ALLEGIANCE COAL
LIMITED

ABN 47 149 490 353

Interim Report - 31 December 2021

Contents

General Information

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

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

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

Suite 107, 109 Pitt Street
Sydney NSW 2000

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

The financial report was authorised for issue, in accordance with a resolution of directors, on 11 March 2022. The directors have the power to amend and reissue the financial report.

Directors' Report

31 DECEMBER 2021

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Allegiance Coal Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2021.

DIRECTORS

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

Mark Gray – Chairman and Managing Director

Mr. Gray founded Telkwa Coal Limited (a wholly owned subsidiary of the Company) and secured the farm-in rights to the Telkwa metallurgical coal project in September 2014. He is a corporate lawyer with 30 years transactional experience gained as a lawyer with Herbert Smith in London, a partner with Bell Gully in New Zealand, and as a director of the investment bank Barclays de Zoette Wedd, also in London. Mr. Gray has been an advisor to and company executive of mining companies and operations including underground coal in Australia and open pit mining in Africa, as well as exploration and development projects in several minerals including coal.

Larry Cook – Technical Director

Mr. Cook has over 40 years of technical knowledge of underground coal mining and methods. For the first 20 years of his career he worked in various underground roles in coal mines primarily in West Virginia. He is highly regarded in both the US and Australia as an extremely capable underground coal mining engineer. Previous positions include Vice President of Operations at Mid-Vol Mining, Madison WV; General Superintendent at Mistic Energy Inc, Beckley WV; Mine Manager of five underground coal mines owned by Eastern Associated Coal Corporation in Wharton WV; founding shareholder and director of Bounty Industries Ltd providing contract mining at Ivanhoe Colliery, NSW, for Centennial Coal and at German Creek Colliery, Central QLD, for Anglo Coal. Most recently, Mr. Cook recommissioned the Donkin underground coal mine located in Nova Scotia, Canada.

Bernie Mason – Non Executive Director

Mr Mason obtained a Bachelor of Science degree in Geology from Morehead State University, Kentucky, and has worked across many minerals throughout North America, although predominantly in US coal for more than 40 years. In more recent times, he has assumed executive management positions in some very large and significant producers of coal in the United States including having formerly served as President and Chief Executive Officer of Xinergy Ltd, a Toronto TSX Listed public company, producing up to 3Mtpa of metallurgical and thermal coal; Chief Operating Officer of Appalachian Fuels, LLC. managing a workforce of 600 employees and producing 8Mtpa of metallurgical and thermal coal from five surface mines and three underground mines; and Vice President of Technical Services and Business Development of AEI Resources, Inc. which was the 4th largest coal producing company in the United States, at the time, while operating 50 surface and underground coal mines producing in excess of 54Mtpa.

Jonathan Reynolds – Finance Director

Mr. Reynolds is a chartered accountant with more than 25 years' experience across many sectors spent mostly in financial management roles. Most recently, he was finance director of a resource investment house, managing investments across a range of commodities, including coal. Prior to that he held the position of chief financial officer with a number of listed entities and before that was a senior manager with an international firm of chartered accountants. He is a member of Chartered Accountants Australia and New Zealand and a fellow of Financial Services Institute of Australia.

Matthew Wall – Non Executive Director, Appointed February 2022

For much of his career Mr Wall worked for Rio Tinto across several business units including transport and logistics at Comalco Smelting, export logistics at Kaltim Coal, Indonesia, and sales and marketing at Coal & Allied, Hunter Valley, New South Wales. After Rio Tinto Mr Wall led the Asia Pacific business of EDF Trading managing a book of more than 5Mt per annum of thermal coal. He then joined Wood Mackenzie as Global Co-Head of Metals & Mining Sales for five years followed by three years with McGrath Nicol as Director of Resources & Mining. Mr Wall holds a Diploma of Transport Economics from Victoria University, Melbourne, and attended the Academy of Transport, Cambridge University, England. Mr Wall is a non-executive director of Legacy Minerals Holdings Limited (ASX:LGM).

Malcolm Carson – Non Executive Director, Deceased February 2022

Mr. Carson was the Executive Chairman of Zuleika Gold Ltd (ASX:ZAG) and an executive and non-executive director of many ASX and TSX companies. He was a 40 year veteran in exploration and mining across a variety of minerals, in multiple jurisdictions, with many organisations including BHP, Kumba Resources, Iscor, Sons of Gwalia, Bankers Trust, and Rothschilds. Mr. Carson also spent five years working for the Government of Western Australia as a Senior Project Officer responsible for managing mining and industrial projects.

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the financial half-year was the operation of metallurgical coal mines and the acquisition, exploration and development of coal tenements.

REVIEW OF OPERATIONS

The loss for the consolidated entity after providing for income tax amounted to $37,486,275.

UNITED STATES STEEL MAKING COAL

New Elk metallurgical coal mine, Colorado USA

As reported in the annual report, during the 2021 financial year the Company closed the acquisition of New Elk Coal Company LLC which company owns the New Elk mine comprising 656M metric tonnes of coal resources of which 45M metric tonnes have been converted into saleable reserves.

The tables that follow summarise coal resources and reserves.

Resources Coal seams	Seam height	Measured Mt	Indicated Mt	Inferred Mt	Total Mt
Green	3 to 7 foot	29.94	24.95	0.09	**53.98**
Loco	3 to 4 foot	13.06	27.22	24.13	**64.41**
Blue	3 to 5 foot	47.36	34.56	0.82	**82.74**
BCU	3 to 6 foot	11.61	33.38	27.22	**72.21**
Red	3 to 4 foot	21.14	9.34	0.00	**30.48**
Maxwell	3 to 9 foot	65.41	65.05	15.79	**146.24**
Apache	3 to 5 foot	45.63	51.53	13.97	**111.13**
Allen	3 to 5 foot	38.83	43.45	12.79	**95.07**
Total		**271.97**	**289.48**	**94.80**	**656.26**

(totals may not add due to rounding)

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

(totals may not add due to rounding)

After sitting dormant for almost a decade, the New Elk Mine was returned to production in the last week of May 2021. In anticipation of production commencing, the Company contracted to supply 280kt of coal to an Asian customer. The first cargo of 63,543 metric tonnes shipped in October 2021 from the Port of Guaymas Mexico, generating US$7.4 million in revenue, with the following three cargoes targeted to be delivered in the second half of the 2022 financial year. Completing this first sale on the seaborne market was a significant event.

Attracting and retaining experienced labour at New Elk has been the mine's single biggest challenge. Since commissioning the mine in May/June 2021, the mine has only been able to retain enough underground crew to support one production unit, day and night shift. The turnover rate for most of the half-year has been around 45 percent meaning every new arrival was off-set by a departure. There appear to be several reasons for high staff turnover ratios, including accommodation issues, but management is hopeful that the turnover ratio will decline with the availability of better housing and as the mine matures. Following a sustained recruitment campaign in the December quarter, the mine is presently able to fully man two production units both day and night shifts.

ROM production for the half-year totalled 174kt. A decision was taken to bring forward the realignment the underground Main headings, previously planned to be undertaken in calendar year 2022. Realignment of the headings will provide quicker access to panel mining and overall better mine development and production. The decision was taken to do this while the mine continued to build its work force and manage the impact of COVID so that the mine would be set up for both units to optimise productivity once fully manned.

Black Warrior metallurgical coal mine, Alabama USA

As reported in the annual report, on 3 August 2021 the Company completed the acquisition of Black Warrior Minerals Inc which company owns the the Black Warrior Mine comprising 7.5M metric tonnes of coal resources leased along with an additional 1.2M metric tonnes within the area of interest not yet leased .

Resources - Leased	Measured Mt	Indicated Mt	Inferred Mt	Total Mt
Newcastle	0.436	0.743	0.225	1.364
Mary Lee	0.991	1.660	1.082	3.642
Blue Creek	0.748	1.128	0.685	2.491
Total	**2.175**	**3.530**	**1.993**	**7.497**

(totals may not add due to rounding)

Resources - Unleased	Measured	Indicated	Inferred	Total Mt
Newcastle	0.002	0.098	0.001	0.109
Mary Lee	0.006	0.628	0.059	0.693
Blue Creek	0.003	0.353	0.034	0.390
Total	**0.010**	**1.080**	**0.101**	**1.192**

(totals may not add due to rounding)

ROM production for the half year totalled 99kt. Production gains were achieved in part due to the arrival in November 2021 of the new 3600 Hitachi excavator replacing a 1200 Hitachi in waste rock removal. More significant productivity gains are anticipated with the arrival of a fleet of 150t dump trucks in the second half of the 2022 financial year.

During the half-year, the mine generated US$2.4 million in revenue, all from selling the mine's output to the Alabama Coal Co-operative. Progress was made in the half-year toward pivoting the business to focus on the seaborne market. The mine's first cargo to the export market was achieved in January 2022, with a second cargo completed in February 2022.

Carbonisation tests undertaken on Black Warrior's premium Mary Lee Blue Creek seams confirmed a CSR greater than 60% validating the coals' status as a hard coking coal and leading to a trial shipment to an European steel mill (the February 2022 shipment referred to above).

Short Creek metallurgical coal project, Alabama USA

In October 2021, the Company entered a binding agreement to acquire the Short Creek mine assets located west of Birmingham, Alabama. The acquisition comprises the purchase of the land over the deposit, the fixed assets (primarily a CHPP, a barge load-out, conveyors and stackers), and all existing permits to operate; and the lease of the mineral rights to the Mary Lee, Blue Creek and Newcastle seams under the land for up to 23 years, in consideration for the payment of royalties ranging from 7% to 10% based on a sliding scale of the FOB sales price achieved. The acquisition cost is US$4.4M in cash to acquire the land and assets; and US$11.5M to replace the reclamation bond with the State of Alabama that follows the land and assets. Presently it is expected that the acquisition will complete prior to 30 June 2022, once the permits have been transferred.

The project is a deposit with scale and premium hard coking quality coal, that consolidates and complements the Company's investment in Alabama and Colorado. In February 2022, the Company reported the results of a JORC 2012 compliant resource statement in relation to Short Creek prepared by Marshall Miller & Associates, as follows (in Metric tonnes):

Resources - Leased	Measured Mt	Indicated Mt	Inferred Mt	Total Mt
Newcastle	8.3	10.8	-	19.0
Newcastle Leader	0.5	0.5	-	0.9
Mary Lee	16.1	35.5	-	51.5
Blue Creek Rider	1.7	4.8	-	6.5
Blue Creek	22.6	47.2	-	69.7
Total	**49.1**	**98.7**	**-**	**147.8**

(totals may not add due to rounding)

Resources - Unleased	Measured	Indicated	Inferred	Total Mt
Newcastle	2.4	0.3	-	2.6
Newcastle Leader	0.0	0.0	-	0.0
Mary Lee	2.7	0.7	-	3.5
Blue Creek Rider	0.0	0.0	-	0.0
Blue Creek	2.7	0.5	-	3.3
Total	**7.8**	**1.6**	**-**	**9.3**

(totals may not add due to rounding)

The Company intends to complete an independent feasibility study on the proposed Short Creek underground mine during the 2022 calendar year with a target to commence project development late 2022 and for a production start date late 2023 early 2024, subject to financial and regulatory considerations.

CANADIAN STEEL MAKING COAL

Tenas metallurgical coal project, Bristish Columbia, Canada

The Tenas project is a subset of the larger Telkwa metallurigical project in respect of which the Company is seeking to obtain an environmental assessment certicate along with permits to operate an 800k metric tonne per annum mine.

The Tenas project comprises a 36.4M metric tonnes of coal resources of which 16.5M metric tonnes have been converted into saleable reserves.

The tables that follow summarise coal resources and reserves.

Tenas Resources	Measured Mt	Indicated Mt	Inferred Mt	Total Mt (adb)
c Seam	4.5	1.4	-	5.9
1 lower seam	8.1	2.7	-	10.9
1 upper seam	4.5	1.6	-	6.2
1 Seam	9.9	3.5	-	13.5
Total	**27.1**	**9.4**	**-**	**36.5**

(totals may not add due to rounding)

Tenas Reserves	ROM Coal Mt	Saleable Coal Mt
Tenas Proven	17.1	12.9
Tenas Probable	4.9	3.7
Tenas Total	**22.0**	**16.5**

(totals may not add due to rounding)

On 24 February 2022, the Company announced the Application for an Environmental Assessment Certificate for the Tenas project had been filed by the Company with the British Columbia Environmental Assessment Office, Canada (BC-EAO).

This activates a nine month review process by the BC-EAO under the British Columbia Environmental Assessment Act 2002. While the review process is time regulated the experience of other applications indicates that it does take longer than nine months. How long will depend on the quality of the application that has been submitted.

KILMAIN PROJECT, QUEENSLAND

The Kilmain project remains under review. There were no activities of note during the half-year ended 31 December 2021.

COVID-19

The Company's New Elk operation has suffered disruptions from the COVID-19 pandemic following a number of outbreaks leading to production teams being stood down in order to meet isolation requirements.

CORPORATE

Cash

At 31 December, 2021 the consolidated entity held $17,391,145 in cash.

In November 2021, the consolidated entity secured a loan of US$8.9M from the Nebari Natural Resources Credit Fund 1 LP (Nebari) secured over the assets of the Company. The loan does not bear interest but is repayable by paying the amount of US$11.48M to Nebari on 24 May 2022.

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

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

In July 2021, Mercer elected to convert $1 million of their convertible notes and the Company allotted 1.6 million shares to Mercer. In November 2021, Mercer elected to convert $0.5 million of their convertible notes and the Company allotted 1 million shares to Mercer. Also in November 2021, the balance of the note was redeemed by the Company in cash, in accordance with the terms of the note.

In connection with the August, October and December placements referred to above, the Company granted 3.1 million Lead Manager Options to Petra Capital. The options have a three year term and an exercise price of $0.625 in respect of 1.8 million options and $0.8375 in respect of 1.3 million options.

Following shareholder approval, the Company granted 750,000 options, subject to vesting conditions, under the Employee Securities Incentive Plan to Jonathan Reynolds. The options are exercisable at $1.40 per share and expire on 3 December 2026. The options have an attributed fair value of $0.2 million which has been recognised in the statement of comprehensive income for the current half-year.

Following shareholder approval, the Company granted 2 million Director Performance Rights, subject to vesting conditions, to each Mark Gray and Larry Cook. The Director Performance Rights expire on 3 December 2026 if not vested by that date. In total, the performance rights have an attributed fair value of $1.96 million which has been recognised in the statement of comprehensive income for the current half-year.

Board

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

In February 2022, Mr Matthew Wall was appointed as a Non-Executive Director of the Company. Mr Wall has worked in coal sales and marketing, and bulk commodity logistics for more than 30 years. His depth of knowledge in these areas is enormous and complements the board's existing coal mining technical skills and experience.

Significant changes in the state of affairs

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page. This report is made in accordance with a resolution of directors, pursuant to section 306(3) of the Corporations Act 2001.

On behalf of the directors

Mark Gray
Chairman and Managing Director
11 March 2022

DECLARATION OF INDEPENDENCE UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 BY SCS AUDIT & CORPORATE SERVICES PTY LTD TO THE DIRECTORS OF ALLEGIANCE COAL LIMITED

As lead auditor of Allegiance Coal Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

- No contravention of any applicable code of professional conduct in relation to the review.

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

Didarul Khan
Director
SCS Audit & Corporate Services Pty Ltd
(An Authorised Audit Company)
Chartered Accountant, Registered Company Auditor

Sydney
11 March 2022

Statement of comprehensive income

For the half-year ended 31 December 2021

	Note	Consolidated 31 Dec 2021 $	31 Dec 2020 $
Revenue	3	13,388,429	642
Expenses			
Depreciation and amortisation		(5,516,128)	-
Employee benefits expense	4	(2,535,715)	(293,880)
Finance costs expense	4	(5,058,422)	(1,578,334)
Investor and public relations		(39,481)	-
Legal fees		(27,556)	(14,663)
Listing expense		(72,298)	(30,335)
Net foreign exchange gain / (loss)		402,904	(923,433)
New Elk and Black Warrior expenses, pre- and post-acquisition costs including cash operating costs but excluding depreciation and amortisation and finance costs		(37,754,202)	(1,886,889)
Office rent	4	(58,912)	(40,904)
Project generation expenses		(32,265)	(89,244)
Travel expenses		(54,907)	(29,187)
Other expenses		(127,722)	(199,496)
Loss before income tax expense		(37,486,275)	(5,085,723)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to			
Equity holders of the Company		(37,471,909)	(5,071,676)
Minority interests		(14,366)	(14,047)
Loss for the half-year		(37,486,275)	(5,085,723)
Other comprehensive income / (loss) for the half-year, net of tax			
Foreign exchange movement		569,693	(911,252)
Total comprehensive loss for the half-year attributable to the owners of Allegiance Coal Limited		(36,916,582)	(5,996,975)
		Cents	**Cents**
Basic loss per share		(11.26)	(3.75)
Diluted loss per share		(9.61)	(2.95)

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

Statement of financial position

As at 31 December 2021

	Note	Consolidated 31 Dec 2021 $	30 June 2021 $
Assets			
Current assets			
Cash and cash equivalents		17,391,145	18,689,261
Trade and other receivables	5	1,622,992	904,018
Inventory	6	9,344,214	1,167,772
Total current assets		28,358,351	20,761,051
Non-current assets			
Other receivables	5	11,688,035	3,923,408
Exploration and evaluation	7	29,600,057	27,565,897
Property, plant and equipment	8	82,409,188	58,625,644
Right-of-use assets	9	10,508,563	-
Total non-current assets		134,205,843	90,114,949
Total assets		162,564,194	110,876,000
Liabilities			
Current liabilities			
Trade and other payables	10	10,987,594	6,195,333
Borrowings	11	16,825,453	10,546,747
Total current liabilities		27,813,047	16,742,080
Non-Current liabilities			
Borrowings	11	36,721,402	27,324,748
Provisions	12	15,636,979	7,162,504
Total non-current liabilities		52,358,381	34,487,252
Total liabilities		80,171,428	51,229,332
Net assets		82,392,766	59,646,668
Equity			
Issued capital	13	147,478,005	91,040,096
Reserves		6,156,368	2,707,435
Accumulated losses		(72,410,146)	(35,283,768)
Total equity attributable to equity holders of the Company		81,224,227	58,463,763
Minority interest		1,168,539	1,182,905
Total equity		82,392,766	59,646,668

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

Statement of changes in equity

For the half-year ended 31 December 2021

Consolidated	Issued capital $	General reserve $	Share based payment reserve $	Foreign currency translation reserve $	Accumulated losses $	Minority interest $	Total equity $
Balance at 1 July 2021	91,040,096	16	2,356,666	350,753	(35,283,768)	1,182,905	59,646,668
Loss after income tax benefit for the half-year	-	-	-	-	(37,471,909)	(14,366)	(37,486,275)
Other comprehensive income for the half-year, net of tax	-	-	-	569,693	-	-	569,693
Total comprehensive income for the half-year	-	-	-	569,693	(37,471,909)	(14,366)	(36,916,582)
Transactions with owners in their capacity as owners:							
Share issues for cash	60,000,000	-	-	-	-	-	60,000,000
Costs of share issues	(5,072,091)	-	-	-	-	-	(5,072,091)
Shares issued to settle debt	1,510,000	-	-	-	-	-	1,510,000
Share based payments	-	-	3,224,771	-	-	-	3,224,771
Options lapsed or expired	-	-	(15,369)	-	15,369	-	-
Mercer notes converted	-	-	(330,162)	-	330,162	-	-
Balance at 31 December 2021	147,478,005	16	5,235,906	920,446	(72,410,146)	1,168,539	82,392,766

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

Statement of changes in equity

For the half-year ended 31 December 2021 (continued)

Consolidated	Issued capital $	General reserve $	Share based payment reserve $	Foreign currency translation reserve $	Accumulated losses $	Minority interest $	Total equity $
Balance at 1 July 2020	33,528,305	16	2,231,784	197,163	(20,746,304)	1,217,293	16,428,257
Loss after income tax benefit for the half-year	-	-	-	-	(5,071,676)	(14,047)	(5,085,723)
Other comprehensive income for the half-year, net of tax	-	-	-	(911,252)	-	-	(911,252)
Total comprehensive income for the half-year	-	-	-	(911,252)	(5,071,676)	(14,047)	(5,996,975)
Transactions with owners in their capacity as owners:							
Share issues for cash	7,740,391	-	-	-	-	-	7,740,391
Costs of share issues	(541,013)	-	-	-	-	-	(541,013)
Shares issued to settle debt	6,377,112	-	-	-	-	-	6,377,112
Shares issued on performance rights vesting	487,500	-	(487,500)	-	-	-	-
Options lapsed or expired	-	-	(88,067)	-	88,067	-	-
Share based payments	200,000	-	-	-	-	-	200,000
Balance at 31 December 2020	47,792,295	16	1,656,217	(714,089)	(25,729,913)	1,203,246	24,207,772

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

Statement of cash flows

For the half-year ended 31 December 2021

	Note	Consolidated 31 Dec 2021 $	Consolidated 31 Dec 2020 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		13,427,809	-
Payments to suppliers (inclusive of GST)		(42,385,345)	(2,820,691)
		(28,957,536)	(2,820,691)
Interest received		873	642
Interest and other finance costs paid		(1,477,358)	(994,325)
Net cash (used in) operating activities		(30,434,021)	(3,814,374)
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(8,541,913)	-
Payments for reclamation bonds		(8,057,286)	-
Proceeds from recovery of reclamation bonds		-	3,314,120
Payments for other assets		(448,443)	-
Payments for property, plant and equipment		(20,791,652)	-
Payments for exploration and evaluation		(1,860,580)	(2,345,843)
Net cash (used in) / from investing activities		(39,699,874)	968,277
Cash flows from financing activities			
Share issues, net of costs		57,488,127	13,776,490
Borrowings raised		12,160,131	3,042,002
Lease finance raised		12,094,492	-
Contributions from Joint Venture partner		-	253,435
Repayments of borrowings		(10,943,837)	(8,026,189)
Lease finance repaid		(1,963,134)	-
Cash flows from financing activities		68,835,779	9,045,738
Net (decrease) / increase in cash and cash equivalents		(1,298,116)	6,199,641
Cash and cash equivalents at the beginning of the financial half-year		18,689,261	442,055
Cash in subsidiary on acquisition		-	30,004
Cash and cash equivalents at the end of the financial half-year		17,391,145	6,671,700

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

Notes to the financial statements

31 December 2021

Note 1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2021 together with any public announcements made during the following half-year.

The half-year financial report was authorised for issue by directors on 11 March 2022.

Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2021 annual financial report for the financial year ended 30 June 2021. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Going concern

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

For the half-year ended 31 December 2021 the consolidated entity reported a net loss of $37,486,275 (2020: $5,085,723) and net operating cash outflows of $30,434,021 (2020: $3,814,374). The operating cash outflows have been funded by cash inflows from equity raisings of $57,488,127 (2020: $13,776,490) and borrowings of $12,160,131 (2020: $3,042,002) during the half-year. As at 31 December 2021 the consolidated entity had net current assets of $545,304 (2020 net current liabilities: $12,678,680) including cash reserves of $17,391,145 (2020: $6,671,700).

The balance of these cash reserves may not be sufficient to meet the consolidated entity's planned expenditure, evaluation and development budget, including exploration activities, evaluation, operating and administrative expenditure for the 12 months to 15 March 2023. In order to fully implement its exploration, evaluation and development strategy, the consolidated entity will require additional funds.

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

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

To continue as a going concern, the consolidated entity requires additional funding to be secured from sources including but not limited to:

- Further equity capital raisings;
- The potential farm-out of participating interests in the Group's tenements and rights; and / or
- Other financing arrangements.

Having carefully assessed the uncertainties relating to the likelihood of securing additional funding, the consolidated entity's ability to effectively manage its expenditures and cash flows from operations and the opportunity to farm-out participating interests in existing permits and rights, the Directors believe that the consolidated entity will continue to operate as a going

Notes to the financial statements

31 December 2021

Going concern (continued)

concern for the foreseeable future. Therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

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

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

Note 2. Operating segments

Identification of reportable operating segments

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

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

Note 3. Revenue

	Consolidated	
	31 Dec 2021	**31 Dec 2020**
	$	**$**
Sales revenue	13,387,556	-
Interest	873	642
Revenue	13,388,429	642

Note 4. Expenses

	Consolidated	
	31 Dec 2021	**31 Dec 2020**
	$	**$**
Loss before income tax includes the following specific expenses:		
Finance costs		
Interest, finance charges and finance related expense	3,237,337	1,043,514
Unwinding of present value discount of Cline note	1,821,085	534,820
	5,058,422	1,578,334
Rental expense relating to operating leases		
Minimum lease payments	58,912	40,904
Employee benefits expense		
Superannuation contributions	-	-
Employee benefits expense	361,162	293,880
Share based payments	2,174,553	-
Total employee benefits expense	2,535,715	293,880

Notes to the financial statements

31 December 2021

Note 5. Trade and other receivables

Current

	Consolidated	
	31 Dec 2021	**30 June 2021**
	$	**$**
Trade receivable	46,518	86,771
GST recoverable	275,396	294,139
Prepayments	1,301,078	523,108
	1,622,992	904,018

Non-current

	Consolidated	
	31 Dec 2021	**30 June 2021**
	$	**$**
Prepayments	1,428,444	980,000
Reclamation bond deposits	10,259,591	2,943,408
	11,688,035	3,923,408

Note 6. Current assets – inventory

	Consolidated	
	31 Dec 2021	**30 June 2021**
	$	**$**
Consumables	2,017,929	850,347
Work in progress	710,716	14,984
Coal stockpile	6,615,569	302,441
	9,344,214	1,167,772

Note 7. Non-current assets – exploration and evaluation

	Consolidated	
	31 Dec 2021	**30 June 2021**
	$	**$**
Exploration and Evaluation – at cost and fair value	29,600,057	27,565,897
Less: impairment	-	-
	29,600,057	27,565,897

Reconciliations

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

	Telkwa	**Total**
	$	**$**
Balance at 1 July 2021	27,565,897	27,565,897
Additions, at cost	1,948,948	1,948,948
Foreign exchange movement	85,212	85,212
Balance at 31 December 2021	29,600,057	29,600,057

The Telkwa metallurgical coal project has yet to reach a stage of development where a final determination of the technical feasibility or commercial viability of each can be assessed. In these circumstances, whether there is any indication that the assets have been impaired is a matter of judgement, as is the determination of the quantum of any required impairment adjustment. The Directors have used their experience to conclude that no impairment adjustment is required in the current half-year ended 31 December 2021.

Notes to the financial statements

31 December 2021

Note 8. Non-current assets – property, plant and equipment

	Consolidated	
	31 Dec 2021	**30 June 2021**
	$	**$**
Cost or fair value	87,911,508	59,205,732
Less: accumulated depreciation	(5,502,320)	(580,088)
Net book value	82,409,188	58,625,644

Reconciliations

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

Net book value	Washplant $	Infrastructure $	Equipment $	Total $
Balance at 1 July 2021	12,087,139	20,266,826	26,271,679	58,625,644
Acquired through business combination, at fair value	-	-	16,448,763	16,448,763
Additions, at cost	414,240	3,465,995	5,935,045	9,815,280
Depreciation	(336,303)	(1,013,867)	(3,610,566)	(4,960,736)
Foreign exchange movement	458,522	719,180	1,302,535	2,480,237
Balance at 31 December 2021	12,623,598	23,438,134	46,347,456	82,409,188

Note 9. Non-current assets – right-of-use assets

	Consolidated	
	31 Dec 2021	**30 June 2021**
	$	**$**
Cost or fair value	11,068,623	-
Less: accumulated amortisation	(560,060)	-
Net book value	10,508,563	-

Reconciliations

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

Net book value	Equipment $	Total $
Balance at 1 July 2021	-	-
Additions, at cost	10,976,372	10,976,372
Amortisation	(555,392)	(555,392)
Foreign exchange movement	87,583	87,583
Balance at 31 December 2021	10,508,563	10,508,563

Notes to the financial statements

31 December 2021

Note 10. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2021	**30 June 2021**
	$	**$**
Trade payables – other entities	7,559,068	4,818,290
Other payables	3,428,526	1,377,043
	10,987,594	6,195,333

Note 11. Borrowings

Current

	Consolidated	
	31 Dec 2021	**30 June 2021**
	$	**$**
Secured Loan – Nebari Natural Resources Credit Fund I LP	13,209,006	-
Convertible notes - Mercer Street Global Opportunity Fund LLC	-	2,565,901
Cline Mining Corporation note – current portion	-	7,980,845
Finance leases – current portion	3,573,362	-
Canadian government Covid-19 loan	43,085	-
	16,825,453	10,546,747

Non-current

	Consolidated	
	31 Dec 2021	**30 June 2021**
	$	**$**
Cline Mining Corporation note – non-current portion	35,988,800	34,744,175
Less : Present value discount of Cline Mining note at acquisition	(10,971,250)	(10,971,250)
Add : Unwinding of present value discount of Cline Mining note	4,165,411	2,344,326
Foreign exchange movement	356,735	627,974
Finance leases – non-current portion	6,643,145	-
Itochu Corporation advances to Telkwa Coal Ltd	538,561	536,596
Canadian government Covid-19 loan	-	42,927
	36,721,402	27,324,748

In November 2021, the consolidated entity secured a loan of US$8.9M from the Nebari Natural Resources Credit Fund 1 LP (Nebari) secured over the assets of the Company. The loan does not bear interest but is repayable by paying the amount of US$11.48M to Nebari on 24 May 2022.

Details of a secured convertible note issued to Mercer Street Global Opportunity Fund LLC (Mercer) are disclosed in the annual financial report. During the half-year, $1,510,000 of the tranche 3 notes were converted into ordinary shares in the Company (see note 13) and the balance of the note was redeemed by the Company in cash, in accordance with the terms of the note.

In September 2020, the Group received a C$40,000 loan from the Canadian government as part of its response to Covid-19. The loan is unsecured, interest free and repayable on or before 31 December 2022.

Notes to the financial statements

31 December 2021

Note 11. Borrowings (continued)

In October 2020, in connection with the acquisition of New Elk Coal Company LLC (New Elk), the Group has assumed a note, maturing 1 July 2030, in favour of Cline Mining Corporation (Cline). The note is interest free and secured against the assets of New Elk, but subordinated to up to US$40 million of project debt. The face value of the note, net of US$4 million of Allegiance shares issued on closing, is US$35.12 million. An initial debt repayment of US$3 million was made to Cline in January 2021 and a further initial debt repayment was made to Cline in December 2021. The balance of the note is repayable in quarterly instalments from 60% of New Elk's net cash flow after providing for preferred debt payments and for sustaining and working capital requirements.

As the loan contains an interest-free period, AASB 9 *Financial Instruments* requires the full amount of US$35.12 million to be discounted back to present value using prevailing market interest rates for an equivalent loan. The fair value of the loan at 27 October 2020 is estimated at US$23.62 million. The difference of US$11.5 million is the benefit derived from the interest-free period of the loan and is recognised over the estimated life of the debt. A total of US$1.3 million represents the unwinding of the present value discount for the half-year ended 31 December 2021 and is recognised in the statement of comprehensive income under finance costs expense.

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

Note 12. Provisions

	Consolidated	
	31 Dec 2021	**30 June 2021**
	$	**$**
Mine closure and rehabilitation	15,636,979	7,162,504
	15,636,979	7,162,504
Current portion – due within one year	-	-
Non-current portion – due after more than one year	15,636,979	7,162,504
	15,636,979	7,162,504

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

	Rehabilitation	**Total**
	$	**$**
Balance at 1 July 2021	7,162,504	7,162,504
Acquired through business combination, at fair value	7,236,092	7,236,092
Charged to profit or loss	872,804	872,804
Foreign exchange movement	365,579	365,579
Balance at 31 December 2021	15,636,979	15,636,979

Notes to the financial statements

31 December 2021

Note 13. Equity

Issued capital

	Consolidated	
	31 Dec 2021 $	**30 June 2021 $**
Ordinary shares - fully paid	147,478,005	91,040,096

Consolidated	**31 Dec 2021 Number**	**30 June 2021 Number**	**31 Dec 2021 $**	**30 June 2021 $**
Balance at 1 July	282,427,568	614,260,861	91,040,096	33,528,305
Share based payment		2,955,083		200,000
Shares issued for cash in September 2020		1,790,999		107,460
Cline Mining Initial Debt Reductions shares		70,651,405		5,652,112
Shares vesting from performance rights		3,750,000		487,500
Shares issued for cash in November and December 2020		152,658,612		7,632,931
Less costs				(541,013)
Shares issued for cash in March 2021		187,500,000		15,000,000
Less costs				(1,364,134)
March 2021 Share Purchase Plan		38,218,750		3,057,500
Less costs				(49,164)
Shares issued for cash in April 2021		125,000,000		10,000,000
Less costs				(128,555)
Shares issued on conversion of notes		25,490,121		1,475,000
		1,222,275,831		
1 for 5 consolidation (incl. rounding)		244,455,344		
Shares issued for cash in May 2021		34,444,444		15,500,000
Less costs				(1,286,373)
Shares vesting from performance rights		250,000		162,500
Less costs				(2,306)
Shares issued on conversion of notes		3,277,780		1,608,333
Shares issued for cash in August 2021	44,776,119		30,000,000	
Less costs			(2,459,616)	
Shares issued for cash in October and December 2021	60,000,000		30,000,000	
Less costs			(2,612,475)	
Shares issued on conversion of notes	2,616,453		1,510,000	
Balance at period end	389,820,140	282,427,568	147,478,005	91,040,096

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

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

Notes to the financial statements

31 December 2021

Note 13. Equity (continued)

In July 2021, Mercer elected to convert $1 million of their convertible notes and the Company allotted 1.6 million shares to Mercer. In November 2021, Mercer elected to convert $0.5 million of their convertible notes and the Company allotted 1 million shares to Mercer. (see note 11).

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

Note 14. Related party transactions

Parent entity
Allegiance Coal Limited is the parent entity.

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

	Consolidated	
	31 Dec 2021 **$**	**31 Dec 2020** **$**
Payment for other expenses:		
Consulting fees paid to a company in which Mr Gray has an interest	233,472	278,981
Reimbursement of expenses paid to a company in which Mr Gray has an interest	87,914	33,757
Consulting fees paid to a company in which Mr Carson has an interest	18,000	22,500
Consulting fees paid to a company in which Mr Cook has an interest	87,817	113,429
Reimbursement of expenses paid to a company in which Mr Cook has an interest	48,274	1,848
Consulting fees paid to a company in which Mr Reynolds has an interest	150,000	80,000
Reimbursement of expenses paid to a company in which Mr Reynolds has an interest	6,543	8,035

Receivable from and payable to related parties
There are no balances outstanding at the reporting date in relation to transactions with related parties.

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

Notes to the financial statements

31 December 2021

Note 15. Business combinations during the period

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

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

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

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

Note 16. Events after the reporting period

The application for an Environmental Assessment Certificate was lodged with the British Columbia government in February 2022.

Subsequent to 1 January 2022, the Group has arranged supply chain finance to assist it meet its working capital requirements.

Note 17. Contingent assets and liabilities

Details of contingent assets and liabilities are disclosed in the annual financial report. During the half-year the Company entered a binding agreement to acquire the Short Creek mine assets located west of Birmingham, Alabama. The acquisition comprises the purchase of the land over the deposit, the fixed assets (primarily a CHPP, a barge load-out, conveyors and stackers), and all existing permits to operate; and the lease of the mineral rights to the Mary Lee, Blue Creek and Newcastle seams under the land for up to 23 years, in consideration for the payment of royalties ranging from 7% to 10% based on a sliding scale of the FOB sales price achieved. The acquisition cost is US$4.4M in cash to acquire the land and assets; and US$11.5M to replace the reclamation bond with the State of Alabama that follows the land and assets. Presently it is expected that the acquisition will complete prior to 30 June 2022, once the permits have been transferred.

Notes to the financial statements

31 December 2021

Note 18. Commitments

In connection with the acquisition of the Black Warrior Minerals Inc, the Company has a commitment to pay the vendors a fee of $1.6 million on the successful procurement of a mining lease over an uncontrolled portion of land which comprises the mining area of interest.

In connection with the New Elk Mine, the Company has taken on several long term commitments relating to minimum royalties, provision of services and land access, as follows:

	Consolidated	
	31 Dec 2021	**31 Dec 2020**
	$	**$**
Within one year	957,137	1,080,790
One to five years	3,303,247	4,276,363
Later than five years	7,380,615	3,712,695
	11,640,999	9,069,848

In April 2020, the Company entered into coal lease agreements to mine and sell all the coal comprised in the Lorencito property (Lorencito Property) which neighbours the New Elk Mine. The Lorencito Property contains the same coal bearing units that exist in the New Elk Mine including many of the same coal seams, but of particular interest to the Company is the Primero seam. The Lorencito Property is permitted for coal production but the permit will require an extension to enable the Primero seam to be mined. The Primero seam outcrops at surface providing low cost access to coal.

The lease provides for the following future payments:
- US$500,000 in cash upon completion of a feasibility study to the satisfaction of the Company;
- US$1,000,000 upon securing permits to mine coal in the Lorencito Property;
- US$2,000,000 upon the production of the first one million tonnes of clean coal;
- A production royalty linked to the selling price achieved for the coal;
- 2.5% of the equity in the company that owns the New Elk Mine, once the Lorencito Property is in production, and that equity interest will be non-dilutionary up to the capital cost required to reach 3Mt of annual saleable coal production.

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

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

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

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

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

Notes to the financial statements

31 December 2021

Note 19. Share-based payments

Participants Securities Incentive Plan Options
Details of the Participants Securities Incentive Plan (PSIP) are disclosed in the annual financial report. The objective of the PSIP is to assist in the reward, retention and motivation of key directors, employees and consultants (Participants); link the reward of Participants to shareholder value creation; and align the interests of Participants with shareholders, by providing an opportunity to Participants to receive an equity interest in the Company. Each PSIP option entitles the holder to subscribe for one ordinary share upon exercise. There were no changes in the number of options issued under the PSIP during the half-year ended 31 December 2021.

Employee Securities Incentive Plan Options
At the 2021 Annual General Meeting, shareholders approved the creation of the Employee Securities Incentive Plan (ESIP) and the grant of 750,000 Options under the ESIP to Jonathan Reynolds. The objective of the ESIP is to assist in the reward, retention and motivation of key directors, employees and consultants (Participants); link the reward of Participants to shareholder value creation; and align the interests of Participants with shareholders, by providing an opportunity to Participants to receive an equity interest in the Company. Each PSIP option entitles the holder to subscribe for one ordinary share upon exercise.

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

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

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

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

Grant date	Expiry date	Exercise Price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ Other	Balance at the end of the half-year
PSIP Options							
6/12/17	6/12/22	$0.375	1,700,000	-	-	150,000	1,550,000
3/12/19	3/12/24	$1.40	1,290,000	-	-	-	1,290,000
ESIP Options							
3/12/21	3/12/26	$1.40	-	750,000	-	-	750,000
Lead Manager Options							
3/3/21	3/3/24	$0.50	1,125,000	-	-	-	1,125,000
11/5/21	11/5/24	$0.5625	1,033,333	-	-	-	1,033,333
5/8/21	5/8/24	$0.8375	-	1,343,283	-	-	1,343,283
29/10/21	29/10/24	$0.625	-	706,268	-	-	706,268
9/12/21	9/12/24	$0.625	-	1,093,732	-	-	1,093,732
			5,148,333	3,893,283	-	150,000	8,891,616

Notes to the financial statements

31 December 2021

Note 19. Share-based payments (continued)

2019 Performance Rights
Details of the Performance Rights are disclosed in the annual financial report. There were no changes in the number of 2019 Performance Rights on issue for the current half-year.

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

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

Director Performance Rights
At the 2021 Annual General Meeting, shareholders approved the grant of 2 million Director Performance Rights to each Mark Gray and Larry Cook.

Details of the Director Performance Rights granted, all of which expire on 3 December 2026 if not vested by that date, are summarised below:
- 400,000 Class A Performance Rights which will vest on the Company achieving for the first time 0.5Mt of clean coal sales in a consecutive six month period;
- 900,000 Class B Performance Rights which will vest on the Company achieving for the first time 1Mt of clean coal sales in a consecutive six month period;
- 900,000 Class C Performance Rights which will vest on the Company achieving for the first time 1.5Mt of clean coal sales in a consecutive six month period;
- 900,000 Class D Performance Rights which will vest on the Company achieving for the first time 2Mt of clean coal sales in a consecutive six month period; and
- 900,000 Class E Performance Rights which will vest on the Company achieving for the first time 2.5Mt of clean coal sales in a consecutive six month period.

Class	Expiry date	Exercise Price	Balance at the start of the half-year	Granted	Vested	Expired/ forfeited/ Other	Balance at the end of the half-year
A	3/12/26	$nil	-	400,000	-	-	400,000
B	2/6/21	$nil	-	900,000	-	-	900,000
C	2/2/22	$nil	-	900,000	-	-	900,000
D	2/12/22	$nil	-	900,000	-	-	900,000
E	2/12/23	$nil	-	900,000	-	-	900,000
			-	4,000,000	-	-	4,000,000

Directors' declaration

31 December 2021

1. the financial statements and notes are in accordance with the Corporations Act 2001, including:

    (i) complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

    (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Mark Gray
Chairman and Managing Director
11 March 2022
Sydney

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

We have reviewed the accompanying half-year financial report of Allegiance Coal Limited, which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a statement of accounting policies and selected explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the end of the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and its performance for the half-year ended on that date; and complying with Accounting Standard AASS 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Allegiance Coal Limited ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

SCS AUDIT & CORPORATE SERVICES PTY LTD

ABN 99 165 260 444

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without amendment to our conclusion we emphasise the following matter:

Going Concern

The Directors opinion is detailed in Note 1 of the half-year financial report, which indicated that the ability of the entity to continue as a going concern is dependent upon the consolidated entity securing additional funding from sources including but not limited to; further equity capital raisings; the potential farm out of participating interests in the consolidated entity's tenements and rights; and / or other financing arrangements. These conditions, along with other matters set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern therefore, the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

Didarul Khan
Director
SCS Audit & Corporate Services Pty Ltd
Chartered Accountant, Registered Company Auditor

Sydney
11 March 2022