ALLEGIANCE COAL LIMITED

ABN 47 149 490 535

Annual Report – June, 2014

Corporate Directory

Directors	Anthony Howland-Rose - Chairman Colin Randall David Deitz Peter Donkin
Company secretary	David Deitz
Notice of annual general meeting	The annual general meeting of Allegiance Coal Limited will be held at: Occidental Hotel Level 2, 43 York Street Sydney NSW 2000 on 27 November 2014 at 10:00am.
Registered office	Suite 1, Level 2 49-51 York Street Sydney NSW 2000 Telephone: +61 2 9397 7555 Facsimile: +61 2 9397 7575
Principal place of business	Suite 1, Level 2 49-51 York Street Sydney NSW 2000
Share register	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford VIC 3067 Telephone: 1300 787 272 Facsimile: +61 3 9473 2500
Auditor	Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney NSW 2000
Solicitors	Cardinals Ground Floor 57 Havelock Street West Perth WA 6872
Stock exchange listing	Allegiance Coal Limited shares are listed on the Australian Securities Exchange (ASX code: AHQ)
Website	www.allegiancecoal.com.au

Contents

Chairman's Letter to Shareholders

Dear Fellow Shareholders

The past year was a most disappointing one for junior coal explorers including Allegiance Coal Limited. Negative sentiment prevailed, fed by a continued decline in coal prices, a strong Aussie dollar and an adverse regulatory environment. All in all, an almost perfect storm which continues to plague us.

As detailed elsewhere, significant cost savings in personnel overheads and exploration expenditures have been put in place to preserve funds for the inevitable upturn ahead. However, at the time of writing, this would seem to be as distant now, as it appeared this time last year. Unfortunately, however enthusiastic and competent your Allegiance team may be, markets and sentiment dictate a prudent policy of conservation of funds and only expenditures that have clear and certain near term advantages can be justified. These parameters will result in the relinquishment of all but our key leases and, where possible, the farm-out and joint venture of others.

In spite of the almost all pervading doom and gloom, Allegiance can joyfully report a most encouraging development. Allegiance and the Japanese Government Agency JOGMEC (Japan Oil, Gas and Metals National Corporation) have, over the past four months, negotiated and agreed on an arrangement whereby JOGMEC will fund, and Allegiance personnel will execute exploration programmes on the company's prospective Kilmain licences in the Bowen Basin in Queensland. As this is only one of two such companies JOGMEC has in Australia, this event has obviously been a morale booster! This opportunity represents the chance to materially advance the company's prospects during the downturn. Exploration expenditure by JOGMEC will amount to $2.25m for a 30% interest and a further $0.75m for an additional 10%. Should the programme be successful, JOGMEC may offer their interest to a Japanese company.

The major shareholders, Gullewa Limited and C. Randall & Associates Pty Ltd, requested the repayment of $1.2m in loan funds, and this was repaid in September, 2014.

As you will note from the Annual General Meeting papers, you will be asked to approve a change of Auditors. This change comes about as a result of cost saving measures we are forced to adopt. I take this opportunity to thank Deloittes for their work over the past years.

In summary, our future prospects are much enhanced by our association with JOGMEC on our prospective Kilmain Prospect. We must, and will restrain all expenditures which will not result in near term value added results.

Your Allegiance team is determined to advance the company's interests in this difficult environment. For this, a mixture of prudence and opportunistic flair is required. I wish to thank my fellow directors and the (somewhat reduced) Allegiance team for their innovative and hard work over the past year. I look forward to being able to report in a more positive note next year.

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

Review of Projects

Operations were constrained as the continuing decrease in investor sentiments mirrored the decline in coal prices and lead to conserving cash. As a result, minimal activity was undertaken except in relation to Connemarra where there was the prospect for intersection of strata in a deep borehole to solve geological issues associated with a potential coking coal seam at depth .

Connemarra
Drilling of a deep stratigraphic hole to a depth of 620m was completed in December. Significance of the non-coal bearing stratigraphy is under investigation. Earlier drilling of three shallow holes did not intersect coal. The tenement is under consideration for relinquishment.

Kilmain
Discussions proceeded during the year with two potential Joint Venture partners who had an interest in the Kilmain project. One party was interested in the coking coal potential while the other had an interest in low ash thermal coal. Kilmain is an attractive underground project having regard to its potential for a coking coal fraction within the Pollux Seam, potential for Run of Mine low ash thermal coal and its proximity to existing infrastructure being the now under electrification Rolleston rail line which is 12km to the east of the project.

Back Creek
The Mineral Development Licence ('MDL') application lodged for the Back Creek Project in March 2013 was withdrawn at the request of the Department of Industry. Planning for a revised MDL was undertaken. The current 98 million tonnes of JORC Inferred Resources was subjected to review taking into account drill hole data either not included in the original study or past exploration data that has come to light since the preparation of the resource report.

Mount Marrow
Extensive archival drill hole data was captured during the year and provided further data for the Mount Marrow tenement in the West Moreton coalfield. Discussions were held on advancing the potential for joint activities however the continued down ward pressure on coal prices and the demand for lower ash coal had started to mitigate against the potential for early development of the Mount Marrow tenement. Unless there is a major change in coal pricing and in spite of the proximity to rail and port facilities the tenement was considered for relinquishment unless a JV partner could be established or the sale of the tenement .

Townsville
Following extensive study of archival information the potential sites for old shafts and reported coal seam outcrops were detailed. We conducted a field mapping exercise within the Townsville tenement in May 2013. With this knowledge a geological map was prepared to assist in selecting potential drill sites. Discussions proceeded with potential JV partners but there was no interest at this stage since there had been no further exploration. The unexplored areas to the south were nominated for relinquishment while further sub block relinquishments were considered to focus further exploration within the State Development Area and also within the extractive Industries dedicated zone. If no JV partners are found the area to be relinquished or sold if possible.

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

Attention throughout the year to reducing operating costs lead to a new reduced cost budget for 2014/2015 and 2015/2016 with increased focus on cost control and cash preservation approved by the board of directors in June 2014.

Calen
This is subject to a joint venture with Square Resources who are managing the project. Environment review has been conducted.

Relinquishments
The following tenements are in the process of relinquishment : EPC 1296 (Connemarra), EPC 1820 (Boldon), EPC 1617 (Townsville Extended), EPC 1672 (Lochaber), EPC 1874 (Normanby), EPC 1875 (Pinetree), EPC 2278 (Cedar Creek), EPC 2309 (Mobbs Creek) and MDL 138 (Mintovale).

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 2014.

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

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

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

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

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $1,520,684 (30 June 2013: $1,555,474).

Connemarra
Drilling of a deep stratigraphic hole to a depth of 620m was completed in December. Significance of the non-coal bearing stratigraphy is under investigation.

Kilmain
Discussions proceeded during the period with two potential Joint Venture partners.

Back Creek
The Mineral Development Licence ('MDL') application lodged for the Back Creek Project in March 2013 was withdrawn at the request of the Department of Industry. Planning for a revised MDL was undertaken.

Mount Marrow
Extensive archival drill hole data was captured during the year and provided further data for the Mount Marrow tenement in the West Moreton coalfield.

Townsville
Following extensive study of archival information, coal seam outcrops were uncovered within the Townsville tenement in May 2013. With this knowledge a geological map was prepared to assist in selecting potential drill sites.

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

Attention throughout the year to reducing operating costs lead to a new reduced cost budget for 2014/2015 and 2015/2016 with increased focus on cost control and cash preservation approved by the board of directors in June 2014.

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

Matters subsequent to the end of the financial year
Two matters or circumstances have arisen since 30 June 2014 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Japan Oil, Gas and Metals National Corporation ('JOGMEC') On 14 July 2014 entered into an agreement with JOGMEC, A Japanese government entity, for a 40% farm-in to the Kilmain project. JOGMEC will provide $3,000,000 over three years to undertake exploration within EPC 1298 and EPC1917.
Loan repayment
On 22 July 2014 a partial repayment of outstanding loans totalling $1,200,000 was made to Gullewa Limited ($1,000,000) and C. Randall & Associates Pty Limited ($200,000). The remaining loan of $1,886,164 was renegotiated with an extension of the repayment date to 30 September 2015.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
The consolidated entity will be seeking joint venture opportunities for its remaining tenements so as to enable exploration to continue, but in the meantime, will be limiting all exploration until confidence has picked up in the sector and the market price for coal has recovered to a level where exploration becomes viable again.

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

Information on directors

Name:	Anthony Howland-Rose
Title:	Non-Executive Chairman
Qualifications:	MSc, DIC, FGS, FIMMM, FAusIMM, FAIG, CEng
Experience and expertise:	Anthony has over 50 years' experience in exploration, discovery, development and corporate activity worldwide in the junior exploration sector. He has been involved in a number of mineral discoveries, the most recent of which was the Avebury Nickel Project for which he was co-recipient of the Association of Mining and Exploration Companies Prospector of the Year Award in 2007. Anthony, for the years 1996 to 2008 as a Director and Chairman of Allegiance Mining NL, together with David Deitz, presided over the discovery, drill out, financing and building of the $180 million Avebury Nickel Mine and processing facility. Allegiance Mining NL was acquired by a hostile takeover by Zinifex Limited in 2008 for approximately $860 million.
Other current directorships:	Executive Chairman of Gullewa Limited (ASX: GUL) and Director of Central Iron Ore Limited, listed on the Toronto Stock Exchange - Venture
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	500,000 ordinary shares held directly (756,667 ordinary shares held indirectly)
Interests in options:	1,700,000 options over ordinary shares held directly

Name:	Colin Randall
Title:	Executive Managing Director
Qualifications:	BEng (Mining), FAusIMM
Experience and expertise:	Colin is a mining engineer with over 40 years' experience in most facets of the coal mining industries of New South Wales and Queensland. He has been involved in the operating, exploring, developing and financing of coalmines in both states. He was involved in the management of the Ravensworth No. 2, Warkworth and Bayswater open cut coalmines in the Hunter Valley. He was General Manager of the Bayswater Colliery Co Pty Ltd and was Chief Executive of Wambo Mining Corporation Pty Limited, at which time he undertook the marketing of coal into Japan and other parts of Asia. In mine development, he was the Project Manager for the exploration, planning, design and construction of the Warkworth Mine and was its first Mine Manager. Involvement in coal exploration includes Chairman of Curlewis Coal & Coke Pty Limited, Booyan Coal Pty Limited, Comet Coal & Coke Pty Limited (sold to Stanmore Coal Pty Limited) and then Director of Hydro-Mining Australia Pty Limited and Mineral and Coal Investments Pty Limited, with coal exploration activities in New South Wales and Queensland.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	150,000 ordinary shares held directly (27,882,165 ordinary shares held indirectly)
Interests in options:	2,600,000 options over ordinary shares held directly (1,700,000 options over ordinary shares held indirectly)

Name:	David Deitz
Title:	Non-Executive Director and Company Secretary
Qualifications:	B.Com, MAusIMM, CPA
Experience and expertise:	David joined Allegiance Mining NL in 1996 and became a Director in August, 2000. As Chief Financial Officer he was part of the team with Anthony Howland-Rose that discovered and brought into production the Avebury Nickel Mine in Tasmania. Allegiance Mining NL was taken over in 2008 for approximately $860 million.
Other current directorships:	Director of Gullewa Limited (ASX: GUL)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	No ordinary shares held directly (686,667 ordinary shares held indirectly)
Interests in options:	1,500,000 options over ordinary shares held directly

Name:	Peter Donkin
Title:	Independent Non-Executive Director
Qualifications:	BEc, LLB, FFIN, MAICD
Experience and expertise:	Peter has 29 year's experience in investment banking, the majority of which involved a primary focus on the mining and resources sector. He completed his career in investment banking as the Managing Director of the Mining Finance Division of Societe Generale in Australia, having worked for that bank for 21 years in both their Sydney and London offices. Prior to joining Societe Generale he was with the corporate and international banking division of the Royal Bank of Canada. He currently works as a financial consultant to the minerals sector. Peter's experience in investment banking involved structuring and executing transactions for mining companies, both in Australia and internationally. This included advising on and arranging transactions in a wide variety of financial products covering mining project finance, corporate finance, acquisition finance, pre-export finance, and early stage investment capital.
Other current directorships:	Director of Paladin Energy Ltd (ASX: PDN)
Former directorships (last 3 years):	Former Director of Sphere Minerals Ltd (ASX: SPH) (resigned 16 November 2010) and Former Director of Carbine Tungsten Limited (ASX: CNQ) (resigned 26 April 2013)
Special responsibilities:	None
Interests in shares:	10,000 ordinary shares held directly (333,334 ordinary shares held indirectly)
Interests in options:	1,500,000 options over ordinary shares held directly

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

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

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

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2014, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Anthony Howland-Rose	6	6
Colin Randall	6	6
David Deitz	6	6
Peter Donkin	6	6

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

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

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

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

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

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

Alignment to program participants' interests:
- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

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

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

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

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

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

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

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

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

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

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

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

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

Use of remuneration consultants
During the financial year ended 30 June 2014, 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 2013 Annual General Meeting ('AGM')
At the last AGM, the shareholders voted to adopt the remuneration report for the year ended 30 June 2013. 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.

2014	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Anthony Howland-Rose	20,000	-	-	-	-	7,500	27,500
David Deitz	18,349	-	-	1,697	-	7,500	27,546
Peter Donkin	18,349	-	-	1,697	-	7,500	27,546
Executive Directors:							
Colin Randall	91,743	-	-	8,486	-	39,000	139,229
	148,441	-	-	11,880	-	61,500	221,821

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

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

Name	Fixed remuneration 2014	Fixed remuneration 2013	At risk - STI 2014	At risk - STI 2013	At risk - LTI 2014	At risk - LTI 2013
Non-Executive Directors:						
Anthony Howland-Rose	73%	100%	-%	-%	27%	-%
David Deitz	73%	100%	-%	-%	27%	-%
Peter Donkin	73%	100%	-%	-%	27%	-%
Executive Directors:						
Colin Randall	72%	100%	-%	-%	28%	-%

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2014.

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

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
9 May 2011	9 May 2011	9 May 2016	$0.2500	$0.000
27 November 2013	27 November 2013	27 November 2018	$0.0495	$0.015

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

Name	Number of options granted during the year 2014	Number of options granted during the year 2013	Number of options vested during the year 2014	Number of options vested during the year 2013
Anthony Howland-Rose	500,000	-	500,000	-
Colin Randall	2,600,000	-	2,600,000	-
David Deitz	500,000	-	500,000	-
Peter Donkin	500,000	-	500,000	-

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

Name	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
Anthony Howland-Rose	7,500	-	-	27%
Colin Randall	39,000	-	-	28%
David Deitz	7,500	-	-	27%
Peter Donkin	7,500	-	-	27%

Details of options over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

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

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.

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Anthony Howland-Rose	1,256,667	-	-	-	1,256,667
Colin Randall	27,882,165	-	150,000	-	28,032,165
David Deitz	686,667	-	-	-	686,667
Peter Donkin	343,334	-	-	-	343,334
	30,168,833	-	150,000	-	30,318,833

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Anthony Howland-Rose	1,444,222	500,000	-	(244,222)	1,700,000
Colin Randall	1,725,000	2,600,000	-	(25,000)	4,300,000
David Deitz	1,224,722	500,000	-	(224,722)	1,500,000
Peter Donkin	1,113,612	500,000	-	(113,612)	1,500,000
	5,507,556	4,100,000	-	(607,556)	9,000,000

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
Options over ordinary shares			
Anthony Howland-Rose	1,700,000	-	1,700,000
Colin Randall	4,300,000	-	4,300,000
David Deitz	1,500,000	-	1,500,000
Peter Donkin	1,500,000	-	1,500,000
	9,000,000	-	9,000,000

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 2014.

Other transactions with key management personnel and their related parties
Service, administration fees and reimbursements paid to ultimate parent entity, Gullewa Limited totalling $125,791.

Administration fees and reimbursements paid to other related party, C. Randall & Associates Pty. Limited totalling $2,302.

Loan from ultimate parent entity, Gullewa Limited totalling $2,550,663.

Loan from other related party, C. Randall & Associates Pty. Limited totalling $535,501.

Loan from director, David Deitz totalling $4,320.

This concludes the remuneration report, which has been audited.

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

Grant date	Expiry date	Exercise price	Number under option
9 May 2011	9 May 2016	$0.2500	5,650,000
27 November 2013	27 November 2018	$0.0495	4,100,000
			9,750,000

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 2014 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 partners of Deloitte Touche Tohmatsu
There are no officers of the company who are former audit partners of Deloitte Touche Tohmatsu.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 12.

Auditor

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

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

On behalf of the directors

David Deitz
Director

30 September 2014
Sydney

Deloitte.

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

Dear Board Members

Allegiance Coal Limited

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

As lead audit partner for the audit of the financial statements of Allegiance Coal Limited for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Chartered Accountants
Sydney, 30 September 2014

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

1. Summary of Corporate Governance Practices

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

1.1 Summary of board charter

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

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

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

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

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

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

1.2 Summary of audit committee charter

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

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

1.3 Summary of nomination committee charter

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

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

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

1.4 Summary of remuneration committee charter

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

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

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

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

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

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

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

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

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

1.7 Summary of policy and procedure for selection and (re)appointment of directors
In considering new candidates, the nomination committee evaluates the range of skills, experience and expertise of the existing Board. In particular, the nomination committee is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors on the Board.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.1 Board

Roles and responsibilities of the Board and senior executives (Recommendations: 1.1, 1.3)
The company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter, summarised above in section 1.1 titled 'Summary of board charter'.

Skills, experience, expertise and period of office of each director (Recommendation: 2.6)
A profile of each director setting out their skills, experience, expertise and period of office is provided on the company's website at www.allegiancecoal.com.au and also in the Directors report section titled 'Information on directors'.

Director independence (Recommendations: 2.1, 2.2, 2.3, 2.6)
The Board does not have a majority of directors who are independent. Based on the ASX Guidelines relating to independence, some board members could not be considered to be independent. Anthony Howland-Rose and David Deitz are directors of Gullewa Limited, the controlling shareholder of the company. Colin Randall is a director of C.Randall & Associates Pty. Limited, a substantial shareholder of the company.

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

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

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

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

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

Independent professional advice (Recommendation: 2.6)
To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the chairman, the company will pay the reasonable expenses associated with obtaining such advice.

Selection and (re)appointment of directors (Recommendation: 2.6)
The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Re-appointment of directors is not automatic.

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

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

2.2 Board committees

Nomination committee (Recommendations: 2.4, 2.6)
The company has not established a separate nomination committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate nomination committee. Accordingly, the full Board performs the role of the nomination committee. Items that are usually required to be discussed by a nomination committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the nomination committee it carries out those functions which are delegated in the company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of nomination committee by ensuring the director with conflicting interests is not party to the relevant discussions.

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

Audit committee (Recommendations: 4.1, 4.2, 4.3, 4.4)
The company has not established a separate audit committee and therefore it is not structured in accordance with Recommendation 4.2. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate audit committee. Accordingly, the full Board performs the role of audit committee. Items that are usually required to be discussed by an audit committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the audit committee it carries out those functions which are delegated in the company's Audit Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of audit committee by ensuring the director with conflicting interests is not party to the relevant discussions.

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

Remuneration committee (Recommendations: 8.1, 8.2, 8.3)
The company has not established a separate remuneration committee and therefore it is not structured in accordance with the guidance provided for Recommendations 8.1 and in 8.2. Given the current size and composition of the company, the Board believes that there would be no efficiencies gained by establishing a separate remuneration committee. Accordingly, the full Board performs the role of remuneration committee. Items that are usually required to be discussed by a remuneration committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the remuneration committee it carries out those functions which are delegated in the company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of remuneration committee by ensuring the director with conflicting interests is not party to the relevant discussions.

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

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

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

2.3 Performance evaluation

Senior executives (Recommendation: 1.2)
The company has established a process for evaluating the performance of senior executives. Refer to the above section 1.8 titled 'Summary of process for performance evaluation'.

Board, its committees and individual directors (Recommendation: 2.5)
The company has established a process for evaluating the performance of the Board, its committees and individual directors. Refer to the above section 1.8 titled 'Summary of process for performance evaluation'.

2.4 Ethical and responsible decision making

Code of conduct (Recommendations: 3.1, 3.5)
The company has established a Code of Conduct as to the practices necessary to maintain confidence in the company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

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

Diversity policy (Recommendations: 3.2, 3.5)
The company has established a Diversity Policy to ensure diversity in the workplace. Refer to the above section 1.10 titled 'Summary of diversity policy'.

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

Continuous disclosure (Recommendations: 5.1, 5.2)
The company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

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

Shareholder communication (Recommendations: 6.1, 6.2)
The company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings. This is summarised above under section 1.13 titled 'Summary of shareholder communication strategy'.

Risk management (Recommendations: 7.1, 7.2, 7.3, 7.4)
The Board has adopted a Risk Management Policy, which sets out the company's risk profile. This policy is summarised above under section 1.14 titled 'Summary of risk management policy'.

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

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

- the company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board;
- the company's risk management and internal compliance and control system is operating effectively in all material respects;
- the company's financial statements and notes thereto comply with the accounting standards; and
- the company's financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date.

Contents

General information

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

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

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2014. The directors have the power to amend and reissue the financial statements.

Allegiance Coal Limited

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2014

	Note	Consolidated 2014 $	2013 $
Revenue	4	129,735	179,826
Expenses			
Employee benefits expense		(272,197)	(476,269)
Depreciation and amortisation expense	5	(13,341)	(21,147)
Impairment of assets	5	(1,324,563)	(533,687)
Administrative expenses		(220,419)	(410,071)
Listing expense		-	(50,600)
Loss on disposal of assets		(8,460)	-
Finance costs	5	(181,428)	(243,526)
Loss before income tax benefit		(1,890,673)	(1,555,474)
Income tax benefit	6	369,989	-
Loss after income tax benefit for the year attributable to the owners of Allegiance Coal Limited	18	(1,520,684)	(1,555,474)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Allegiance Coal Limited		(1,520,684)	(1,555,474)
		Cents	**Cents**
Basic earnings per share	32	(0.86)	(0.88)
Diluted earnings per share	32	(0.86)	(0.88)

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

Statement of financial position

As at 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Assets			
Current assets			
Cash and cash equivalents	7	3,184,894	3,479,146
Trade and other receivables	8	152,445	173,632
Other	9	17,645	17,283
Total current assets		3,354,984	3,670,061
Non-current assets			
Property, plant and equipment	10	25,884	63,653
Intangibles	11	-	-
Exploration and evaluation	12	3,327,550	4,340,244
Total non-current assets		3,353,434	4,403,897
Total assets		6,708,418	8,073,958
Liabilities			
Current liabilities			
Trade and other payables	13	140,391	232,167
Borrowings	14	3,090,484	2,905,064
Employee benefits	15	3,823	3,823
Total current liabilities		3,234,698	3,141,054
Total liabilities		3,234,698	3,141,054
Net assets		3,473,720	4,932,904
Equity			
Issued capital	16	9,137,801	9,137,801
Reserves	17	376,786	315,286
Accumulated losses	18	(6,040,867)	(4,520,183)
Total equity		3,473,720	4,932,904

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

Allegiance Coal Limited
Statement of changes in equity
For the year ended 30 June 2014

Consolidated	**Issued capital $**	**Reserves $**	**Accumulated losses $**	**Total equity $**
Balance at 1 July 2012	9,137,801	329,065	(2,964,709)	6,502,157
Loss after income tax benefit for the year	-	-	(1,555,474)	(1,555,474)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(1,555,474)	(1,555,474)
Transactions with owners in their capacity as owners:				
Shareholder loan reserve adjustment	-	(13,779)	-	(13,779)
Balance at 30 June 2013	9,137,801	315,286	(4,520,183)	4,932,904

Consolidated	**Issued capital $**	**Reserves $**	**Accumulated losses $**	**Total equity $**
Balance at 1 July 2013	9,137,801	315,286	(4,520,183)	4,932,904
Loss after income tax benefit for the year	-	-	(1,520,684)	(1,520,684)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(1,520,684)	(1,520,684)
Transactions with owners in their capacity as owners:				
Share-based payments (note 33)	-	61,500	-	61,500
Balance at 30 June 2014	9,137,801	376,786	(6,040,867)	3,473,720

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

Allegiance Coal Limited

Statement of cash flows

For the year ended 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Cash flows from operating activities			
Receipts from customers		21,216	13,634
Payments to suppliers and employees		(522,892)	(857,008)
		(501,676)	(843,374)
Interest received		129,706	166,192
Interest and other finance costs paid		(328)	-
Income taxes refunded		369,989	-
Net cash used in operating activities	31	(2,309)	(677,182)
Cash flows from investing activities			
Payments for property, plant and equipment	10	(4,032)	(38,273)
Payments for exploration and evaluation		(311,869)	(1,730,914)
Payments for security deposits		(362)	-
Proceeds from sale of property, plant and equipment		20,000	-
Proceeds from release of security deposits		-	9,121
Net cash used in investing activities		(296,263)	(1,760,066)
Cash flows from financing activities			
Proceeds from borrowings		4,320	-
Net cash from financing activities		4,320	-
Net decrease in cash and cash equivalents		(294,252)	(2,437,248)
Cash and cash equivalents at the beginning of the financial year		3,479,146	5,916,394
Cash and cash equivalents at the end of the financial year	7	3,184,894	3,479,146

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

Note 1. Significant accounting policies

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

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

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

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements
The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 11 Joint Arrangements
The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications.

AASB 12 Disclosure of Interests in Other Entities
The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
The consolidated entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities
The consolidated entity has applied AASB 2012-2 from 1 July 2013. The amendments enhance AASB 7 'Financial Instruments: Disclosures' and requires disclosure of information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
The consolidated entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments
The consolidated entity has applied AASB 2012-10 amendments from 1 July 2013, which amends AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine and AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20
The consolidated entity has applied Interpretation 20 and its consequential amendments from 1 July 2013. The Interpretation clarifies when production stripping costs should lead to the recognition of an asset and how that asset should be initially and subsequently measured. The Interpretation only deals with waste removal costs that are incurred in surface mining activities during the production phase of the mine.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

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

For the year ended 30 June 2014, the consolidated entity incurred a loss from continuing operations after tax of $1,520,684 (2013: $1,555,474). In the same period the consolidated entity had operating cash outflows of $2,309 (2013: $677,182) and outflows due to investing activities of $296,263 (2013: $1,760,066).

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

The commitments for exploration and evaluation for the next three years have been disclosed in note 24 to the financial statements. The company has impaired tenements that it will no longer commit to the minimum expenditure for the next three years and intends to keep exploring the other remaining tenements.

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

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

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

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

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

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Allegiance Coal Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Allegiance Coal Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

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

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

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.
Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:
- interest on short-term and long-term borrowings

Employee benefits

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

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

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

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

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

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.
The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

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

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

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

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

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

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

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

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

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

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

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.
On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

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

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

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

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

Earnings per share

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

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

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments and its consequential amendments
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and amends AASB 139 'Financial Instruments: Recognition and Measurement' to permit continuation of hedge accounting in circumstances where a derivative (designated as hedging instrument) is novated from one counter party to a central counterparty as a consequence of laws or regulations. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2014-1 Amendments to Australian Accounting Standards
These amendments are in several parts. Part A makes various amendments to Australian Accounting Standards arising from the issuance of IASB's 'Annual Improvements to IFRSs 2010-2012 Cycle' and 'Annual Improvements to IFRSs 2011-2013 Cycle'. Part B makes amendments to AASB 119 'Employee in relation to the requirements for contributions from employees or third parties that are linked to service which arise from the issuance of IASB's 'Defined Benefit Plans – Employee Contributions (Amendments to IAS 19)'. Part C makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031 'Materiality'. Part D makes consequential amendments arising from the issuance of AASB 14 'Regulatory Deferral Accounts'. Part E makes consequential amendments to numerous other Standards as a consequence of the introduction of hedge accounting requirements into AASB 9 'Financial Instruments' in December 2013. Amendments Part A to D are applicable to annual reporting periods beginning on or after 1 July 2014 or as specified in each Part. Amendments Part E are applicable to annual reporting periods beginning on or after 1 January 2015 or as specified in Part E.
Annual Improvements to IFRSs 2010-2012 Cycle
These amendments affect several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments will not have a material impact on the consolidated entity.

Annual Improvements to IFRSs 2011-2013 Cycle
These amendments affect four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments will not have a material impact on the consolidated entity.

Interpretation 21 Levies
This interpretation is applicable to annual reporting periods beginning on or after 1 January 2014. The Interpretation clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. The adoption of the interpretation from 1 July 2014 will not have a material impact on the consolidated entity.

IFRS 15 Revenue from Contracts with Customers
This standard is expected to be applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations
These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. AASB 2014-3 amends AASB 11 'Joint Arrangements' to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require that the acquirer of an interest in a joint operation (in which the activity constitutes a business, as defined in AASB 3 'Business Combinations') apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11. It also requires the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. The adoption of these amendments from 1 July 2016 is not currently expected to impact the consolidated entity.

AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. AASB 2014-4 amends AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets' to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It clarifies that the use of revenue-based methods to calculate the depreciation of an asset are not appropriate and that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The adoption of these amendments from 1 July 2016 is not currently expected to impact the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

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

Share-based payment transactions

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

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

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

Exploration and evaluation costs

The consolidated entity capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at cost (refer to note 12).

Note 3. Operating segments

Identification of reportable operating segments

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

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

Intersegment transactions

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers

During the year ended 30 June 2014 there were no major customers who derive more than 10% of the consolidated entity's revenue (30 June 2013: none derived from major customers). Interest from cash deposits in banking institutions account for $129,706 (2013: $166,192).

Note 4. Revenue

	Consolidated 2014 $	Consolidated 2013 $
Interest	129,706	166,192
Other revenue	29	13,634
Revenue	129,735	179,826

Note 5. Expenses

	Consolidated 2014 $	Consolidated 2013 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	392	240
Plant and equipment	4,353	3,260
Motor vehicles	368	6,962
Computer equipment	7,499	3,797
Office equipment	729	484
Total depreciation	13,341	14,743
Amortisation		
Software	-	6,404
Total depreciation and amortisation	13,341	21,147
Impairment		
Exploration and evaluation	1,324,563	533,687
Finance costs		
Interest and finance charges paid/payable	181,428	243,526
Rental expense relating to operating leases		
Minimum lease payments	3,064	49,574
Employee benefits expense		
Defined contribution superannuation expense	15,340	37,512
Employee benefits expense	256,857	438,757
Total employee benefits expense	272,197	476,269

Note 6. Income tax benefit

	Consolidated 2014 $	Consolidated 2013 $
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(1,890,673)	(1,555,474)
Tax at the statutory tax rate of 30%	(567,202)	(466,642)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of assets	397,369	160,106
Share-based payments	18,450	-
	(151,383)	(306,536)
Current year tax losses not recognised	151,383	306,536
Research and development refund received	(369,989)	-
Income tax benefit	(369,989)	-

	Consolidated 2014 $	Consolidated 2013 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	3,629,339	3,124,729
Potential tax benefit @ 30%	1,088,802	937,419

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

Note 7. Current assets - cash and cash equivalents

	Consolidated 2014 $	Consolidated 2013 $
Cash at bank	293,008	375,244
Cash on deposit	2,891,886	3,103,902
	3,184,894	3,479,146

Note 8. Current assets - trade and other receivables

	Consolidated 2014 $	Consolidated 2013 $
Receivable from other related parties	609	609
Goods and services tax receivable	151,836	173,023
	152,445	173,632

Receivables are neither past due nor impaired.

Note 9. Current assets - other

	Consolidated 2014 $	Consolidated 2013 $
Prepayments	436	436
Security deposits	17,209	16,847
	17,645	17,283

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

	Consolidated 2014 $	Consolidated 2013 $
Leasehold improvements - at cost	2,522	2,403
Less: Accumulated depreciation	(854)	(462)
	1,668	1,941
Plant and equipment - at cost	16,204	15,907
Less: Accumulated depreciation	(8,098)	(3,745)
	8,106	12,162
Motor vehicles - at cost	-	35,790
Less: Accumulated depreciation	-	(6,962)
	-	28,828
Computer equipment - at cost	28,947	25,571
Less: Accumulated depreciation	(14,783)	(7,284)
	14,164	18,287
Office equipment - at cost	3,630	3,390
Less: Accumulated depreciation	(1,684)	(955)
	1,946	2,435
	25,884	63,653

Reconciliations

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

Consolidated	Leasehold improvements $	Plant and equipment $	Motor vehicles $	Computer equipment $	Office equipment $	Total $
Balance at 1 July 2012	2,181	12,939	-	22,084	2,919	40,123
Additions	-	2,483	35,790	-	-	38,273
Depreciation expense	(240)	(3,260)	(6,962)	(3,797)	(484)	(14,743)
Balance at 30 June 2013	1,941	12,162	28,828	18,287	2,435	63,653
Additions	119	297	-	3,376	240	4,032
Disposals	-	-	(28,460)	-	-	(28,460)
Depreciation expense	(392)	(4,353)	(368)	(7,499)	(729)	(13,341)
Balance at 30 June 2014	1,668	8,106	-	14,164	1,946	25,884

Note 11. Non-current assets - intangibles

	Consolidated 2014 $	Consolidated 2013 $
Software - at cost	10,200	10,200
Less: Accumulated amortisation	(10,200)	(10,200)
	-	-

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

Consolidated	Software $	Total $
Balance at 1 July 2012	6,404	6,404
Amortisation expense	(6,404)	(6,404)
Balance at 30 June 2013	-	-
Balance at 30 June 2014	-	-

Note 12. Non-current assets - exploration and evaluation

	Consolidated 2014 $	Consolidated 2013 $
Exploration and evaluation - at cost	5,185,800	4,873,931
Less: Impairment	(1,858,250)	(533,687)
	3,327,550	4,340,244

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

Consolidated	Exploration and evaluation $	Total $
Balance at 1 July 2012	3,675,328	3,675,328
Additions	1,198,603	1,198,603
Impairment of assets	(533,687)	(533,687)
Balance at 30 June 2013	4,340,244	4,340,244
Additions	311,869	311,869
Impairment of assets	(1,324,563)	(1,324,563)
Balance at 30 June 2014	3,327,550	3,327,550

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

On the remaining tenements the rights to tenure of the area of interest are current; and at least one of the following conditions is also met:
i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
ii) exploration and evaluation activities in the area of interest have not at the end of the reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Note 13. Current liabilities - trade and other payables

	Consolidated 2014 $	2013 $
Trade payables - ultimate parent entity	23,735	31,913
Trade payables - other entities	15,356	105,090
Other payables	101,300	95,164
	140,391	232,167

Refer to note 20 for further information on financial instruments.

Note 14. Current liabilities - borrowings

	Consolidated 2014 $	2013 $
Loan - Gullewa Limited	2,550,663	2,395,894
Loan - C. Randall & Associates Pty. Limited	535,501	509,170
Loan - Director, David Deitz	4,320	-
	3,090,484	2,905,064

Refer to note 20 for further information on financial instruments.

Note 14. Current liabilities - borrowings (continued)

The loans were due for repayment on 30 June 2014, unless at least 14 days before the repayment date, the subsidiary company of Allegiance Coal Limited, Mineral and Coal Investments Pty Limited ('MCI'), provides Gullewa Limited or C. Randall & Associates Pty. Limited (as relevant) evidence on the basis of which MCI reasonably considers that if it were to repay the debt Allegiance Coal Limited and its consolidated entities ('Allegiance') would not have sufficient cash to cover its 12 month operating budget, in which case the repayment date will be extended by 90 days.

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

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

Subsequent to the year end, on 22 July 2014 a partial repayment of outstanding loans totalling $1,200,000 was made to Gullewa Limited ($1,000,000) and C. Randall & Associates Pty Limited ($200,000). The remaining loan of $1,886,164 was renegotiated with an extension of the repayment date to 30 September 2015.

Note 15. Current liabilities - employee benefits

	Consolidated	
	2014	**2013**
	$	**$**
Employee benefits	3,823	3,823

Note 16. Equity - issued capital

	Consolidated			
	2014	**2013**	**2014**	**2013**
	Shares	**Shares**	**$**	**$**
Ordinary shares - fully paid	176,666,674	176,666,674	9,137,801	9,137,801

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

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

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

Options
Unissued ordinary shares of Allegiance Coal Limited under option at 30 June 2014 are 9,750,000 (2013: 5,650,000).

Attaching Shareholder Options
Attaching options totalling 14,305,561, which were on issue at 30 June 2013, expired during the year. There are no further attaching options at 30 June 2014.

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

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

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

There are no externally imposed capital requests.

The capital risk management policy remains unchanged from the 30 June 2013 Annual Report.

Note 17. Equity - reserves

	Consolidated	
	2014	**2013**
	$	**$**
General reserve	16	16
Share-based payments reserve	376,770	315,270
	376,786	315,286

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

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

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

Consolidated	General $	Share-based payments $	Total $
Balance at 1 July 2012	13,795	315,270	329,065
Shareholder loan reserve adjustment	(13,779)	-	(13,779)
Balance at 30 June 2013	16	315,270	315,286
Share-based payments	-	61,500	61,500
Balance at 30 June 2014	16	376,770	376,786

Note 18. Equity - accumulated losses

	Consolidated	
	2014	2013
	$	$
Accumulated losses at the beginning of the financial year	(4,520,183)	(2,964,709)
Loss after income tax benefit for the year	(1,520,684)	(1,555,474)
Accumulated losses at the end of the financial year	(6,040,867)	(4,520,183)

Note 19. Equity - dividends

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

Note 20. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

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

Market risk

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

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

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

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

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

Note 20. Financial instruments (continued)

As at the reporting date, the consolidated entity had the following variable rate borrowings and cash and cash equivalents:

Consolidated	2014 Weighted average interest rate %	2014 Balance $	2013 Weighted average interest rate %	2013 Balance $
Cash and cash equivalents	2.97%	3,184,894	3.96%	3,479,146
Loans	6.70%	(3,090,484)	8.91%	(2,905,064)
Net exposure to cash flow interest rate risk		94,410		574,082

Consolidated - 2014	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	63,698	63,698	200	(63,698)	(63,698)
Loans	200	(61,810)	(61,810)	200	61,810	61,810
		1,888	1,888		(1,888)	(1,888)

Consolidated - 2013	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	69,583	69,583	200	(69,583)	(69,583)
Loans	200	(58,101)	(58,101)	200	58,101	58,101
		11,482	11,482		(11,482)	(11,482)

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 maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

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

Liquidity risk

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

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

Remaining contractual maturities

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

Consolidated - 2014	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	-%	39,091	-	-	-	39,091
Other payables	-%	101,300	-	-	-	101,300
Interest-bearing - variable						
Loans	6.70%	3,297,546	-	-	-	3,297,546
Total non-derivatives		3,437,937	-	-	-	3,437,937

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

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

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 21. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 22. Key management personnel disclosures

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

	Consolidated 2014 $	2013 $
Short-term employee benefits	148,441	364,357
Post-employment benefits	11,880	54,643
Share-based payments	61,500	-
	221,821	419,000

Note 23. Remuneration of auditors

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

	Consolidated 2014 $	2013 $
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	35,000	35,000
Other services - unrelated firms		
Accounting services	-	15,000
Tax compliance services	12,000	12,500
	12,000	27,500

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

Note 24. Contingent liabilities

The consolidated entity has no contingent liabilities as at 30 June 2014 and 30 June 2013.

Note 25. Commitments

	Consolidated 2014 $	2013 $
Capital commitments - exploration and evaluation		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	415,115	1,941,854
One to five years	880,745	2,160,382
	1,295,860	4,102,236

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

Note 26. Related party transactions

Parent entity
Allegiance Coal Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 29.

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

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated 2014 $	Consolidated 2013 $
Payment for other expenses:		
Service, administration fees and reimbursements paid to ultimate parent entity, Gullewa Limited	125,791	403,832
Administration fees and reimbursements paid to other related party, C. Randall & Associates Pty. Limited	2,302	86,027

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

	Consolidated 2014 $	Consolidated 2013 $
Current receivables:		
Trade receivables from other related party	-	609
Current payables:		
Service, administration fees and reimbursements payable to ultimate parent entity, Gullewa Limited	23,735	31,913
Administration fees and reimbursements payable to other related party, C. Randall & Associates Pty. Limited	1,414	-

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

	Consolidated 2014 $	Consolidated 2013 $
Current borrowings:		
Loan from Gullewa Limited	2,550,663	2,395,894
Loan from C. Randall & Associates Pty. Limited	535,501	509,170
Loan from director, David Deitz	4,320	-

Borrowings include capitalised interest.

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

Note 27. Jointly controlled assets

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

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

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

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

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

Note 28. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2014	2013
	$	$
Loss after income tax	(3,595,654)	(769,530)
Total comprehensive income	(3,595,654)	(769,530)

Statement of financial position

	Parent	
	2014	2013
	$	$
Total current assets	3,609,187	7,144,402
Total assets	3,718,528	7,288,826
Total current liabilities	138,575	174,719
Total liabilities	138,575	174,719
Net assets	3,579,953	7,114,107
Equity		
Issued capital	9,137,801	9,137,801
Share-based payments reserve	376,770	315,270
Accumulated losses	(5,934,618)	(2,338,964)
Total equity	3,579,953	7,114,107

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2014 and 30 June 2013.

Note 28. Parent entity information (continued)

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2014 and 30 June 2013.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at as 30 June 2014 and 30 June 2013.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 29. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 2014 %	2013 %
Mineral & Coal Investments Pty Limited	Australia	100.00%	100.00%
Echidna Coal Pty Limited	Australia	100.00%	100.00%
Moreton Coal Pty Limited	Australia	100.00%	100.00%

Note 30. Events after the reporting period

Two matters or circumstances have arisen since 30 June 2014 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Japan Oil, Gas and Metals National Corporation ('JOGMEC')
On 14 July 2014 entered into an agreement with JOGMEC, A Japanese government entity, for a 40% farm-in to the Kilmain project. JOGMEC will provide $3,000,000 over three years to undertake exploration within EPC 1298 and EPC1917.

Loan repayment
On 22 July 2014 a partial repayment of outstanding loans totalling $1,200,000 was made to Gullewa Limited ($1,000,000) and C. Randall & Associates Pty Limited ($200,000). The remaining loan of $1,886,164 was renegotiated with an extension of the repayment date to 30 September 2015.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

	Consolidated 2014 $	Consolidated 2013 $
Loss after income tax benefit for the year	(1,520,684)	(1,555,474)
Adjustments for:		
Depreciation and amortisation	13,341	21,147
Share-based payments	61,500	-
Write off of property, plant and equipment	8,460	-
Impairment of exploration and evaluation assets	1,324,563	533,687
Non-cash interest expense	181,100	243,290
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	21,187	(15,235)
Decrease in prepayments	-	2,645
Increase/(decrease) in trade and other payables	(91,776)	145,508
Decrease in other operating liabilities	-	(52,750)
Net cash used in operating activities	(2,309)	(677,182)

Note 32. Earnings per share

	Consolidated 2014 $	Consolidated 2013 $
Loss after income tax attributable to the owners of Allegiance Coal Limited	(1,520,684)	(1,555,474)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	176,666,674	176,666,674
Weighted average number of ordinary shares used in calculating diluted earnings per share	176,666,674	176,666,674
	Cents	Cents
Basic earnings per share	(0.86)	(0.88)
Diluted earnings per share	(0.86)	(0.88)

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

Note 33. Share-based payments

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

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

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

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

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

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

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

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

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

All of a participant's rights in respect of consultant options are immediately lost if the consultant options lapse.
Set out below are summaries of options granted under the plan:

2014

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
09/05/2011	09/05/2016 *	$0.2500	4,900,000	-	-	-	4,900,000
09/05/2011	09/05/2016 **	$0.2500	750,000	-	-	-	750,000
27/11/2013	27/11/2018 *	$0.0495	-	4,100,000	-	-	4,100,000
			5,650,000	4,100,000	-	-	9,750,000

Weighted average exercise price $0.1657

* Employee Option Scheme
** Consultant Option Scheme

2013

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
09/05/2011	09/05/2016 *	$0.2500	4,900,000	-	-	-	4,900,000
09/05/2011	09/05/2016 **	$0.2500	750,000	-	-	-	750,000
			5,650,000	-	-	-	5,650,000

Weighted average exercise price $0.2500

* Employee Option Scheme
** Consultant Option Scheme

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

Grant date	Expiry date	2014 Number	2013 Number
09/05/2011	09/05/2016 *	4,900,000	4,900,000
09/05/2011	09/05/2016 **	750,000	750,000
27/11/2013	27/11/2018 *	4,100,000	-
		9,750,000	5,650,000

* Employee Option Scheme
** Consultant Option Scheme

The weighted average share price during the financial year was $0.01 (2013: $0.05).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.7 years (2013: 3 years).

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
27/11/2013	27/11/2018	$0.0300	$0.0495	64.00%	-%	3.01%	$0.015

Allegiance Coal Limited

Directors' declaration

30 June 2014

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

David Deitz
Director

30 September 2014
Sydney

Deloitte.

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

Report on the Financial Report

We have audited the accompanying financial report of Allegiance Coal Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 23 to 58.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte.

Auditor's Independence Declaration

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

Opinion

In our opinion:

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

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 12 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Allegiance Coal Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Chartered Accountants
Sydney, 30 September 2014

Allegiance Coal Limited

Shareholder information

30 June 2014

The shareholder information set out below was applicable as at 31 August 2014.

Distribution of equitable securities

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

	Number of holders of ordinary shares
1 to 1,000	9
1,001 to 5,000	1
5,001 to 10,000	10
10,001 to 100,000	281
100,001 and over	73
	374
Holding less than a marketable parcel	177

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
Gullewa Limited	102,105,667	57.80
C Randall & Associates Pty Limited	25,000,000	14.15
NEFCO Nominees Pty Ltd	11,666,667	6.60
Whittingham Securities Pty Limited	2,902,034	1.64
Mr Colin Randall	2,637,165	1.49
Winchester Investments Group Pty Limited	2,630,000	1.49
Whittingham Securities Pty Limited	1,333,334	0.75
The Launch Company Pty Ltd	1,250,000	0.71
Mr Wouter Codee	1,150,000	0.65
Mr Benjamin Harkham (Family Super Fund A/C)	1,086,200	0.61
Mrs Kerry Bishop	1,000,000	0.57
Cushnie Pty Ltd	1,000,000	0.57
Kuraba Investments Pty Ltd	1,000,000	0.57
National Nominees Limited (DB A/C)	856,348	0.48
Howlandrose Holdings Pty Ltd	796,667	0.45
Rainidays Pty Ltd	666,667	0.38
Woodlawn Capital Pty Ltd (MVIL A/C)	666,667	0.38
WR Simpson Nominees Pty Ltd (Simpson Super Fund A/C)	613,200	0.35
Mr Michael Aylott	550,000	0.31
DFS Super Pty Ltd (Dettick Family Super A/C)	500,000	0.28
	159,410,616	90.23

Unquoted equity securities

There are no unquoted equity securities.

Allegiance Coal Limited
Shareholder information
30 June 2014

Substantial holders
Substantial holders in the company are set out below:

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

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

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

There are no other classes of equity securities.

Tenements

Description	Tenement number	Interest owned %
Mineral and Coal Investments Pty Limited		
Connemara - Bowen Basin	EPC 1296	100.00
Back Creek - Surat Basin	EPC 1297	100.00
Kilmain - Bowen Basin	EPC 1298	100.00
Townsville - Northern Bowen Basin	EPC 1492	100.00
Extended Townsville - Northern Basin	EPC 1617	100.00
Calen South - Calen Basin	EPC 1631	100.00
Lochaber - Mulgildie Basin	EPC 1672	100.00
Boldon - Calen Basin	EPC 1820	100.00
Normanby - Hodkinson Basin	EPC 1874	100.00
Pinetree - Laura Basin	EPC 1875	100.00
Kilmain South - Bowen Basin	EPC 1917	100.00
Cedar Creek - Surat Basin	EPC 2278	100.00
Mobs Creek - Surat Basin	EPC 2309	100.00
Mt Marrow	EPC 2374	100.00
Moreton Coal Pty Ltd		
Mintovale - Clarence-Moreton Basin	MDL 138	100.00