. Changes in the asset value have a corresponding adjustment to future amortisation charges. The mine closure and rehabilitation provision does not include any amounts related to remediation costs associated with unforeseen circumstances.

The rehabilitation provision is based primarily on Level 3 valuation techniques.

Derivative financial instruments are measured at fair value through profit or loss (“FVTPL”) unless designated for hedge accounting. As of 30 June 2022, the Company determined that certain of its open forward commodity contracts would not meet the own-use exemption, and as such, the Company recorded a derivative financial instrument provision of $21,251,270, based upon the difference between the contractual settlement price and the estimated fair value of the coal volumes involved as of 30 June 2022. The related change in fair value has been recognised in the statement of comprehensive loss as a loss on derivative financial instruments. There are numerous factors that will affect the ultimate value of the commodity contract, the primary factor being an estimate of the fair market value for the Company’s saleable coal. These uncertainties may result in future actual amounts to settle the commodity contract differing from amounts currently provided.

The open commodity contract value is based primarily on Level 2 valuation techniques.

Notes to the financial statements

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Note 24. Key management personnel disclosures

Directors
The following persons were directors of Allegiance Coal Limited during the financial year:
- Mark Gray (Managing Director, Executive Director and Chairman)
- Jonathan Romcke (Chief Executive Officer, appointed 3 May 2022)
- Bernie Mason (Non-executive Director)
- Matthew Wall (Non-executive Director, appointed 23 February 2022)
- Jonathan Reynolds (Finance Director)
- Malcolm Carson (Non-executive Director, deceased February 2022)
- Larry Cook (Non-executive Director, retired 6 June 2022)
- Paul Vining (Non-executive Chairman, appointed 16 May 2022, resigned 6 July 2022)

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

	Consolidated	
	2022	2021
	$	$
Short-term employee benefits	2,181,296	1,837,703
Post-employment benefits	9,263	-
Share-based payments	2,174,553	-
	4,365,112	1,837,703

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 2022 or 30 June 2021.

Other transactions with key management personnel and their related parties
Consultancy fees paid to related parties, included in remuneration disclosures above
- Gray Corporate Law Ltd, a related party of Mark Gray, totalling $163,331
- Southdown Investments Ltd, a related party of Mark Gray, totalling $354,164
- Vivid Mining Advisory Services Pty Ltd, a related party of Jonathan Romcke, totalling $93,871
- Cook Consulting Services, a related party of Larry Cook, totalling $275,532
- J Reynolds CA Pty Ltd, a related party of Jonathan Reynolds, totalling $300,000
- Bella Investments (NSW) Pty Ltd, a related party of Matthew Wall, totalling $17,708
- Mineral Resource Consultants Pty Ltd, a related party of Malcom Carson, totalling $18,000
- Coalsense Consulting Inc, a related party of Dan Farmer, totalling $308,339

Expenses reimbursements paid to related parties:
- Southdown Investments Law Ltd, a related party of Mark Gray, totalling $165,966
- Vivid Mining Advisory Services Pty Ltd, a related party of Jonathan Romcke, totalling $19,236
- Cook Consulting Services, a related party of Larry Cook, totalling $69,224
- J Reynolds CA Pty Ltd, a related party of Jonathan Reynolds, totalling $11,884

Notes to the financial statements

30 June 2022

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by SCS Superannuation & Taxation Services Pty Ltd, the auditor of the Company, and related firms:

	Consolidated	
	2022	**2021**
	$	**$**
Audit and review of the financial statements – SCS Audit & Corporate Services Pty Ltd	81,041	45,000
	81,041	45,000

Note 26. Business combinations during the period

On 3 August 2021 the Group acquired 100% of the voting equity instruments of Black Warrior Minerals Inc, a company whose principal activity is the operating Black Warrior metallurgical coal mine, in Alabama USA. The principal reason for this acquisition was to acquire a fully permitted operating coal mine, to supply metallurgical coal onto the seaborne market, complementary to the previously acquired New Elk metallurgical coal mine in Colorado USA.

Details of the fair value of identifiable assets and liabilities acquired and purchase consideration are as follows:

	Fair value
	$
Cash and cash equivalents	-
Other receivables	1,770
Property, plant and equipment	16,448,763
Trade and other payables	(672,528)
Provisions	(7,236,092)
Total net assets	8,541,913

Fair value of consideration paid	**Fair value $**
Cash	8,541,913
Total net assets	8,541,913

Notes to the financial statements

30 June 2022

Note 27. Contingent assets and liabilities

Consolidated	Contingent assets $	Contingent liabilities $
Balance at 30 June 2020	-	-
BWM Mine acquisition	17,406,902	17,406,902
Balance at 30 June 2021	17,406,902	17,406,902
Short Creek Mine asset acquisition	24,531,860	24,531,860
Balance at 30 June 2022	24,531,860	24,531,860

In October 2021, the Company entered into a binding agreement to acquire the Short Creek mine assets located west of Birmingham, Alabama. The acquisition comprises the purchase of the land over the deposit, the fixed assets (primarily a CHPP, a barge load-out, conveyors and stackers), and all existing permits to operate; and the lease of the mineral rights to the Mary Lee, Blue Creek and Newcastle seams under the land for up to 23 years, in consideration for the payment of royalties ranging from 7% to 10% based on a sliding scale of the FOB sales price achieved. The acquisition cost is US$4.4M in cash to acquire the land and assets; and US$12.5M to replace the reclamation bond with the State of Alabama that follows the land and assets. Completion of acquisition is not finalised due to delay by the Alabama Environmental Agency in splitting the water permit between the surface coal lease and the underground coal lease.

Note 28. Commitments

Operating leases

	Consolidated 2022 $	Consolidated 2021 $
Within one year	1,503,948	1,131,978
One to five years	3,600,379	3,135,610
Later than five years	9,371,152	7,125,366
	14,475,479	11,392,954

Operating lease commitments include contracted amounts for various offices, services, minimum royalties, equipment and access to coal and infrastructure under non-cancellable operating leases expiring within one to twenty six years.

In connection with the acquisition of the Black Warrior Minerals Inc, the Company has a commitment to pay the vendors a fee of $1.65 million on the successful procurement of a mining lease over an uncontrolled portion of land which comprises the mining area of interest.

Notes to the financial statements

30 June 2022

Note 28. Commitments (continued)

Capital commitments – plant and equipment

	Consolidated 2022 $	Consolidated 2021 $
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	5,575,041	2,443,296
One to five years	-	948,563
	5,575,041	3,391,859

In April 2020, New Elk entered into coal lease agreements to mine and sell all the coal comprised in the Lorencito property which neighbours the New Elk Mine. An initial lease payment of US$260,000 in cash was paid to the leaseholders prior to the New Elk acquisition closing. The following milestone payments are required to be paid to the leaseholders.

Milestone	Payment Commitment
Complete JORC 2012 Feasibility Study	US$0.5 million
Obtain mining and other permits	US$1 million
Production of first 1m tonnes of clean coal	US$2 million

In addition to the above, the leaseholders will receive a US$1 royalty per tonne of coal sold where the coal price is equal to or less than US$100 per tonne; plus an additional US$1 per tonne royalty for each US$10 increase in the coal price up to a maximum royalty of US$20 per tonne.

In addition to the above, the leaseholders will receive 2.5% of the equity in New Elk Coal Holdings LLC, once the Lorencito Property is in production, and that equity interest will be non-dilutionary up to the capital cost required to reach 3Mt of annual saleable coal production.

As the exploration activity and feasibility studies planned for the Lorencito Property have not been completed, the rights to the property are no longer assured.

The consolidated entity acquired the Telkwa Project from a subsidiary of Altius Minerals Corporation (Altius). The remaining payment commitments are summarised in the table below.

Milestone	Payment Commitment *	Payable
File mine permit applications	C$500,000	C$300,000 upon milestone C$200,000 18 months later
Grant of small mine** permits	C$500,000	Upon milestone
Sale of 100k tonnes from a small mine**	C$2 million	Upon milestone
Grant of major mine** permits	C$2 million	12 months after milestone
Sale of 500k tonnes from a major mine**	C$5 million	12 months after milestone

* payable, at Altius' option, in cash or shares in the Company.
** a small mine is defined as one permitted to produce up to 250,000 saleable tpa and a major mine is one permitted to produce at more than 250,000 saleable tpa.

Notes to the financial statements

30 June 2022

Note 28. Commitments (continued)

In addition to the above, Altius will receive a 3% gross sales royalty on coal sold where the benchmark coal price is less than US$100 per tonne; 3.5% where the benchmark coal price is US$100-US$109.99 per tonne; 4% where the benchmark coal price is US$110-US$119.99 per tonne; and 4.5% where the benchmark coal price is greater than US$120 per tonne.

As security for its performance of the above milestone payments, the consolidated entity has provided a charge over the Telkwa Project in favour of Altius. The charge shall be subordinated to Telkwa Project debt finance.

As the Kilmain project is currently under review, no exploration and evaluation expenditure has been recognised as a commitment or liability payable, in relation to permits EPC1298 and EPC1917.

Note 29. Related party transactions

Parent entity
Allegiance Coal Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 31.

Key management personnel
Disclosures relating to key management personnel are set out in note 24 and the remuneration report in the directors' report.

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

Notes to the financial statements

30 June 2022

Note 30. Parent entity information

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

Statement of comprehensive loss

	Parent	
	2022	**2021**
	$	**$**
Loss after income tax	(7,452,767)	(5,696,835)
Total comprehensive loss	(7,452,767)	(5,696,835)

Statement of financial position

	Parent	
	2022	**2021**
	$	**$**
Total current assets	3,526,024	15,332,061
Total non-current assets	130,151,463	60,848,854
Total assets	133,677,487	76,180,915
Total current liabilities	65,128	2,614,742
Total liabilities	65,128	2,614,742
Net assets	133,612,359	73,566,173
Equity		
Issued capital	147,478,005	91,040,096
Share-based payments reserve	13,061,019	2,026,504
Accumulated losses	(26,926,665)	(19,500,427)
Total equity	133,612,359	73,566,173

Notes to the financial statements

30 June 2022

Note 30. Parent entity information (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
As at 30 June 2022, the parent entity has provided guarantees in respect of

- the Collins St Note in an amount of $30.7 million;
- Instalment sales and lease obligations of subsidiaries totalling US$2.9 million;
- reclamation bond obligations of subsidiaries totalling US$3.1 million.

As at 30 June 2021, the parent entity has provided guarantees in respect of reclamation bond obligations of subsidiaries totalling US$3.3 million.

Contingent assets liabilities
The parent entity contingent assets and liabilities as at 30 June 2022 and 30 June 2021 are set out in note 27.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, 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.

Note 31. 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 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2022 %	Ownership interest 2021 %
Telkwa Coal Limited	Canada	90%	90%
Allegiance Coal USA Limited	United States of America	100%	100%
New Elk Coal Holdings LLC	United States of America	100%	100%
New Elk Coal Company LLC	United States of America	100%	100%
North Central Energy Company	United States of America	100%	100%
Raton Basin Analytical LLC	United States of America	100%	100%
Black Warrior Minerals, Inc	United States of America	100%	-
Short Creek Holdings LLC	United States of America	100%	-
Short Creek Mining LLC	United States of America	100%	-
Mineral & Coal Investments Pty Limited	Australia	100%	100%

Notes to the financial statements

30 June 2022

Note 32. Events after the reporting period

In September 2022, the consolidated entity entered a coal sale agreement with Marco International Corporation. The contract is for the supply of 40,000 metric tonnes per month for one year, with two annual extensions at the customer's election. The selling price is $250/t for the first 80,000t; $214 for the next 400,000t and $220/t for subsequent coal delivered under the contract.

On 19 July 2022, the Company announced a $5 million equity facility with Regal Funds Management (on behalf of its funds) (Fund) and an initial drawdown under the facility of $3 million with pricing to be calculated on a prospective VWAP basis. Subsequently the Company and the Fund agreed, in relation to the initial drawdown, to a fixed price of $0.10 per share and accordingly the Company issued 30,000,000 ordinary shares to the Fund. The Company presently does not intend to draw down any further capital under the facility.

Note 33. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2022	2021
	$	$
Loss after income tax benefit for the year	(96,320,521)	(15,837,633)
Adjustments for:		
Depreciation and amortisation	17,882,258	583,972
Share-based payments	10,010,826	-
Non-cash fair value of conversion rights on Mercer note	-	1,477,039
Present value discount of debt instruments	3,344,489	2,348,969
Derivative financial instruments loss	20,170,846	-
Impairment loss	7,534,808	-
Increase in rehabilitation provision	976,607	90,659
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,043,382)	(393,625)
Increase in inventory	(20,789,373)	(286,377)
Increase in trade and other payables	15,895,740	4,363,890
Net cash used in operating activities	(42,337,702)	(7,653,106)

Notes to the financial statements

30 June 2022

Note 34. Loss per share

	Consolidated	
	2022	**2021**
	$	**$**
Loss after income tax attributable to the owners of Allegiance Coal Limited	(97,560,927)	(15,684,043)

	Number	**Number**
Weighted average number of ordinary shares used in calculating basic loss per share	360,912,589	178,245,837
Weighted average number of ordinary shares used in calculating diluted loss per share	389,820,140	282,427,568

	Cents	**Cents**
Basic loss per share	(27.03)	(8.80)
Diluted loss per share	(25.03)	(5.55)

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

Note 35. Share-based payments

Lead Manager Options
The Company engaged Petra Capital Pty Limited (Petra) as the Lead Manager for each the August and October 2021 Placements. As part of the mandate, the Company issued to Petra a total of 3.1 million Options on successful completion of the Placements, which issues were subsequently ratified by shareholders in general meeting.

Each option entitles Petra to subscribe for and be allotted one fully paid ordinary share. The Options are personal to Petra, or its nominee, and may not be exercised by another person, or transferred, disposed of or otherwise dealt with, unless the prior written consent of the Company is obtained. The Optionholder has no rights to participate in new issues of capital offered to shareholders. However, the Company will give Petra notice of the proposed issue prior to the date for determining entitlements to participate in any such issue. The Options were issued for no consideration, as they were issued in consideration for services provided in connection with the Placements.

The options were granted for a fixed period of three years and will expire on 5 August, 29 October and 9 December 2024, respectively, if not exercised on or before that date.

Notes to the financial statements

30 June 2022

Note 35. Share-based payments (continued)

2021 Employee Securities Incentive Plan
The 2021 Employee Securities Incentive Plan ('ESIP') was approved at the Company's 2021 AGM. The objective of the ESIP is to attract, motivate and retain key Directors, employees and consultants and it is considered that issue of Securities under the ESIP will provide participants with the opportunity to participate in the future growth of the Company.

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

Each ESIP performance right held by a participant entitles them to be allotted one fully paid ordinary share in the Company upon vesting conditions being met. Participant performance rights are personal to the participant and may not be transferred, disposed of or otherwise dealt with, except with the prior written approval of the Company. A participant has no rights to participate in new issues of capital offered to shareholders. 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. Participant performance rights are issued under the ESIP for no consideration.

Each ESIP option held by a participant entitles them to subscribe for and be allotted one fully paid ordinary share. Participant options are personal to the participant and may not be exercised by another person, or transferred, disposed of or otherwise dealt with, except with the prior written approval of the Company. 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 ten 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. Participant options are issued under the ESIP for no consideration.

Performance rights and Options will lapse if:
i) the conditions for vesting of the performance rights or exercise of the options have not been met, or where the participant ceases to render services to the consolidated entity;
ii) the conditions of exercise of the options are unable to be met; or
iii) five years, or any other lapsing period specified in the offer document, has passed after the grant of the securities;

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

2017 Participants Securities Incentive Plan
The 2017 Participants Securities Incentive Plan ('PSIP') was approved at the Company's 2017 AGM. The objective of the PSIP is to attract, motivate and retain key Directors, employees and consultants and it is considered that issue of Securities under the PSIP will provide participants with the opportunity to participate in the future growth of the Company.

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

Notes to the financial statements

30 June 2022

Note 35. Share-based payments (continued)

Each option held by a participant entitles them to subscribe for and be allotted one fully paid ordinary share. Participant options are personal to the participant and may not be exercised by another person, or transferred, disposed of or otherwise dealt with, except with the prior written approval of the Company. 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 ten 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. Participant options are issued under the PSIP for no consideration.

Options will lapse if:

iv) the conditions of exercise of the options have not been met, or where the participant ceases to render services to the consolidated entity;

v) the conditions of exercise of the options are unable to be met; or

vi) five years, or any other lapsing period specified in the offer document, has passed after the grant of the options;

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

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

2022

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
PSIP Options							
6/12/2017	6/12/2022	$0.375	1,700,000	-	-	150,000	1,550,000
3/12/2019	3/12/2024	$1.40	1,290,000	-	-	50,000	1,240,000
ESIP Options							
3/12/2021	3/12/2026	$0.50	-	750,000	-	-	750,000
Lead Manager Options							
3/03/2021	3/3/2024	$0.50	1,125,000	-	-	-	1,125,000
11/5/2021	11/5/2024	$0.5625	1,033,333	-	-	-	1,033,333
5/8/2021	5/8/2024	$0.8375	-	1,343,283	-	-	1,343,283
29/10/2021	29/10/2024	$0.625	-	706,268	-	-	706,268
9/12/2021	9/12/2024	$0.625	-	1,093,732	-	-	1,093,732
			5,148,333	3,893,283	-	200,000	8,841,616

Weighted average exercise price	$0.6883

Notes to the financial statements

30 June 2022

Note 35. Share-based payments (continued)

2021

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
PSIP Options							
6/12/2017	6/12/2022	$0.375	1,850,000	-	-	150,000	1,700,000
3/12/2019	3/12/2024	$1.40	1,290,000	-	-	-	1,290,000
Lead Manager Options							
6/12/2017	6/12/2020	$0.25	1,000,000	-	-	1,000,000	-
3/03/2021	3/3/2024	$0.50	-	1,125,000	-	-	1,125,000
11/5/2021	11/5/2024	$0.5625	-	1,033,333	-	-	1,033,333
			4,140,000	2,158,333	-	1,150,000	5,148,333

Weighted average exercise price	$0.6968

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

Grant date	Expiry date	2022 Number	2021 Number
6/12/2017	6/12/2022*	1,550,000	1,700,000
3/03/2021	3/3/2024**	1,125,000	1,125,000
11/5/2021	11/5/2024**	1,033,333	1,033,333
5/8/2021	5/8/2024**	1,343,283	-
29/10/2021	29/10/2024**	706,268	-
6/12/2019	6/12/2024*	1,240,000	1,290,000
9/12/2021	9/12/2024**	1,093,732	-
3/12/2021	3/12/2026***	750,000	-
		8,841,616	5,148,333

* 2017 Participants Securities Incentive Plan
** Lead Manager Options
*** 2021 Employee Securities Incentive Plan

The weighted average share price during the financial year was $0.5678 (2021: $0.2704).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.0 years (2021: 2.5 years).

Notes to the financial statements

30 June 2022

Note 35. Share-based payments (continued)

Set out below are summaries of performance rights granted under the ESIP:

2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
ESIP performance rights							
3/12/2021	3/12/2026	$nil	-	4,000,000	-	-	4,000,000
			-	4,000,000	-	-	4,000,000

Weighted average exercise price	$nil

The ESIP performance rights have been issued in five separate classes, A through E. The performance rights will automatically vest and convert into Shares on a one for one basis upon satisfaction of milestones. A performance right will lapse upon the earlier to occur of: (a) the cessation of the holder's employment or other engagement with the Company; and (b) the Vesting Condition not being satisfied on or before the Expiry Date.

Details of the ESIP Performance Rights issued are summarised below:

- 400,000 Class A Performance Rights which will vest on the Company achieving for the first time 0.5Mt of clean coal sales in a consecutive six month period;
- 900,000 Class B Performance Rights which will vest on the Company achieving for the first time 1.0Mt of clean coal sales in a consecutive six month period;
- 900,000 Class C Performance Rights which will vest on the Company achieving for the first time 1.5Mt of clean coal sales in a consecutive six month period;
- 900,000 Class D Performance Rights which will vest on the Company achieving for the first time 2.0Mt of clean coal sales in a consecutive six month period; and
- 900,000 Class E Performance Rights which will vest on the Company achieving for the first time 2.5Mt of clean coal sales in a consecutive six month period.

Class	Expiry date	Exercise Price	Balance at the start of the year	Granted	Vested	Expired/ forfeited / Other	Balance at the end of the year
A	3/12/26	$nil	-	400,000	-	-	400,000
B	3/12/26	$nil	-	900,000	-	-	900,000
C	3/12/26	$nil	-	900,000	-	-	900,000
D	3/12/26	$nil	-	900,000	-	-	900,000
E	3/12/26	$nil	-	900,000	-	-	900,000
			-	4,000,000	-	-	4,000,000

Notes to the financial statements

30 June 2022

Note 35. Share-based payments (continued)

Performance Rights
An issue of performance rights was approved at the Company's 2019 annual general meeting to three individuals directly associated with the origination and re-start of the New Elk Mine (Mine). The issue of the performance rights seeks to align the efforts of the three individuals in pursuing growth of the Company's share price and in the creation of shareholder value. The Company believed that incentivising with performance rights was a prudent means of conserving the Company's available cash reserves. In addition, the Company believed the performance rights assisted to attract and retain highly experienced and qualified board members and management in a competitive market.

In total, 3 million performance rights were issued in five separate classes, A through E. The performance rights will automatically vest and convert into Shares on a one for one basis upon satisfaction of milestones. A performance right will lapse upon the earlier to occur of: (a) the cessation of the holder's employment or other engagement with the Company; and (b) the Vesting Condition not being satisfied on or before the Expiry Date.

Details of Performance Rights issued are summarised below:
- 500,000 Class A Performance Rights which vested in December 2019, following shareholder approval;
- 750,000 Class B Performance Rights which vested upon Completion of the Mine acquisition;
- 250,000 Class C Performance Rights which vested on completion of the commissioning of the Mine and commencement of production;
- 750,000 Class D Performance Rights which will vest on the sale of the first 500,000 metric tonnes of coal from the Mine, expiring 2 December 2022; and
- 750,000 Class E Performance Rights which will vest on the sale of the second 500,000 metric tonnes of coal from the Mine, expiring 2 December 2023.

2022

Class	Expiry date	Exercise Price	Balance at the start of the year	Granted	Vested	Expired/ forfeited / Other	Balance at the end of the year
D	2/12/22	$nil	750,000	-	-	-	750,000
E	2/12/23	$nil	750,000	-	-	-	750,000
			1,500,000	-		-	1,500,000

2021

Class	Expiry date	Exercise Price	Balance at the start of the year	Granted	Vested	Expired/ forfeited / Other	Balance at the end of the year
B	2/6/21	$nil	750,000	-	750,000	-	-
C	2/2/22	$nil	250,000	-	250,000	-	-
D	2/12/22	$nil	750,000	-	-	-	750,000
E	2/12/23	$nil	750,000	-	-	-	750,000
			2,500,000	-	1,000,000	-	1,500,000

Directors' declaration

30 June 2022

1. In the opinion of the directors of Allegiance Coal Limited (the 'Company'):

   a) the financial report and the Remuneration Report included in the Directors' Report, designated as audited, of the consolidated entity are 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 2022 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; and

   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; and

2. The financial statements and notes comply with International Financial Reporting Standards, as discussed in Note 1; and

3. This declaration has been made after receiving the declarations required by section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2022.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 295(5) of the *Corporation Act 2001*. This declaration is made in accordance with a resolution of the directors.

Mark Gray
Chairman

4 October 2022
Sydney

SCS AUDIT & CORPORATE SERVICES PTY LTD

ABN 99 165 260 444

Auditor's independence declaration

LEAD AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*

TO : The Directors of Allegiance Coal Limited

In accordance with Section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence.

As Audit Director for the audit of Allegiance Coal Limited for the financial year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

Didarul Khan
Director
Sydney
4 October 2022

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Independent Auditor's report

30 June 2022

Independent Auditor's Report to the shareholders of Allegiance Coal Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Allegiance Coal Limited ("the Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a statement of accounting policies and selected explanatory notes and the directors' declaration.

In our opinion:

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

(i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 C*ode of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors at the time of this Auditor's report.

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

Material uncertainty related to going concern:

Without qualifying our above opinion, we draw attention to Note 1 of the financial report – going concern, which indicates that the Group incurred a loss from continuing operations after tax of $96.32 million. The matters detailed in Note 1 describe events and / or conditions which indicate the existence of a material uncertainty which may cast doubt as to the ability of the Group to continue as a going concern. The Group may be unable to realise its assets and discharge its liabilities in the normal course of business, at the amounts stated in the financial report. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Independent Auditor's Report to the shareholders of Allegiance Coal Limited (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1 Impairment of Exploration and evaluation assets

Why significant	**How our audit addressed the key audit matter**
Refer Page 53, Critical accounting judgements, estimates and assumptions and note 11, Non-current assets – exploration and evaluation. The Group's interest in the Telkwa coal project is carried in the Consolidated Balance Sheet as an Exploration and evaluation intangible asset with a carrying value (before impairment adjustment) of $32.62 million. The Group have used its experience to conclude that an impairment adjustment of $7.79 million is required in the current year ended 30 June 2022. We focused on this area as the carrying value of exploration and evaluation expenditures represents a significant asset of the Group. We considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of this asset may exceed its recoverable amount. And since the Group has recognised the impairment, it involve high amount of judgement and estimation.	Our audit procedures included: • Obtaining independent searches that the Group has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditure; • Confirming that the rights to tenure of the areas of interest remained current at the reporting date as well as confirming that the rights to tenure are expected to be renewed; • Reviewing the directors' assessment of the carrying value of the exploration and evaluation costs, ensuring that management have considered the effect of impairment indicators, commodity prices and the stage of the Group's project; • Evaluating the directors' assessment of the carrying value of the exploration and evaluation costs, factors considered for determining the impairment and also verifying the estimations adopted by the management to arrive at the impairment amount. • Reviewing budgets and challenging assumptions made by the Group to ensure that substantive expenditure on further exploration for and evaluation of the mineral resources in the areas of interest are planned; • Reviewing ASX announcements and minutes of directors' meetings to ensure that the Group had not decided to discontinue activities in any of its areas of interest.

Independent Auditor's Report to the shareholders of Allegiance Coal Limited (continued)

2 Going concern

Why significant	How our audit addressed the key audit matter
Refer to Note 1 – going concern. For the year ended 30 June 2022 the Group reported a net loss of \$96.32 million and net operating cash outflows of \$42.34 million. As at 30 June 2022 the Group had net current liabilities of \$58.20 million including cash reserves of \$7.95 million. These matters indicate the existence of an uncertainty which may cast doubt as to the ability of the Group to continue as a going concern. The Group may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.	We evaluated the Group's assessment of its ability to continue to operate as a going concern for the foreseeable future. In obtaining sufficient audit evidence we: • considered the Group's budget for the 2023 financial year; • made enquiries with directors of the Company as to the intentions and strategy of the Group; and • considered the adequacy of the disclosures made by the Group in Note 1 to the financial statements;

3 Exploration and evaluation expenses

Why significant	How our audit addressed the key audit matter
• The significance of the balance to the Group's Statement of Comprehensive Loss. • The level of judgement required in evaluating management's application of *AASB 6 Exploration for and Evaluation of Mineral Resources* ("AASB6"). AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge. • The assessment of exploration and evaluation expenditure being inherently difficult.	Our audit procedures included: • Assessing management's determination of its area of interest for consistency with the definition of AASB 6. This involved analysing the tenements in which the Group holds an interest and the exploration programmes planned for those tenements; • For each area of interest, we assessed the Group's right to tenure evaluating agreements in place with other parties as applicable; and • We tested the additions to allocated expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of AASB 6.

Independent Auditor's Report to the shareholders of Allegiance Coal Limited (continued)

4 Acquisition accounting of Black Warrior Minerals, Inc

Why significant	How our audit addressed the key audit matter
As disclosed in note 26 of the financial report, the Company acquired 100% of the voting equity instruments in Black Warrior Minerals, Inc (BWM) which company owns the Black Warrior hard coking coal mine (Mine) located in Alabama, United States. The audit of the accounting for this acquisition is a key audit matter due to the: • Complexity involved in assessing the determination of the accounting treatment of the acquisition; and • The financial significance of the balance to the statement of the financial position.	Our procedures included, but not limited to: • Reviewing the purchase and sale agreements to understand the terms and conditions of the acquisitions and evaluating the Management's application of the relevant Accounting Standards; • Obtaining an understanding of the transactions including an assessment of whether the transaction constituted a business or asset acquisition; • Checking the value of the assets and the liabilities acquired and the related acquisition cost; and • Assessing the appropriateness of the Group's disclosures in respect of the acquisition in note 26.

5 Recognition of derivative financial instrument loss and provision

Why significant	How our audit addressed the key audit matter
Refer Page 54, Critical accounting judgements, estimates and assumptions, note 16 - Provision and note 23 – Fair value measurement. The Group has recognised $20.17 million as derivative financial instruments loss and $21.25 million as derivative financial instrument under provisions. We focus on this area due to the management judgement involved and its significance.	Our procedures included, but not limited to: • Assessing the design and effectiveness of the controls applied by the Group ensuring the fair valuation of financial instruments; • Assessing the assumptions and methodologies used by management to arrive at the valuation; and • Assessing the appropriateness of the Group's disclosures in respect of the fair value in note 23.

Independent Auditor's Report to the shareholders of Allegiance Coal Limited (continued)

6 Fair value of assets acquired in business combination – New Elk

Why significant	**How our audit addressed the key audit matter**
Refer note 12 – Property, plant and equipment. In October 2020, the Company completed the acquisition of the New Elk coal mine. The assets acquired were recorded at fair value as determined in an independent valuation. In preparing the accounts for the year end 30 June 2022, management have reviewed the net book value of the P&E acquired in the context of whether it is expected to be used in the existing mine plan. To write off the value of the assets not expected to be used the management has provided an additional depreciation of $3.98 million on the property, plant and equipment after considering the resale value of the assets. We focus on this area due to the management judgement involved and its significance.	Our procedures included, but not limited to: • Evaluating the Group's initial estimates of fair value of these assets recorded; • Verified the Group's process to identify the assets not expected to be used; • Evaluating the Group's process to identify the resalable value of the assets; and • Evaluating whether appropriate disclosures have been included in the group financial statements;

Information other than the financial statements and auditor's report

The directors of the Company are responsible for the other information. The other information included in the Group's annual report for the year ended 30 June 2022 comprises the Director's Report (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon with the exception of the Remuneration Report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors of the Company 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Independent Auditor's Report to the shareholders of Allegiance Coal Limited (continued)

In preparing the financial report, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website http://www.auasb.gov.au/auditiors_responsibilities/ar1.pdf This description forms part of our auditor's report.

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Allegiance Coal Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

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

Didarul Khan

Didarul Khan
Director
Sydney
4 October 2022

Additional Securities Exchange information

As at 2 September 2022

Distribution of securities
Analysis of number of security holders by size of holding:

	Ordinary shares	Options	Performance rights	Convertible notes
1 – 1,000	258	-	-	-
1,001 – 5,000	377	-	-	-
5,001 – 10,000	268	-	-	-
10,001 – 100,000	731	2	-	-
100,001 and over	333	8	5	1
Total	1,967	10	5	1

Equity security holders
The names of the twenty largest security holders of Ordinary Shares listed on the share register are:

Name	Units	% of Units
Citicorp Nominees Pty Limited	94,501,137	22.51
Merrill Lynch (Australia) Nominees Pty Limited	40,840,525	9.73
HSBC Custody Nominees (Australia) Limited	21,283,890	5.07
Cline Mining Corporation	14,130,281	3.37
BNP Paribas Nominees Pty Ltd <IB AU Noms Retail client DRP>	12,663,519	3.02
Delphi Unternehmenberatung AG	10,642,538	2.54
Deutsche Balaton Aktiengesellschaft	10,138,060	2.41
2Invest AG	7,474,628	1.78
Mr Clive Thomas	7,000,000	1.67
Arvada Pty Ltd	4,996,000	1.19
2invest AG	4,959,824	1.18
UBS Nominees Pty Ltd	4,719,669	1.12
JA Ashton Nominees (Qld) Pty Ltd	4,344,467	1.03
Mr Chor Leng Tan	3,699,484	0.88
John Wardman & Associates Pty Ltd <The Wardman Super Fund A/C>	3,240,000	0.77
The CWT Super Pty Ltd <The CWT Super Fund A/C>	3,000,000	0.71
Dryca Pty Ltd <Dryca Employees Ret/F A/C	2,700,000	0.64
Mr Jason Robert Powell	2,700,000	0.64
HSBC Custody Nominees (Australia) Limited	2,692,888	0.64
Franklin Civil Pty Ltd	2,593,687	0.62

Unquoted equity securities
The Company has the following unquoted equity securities on issue: 5.301,616 Lead Manager Options granted to Petra Capital Pty Ltd; 2,790,000 2017 PSIP Options; 1,750,000 2021 ESIP Options; 7,500,000 Performance Rights; and 42,857,143 Notes convertible into ordinary shares at the election of the note-holder.

Unmarketable parcels
There are 582 holders holding less than a marketable parcel of the entity's quoted equity securities.

On-Market Buyback
There is no current on-market buyback.

Substantial Holders
Substantial holders in the Company are set out below:

Rank	Name	Address	Units	% of Units
1.	Golden Energy and Resources Limited (GEAR)	20 Cecil Street, #05-05 PLUS, Singapore 049705	62,243,391	14.85
2.	Regal Funds Management Pty Ltd and its associates	Level 47 Gateway 1 Macquarie Place Sydney NSW 2000	52,730,844	12.56
3.	Deutsche Balaton AG, Delphi Unternehmenberatung AG and 2invest AG	Ziegelhaeuser Landstrasse 1, Heidelberg 69120, Germany and Ziegelhaeuser Landstrasse 3, Heidelberg 69120, Germany	40,092,823	9.55
4.	Ascend Global Investment Fund - Asia Opportunity SP(AGIF-AOSP)	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands	28,547,770	6.80

Note 1 : Units based on most recently received notice of change of interests of substantial holder

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.

Options over ordinary shares
There are no voting rights attached to the options over ordinary shares.

Performance rights
There are no voting rights attached to the performance rights.

Convertible notes
There are no voting rights attached to the convertible notes.

There are no other classes of equity securities.

Restricted securities
There are no restricted securities.

Tenements

Description	**Tenement number**	**Interest owned %**
New Elk Coal Company LLC		
New Elk Coal Mine – Colorado, USA	635047	100
Lorencito Project – Colorado, USA	607075	100
Black Warrior Minerals Inc		
Black Warrior Mine – Alabama, USA	Note 1	100%
Telkwa Coal Limited		
Telkwa Project – British Columbia, Canada	Note 2	100

Note 1, The coal resources are located within Jefferson County, State of Alabama. Control of the property is governed by various lease agreements with several different landowners and mineral rights owners.

Note 2, List of tenements the subject of the Telkwa Project:
DL 230 PID - 014-958-724; DL 237 PID - 014-958-732; DL 389 PID - 014-965-666; DL 391 PID - 014-965-674; DL 401 PID - 014-965-682; 353440; 334059; 327972; 327836; 327837; 327838; 327839; 327845; 328672; 327834; 327840; 327865; 327866.; 327936; 327944; 327951; 327952; 327953; 327954; 327964; 327965.

Resources and reserves
New Elk Coal Company LLC
The Company's coal resource and reserve statement for New Elk Coal Company LLC is as follows:

In its 15 July 2019 announcement, the Company listed the New Elk Mine coal resources previously prepared in July 2012 in accordance with National Instrument NI 43-101 'Standards of Disclosure for Mineral Projects' (NI 43-101) by Agapito Associates, Inc., a US nationally recognised engineering firm (Report). The Report declared a mineral resource estimate of 656Mt of coal resources at a minimum seam height of three foot. The mineral resource estimate is shared across 8 coal seams summarised below.

Coal seams	Seam height	Measured Mt	Indicated Mt	Inferred Mt	Total Mt
Green	3 to 7 foot	28.9	24.9	0.1	53
Loco	3 to 4 foot	13.1	27.2	24.1	64
Blue	3 to 5 foot	47.4	34.6	0.8	83
BCU	3 to 6 foot	11.6	33.4	27.2	72
Red	3 to 4 foot	21.1	9.3	0.0	30
Maxwell	3 to 9 foot	65.4	65.0	15.8	146
Apache	3 to 5 foot	45.6	51.5	14.0	111
Allen	3 to 5 foot	38.8	43.5	12.8	95
Total		**272.0**	**289.5**	**94.8**	**656**

Cautionary statement: Investors should note that the Agapito mineral resource estimates for the New Elk Project are foreign estimates under ASX Listing Rule 5.12 and are not reported in accordance with JORC Code (2012 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves") (JORC Code). Except as is stated below in relation to the Green, Blue and Allen seams, a competent person has not done sufficient work to classify the foreign estimates as a mineral resource under the JORC Code, and it is uncertain that following further exploration or evaluation work that this foreign estimate in relation to those other seams, will be able to be reported as a mineral resource in accordance with the JORC Code.

Pursuant to the feasibility study, Stantec has prepared a statement of resources and reserves in accordance with the JORC Code and NI 43-101 in relation to the Green, Blue and Allen seams only, as set out below, both tables quoted in million metric tonnes.

Resources	Seam height	Measured Mt	Indicated Mt	Inferred Mt	Total Mt
Green seam	3.0 foot	19.1	17.7	5.6	42
Blue seam	3.0 foot	89.6	31.4	9.2	130
Allen seam	3.0 foot	68.9	25.4	0.7	95
Total	**3.0 foot**	**177.6**	**74.4**	**15.6**	**268**

Reserves		Proven Mt	Probable Mt	Saleable Mt
Green seam	4.0 foot	0.8	-	0.8
Blue seam	4.0 foot	17.7	4.5	22.2
Allen seam	4.0 foot	16.7	5.5	22.1
Total	**4.0 foot**	**35.2**	**9.9**	**45.1**

As disclosed in the Company's announcements of 5 and 9 December 2019, the Lorencito Property has been the subject of several drill programmes totalling 217 holes, geological and scoping studies, the most recent the Company is aware of was by Mine Engineers, Inc. from Wyoming, dated November 2008 (Study). The Study developed a geological model based on existing coal exploration and coal bed natural gas wells covering eight coal seams, including the Primero seam.

In its resource estimation, the Study relied on resource estimates from a report dated 1997 prepared by Reserve Services of Laramie, Wyoming, US, prepared in conformity with guidelines of the U.S Bureau of Mines and U.S Geological Survey "Coal Resource Classification System" (USGS Circular No. 891, 1983) (Source Report).

The Source Report categorised the resources in accordance with USGS Circular No. 891, 1983, as 'Demonstrated in place coal resources', and then went on to apply parameters to categorise the 'in place' resources as Measured and Indicated. Under USGS Circular No. 891, 1983, Demonstrated in place coal is the sum of Measured and Indicated resources. The Study relied upon the Source Report to establish the same categorisation of 'in place coal' but did not proceed to break that down into further categories.

The calculated in-place coal resources for the Primero seam is 87.6Mt, summarised in the table below by reference to coal seam thickness. As is evident, the vast majority of the in-place coal exceeds 4 foot thickness.

In place coal seam thickness (feet)	Demonstrated in place coal resources (metric tonnes)
3.0 to 4.0	24
4.0 to 5.0	34
5.0 to 6.0	23
6.0 +	6
Total	**87**

Cautionary statement: Investors should note that the mineral resource estimates for the Lorencito Property are foreign estimates under ASX Listing Rule 5.12 and are not reported in accordance with JORC Code (2012 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves") (JORC Code). A competent person has not done sufficient work to classify the foreign estimates as a mineral resource under the JORC Code and it is uncertain that following further exploration or evaluation work that this foreign estimate will be able to be reported as a mineral resource in accordance with the JORC Code. As the exploration activity and feasibility studies planned for the Lorencito Property as described in the ASX Announcement of 5 April 2020 have not been completed, the rights to the property are no longer assured.

The coal resources referred to above were first reported in the Company's 15 July 2019 announcement (July 2019 Announcement) and its 5 and 9 December 2019 announcements (together the December 2019 Announcement). The coal reserves referred to above were first reported in the Company's release of its New Elk feasibility study results on 28 November 2019 (November 2019 Announcement).

The Company confirms that it is not aware of any new information or data that materially affects the information included in the July 2019 Announcement, the December 2019 Announcement or the November 2019 Announcement (together the Announcements), and that all material assumptions and technical parameters underpinning the estimates in the Announcements continue to apply and have not materially changed.

Black Warrior Minerals Inc
The Company's JORC Code 2012 coal resource statement for Black Warrior Minerals Inc is as follows:

Controlled Coal Resource (Mt)	Measured	Indicated	Inferred	Total
Newcastle	0.4	0.7	0.1	1
Mary Lee	0.9	1.3	0.7	3
Blue Creek	0.7	0.9	0.5	2
Total	**2.0**	**2.9**	**1.3**	**6**

The coal resources referred to above were first reported in the Company's announcement advising the acquisition of Black Warrior Minerals Inc on 30 July 2021 (the July 2021 Announcement). The Company confirms that it is not aware of any new information or data that materially affects the information included in the July 2021 Announcement and that all material assumptions and technical parameters underpinning the estimates in the July 2021 Announcement continue to apply and have not materially changed.

Short Creek
The Company's JORC Code 2012 coal resource statement for Short Creek is as follows:

Controlled Coal Resource (Mt)	Measured	Indicated	Inferred	Total
Newcastle	8.3	10.8	-	19
Newcastle Leader	0.5	0.5	-	1
Mary Lee	16.1	35.5	-	52
Blue Creek Rider	1.7	4.8	-	7
Blue Creek	22.6	47.2	-	70
Total	**49.1**	**98.7**	**-**	**148**

(totals may not add due to rounding)

The coal resources referred to above were first reported in the Company's announcement advising the completion of a JORC 2012 resource statement in relation to the Short Creek underground in-situ coal resource on 9 February 2022 (the February 2022 Announcement). The Company confirms that it is not aware of any new information or data that materially affects the information included in the February 2022 Announcement and that all material assumptions and technical parameters underpinning the estimates in the February 2022 Announcement continue to apply and have not materially changed.

Telkwa Coal Limited
The Company's JORC Code 2012 coal resource and reserve statement for Telkwa Coal Limited is as follows:

Coal Resource (Mt)	Measured	Indicated	Inferred	Total
Tenas	27.1	9.4	-	36
Goathorn	59.5	9.2	0.2	69
Telkwa North	15.7	3.7	1.0	20
Total	**102.3**	**22.3**	**1.2**	**125**

In July 2017 the Company completed a pre-feasibility study (PFS) declaring 42.5Mt of saleable coal reserves across the resource base as follows:

Reserve (Mt)	ROM Coal	Clean Coal	Saleable
Tenas Proven	29.1	20.6	21.0
Tenas Probable	-	-	-
Tenas Total	**29.1**	**20.6**	**21.0**
Goathorn Proven	22.1	12.6	13.8
Goathorn Probable	0.2	0.1	0.1
Goathorn Total	**22.3**	**12.7**	**13.9**
Telkwa North Proven	10.7	6.4	7.0
Telkwa North Probable	0.7	0.4	0.5
Telkwa North Total	**11.4**	**6.8**	**7.5**
Grand Total	**62.9**	**40.1**	**42.5**

In March 2019, the Company completed a definitive feasibility study focussed solely on the Tenas deposit, as part of which the Tenas reserve was updated and declared to be :

Reserve (Mt)	Tenas
Proven	
ROM coal	17.1
Saleable coal	12.9
Probable	
ROM coal	4.9
Saleable coal	3.7
Total	
ROM coal	22.0
Saleable coal	16.5

The coal resources referred to above were first reported in the Company's release of its updated geological model on 18 June 2018, supplemented by its 26 June 2018 announcement (together the June 2018 Announcement). The coal reserves referred to above were first reported in the Company's release of its Telkwa PFS results on 3 July 2017 (July 2017 Announcement), updated in the Tenas DFS on 18 March 2019 (March 2019 Announcement). The Company confirms that it is not aware of any new information or data that materially affects the information included in the July 2017 Announcement, the June 2018 Announcement or the March 2019 Announcement (together the Announcements), and that all material assumptions and technical parameters underpinning the estimates in the Announcements continue to apply and have not materially changed.

Competent Person Statement
The information above that relates to Mineral Resources and Reserves, unless otherwise stated, is based on information reviewed and compiled by Mr Dan Farmer, a registered professional engineer with the Association of Professional Engineers and Geoscientists of British Columbia. Mr Farmer is engaged by the Company on a full-time basis and has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves"). Mr Farmer has consented to the inclusion of the information in the form and context in which it appears above.