



ALLEGIANCE COAL

LIMITED

ACN 149 490 353

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at the offices of the Company, Suite 107, 109 Pitt Street, Sydney, New South Wales on Thursday, 28 November 2019 at 10.30am (AEDT).

The Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their accountant, solicitor or other professional advisor prior to voting.

Should you wish to discuss any matter, please do not hesitate to contact the Company Secretary by email at info@allegiancecoal.com.au.

Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice

ALLEGIANCE COAL LIMITED

ACN 149 490 353

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Shareholders of Allegiance Coal Limited (**Company**) will be held at the offices of the Company, Suite 107, 109 Pitt Street, Sydney, New South Wales on Thursday, 28 November 2019 at 10.30am (AEDT) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of the Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Tuesday, 26 November 2019 at 5:00pm (AEDT).

Terms and abbreviations used in the Notice are defined in Schedule 1.

ASX takes no responsibility for the contents of this Notice or the Explanatory Memorandum.

AGENDA

1. Annual Report

To consider the Annual Report of the Company and its controlled entities for the financial year ended 30 June 2019, which includes the Financial Report, the Directors' Report and the Auditor's Report.

2. Resolution 1 - Remuneration Report

To consider and, if thought fit, to pass with or without amendment, as a **non-binding** ordinary resolution the following:

"That the Remuneration Report be adopted by Shareholders on the terms and conditions in the Explanatory Memorandum."

Voting Prohibition

In accordance with sections 250BD and 250R of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by or on behalf of a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report, or a Closely Related Party of such a member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chair to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

3. Resolution 2 - Approval to change in scale of activities

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That subject to Resolution 3 being passed and pursuant to and in accordance with Listing Rule 11.1.2 and for all other purposes, Shareholders approve the significant change in the scale of the Company's activities resulting from the Acquisition on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who might obtain a benefit (except a benefit solely by reason of being a Shareholder) if the Resolution is passed, or any of their associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. Resolution 3 - Approval to issue Debt Repayment Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That subject to Resolution 2 being passed and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of that number of Shares which, when multiplied by the deemed issue price, is equal to US\$3,000,000 (subject to a maximum of 55,833,607 Shares) to Cline Mining Corporation (or its nominees) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Cline Mining Corporation (and its nominees) and any person who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a Shareholder), or any of their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. Resolution 4 - Approval to issue Capital Raising Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to the number of Shares that when multiplied by the issue price equals \$13,000,000, on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder), or any of their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. Resolution 5 - Approval to issue Performance Rights to Larry Cook

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 5,000,000 Performance Rights to Mr Larry Cook (or his nominee) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Larry Cook (and his nominee), or any of their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibitions

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such member; and

- (b) the appointment does not specify the way the proxy is to vote on the Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

7. Resolution 6 - Approval to issue Performance Rights to Project Originators

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 10,000,000 Performance Rights to the Project Originators (or their respective nominees) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Amon Mahon (and his nominee) and Mr Bernie Mason (or his nominee) and any person who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder), or any of their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. Resolution 7 - Approval of issue of Incentive Options to Directors

To consider and, if thought fit, to pass with or without amendment, each as a separate ordinary resolution the following:

"That pursuant to and in accordance Listing Rule 10.14 and sections 195(4) of the Corporations Act and for all other purposes, Shareholders approve the issue of Incentive Options to Directors (or their nominees) under the Participants Securities Incentive Plan as follows:

- (a) *up to 3,000,000 Options to Mr Mark Gray;*
- (b) *up to 1,500,000 Options to Mr Jonathan Reynolds; and*
- (c) *up to 750,000 Options to Mr Malcolm Carson,*

or their respective nominees, on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of these Resolutions by or on behalf of any Director who is eligible to participate in any employee incentive scheme of the Company or any of their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibitions

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on these Resolutions if:

- (a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such member; and
- (b) the appointment does not specify the way the proxy is to vote on the Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

9. Resolution 8 - Ratification of issue of Placement Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 22,017,871 Shares at \$0.14 each raising 3,082,502 (before costs) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who participated in the issue, or any of their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. Resolution 9 - Election of Director - Larry Cook

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That in accordance with Clause 57.2 of the Constitution, Listing Rule 14.4 and for all other purposes, Larry Cook, a Director who was appointed on 23 July 2019, retires and, being eligible, is elected as a Director."

11. Resolution 10 - Re-election of Director - Jonathan Reynolds

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That in accordance with Clause 58 of the Constitution and for all other purposes, Jonathan Reynolds, a Director who was last elected by Shareholders on 29 November 2017, retires and, being eligible, is elected as a Director."

12. Resolution 11 - Approval of 10% Placement Facility

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

"That pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities totalling up to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of any persons who are expected to participate in, or who will obtain a material benefit as a result of, an issue under the 10% Placement Facility (except a benefit solely by reason of being a holder of Shares) or any associate of those persons.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

13. Resolution 12 - Appointment of Auditor

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Brian R Taylor & Associates, being qualified to act as auditor of the Company and having consented to act, is appointed as the auditor of the Company effective from the date of the annual general meeting and the Directors are authorised to agree the remuneration."

14. Resolution 13 - Amendment to the Constitution

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

"That for the purposes of section 136(2) of the Corporations Act, the Constitution of the Company be modified by making the amendment contained in the document tabled at the Meeting and signed by the Chair for the purposes of identification, with effect from 1 December 2019."

BY ORDER OF THE BOARD



Jonathan Reynolds
Company Secretary
Allegiance Coal Limited
Dated: 30 October 2019

ALLEGIANCE COAL LIMITED

ACN 149 490 353

EXPLANATORY MEMORANDUM

1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at the offices of the Company, Suite 107, 109 Pitt Street, Sydney, New South Wales on Thursday, 28 November 2019 at 10.30am (AEDT).

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2	Action to be taken by Shareholders
Section 3	Background to the proposed acquisition of NECC and the New Elk Coal Project
Section 4	Annual Report
Section 5	Resolution 1 - Remuneration Report
Section 6	Resolution 2 - Approval to change in scale of activities
Section 7	Resolution 3 - Approval to issue Debt Repayment Shares
Section 8	Resolution 4 - Approval to issue Capital Raising Shares
Section 9	Resolution 5 - Approval to issue Performance Rights to Larry Cook
Section 10	Resolution 6 - Approval to issue Performance Rights to Project Originators
Section 11	Resolution 7 - Approval of issue of Incentive Options to Directors
Section 12	Resolution 8 - Ratification of issue of Placement Shares
Section 13	Resolution 9 - Election of Director - Larry Cook
Section 14	Resolution 10 - Re-election of Director - Jonathan Reynolds
Section 15	Resolution 11 - Approval of 10% Placement Facility
Section 16	Resolution 12 - Appointment of Auditor
Section 17	Resolution 13 - Amendment to the Constitution

Schedule 1	Definitions
Schedule 2	Pro forma balance sheet
Schedule 3	Terms and conditions of Performance Rights
Schedule 5	Securities issued in the previous 12 months
Schedule 6	Notice of Nomination
Schedule 7	Proposed amendments to the Constitution

A Proxy Form is located at the end of the Explanatory Memorandum.

2. Action to be taken by Shareholders

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Voting in person

To vote in person, attend the Meeting on the date and at the place set out above.

2.2 Proxies

(a) Voting by proxy

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (i) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (ii) a proxy need not be a member of the Company; and
- (iii) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

(b) Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- (i) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
 - (ii) if the proxy has 2 or more appointments that specify different ways to vote on the resolution - the proxy must not vote on a show of hands;
 - (iii) if the proxy is the chair of the meeting at which the resolution is voted on - the proxy must vote on a poll, and must vote that way (i.e. as directed); and
 - (iv) if the proxy is not the chair - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).
- (c) Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- (i) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;
- (ii) the appointed proxy is not the chair of the meeting;
- (iii) at the meeting, a poll is duly demanded on the resolution; and
- (iv) either the proxy is not recorded as attending the meeting or the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

2.3 Voting Prohibition by Proxy Holders (Remuneration of Key Management Personnel)

In accordance with sections 250BD and 250R of the Corporations Act, votes on Resolutions 1, 5 and 7 must not be cast (in any capacity) by, or on behalf of:

- (a) a member of the Key Management Personnel; or
- (b) a Closely Related Party of such member.

However, a person described above may cast votes on Resolutions 1, 5 and 7 if the votes are not cast on behalf of a person who is excluded from voting on the relevant Resolution and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chair and the appointment of the Chair as proxy does not specify the way the proxy is to vote on the resolution, but expressly authorises the Chair to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

2.4 Chair's voting intentions

The Chair intends to exercise all available proxies in favour of all Resolutions, unless the Shareholder has expressly indicated a different voting intention in the Proxy Form.

If the Chair is appointed as your proxy and you have not specified the way the Chair is to vote on Resolutions 1, 5 and 7 by signing and returning the Proxy Form, you are considered to have provided the Chair with an express authorisation for the Chair to vote the proxy in accordance with the Chair's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

3. Background to the proposed acquisition of NECC and the New Elk Coal Project

3.1 Existing activities of the Company

The Company was incorporated on 13 April 2011 and admitted to the official list of ASX on 29 May 2012.

The Company is a mineral explorer, with a current focus on coal exploration. The Company's key project is the Telkwa metallurgical coal project located in the north west of British Columbia, Canada (**Telkwa Project**). The Company acquired the Telkwa Project following the receipt of Shareholder approval pursuant to Listing Rule 11.1.2 in November 2016.

The Telkwa Project comprises three separate coal deposits: Tenas, Goathorn and Telkwa North. The Tenas metallurgical coal project is the Company's flagship project. A definitive feasibility study was announced by the Company for the Tenas project on 18 March 2019 and updated on 1 July 2019. The Company is now in the process of advancing the permitting and funding of the Tenas project.

The Company has been identifying and evaluating new investment opportunities for a permitted, hard coking coal mine in north America. This has resulted in the Acquisition. The Company remains fully committed to the Tenas Project which remains its flagship project. The Company will continue to investigate and review complementary acquisitions following completion of the Acquisition.

3.2 The Acquisition

(a) Change in the scale of activities

On 15 July 2019, the Company announced that it had signed a binding and conditional terms sheet (**Acquisition Agreement**) to acquire 100% of the issued capital of New Elk Coal Company, LLC (**NECC**), (**Acquisition**).

NECC owns 100% of the New Elk hard coking coal project located in Colorado, USA (**New Elk Coal Project**). The New Elk Coal Mine (**Mine**) is permitted and constructed, and subject to bringing the Mine out of care and maintenance, is production ready.

The sole shareholder of NECC is Cline Mining Corporation (**Cline**). Cline is a private British Columbia registered entity which was listed on the Toronto Stock Exchange until 2013.

A summary of the material terms and conditions of the Acquisition Agreement is set out in Section 3.2(b) below.

ASX has determined that the Acquisition constitutes a significant change in the scale of the Company's activities. Resolution 2 seeks Shareholder approval

for a change in the scale of the activities of the Company pursuant to Listing Rule 11.1.2.

The Company proposes to, subject to the receipt of Shareholders' approval of the relevant Resolutions and the terms of the Acquisition Agreement (including the conditions precedent summarised in Section 3.2(b)(ii) below):

- (i) undertake the Capital Raising, comprised of a private placement of Shares to raise a minimum of A\$4,259,000 and a maximum of A\$13,000,000 (before costs);
- (ii) proceed to Completion of the Acquisition Agreement, pursuant to which the Company will:
 - (A) pay US\$1.00 in cash to Cline in consideration for 100% of the issued capital of NECC; and
 - (B) settle part of the Cline Debt (refer to Section 3.2(b)(iv)) by:
 - (1) paying US\$5,060,258 to Cline to replace reclamation bonds in place for NECC with the State of Colorado;
 - (2) paying US\$3,000,000 to Cline in cash from funds raised by the Capital Raising; and
 - (3) issuing US\$3,000,000 worth of Shares to Cline;
- (iii) issue up to a total of 15,000,000 Performance Rights to Larry Cook and the Project Originators as additional remuneration and incentives.

The balance of the Cline Debt of approximately US\$30 million is to be repaid on a quarterly basis from cash flow of NECC.

The Company cautions investors that, other than exclusivity to 14 July 2020, the material provisions of the Acquisition Agreement in relation to the potential Acquisition are and remain non-binding and that an investment decision should not be made on the basis of this information. There can be no certainty that any binding agreement or agreements will be reached, or that any concluding transaction will eventuate.

Other information considered material to the Shareholders' decision on whether to pass the Resolutions is set out in this Explanatory Memorandum, and Shareholders are advised to read this information carefully.

(b) Key terms of the Acquisition Agreement

(i) Consideration

In consideration for the acquisition 100% of the issued capital of NECC and subject to the satisfaction of the conditions precedent set out in Section 3.2(b)(ii) below, at Completion the Company will pay US\$1.00 cash to Cline.

(ii) **Conditions Precedent**

Completion of the Acquisition Agreement remains conditional upon the satisfaction (or waiver) of the following material conditions precedent:

- (A) **(Feasibility Study)**: the completion of a feasibility study by 14 April 2020 to the Company's satisfaction, to develop the mine plan and return the New Elk Coal Mine to development;
- (B) **(Capital Raising)**: the Company raising sufficient capital to complete the Acquisition and provide start-up working capital for the New Elk Coal Project (as required by the Feasibility Study) by 14 June 2020;
- (C) **(definitive agreement)**: execution of definitive agreement/s for the Acquisition (including a membership interest purchase agreement) by no later than 14 June 2020; and
- (D) **(shareholder approvals)**: the Company obtaining all necessary Shareholder approvals required by the Corporations Act and the Listing Rules in respect of the Acquisition by 14 June 2020, including without limitation, approval for the change in the scale of the Company's activities and the issue of the Debt Repayment Shares.

The Acquisition Agreement may be terminated if the above conditions are not satisfied by the dates above. Completion is to occur by no later than 14 July 2020, however the Company hopes to complete significantly earlier.

(iii) **Exclusivity and operational support**

Until the Acquisition Agreement is terminated or the Acquisition is completed, Cline has agreed to grant the Company exclusivity with respect to NECC and the New Elk Coal Project.

During this time, the Company has agreed to make non-refundable payments of US\$150,000 per month to Cline from 1 August 2019 for care and maintenance expenses with respect to the New Elk Coal Project (**Care and Maintenance Payments**).

(iv) **Cline Debt**

As at the Latest Practicable Date, there is a C\$55 million debt due and payable by NECC to Cline (**Cline Debt**).

Subject to Shareholder approvals, the Company, Cline and NECC have agreed to settle the Cline Debt as follows:

- (A) the payment by the Company of the Care and Maintenance Payments;
- (B) the Company, on behalf of NECC, will make the following cash payments to Cline at Completion:

- (1) US\$5,060,258 to replace reclamation bonds in place for with NECC with the State of Colorado; and
- (2) US\$3,000,000.
- (C) the Company will issue US\$3,000,000 worth of Debt Repayment Shares at Completion, at a deemed issue price equal to the higher of A\$0.08 per Share or the 20-Day VWAP. The Debt Shares will be subject to 12 months' voluntary escrow; and
- (D) the Net Cline Debt, being the balance of approximately US\$30,000,000, is to be repaid to Cline on a quarterly basis from net cash flow of NECC after making prudent provision for working and sustaining capital and scheduled repayments of Preferred Debt (being any debt raised prior to the commencement of production), but prior to any cash distributions to the shareholders of NECC.

Repayment of the Cline Debt shall be limited in recourse to the assets of NECC and shall be subordinated to any Preferred Debt. The repayment schedule for the Cline Debt will be agreed as part of the definitive agreements for the Acquisition.

(v) **Warranties and indemnities**

The Acquisition Agreement provides that the definitive agreement/s for the Acquisition will contain additional provisions, including warranties and indemnities in respect of the status of NECC, which are considered standard for agreements of this kind.

(c) **Proposed corporate structure**

Following completion of the transaction, NECC will become a wholly owned subsidiary of the Company, subject to any dilution which the Company may agree to as part of Project funding.

3.3 **About the New Elk Coal Project**

(a) **Background**

The New Elk Coal Mine is located in Las Animas County in southeast Colorado bordering northeast New Mexico, and sits within the Raton Basin which, according to US Geological Survey Paper 1625-A, has an estimated 15 billion metric tonnes of coal.

The Raton Basin of southeast Colorado and northeast New Mexico has had active coal mines for nearly 150 years producing good quality hard coking coals for domestic steel production. It hosts low sulphur, mid to high volatile hard coking coals, typically with excellent plasticity which is an important element in the blending of coking coals in blast furnace steel production.

The Mine location is illustrated in the following diagrams:

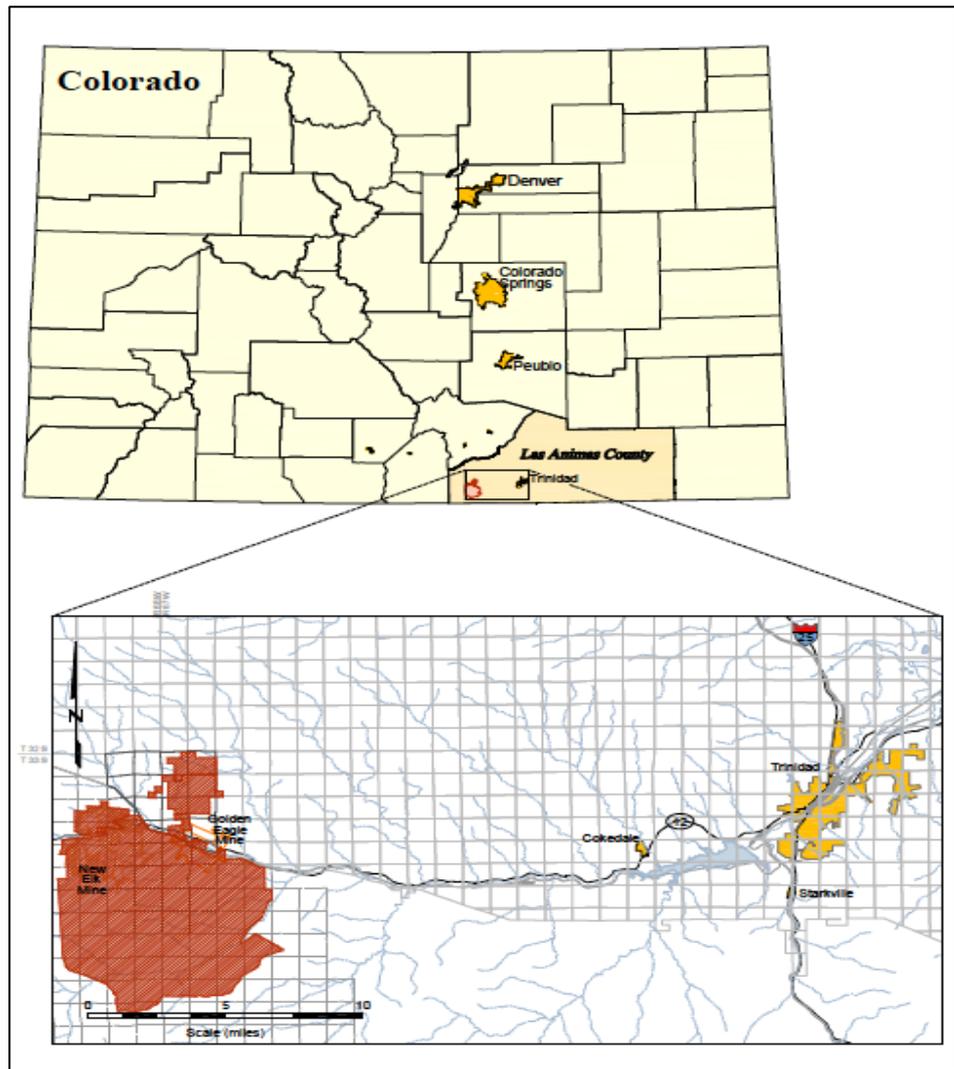


Image: Mine location, southern Colorado

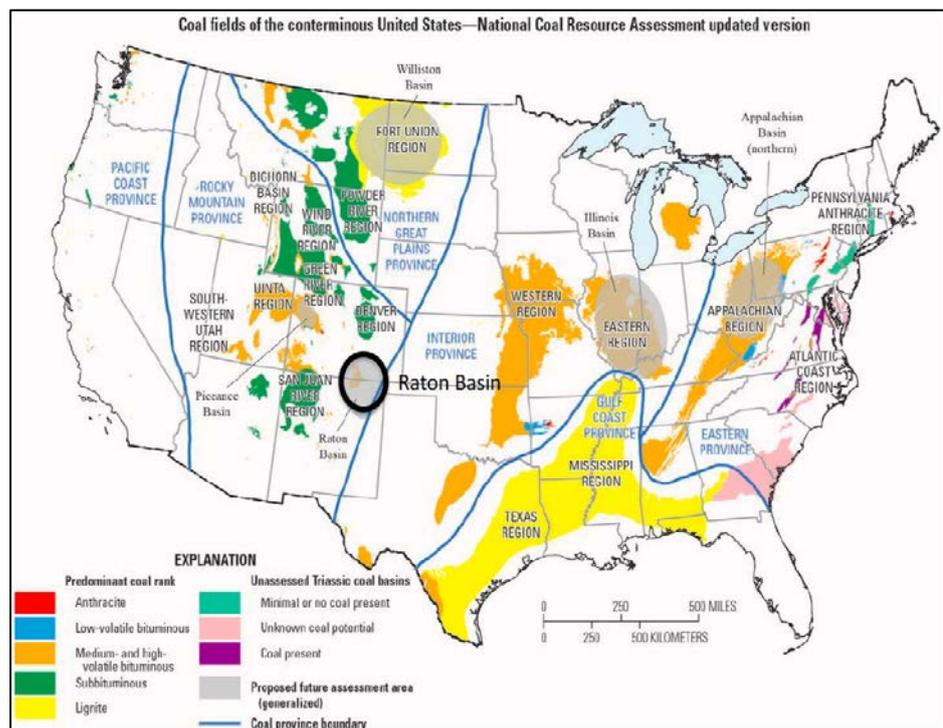


Image: Raton sedimentary basin where the Mine is located

The Mine was first named the 'Allen Mine', and commenced production in 1951 supplying coking coal to the Pueblo Steel Mill located approximately 100 miles north of the Mine. In the late 1970s, the Pueblo Steel Mill transitioned from blast furnace steel production to electric arc furnace no longer requiring hard coking coal. Notwithstanding this, the Allen Mine continued production through to 1989 supplying coal to local power utilities, and the wash-plant continued operating until 1996 servicing neighbouring mines.

While existing rail near the Mine could transport coal 950 miles to the Gulf of Mexico, a lack of nearby coal handling facilities at ports meant the coking coal could not access the export seaborne market. The Mine now has access to both international and domestic steel mill markets. The Mine is near rail that can supply coal to the seaborne export market via two dry bulk terminals located in the Bay of Houston on the Gulf of Mexico operated by Kinder Morgan, as well as rail access to a steel mill nearby in northeast Mexico that currently buys coal from the eastern coal mines of US and the seaborne market. While the rail haul is further, the Mine can also potentially supply coal to the steel mills in eastern US.

The Mine was acquired by Cline in 2008 for C\$17 million. In 2010, the Mine was re-opened under the name 'New Elk Mine'. Cline upgraded the Mine infrastructure, including the wash-plant and supporting infrastructure, developed a second underground portal entry, and recommenced production at an estimated capital cost of some C\$150 million.

Production recommenced in 2011 with production of saleable coal intended for sale on the global seaborne market via the Port of Corpus Christi, with plans to increase production once the underground headings were fully developed allowing several production panels, and rail from the Mine to the loadout had been re-installed.

The Mine operated for several months but was forced to close in July 2012 when world hard coking coal prices plummeted. Following this, Cline filed for bankruptcy protection, which resulted in all liabilities being extinguished, and the senior secured creditor ultimately taking ownership of Cline and its subsidiary NECC. It has remained on care and maintenance since.

(b) **Mine assets and infrastructure**

In 2011, Cline invested US\$62.5M in surface and underground equipment, including a US\$8.5M upgrade of the wash-plant. These assets remain intact and on-site, and appear to have been well maintained.

Key assets include:

- (i) a full spread of production equipment including:
 - (A) 7 Joy rebuilt 14cm15 continuous miners (one new with no hours, two with less than 2,000 hours, and three with less than 3,000 hours);
 - (B) 8 Joy SC10 shuttle cars;
 - (C) 2 feeder breakers;
 - (D) 1 roof bolter (another 3 will be required to be purchased);
 - (E) 4 scoops (underground utility vehicles);

- (F) several underground power units; and
- (G) an estimated US\$3.2M in inventory and spare parts;
- (ii) two separate portals and declines (including access road, belt road and ventilation road), into one of the upper coal seams 50 metres below surface (**Blue Seam**), and the lowest coal seam 200 metres below surface (**Allen Seam**);
- (iii) rock crusher bin receiving ROM coal by conveyor belts from both portals and feeding the ROM coal pad by a stacker conveyor;
- (iv) ROM coal pad and dual underground feeding systems conveying ROM coal into the coal handling and preparation plant (**CHPP**) and then conveying washed coal to the product pad;
- (v) CHPP with a name plate of 800tph feed rate;
- (vi) product coal pad underground fed conveyor feeding system to two silos with holding capacity of 25,000 tonnes;
- (vii) CHPP rejects dump with direct conveyor;
- (viii) power sub-station;
- (ix) office buildings, wash-house, warehouse and workshop with 10 tonne overhead crane; and
- (x) surface support equipment including 40t dump truck, grader, front-end loader and back-hoe.



Image: Aerial view of the Mine: ROM and Product pads; CHPP; and twin storage silos.

Following recommencement of production in 2011, the Mine produced just 177,000 saleable tonnes of coal up to July 2012. For the first six months mining involved re-opening the existing portal, remedial work on the old main headings, development of the new portal, new decline, and new headings with limited coal recovery.

(c) **Title to the coal and permits to mine**

Ownership of coal in the US is predominantly based on surface land ownership. NECC owns some of the land overlying the Mine, and has lease arrangements in place with the other landowners to access and mine the coal. The Company has satisfied itself that NECC has valid title to the coal resource.

(d) **Logistics**

The Mine is located 21 miles from the main line rail operated by BNSF Railway. The Mine has leased access to a fully constructed rail siding and rail-loadout adjacent to the main line rail, also in a good state of repair.

A sealed road runs from the Mine to the rail loadout. A developed railway bed also exists from the Mine to the rail loadout.



Image: Rail loadout.



Image: Feeding system into the rail loadout.

The track was removed by the railroad owner when the Mine ceased operations in 1996. The railway bed has retained the majority of its ballast, all existing bridges and culverts which appear in good condition, and two installed road crossings. All that is required is for the track to be re-laid.

When the Mine recommenced production in 2011, Cline hauled coal from the Mine to the rail loadout in 30t road trucks on the main road. Cline's intention was to re-lay the track once the Mine headings were fully developed so that it could increase production and then utilise the rail from the CHPP to the loadout. The Feasibility Study (see Section 3.3(f) below) is likely to take the same approach.

The rail loadout is 950 miles on BNSF rail to Houston Port where Kinder Morgan Coal Terminal has the capacity to handle 5.25Mtpa of coal. The terminal can receive 60,000t panamax vessels. The terminal currently handles petcoke, a by-product from the oil and gas industry in Texas, and has available capacity as little coal is exported from this terminal.



Image: BNSF rail from Mine to Houston Port.



Image: One of two Coal Terminals at Houston Port.

Importantly, the coal terminal gives the Mine access to the global seaborne hard coking coal market.

(e) **Coal Resources**

A National Instrument 43-101 Technical Report was undertaken for NECC by Agapito Associates, Inc., a US nationally recognised engineering firm, in July 2012 (**Report**). The Report declared a mineral resource estimate of 656Mt of coal resources at a seam height cut-off of three feet. Coal seam thickness varies from three to nine feet.

The mineral resource estimate (in metric tonnes) is shared across eight coal seams summarised in the table below.

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

Investors should note that the Mineral Resource Estimate for the Mine is a foreign estimate under ASX Listing Rule 5.12 and is not reported in accordance with the JORC Code. A competent person has not done sufficient work to

classify this foreign estimate as a mineral resource under the JORC Code and it is uncertain that following further exploration or evaluation work that this foreign estimate will be able to be reported as a mineral resource in accordance with the JORC Code.

The information regarding the mineral resources of the New Elk Coal Project in this Notice was first reported in the Company's announcement of 15 July 2019. The Company is not aware of any new information or data that materially affects the information included in the previous announcement, and all material assumptions and technical parameters underpinning the estimates in the previous announcement continue to apply and have not materially changed.

(f) **Strategy and Feasibility Study**

In accordance with the Acquisition Agreement, the Company intends to commission an independent feasibility study in order to declare coal reserves under JORC 2012, and to develop a mine plan to bring the Mine back into production (**Feasibility Study**). The Feasibility Study will be quite narrow given the mine is already constructed. It will also provide an independent technical assessment, while delivering a mine plan for production at the same time.

The Feasibility Study will target the following coal seams:

- (i) the Green seam, because it outcrops at the mine-site and can be mined by either highwall or underground mining with simple box-cut access as a stand-alone operation;
- (ii) the Blue seam which already has portal access including underground road access, belt road and ventilation road, and where the main headings have already been advanced 350 metres underground; and
- (iii) the Allen seam which also already has separate portal access including underground road access, belt road and ventilation road and, as is discussed below, has the best coal quality.

While the other coal seams are unlikely to feature in the Feasibility Study to any great degree, the Mine plan will be developed in such a way that these coal resources are not sterilised from future mining.

The Allen seam has the best and most consistent coal quality within the Mine. It will be the target seam in the Feasibility Study and will likely be blended with the other coal seams when required to improve their quality.

The Allen seam sits between the high volatile 'A' coking coal, and high volatile 'B' coking coal categories. Key coal quality parameters are taken from the Report and are summarised in the table below (adb).

Moist	Ash	VM	FC	S	FSI	Fluidity	RoMax	Phos
%	%	%	%	%		ddpm		%
1.0	8.5	35	55.5	0.6	8-9	30k+	0.85	0.06

The fluidity, which is the main attraction to US hard coking coal from the world steel mills, is high volatile 'A' supported by very low sulphur for US coals

which are typically >1%, and a high free swell index. The volatile matter and RoMax sit in the high volatile 'B' category.

The Allen seam should attract strong interest from world steel mills. The remaining seams are all high volatile 'B' hard coking coals with varying parameters. The key coal quality parameters for all remaining seams are taken from the Report and are summarised in the table below (adb).

Moist	Ash	VM	FC	S	FSI	Fluidity	RoMax	Phos
%	%	%	%	%		ddpm		%
1.0	8.5	35	55.5	0.5	6-7	15k to 30k	0.85	0.10

The phosphorous is high but should be off-set in part by again, very low sulphur for a US hard coking coal. As has been mentioned, however, the Feasibility Study will consider blending some of the Allen seam with these seams to mitigate areas where the coal quality is inferior.

3.4 Pro forma balance sheet

A pro forma statement of financial position of the Company as at 30 June 2019 based on the unaudited accounts of NECC as at 31 May 2019 is set out in Schedule 2.

3.5 Pro forma capital structure

The pro forma capital structure of the Company following completion of the Acquisition and the Capital Raising (based on \$4,259,400 being raised (Minimum Subscription) and \$13,000,000 being raised (Maximum Subscription)), is below:

Securities	Minimum Subscription	Maximum Subscription
Shares		
Existing Shares	568,500,797	568,500,797
Debt Repayment Shares ¹	55,465,168	55,465,168
Capital Raising Shares ²	36,718,966	112,068,966
Shares issued upon conversion of Performance Rights ³	6,250,000	6,250,000
TOTAL SHARES	666,934,931	742,284,931
Options		
Existing Options on issue ⁴	14,250,000	14,250,000
TOTAL OPTIONS	14,250,000	14,250,000
Performance Rights		
Performance Rights ³	8,750,000	8,750,000

TOTAL PERFORMANCE RIGHTS	8,750,000	8,750,000
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Notes:

1. Based on an exchange rate of A\$1:US\$0.6761 and a deemed issue price of A\$0.08 per Share, being the agreed floor price.
2. Based on raising a minimum of \$4,259,400 and a maximum of \$13,000,000 (before costs) and an issue price of \$0.116, being 80% of the closing Share price on the Latest Practicable Date.
3. The Company proposes to issue a total of 15,000,000 Performance Rights. Please refer to Schedule 3 for the terms and conditions of the Performance Rights. Assumes all Performance Rights are issued and are converted into Shares.
4. Unquoted Options comprised of:
 - (a) 5,000,000 Options exercisable at \$0.05 each on or before 6 December 2020; and
 - (b) 9,250,000 Options exercisable at \$0.075 each on or before 6 December 2022.

The Company is also seeking Shareholder approval pursuant to Resolution 7 for the issue of 5,250,000 Incentive Options, exercisable at \$0.28 each on or before five years after the date of issue.

The above table is a statement of current intentions as at the date of this Notice and is subject to change.

3.6 Voting power of Cline

Cline is currently controlled by Marret Asset Management Inc of Canada (**Marret**) on behalf of bondholders. Neither Cline nor Marret currently has any voting power in the Company and neither is a related party of the Company.

On completion of the Acquisition and assuming 55,465,168 Debt Repayment Shares are issued (based on an exchange rate of A\$1:US\$0.6761 and a deemed issue price of \$0.08 per Share), Cline will hold a voting power of 8.31% (based on the Minimum Subscription) or 7.47% (based on the Maximum Subscription).

The Debt Repayment Shares will be subject to 12 months' voluntary escrow.

3.7 ASX waiver

The Company has received a waiver from Listing Rule 7.3.2 to permit the Company to issue the Debt Repayment Shares later than the 3-month period permitted by that rule.

The terms of the waiver are provided below:

- '1. *Based solely on the information provided, ASX Limited ("ASX") grants Allegiance Coal Limited (the "Company") a waiver from Listing Rule 7.3.2 to the extent necessary to permit the notice of meeting (the "Notice") to be issued by the Company seeking shareholder approval for the issue of up to 55,833,607 shares at a minimum deemed issue price of AUD \$0.08 per share ("Debt Shares") to Cline Mining Corporation ("Cline"), as part of the acquisition of 100% of the issued capital of the New Elk Coal Company, LLC ("NECC") from Cline ("Acquisition") not to state that the Debt Shares will be issued no later than three months after the date of the meeting the subject of the Notice on the following conditions:*

- 1.1 *The Debt Shares must be issued to Cline no later than 14 July 2020;*

- 1.2 *For any annual reporting period during which any of the Debt Shares have been issued or any of them remain to be issued, the Company's annual report sets out in detail the number of Debt Shares issued during the reporting period, the number of Debt Shares that remain to be issued and the basis on which the Debt Shares may be issued;*
- 1.3 *In any half year or quarterly report for a period during which any of the Debt Shares have been issued or remain to be issued, the Company must include a summary statement of the number of Debt Shares issued during the reporting period, the number of Debt Shares that remain to be issued and the basis on which the Debt Shares may be issued;*
- 1.4 *The terms of the waiver are disclosed in the Notice; and*
- 1.5 *The Notice contains a summary of the material terms of the Acquisition and the Debt Shares.*
2. *ASX has considered Listing Rule 7.3.2 only and makes no statement as to the Company's compliance with other listing rules.'*

3.8 Use of funds

The Company intends to use the funds raised under the Capital Raising, together with the Company's existing cash reserves post-Acquisition, in the three months following the completion of the Acquisition as follows:

Funds available	Amount (\$'000)	
Existing cash reserves of the Company ¹	3,867	
Funds raised from the Capital Raising		
Minimum Subscription	4,259	
Maximum Subscription	13,000	
Allocation of funds	Minimum Subscription	Maximum Subscription
Expenses of the Acquisition ²	4,700	5,230
Expenditure on existing projects ³	1,000	1,500
Expenditure on New Elk Coal Project, pre Completion ⁴	1,150	1,150
Expenditure on New Elk Coal Project, pre Completion ⁵	-	7,500
General working capital, including corporate and administrative costs ⁶	1,279	1,487

TOTAL	8,126	16,867
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Notes:

1. These funds represent existing cash held by the Company as at 30 September 2019. The Company expects to incur costs within the ordinary course of its business, which will diminish this amount prior to completion of the Acquisition.
2. This expenditure includes:
 - (a) payment of US\$3 million to Cline at Completion to settle part of the Cline Debt; and
 - (b) estimated costs of the Capital Raising.
3. This expenditure is intended to be committed to continue with the development of the Tenas metallurgical coal project.
4. This expenditure is intended to be committed as follows:
 - (a) care and maintenance costs; and
 - (b) due diligence costs, in particular the Feasibility Study.
5. Capital reserved to rehabilitate the Mine, including to replace the reclamation bonds.
6. General working capital will be utilised by the Company to pay for the corporate and administration costs of the Company generally and cost overruns in forecast expenditures (if any).

It is intended that the Minimum Subscription will fund the Company through to the first quarter 2020, by which time an additional capital raising or other funding options will be required in order to continue development of the Tenas metallurgical coal project, pending receipt of the Itochu Tranche 3 subscription for shares in Telkwa Coal Ltd, and to meet general working capital requirements.

The above table is a statement of current intentions as at the date of this Notice. Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments and market and general economic conditions. In light of this, the Board reserves the right to alter the way the funds are applied.

In addition to the above, prior to Completion the Company intends to procure project debt to fund the payment of the reclamation bonds (US\$5,060,258) and the costs to bring the New Elk Coal Project back to production (anticipated, subject to completion of the Feasibility Study, at US\$15 million), to the extent that these costs cannot be funded from the Capital Raising. The Board believes that given the level of equity present in the New Elk Coal Project (to be confirmed by the Feasibility Study), these costs can be wholly funded by project debt or through the Company diluting its interest in the New Elk Project. Should this prove not to be the case, the Company will either seek additional Shareholder approvals to undertake a further equity capital raising or shall relinquish its rights to the New Elk Coal Project.

The use of further equity funding or Share placements will be considered by the Board where it is appropriate.

It is possible that future acquisitions that may be contemplated may exceed the current or projected financial resources of the Company and it is expected that these acquisitions would be funded by project finance and/or equity issues (subject to any required Shareholder approvals).

3.9 Indicative timetable

Event	Key dates
Despatch of this Notice of Meeting to Shareholders	30 October 2019
Annual General Meeting	28 November 2019
Issue of Performance Rights	6 December 2019
Anticipated completion of the Feasibility Study	16 December 2019
Issue of Capital Raising Shares, no later than	14 June 2020
Completion of the Acquisition Agreement and issue of Debt Repayment Shares, no later than	14 June 2020

3.10 Board intentions if Completion occurs

In the event that the conditions precedent to the Acquisition are satisfied (including successful completion of the Capital Raising) and the Acquisition completes, it is the Board's intention to focus on the following activities:

- (a) bring the New Elk Coal Project back to production;
- (b) maintain the Company's existing projects and continue review of options to extract value; and
- (c) continue to investigate complementary acquisitions.

3.11 Advantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on each of the Resolutions:

- (a) the Acquisition will provide the Company with a project requiring relatively minimal start-up capital (given the Mine is fully constructed and apparently well-maintained) which is expected to generate cashflow in the near term, bridging the gap between the permitting and construction of the Tenas Project;
- (b) the Acquisition represents a significant opportunity for the Company to increase the scale of its activities which should increase the number and size of the investor pool that may invest in the Company's Shares; and
- (c) the Acquisition provides the Company with the opportunity to increase the value of the Company.

3.12 Disadvantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on each of the Resolutions:

- (a) upon completion of the Acquisition, the Company will have a substantial area of focus on exploration and development of coal tenements in British Columbia and Colorado, which may not be consistent with the objectives of all Shareholders;

- (b) the New Elk Coal Project may not turn out to be commercially viable and thus losses may be incurred. In general terms, investments in listed exploration and development companies should be considered highly speculative; and
- (c) the Acquisition, the Capital Raising and the Placement will result in the issue of Shares to Cline and new investors, which will have a dilutionary effect on the holdings of Shareholders.

3.13 Plans for the Company if the Acquisition does not proceed

If the Resolutions are not passed or if the Acquisition is otherwise not completed, the Company will continue to evaluate potential projects to acquire in order to continue to take the Company forward.

Regardless of whether the Acquisition is completed or not, the Company intends to maintain its interest and focus on the Telkwa Project.

3.14 Directors' interests in the Acquisition

None of the Company's Directors have any interest in the proposed Acquisition pursuant to the Acquisition Agreement, other than as disclosed in this Notice.

3.15 Risks associated with the Acquisition

Shareholders should be aware that if the Acquisition is approved and completed, the Company will be changing the scale of its activities and may be subject to additional or increased risks.

The risks and uncertainties described below are not intended to be exhaustive. There may be additional risks and uncertainties that the Company is unaware of or that the Company currently considers to be immaterial, which may affect the Company.

References to the Company in the below include NECC post-Completion.

(a) Specific risks relating to the Company

(i) Additional requirements for capital

It is considered that the funds raised by the Capital Raising will be sufficient to meet the immediate objectives of the Company following completion of the Acquisition.

However, the Company will require additional capital to fund further exploration or development of its existing or new projects, including the New Elk Coal Project and the Telkwa Project.

The Company may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in the delay and indefinite postponement of exploration, development or production on the New Elk Coal Project and/or the Telkwa Project or even loss of a property interest.

There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

(ii) **Mine development risk**

Possible future development of a mining operation at the Company's existing or new projects, including the New Elk Coal Project, is dependent on a number of factors including, but not limited to, the acquisition and/or delineation of economically recoverable mineralisation, favourable geological conditions, receiving the necessary approvals from all relevant authorities and parties, seasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, access to the required level of funding and contracting risk from third parties providing essential services.

If the Company commences production, its operations may be disrupted by a variety of risks and hazards which are beyond its control, including environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions and fires, explosions or accidents. No assurance can be given that the Company will achieve commercial viability through the development or mining of any of its projects, including the New Elk Coal Project.

(iii) **Estimation of resources and reserves**

There is a degree of uncertainty to the estimation of mineral resources and ore reserves and corresponding grades being mined or dedicated to future production. Until mineral resources or ore reserves are actually mined and processed, the quantity of mineral resources and ore reserves must be considered as estimates only. In addition, the grade of mineral resources and ore reserves may vary depending on, among other things, ground conditions. Any material change in quantity and grades of mineral resources, ore reserves, or stripping ratio/mining dilution may affect the economic viability of the properties. In addition, there can be no assurance that coal properties demonstrated in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Fluctuation in the price of coal, results of drilling, metallurgical testing and the evaluation of mine plans subsequent to the date of any mineral resource estimate may require revision of such estimate. Any material reductions in estimates of mineral resources and/or ore reserves, could have a material adverse effect on the Company's financial condition.

(iv) **Title**

The claims comprising the New Elk Coal Project are governed by contracts relating to renewal and forfeiture. There is no guarantee that current or future lease contracts will be renewed.

The contracts may be subject to a number of specific conditions including payment of rent and meeting minimum annual extraction commitments. The inability to meet these conditions in relation to

the coal licenses could affect the standing of these coal licenses or restrict their ability to be renewed, adversely affecting the operations, financial position and performance of the Company.

(v) **Permits to Mine**

Mining operations in North America and strictly controlled by permits to operate, governed by legislation. There can be no guarantee that current or future licences and applications, conversions or renewals to operate will be approved.

The permits will be subject to a number of specific legislative conditions including payment of fees and meeting minimum performance conditions. The inability to meet these conditions could affect the standing of the permits or restrict their ability to be renewed, adversely affecting the operations, financial position and performance of the Company.

(vi) **Sovereign and political risk**

The activities related to the New Elk Coal Project will be governed by United States federal and state law.

The Directors consider that the US government supports the development of natural resources by foreign investors. However, there is no assurance that future political and economic conditions in the USA will not result in the US government adopting different policies regarding foreign development and ownership of mineral resources. Any changes in policy may result in legislative changes affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return on capital, all of which may adversely affect the operations, financial position and performance of the Company.

Any potential future US operations of the Company are subject to a number of risks, including: potential difficulties in enforcing agreements and collecting receivables through foreign systems, potential difficulties in protecting rights and interests in assets, increases in costs for transportation and shipping, and restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes.

Any of these factors could materially and adversely affect the Company's business, results of operations and financial condition.

(vii) **Environment**

The New Elk Coal Project is subject to laws and regulations regarding environmental matters and the Company will require approvals from and compliance with all relevant authorities.

The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

(viii) **No market sector diversification**

As the Company will be entirely exposed to the mining, and in particular the coal mining, sector, its business performance may be affected should this sector perform poorly.

(b) **General risks relating to the Company**

(i) **Economic risks**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's business activities and potential exploration and development programs, as well as on its ability to fund those activities.

(ii) **Force majeure**

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(iii) **Market conditions**

Share market conditions may affect the value of the Company's Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (A) general economic outlook;
- (B) introduction of tax reform or other new legislation;
- (C) interest rates and inflation rates;
- (D) changes in investor sentiment toward particular market sectors;
- (E) the demand for, and supply of, capital; and
- (F) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resources stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return to Shareholders arising from the transactions the subject of this Notice or otherwise.

(c) **No guarantee in respect of investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's securities.

4. Annual Report

In accordance with section 317 of the Corporations Act, Shareholders will be offered the opportunity to discuss the Annual Report, including the Financial Report, the Directors' Report and the Auditor's Report for the financial year ended 30 June 2019.

There is no requirement for Shareholders to approve the Annual Report.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available online at www.allegiancecoal.com.au;
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chair about the management of the Company, or to the Company's auditor about:

- (a) the preparation and content of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than five business days before the Meeting to the Company Secretary at the Company's registered office.

5. Resolution 1 - Remuneration Report

In accordance with subsection 250R(2) of the Corporations Act, the Company must put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out the remuneration policy for the Company and the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

In accordance with subsection 250R(3) of the Corporations Act, Resolution 1 is advisory only and does not bind the Directors. If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

If the Company's Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive annual general meetings, Shareholders will have the opportunity to remove the whole Board, except the managing director (if any).

Where a resolution on the Remuneration Report receives a Strike at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the managing director, if any) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company's Remuneration Report did not receive a Strike at the 2018 annual general meeting. If the Remuneration Report receives a Strike at this Meeting, Shareholders should be aware that if a second Strike is received at the 2020 annual general meeting, this may result in the re-election of the Board.

The Chair will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

Resolution 1 is an ordinary resolution.

6. Resolution 2 - Approval to change in scale of activities

6.1 General

Resolution 2 seeks the approval of Shareholders for a change in the scale of the Company's activities via the acquisition of 100% of the issued share capital of NECC.

A detailed description of the proposed Acquisition is outlined in Section 3.2 above.

6.2 Listing Rule 11.1

Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and/or scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the Listing Rules as if the company were applying for admission to the official list of ASX.

ASX has confirmed to the Company that given the significant change in the scale of the Company upon completion of the Acquisition, it requires the Company to obtain the approval of its Shareholders for the Acquisition. ASX has confirmed that it will not require the Company to re-comply with the admission requirements set out in Chapters 1 and 2 of the Listing Rules.

For this reason, the Company is seeking Shareholder approval for the Company to change the scale of its activities under Listing Rule 11.1.2.

Details of the assets to be acquired by the Company and the proposed changes to the structure and operations of the Company are provided throughout this Explanatory Memorandum.

6.3 Board recommendation

The Board recommends that Shareholders vote in favour of Resolution 2.

Resolution 2 is an ordinary resolution and is subject to the approval of Resolution 3.

7. Resolution 3 - Approval to issue Debt Repayment Shares

7.1 General

Resolution 3 seeks Shareholder approval for the issue of up to US\$3 million worth of Debt Repayment Shares to Cline (or its nominees) at Completion in part satisfaction of the Cline Debt. The Debt Repayment Shares will be subject to 12 months' voluntary escrow.

Refer to Section 3 for further details regarding the background to Resolution 3.

7.2 Listing Rule 7.1

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period.

The effect of Resolution 3 will be to allow the Company to issue the Debt Repayment Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity under Listing Rule 7.1.

7.3 Specific information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the proposed issue of Debt Repayment Shares:

- (a) Subject to the following paragraph, the number of Debt Repayment Shares to be issued is that number of Shares which, when multiplied by the deemed issue price, equals US\$3,000,000. The USD/AUD exchange rate for the issue of the Debt Repayment Shares will be the rate quoted by or in the Australian Financial Review as the purchasing power of AUD1 in USD as last published (but no more than two Business Days prior to Completion);

The maximum number of Debt Repayment Shares to be issued pursuant to this Shareholder approval is 55,833,607, based on a deemed issue price of A\$0.08 per Share.

- (b) Pursuant to the terms of the waiver of Listing Rule 7.3.2The Debt Repayment Shares will be issued in part consideration for the repayment of Cline Debt and therefore will be issued for nil cash consideration. The deemed issue price of the Debt Repayment Shares will be the higher of:

- (i) A\$0.08 per Share; or
- (ii) the 20-day volume weighted average market price of Shares trading on ASX prior to the date of Completion (20-Day VWAP).

- (c) The Debt Repayment Shares will be issued to Cline or its nominees, none of whom are or will be related parties of the Company.

- (d) The Debt Repayment Shares will be fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing Shares on issue.

- (e) No funds will be raised from the Debt Repayment Shares as they will be issued for nil cash consideration as part consideration for the repayment of the Cline Debt. Further information regarding the Acquisition in general is outlined in Section 3 above.
- (f) It is intended that the Debt Repayment Shares will be issued on the same date, being the date of Completion.
- (g) A voting exclusion statement is included in the Notice.

7.4 Board recommendation

The Board recommends that Shareholders vote in favour of Resolution 3.

Resolution 3 is an ordinary Resolution and is subject to the approval of Resolution 2.

8. Resolution 4 - Approval to issue Capital Raising Shares

8.1 General

The Company intends to undertake a private placement of Shares to raise between A\$4,259,000 and up to A\$13,000,000 (before costs) (**Capital Raising Shares**).

The proposed use of funds from the Capital Raising is summarised in Section 3.8 above.

Resolution 4 seeks Shareholder approval for the issue of the Capital Raising Shares.

8.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is in Section 7.2 above.

The effect of Resolution 4 will be to allow the Company to issue the Capital Raising Shares during the period of three months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity under Listing Rule 7.1.

8.3 Specific information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the proposed issue of Capital Raising Shares:

- (a) the maximum number of Capital Raising Shares to be issued is that number which when multiplied by the issue price equals \$13,000,000;
- (b) the Capital Raising Shares will be issued no later than three months after the date of the Meeting;
- (c) the issue price will be not less than 80% of the average market price for Shares calculated over the 5 days on which sales in the Shares were recorded before the date on which the issue is made or, if there is a prospectus, over the last 5 days on which sales in the securities were recorded before the date the prospectus is signed;
- (d) the Company has not yet identified parties for the issue of the Capital Raising Shares however it is the intention of the Company that the Capital Raising Shares will be issued to investors to whom a prospectus does not need to be provided under the Corporations Act. It is not known at the date of the Notice

whether the Company will appoint a lead manager or broker to assist with the issue of the Capital Raising Shares;

- (e) the Capital Raising Shares to be issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the Company intends to use of the funds raised from the issue of the Capital Raising Shares to fund at least the payment of the cash portion of the Cline Debt Repayment, as well as, to the extent possible, fund the payment of the reclamation bonds (US\$5,060,258) and the costs to bring the New Elk Coal Project back to production. Further information regarding the proposed Acquisition in general is outlined in Section 3 above;
- (g) it is intended that the Capital Raising Shares will be issued on the same date, however the Capital Raising Shares may be issued in several tranches, no later than three months after the date of the Meeting; and
- (h) a voting exclusion statement is included in the Notice.

8.4 Examples of potential dilution

The exact number of Capital Raising Shares to be issued will depend on:

- (a) the total amount raised pursuant to the Capital Raising; and
- (b) the issue price.

As the number of Capital Raising Shares to be issued is not known as at the date of this Notice, and will not be known as at the date of the Meeting, below are worked examples of the number of Capital Raising Shares that may be issued based on a range of issue prices between:

- (a) \$0.0304, being a 20% discount to the lowest closing Share price on ASX over the 12-month period up to the Latest Practicable Date (\$0.038); and
- (b) \$0.1320, being a 20% discount to the highest closing Share price on ASX over the 12-month period up to the Latest Practicable Date (\$0.165).

Assumed issue price	Maximum Capital Raising Shares		Enlarged number of Shares		Dilution effect on existing Shareholders	
	Minimum Subscription	Maximum Subscription	Minimum Subscription	Maximum Subscription	Minimum Subscription	Maximum Subscription
\$0.1320	32,265,152	98,484,848	600,765,949	666,985,645	5.37%	14.77%
\$0.0812	52,450,739	160,098,522				
\$0.0304	140,098,684	427,631,579	708,599,481	996,132,376	19.77%	42.93%

The above table is for illustrative purposes only. The actual issue price and amount of Capital Raising Shares issued may differ. This will result in the maximum number of Capital Raising Shares to be issued and the dilution percentage to also differ. The examples in the table assume that no existing convertible securities are exercised or converted or other Shares are issued and are subject to rounding.

8.5 Board recommendation

The Board recommends that Shareholders vote in favour of Resolution 4.

Resolution 4 is an ordinary resolution.

9. Resolution 5 - Approval to issue Performance Rights to Larry Cook

9.1 General

The Company is proposing, subject to obtaining Shareholder approval, to issue the following Performance Rights to Mr Larry Cook (or his nominee) as part of his remuneration as a Director of the Company:

- (a) 1,250,000 Class B Performance Rights which will vest upon Completion occurring;
- (b) 1,250,000 Class C Performance Rights which will vest on completion of the commissioning of the Mine and commencement of production;
- (c) 1,250,000 Class D Performance Rights which will vest on the sale of the first 500,000 metric tonnes of coal from the New Elk Coal Project; and
- (d) 1,250,000 Class E Performance Rights which will vest on the sale of the second 500,000 metric tonnes of coal from the New Elk Coal Project.

The Performance Rights will automatically vest and convert into Shares on a one for one basis upon satisfaction of the above milestones. Full terms and conditions of the Performance Rights are set out in Schedule 3.

The New Elk Coal Project is in an important stage of development with significant opportunities and challenges in both the near and long-term, and the proposed issue of Performance Rights seeks to align the efforts of Mr Cook in pursuing growth of the Company's Share price and in the creation of Shareholder value. In addition, the Board also believes that incentivising with Performance Rights is a prudent means of conserving the Company's available cash reserves. The Board believes it is important to offer these Performance Rights to continue to attract and maintain highly experienced and qualified Board members and management in a competitive market.

Resolution 8 seeks Shareholder approval pursuant to Listing Rule 10.11 for the issue of up to a total of 5,000,000 Performance Rights to Mr Cook (or his nominee).

Resolution 8 is an ordinary resolution.

9.2 Listing Rule 10.11

Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained, unless an exception in Listing Rule 10.12 applies.

Mr Cook is a related party of the Company by virtue of his position as a Director. As the issue of Performance Rights to Mr Cook (or his nominee) involves the issue of Securities to a related party of the Company, Shareholder approval pursuant to Listing

Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in Listing Rule 10.12 do not apply in the current circumstances.

As Shareholder approval is sought under Listing Rule 10.11, approval under Listing Rule 7.1 is not required. Accordingly, the issue of the Performance Rights will not be included under the Company's 15% annual placement capacity pursuant to Listing Rule 7.1.

9.3 Specific information required by Listing Rule 10.13

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to the proposed issue of the Performance Rights to Mr Cook (or his nominee):

- (a) a maximum of 5,000,000 Performance Rights will be issued to Mr Cook (or his nominee), a Director of the Company;
- (b) the Performance Rights will be issued no later than 1 month after the date of the Meeting;
- (c) the Performance Rights will be issued for nil cash consideration as they will be issued as part of Mr Cook's remuneration package;
- (d) the Performance Rights will be issued on the terms set out in Schedule 3;
- (e) the Performance Rights will be issued for nil cash consideration and therefore no funds will be raised as a result of the issue; and
- (f) a voting exclusion statement is included in the Notice.

9.4 Chapter 2E of the Corporations Act

In accordance with Chapter 2E of the Corporations Act, in order to give a financial benefit to a related party, the Company must:

- (a) obtain Shareholder approval in the manner set out in section 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of the Performance Rights constitutes giving a financial benefit and Mr Cook is a related party of the Company by virtue of being a Director.

The Board (other than Mr Cook, who has a personal interest in this Resolution) considers that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of the Performance Rights due to the exceptions in sections 210 and 211 of the Corporations Act as the agreements to grant the Performance Rights, reached as part of the remuneration package for Mr Cook, are considered reasonable remuneration in the circumstances and were negotiated on arm's length terms.

10. Resolution 6 - Approval to issue Performance Rights to Project Originators

10.1 General

The Company is proposing, subject to obtaining Shareholder approval, to issue 5,000,000 Performance Rights to each of Amon Mahon and Bernie Mason (**Project Originators**) (or their respective nominees) as part of their remuneration as Project Originators to the acquisition and recommissioning of the New Elk Coal Mine as follows:

- (a) 1,250,000 Class A Performance Rights which will immediately vest upon grant;
- (b) 1,250,000 Class B Performance Rights which will vest upon Completion occurring;
- (c) 1,250,000 Class D Performance Rights which will vest on the sale of the first 500,000 metric tonnes of coal from the New Elk Coal Project; and
- (d) 1,250,000 Class E Performance Rights which will vest on the sale of the second 500,000 metric tonnes of coal from the New Elk Coal Project.

The Performance Rights will automatically vest and convert into Shares on a one for one basis upon satisfaction of the above milestones. Full terms and conditions of the Performance Rights are set out in Schedule 3.

Mr Mahon, a coal mining engineer, and Mr Mason, a geologist, are highly experienced US coal mining operators in both surface and underground operations. They sourced the Mine and introduced it to the Company, assisted with the high-level due diligence, brokered the Acquisition Agreement with Cline, and will provide leadership and supervisory roles for the Company during the Feasibility Study, re-commissioning of the Mine, and its ongoing production. The proposed issue of Performance Rights therefore seeks to align the efforts of the Project Originators in pursuing growth of the Company's Share price and in the creation of Shareholder value. In addition, the Board also believes that incentivising with Performance Rights is a prudent means of conserving the Company's available cash reserves. The Board believes it is important to offer these Performance Rights to continue to attract and maintain highly experienced and qualified management in a competitive market.

Resolution 6 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of up to 5,000,000 Performance Rights to Mr Mahon (or his nominee) and up to 5,000,000 Performance Rights to Mr Mason (or his nominee), respectively.

10.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is set out in Section 7.2 above.

The effect of Resolution 6 will be to allow the Company to issue the Performance Rights to the Project Originators (or their respective nominees) during the period of three months after the Meeting without using the Company's 15% annual placement capacity under Listing Rule 7.1.

10.3 Specific information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the proposed grant of Performance Rights to the Project Originators:

- (a) the maximum number of Performance Rights to be issued is:
 - (i) 5,000,000 Performance Rights to Mr Mahon (or his nominee); and
 - (ii) 5,000,000 Performance Rights to Mr Mason (or his nominee);
- (b) the Performance Rights will be issued no later than three months after the date of the Meeting;
- (c) the Performance Rights will be issued for nil cash consideration as they will be issued as part of each Joint Project Originator's remuneration package;
- (d) the Performance Rights will be issued to Messrs Mahon and Mason (or their respective nominees), neither of whom are related parties of the Company;
- (e) the Performance Rights will be issued on the terms and conditions in Schedule 3;
- (f) the Performance Rights will be issued for nil cash consideration and therefore no funds will be raised as a result of the issue;
- (g) it is intended that the Performance Rights will be issued on the same date, as soon as practicable following the Meeting; and
- (h) a voting exclusion statement is included in the Notice.

10.4 Board recommendation

The Board recommends that Shareholders vote in favour of Resolution 6.

Resolution 6 is an ordinary resolution.

11. Resolution 7 - Approval of issue of Incentive Options to Directors

11.1 General

The Company is proposing to issue up to a total of 5,250,000 Options (Incentive Options) to Messrs Mark Gray, Jonathan Reynolds and Malcolm Carson, or their respective nominees, as follows:

Director	Options
Mark Gray (Chairman and Managing Director)	3,000,000
Jonathan Reynolds (Finance Director and Company Secretary)	1,500,000
Malcolm Carson (Non-Executive Director)	750,000
TOTAL	5,250,000

The Company believes it is appropriate to grant equity to Non-Executive Directors and Key Management Personnel, including Executive Directors. Smaller entities often elect to use equity instruments to remunerate key personnel in order to attract and retain high calibre individuals while minimising the cash cost of engaging those people. In addition, the issue of the Incentive Options may help to create alignment between Directors and Shareholders. In particular, the Company wishes to grant the Incentive Options to the Directors instead of other alternatives considered by the Company

including increasing Directors' fees or providing other forms of cash-based remuneration at a time when the Company is still in the early stages of developing the Telkwa metallurgical coal project and seeking to complete the acquisition of the New Elk Coal Project. The Company considers the issue of the Incentive Options to be favourable to other available alternatives because it provides a means of appropriately remunerating and incentivising Directors in a manner that preserves cash resources and also aligns the interests of the Directors with the interests of Shareholders.

The Remuneration Committee, comprised of the full Board, has approved the grant of the Options to Key Management Personnel including each of the Directors. In particular the grant to Mark Gray and Jonathan Reynolds was approved to secure their tenure with the Company as part of their remuneration as Managing Director and Finance Director respectively, having regard to their roles and the current stage of the Company's development, and to provide an incentive to improve the financial performance of the Company and, in turn, Shareholder value.

11.2 Summary of material terms of Incentive Options

The Incentive Options are proposed to be issued pursuant to the Plan (the terms of which are summarised in Schedule 3 of the Company's notice of annual general meeting dated 25 October 2017 (announced 30 October 2017) and on the terms and conditions in Schedule 4.

Each Incentive Option will be issued subject to vesting conditions, which are summarised in Schedule 4. Subject to the satisfaction of the applicable vesting condition, each Incentive Option will be exercisable at \$0.28.

The Incentive Options will have an expiry date of 5:00pm (Sydney time) on the date which is five years from the date of issue.

11.3 Chapter 2E of the Corporations Act

A summary of Chapter 2E of the Corporations Act is in Section 9.4 above.

The grant of the Incentive Options constitutes giving a financial benefit and Messrs Gray, Reynolds, and Carson are related parties of the Company by virtue of being Directors. The Board has considered the application of Chapter 2E of the Corporations Act and has resolved that the reasonable remuneration exception provided by section 211 of the Corporations Act is relevant in the circumstances and accordingly, the Company will not seek approval for the issue of the Incentive Options pursuant to section 208 of the Corporations Act.

11.4 Listing Rule 10.14

Listing Rule 10.14 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

Resolutions 7(a) to (c) (inclusive) are being put to Shareholders to seek approval for the issue of the Incentive Options to Messrs Gray, Reynolds, and Carson under the Plan pursuant to Listing Rule 10.14.

As Shareholder approval is sought under Listing Rule 10.14, approval under Listing Rule 7.1 or 10.11 is not required.

11.5 Specific information required by Listing Rule 10.15

Pursuant to and in accordance with the requirements of Listing Rule 10.15, the following information is provided in relation to the proposed issue of the Incentive Options:

- (a) the Directors are Messrs Mark Gray, Jonathan Reynolds, and Malcolm Carson;
- (b) the maximum number of Incentive Options to be issued to the Directors (or their nominees) is 5,250,000 in the proportions as set out in Section 11.1 above;
- (c) the Incentive Options are being issued to the Directors under the Plan for nil cash consideration at an issue price of nil and otherwise on the terms and conditions set out in Schedule 4;
- (d) the Plan was last approved by Shareholders at the annual general meeting held on 29 November 2017. Since the date of the approval, the following persons referred to in Listing Rule 10.14 have received Equity Securities under the Plan:

Recipient (or their nominee)	Issue date	Type of Security	Issue price	Exercise price	Expiry date
Malcolm Carson	750,000	Options	Nil	\$0.075	6 December 2022
David Fawcett	750,000	Options	Nil	\$0.075	6 December 2022
Mark Gray	2,000,000	Options	Nil	\$0.075	6 December 2022
Jonathan Reynolds	1,250,000	Options	Nil	\$0.075	6 December 2022

The Options were issued subject to vesting conditions as described in the Company's notice of annual general meeting dated 25 October 2017 (announced 30 October 2017);

- (e) the persons referred to in Listing Rule 10.14 entitled to participate in the Plan are all of the Directors (currently Messrs Mark Gray, Jonathan Reynolds, Malcolm Carson and Larry Cook);
- (f) no loans will be made in relation to the issue of the Incentive Options;
- (g) the Incentive Options will be issued to the Directors no later than 12 months after the date of the Meeting and it is anticipated the Incentive Options will be issued on one date and as soon as practicable after the Meeting; and
- (h) a voting exclusion statement is included in the Notice.

11.6 Board recommendation

Each of the resolutions which forms part of Resolution 7 is an ordinary resolution.

The Directors decline to make a recommendation to Shareholders in relation to the resolutions which forms part of Resolution 7 due to their personal interests in the outcome of the Resolutions.

12. Resolution 8 - Ratification of issue of Placement Shares

12.1 General

On 23 September 2019, the Company announced that it had received binding commitments for a placement of 22,017,871 Shares (**Placement Shares**) at an issue price of \$0.14 each, raising approximately \$3.08 million (before costs) (**Placement**).

The Placement Shares were issued on 27 September 2019.

Resolution 8 seeks the ratification of Shareholders pursuant to Listing Rule 7.4 of the issue of the Placement Shares.

12.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is set out in Section 7.2 above.

12.3 Listing Rule 7.4

Listing Rule 7.4 provides an exception to Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1), those securities will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1 as applicable.

The effect of Resolution 8 will be to allow the Company to retain the flexibility to issue Equity Securities in the future up to the extent of the Placement Shares without the requirement to obtain prior Shareholder approval.

12.4 Specific information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the proposed issue of Placement Shares:

- (a) a total of 22,017,871 Placement Shares were issued on 27 September 2019;
- (b) the Placement Shares were issued at \$0.14 per Share;
- (c) the Placement Shares were fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue;
- (d) the Placement Shares were issued to the participants in the Placement, none of whom is a related party of the Company;
- (e) the proceeds from the issue of the Placement Shares are intended to be applied to continued development of the Texas Metallurgical Coal Project; due diligence and associated costs with the proposed acquisition of the New Elk Hard Coking Coal Mine, and the Company's general working capital; and

(f) a voting exclusion statement is included in the Notice.

12.5 Board recommendation

The Board recommends that Shareholders vote in favour of Resolution 5.

Resolution 5 is an ordinary resolution.

13. Resolution 9 - Election of Director - Larry Cook

13.1 General

Clause 57.1 of the Constitution allows the Board to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to Clause 57.2 of the Constitution, any Director so appointed will hold office until the end of the next annual general meeting of the Company and is then eligible for election by Shareholders.

In addition, Listing Rule 14.4 provides that a Director appointed as an addition to the Board must not hold office (without re-election) past the next annual general meeting.

On 23 July 2019, Mr Larry Cook was appointed as a Non-Executive Director of the Company.

Accordingly, Mr Cook resigns as a Director at the Meeting and, being eligible, seeks approval to be elected as a Non-Executive Director.

The Board considers Mr Cook to be an independent director.

13.2 Mr Larry Cook

Mr Cook obtained a degree in mine engineering from West Virginia University in 1972. For the first 20 years of his career he worked in various underground roles in coal mines primarily in West Virginia in seam heights ranging from 1.0 to 1.8 metres, similar to what the Company will experience in the New Elk Coal Mine. He is highly regarded in both the US and Australia as an extremely capable underground coal mining engineer. His production history in US mines is impressive. Examples include:

- (a) Vice President of Operations at Mid-Vol Mining, Madison WV, producing 90,000 raw tonnes per month (1.1Mtpa) with a single continuous miner in seam height of 1.5 to 1.7 metres;
- (b) General Superintendent at Mystic Energy Inc, Beckley WV, producing 70,000 raw tonnes per month (850ktpa) with a single continuous miner in seam height of 1.1 metre in a Peabody Energy owned mine; and
- (c) Mine Manager of five underground coal mines owned by Eastern Associated Coal Corporation in Wharton WV, comprising 675 employees and producing 2.6Mtpa in seam height of 1.6 metres.

In 2001, Mr Cook moved to Australia and introduced the mining of sub-two metre coal seams to coal mines in New South Wales and Queensland. Previously, coal less than two metres in seam height was typically not mined by Australian mine owners deeming it to be uneconomic. Mr Cook proved the industry wrong. In 2004 he was a founding

shareholder and director of Bounty Industries Ltd and commenced contract mining of a 1.8 metre coal seam at Ivanhoe Colliery, NSW, for Centennial Coal, and in 2005, in a 1.6 metre coal seam in German Creek Colliery, Central QLD, for Anglo Coal. At Ivanhoe Colliery, he achieved an average production rate of 70 metres per shift equating to 70,000 raw tonnes per month (850ktpa) with a single continuous miner. Most recently, Mr Cook recommissioned the Donkin underground coal mine located in Nova Scotia, Canada.

13.3 Board recommendation

The Board (other than Mr Cook) recommends that Shareholders vote in favour of Resolution 9.

Resolution 9 is an ordinary resolution.

14. Resolution 10 - Re-election of Director - Jonathan Reynolds

14.1 General

Clause 58.1(c) of the Constitution requires that one-third of the Directors must retire at each annual general meeting (rounded down to the nearest whole number), and

Clause 58.5 provides that a retiring Director is eligible for re-election.

The Company currently has four Directors, and accordingly, one must retire. The Managing Director is excluded from the obligation to retire under this provision.

Under Clause 58.2, the Directors to retire at any annual general meeting must be those who have served the longest in office since their last election. Jonathan Reynolds has served the longest in office since his last election, having been elected at the 2017 annual general meeting held on 29 November 2017.

Mr Reynolds is also the Company Secretary of the Company and is not considered to be an independent Director.

14.2 Jonathan Reynolds

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

Mr Reynolds is a non-executive director of Kalia Ltd (ASX : KLH).

14.3 Board recommendation

The Board (other than Mr Reynolds) recommends that Shareholders vote in favour of Resolution 10.

Resolution 10 is an ordinary resolution.

15. Resolution 11 - Approval of 10% Placement Facility

15.1 General

Listing Rule 7.1A enables an eligible entity to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% annual placement capacity under Listing Rule 7.1.

Resolution 11 seeks Shareholder approval by way of a special resolution to provide the Company the ability to issue Equity Securities under the 10% Placement Facility during the 10% Placement Period (refer to Section 15.2(f) below). The number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 15.2(c) below).

Resolution 11 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Board recommends that Shareholders vote in favour of Resolution 11.

15.2 Listing Rule 7.1A

(a) **Is the Company an eligible entity?**

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less.

The Company is an eligible entity as it is not included in the S&P/ASX 300 Index and has a market capitalisation of approximately \$82.43 million, based on the closing price of Shares (\$0.145) on the Latest Practicable Date.

(b) **What Equity Securities can be issued?**

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the company.

As at the date of the Notice, the Company has on issue one quoted class of Equity Securities, being Shares.

(c) **How many Equity Securities can be issued?**

Listing Rule 7.1A.2 provides that under the approved 10% Placement Facility, the Company may issue or agree to issue a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

Where:

A is the number of Shares on issue 12 months before the date of issue or agreement:

(A) plus the number of fully paid Shares issued in the 12 months under an exception in Listing Rule 7.2;

- (B) plus the number of partly paid shares that became fully paid in the 12 months;
- (C) plus the number of fully paid Shares issued in the 12 months with Shareholder approval under Listing Rule 7.1 and 7.4. This does not include any issue of Shares under the Company's 15% annual placement capacity without Shareholder approval; and
- (D) less the number of fully paid Shares cancelled in the 12 months.

Note that "A" has the same meaning in Listing Rule 7.1 when calculating the Company's 15% annual placement capacity.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with Shareholder approval under Listing Rule 7.1 or 7.4.

(d) What is the interaction with Listing Rule 7.1?

The Company's ability to issue Equity Securities under Listing Rule 7.1A will be in addition to its 15% annual placement capacity under Listing Rule 7.1.

(e) At what price can the Equity Securities be issued?

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued,

(Minimum Issue Price).

(f) When can Equity Securities be issued?

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A will be valid from the date of Meeting and will expire on the earlier to occur of:

- (i) the date that is 12 months after the date of the Meeting; or
- (ii) the date of Shareholder approval of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(10% Placement Period).

(g) **What is the effect of Resolution 11?**

The effect of Resolution 11 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without further Shareholder approval or using the Company's 15% annual placement capacity under Listing Rule 7.1.

15.3 Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, the following information is provided in relation to the 10% Placement Facility:

(a) **Minimum issue price**

If the Company issues Equity Securities for cash consideration under the 10% Placement Facility, then the issue price will be not less than the Minimum Issue Price.

If the Company issues Equity Securities for non-cash consideration under the 10% Placement Facility, then, in accordance with the Listing Rules, the Company will provide a valuation of the non-cash consideration to the market that demonstrates that the issue price of the Equity Securities complies with Listing Rule 7.1A.3.

(b) **Risk of economic and voting dilution**

If this Resolution is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' economic and voting power in the Company will be diluted as shown in the below table (in the case of Options, only if the Options are converted into Shares).

The below table shows:

- (i) the dilution of existing Shareholders based on the current market price of Shares and the current number of Shares for "A" calculated in accordance with the formula in Listing Rule 7.1A.2 (see Section 15.2(c)) as at the date of the Notice (**Variable A**);
- (ii) two examples where Variable A has increased, by 50% and 100%; and
- (iii) two examples of where the issue price of Shares has decreased by 50% and increased by 100% as against the current market price.

Share on issue Variable A in Listing Rule 7.1A.2	Dilution			
	Issue price per Share	\$0.073 50% decrease in Issue Price	\$0.145 Issue Price	\$0.290 100% increase in Issue Price
568,500,797 Shares	10% Voting Dilution	56,850,080 Shares	56,850,080 Shares	56,850,080 Shares
Current Variable A	Funds raised	\$4,121,631	\$8,243,262	\$16,486,523

Share on issue Variable A in Listing Rule 7.1A.2	Dilution			
	Issue price per Share	\$0.073 50% decrease in Issue Price	\$0.145 Issue Price	\$0.290 100% increase in Issue Price
852,751,196 Shares	10% Voting Dilution	85,275,120 Shares	85,275,120 Shares	85,275,120 Shares
50% increase in current Variable A	Funds raised	\$6,182,446	\$12,364,892	\$24,729,785
1,137,001,594 Shares	10% Voting Dilution	113,700,159 Shares	113,700,159 Shares	113,700,159 Shares
100% increase in current Variable A	Funds raised	\$8,243,262	\$16,486,523	\$32,973,046

Notes:

1. The table has been prepared on the following assumptions:
 - (a) the issue price is \$0.145 being the closing price of the Shares on ASX on the Latest Practicable Date;
 - (b) Variable A is 568,500,797, comprising the number of Shares on issue as at the Latest Practicable Date;
 - (c) the Company issues the maximum number of Equity Securities available under the 10% Placement Facility;
 - (d) no convertible securities (including any issued under the 10% Placement Facility) are exercised or converted into Shares before the date of the issue of the Equity Securities; and
 - (e) the issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
2. The number of Shares on issue (i.e. Variable A) may increase as a result of issues of Shares that do not require Shareholder approval (for example, a pro rata entitlements issue, scrip issued under a takeover offer or upon exercise of convertible securities) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting.
3. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
4. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
5. The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.

Shareholders should note that there is a risk that:

- (iv) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
- (v) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

(c) Final date for issue

The Company will only issue the Equity Securities under the 10% Placement Facility during the 10% Placement Period.

Shareholder approval of the 10% Placement Facility will cease to be valid if Shareholders approve a transaction under Listing Rule 11.1.2 or 11.2.

(d) Purposes of issues under 10% Placement Facility

The Company may seek to issue Equity Securities under the 10% Placement Facility for the following purposes:

- (i) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of resources assets or investments (including expenses associated with such acquisition such due diligence costs and external advisors), continued exploration and development on the Company's current projects, payment of suppliers or service providers, and working capital requirements; or
- (ii) non-cash consideration for the acquisition of resources assets and investments and consideration for services provided. In such circumstances the Company will provide a valuation of the non-cash consideration as required under Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

(e) Allocation policy

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;

- (iii) financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of the Notice but may include existing substantial Shareholders and/or new Shareholders who are not a related party or an associate of a related party of the Company.

Further, if the Company is successful in acquiring new projects, assets or investments, it is possible that the allottees under the 10% Placement Facility will be the vendors of the new projects, assets or investments.

(f) **Issues in the past 12 months**

The Company has previously obtained Shareholder approval under Listing Rule 7.1A at its annual general meeting held on 28 November 2018.

In the 12 months preceding the date of the Meeting and as at the date of this Notice, the Company has issued 58,496,889 Equity Securities. This represents 11.5% of the total number of Equity Securities on issue at the commencement of that 12 month period.

Details of each issue of Equity Securities by the Company during the 12 months preceding the date of the Meeting are set out in Schedule 5.

(g) **Voting exclusion statement**

A voting exclusion statement is included in the Notice.

At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

16. Resolution 12 - Appointment of Auditor

16.1 General

Under section 324DA of the Corporations Act, if an individual plays a significant role in the audit of a listed company for five successive financial years, the individual is not eligible to play a significant role in the audit of the Company for a later financial year.

SCS Audit & Corporate Services Pty Ltd has been the auditor of the Company for the last five years.

Under section 329 of the Corporations Act, an auditor of a company may resign from office upon the granting of consent by the ASIC.

SCS Audit & Corporate Services Pty Ltd gave notice to the Company of its application for resignation on 14 October 2019.

Under section 328B of the Corporations Act, a company may appoint an auditor at its annual general meeting if a member notifies the company of a nomination before the meeting was convened or 21 days before the meeting.

The Company received notice of the nomination of Brian R Taylor & Associates on 11 October 2019. In order to comply with section 328B(3) of the Corporations Act, the Company has provided a copy of the notice to the nominated party and SCS Audit & Corporate Services Pty Ltd, and also provides a copy of this notice of nomination in Schedule 1 to this Explanatory Memorandum.

Brian R Taylor & Associates has given written consent to act as the Company's auditor in accordance with section 328A of the Corporations Act.

16.2 Board recommendation

The Board recommend that Shareholders vote in favour of Resolution 12.

Resolution 12 is an ordinary resolution.

17. Resolution 13 - Amendment to the Constitution

17.1 General

Under section 136(2) of the Corporations Act, a company may modify or repeal its constitution or a provision of its constitution by special resolution of Shareholders.

Resolution 13 seeks the approval of Shareholders to modify the Company's Constitution.

A copy of the amended constitution is available for review by Shareholders at the office of the Company. A copy of the amended constitution can also be sent to Shareholders upon request to the Company Secretary. Shareholders are invited to contact the Company if they have any queries or concerns.

Resolution 13 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

17.2 Background

Changes to the Listing Rules will commence on 1 December 2019 which will require a listed entity's constitution to contain certain provisions regarding Restricted Securities if the entity has any Restricted Securities on issue. Although the Company does not presently have any Restricted Securities on issue and does not have any present intentions to undertake a transaction which would result in the issue of Restricted Securities, the Board considers it prudent to take this opportunity to update the Constitution to ensure it complies with these new requirements.

With effect from 1 December 2019, ASX intends to apply a two-tier escrow regime where ASX can require certain more significant holders of Restricted Securities and their controllers to execute a formal escrow agreement in the form of Appendix 9A of the Listing Rules, as is currently the case. However, for less significant holdings, ASX will instead permit entities to rely on a provision in their constitution imposing appropriate escrow restrictions on the holders of restricted securities and to simply give a notice to the holders of Restricted Securities in the form to be set out in an appendix to the Listing Rules, advising them of those restrictions.

To facilitate the operation of the new two-tier escrow regime, certain changes are required to the customary provisions of constitutions of ASX-listed entities regarding Restricted Securities.

17.3 Proposed amendments

The proposed amendments to the Constitution are set out in Schedule 7.

Schedule 1 - Definitions

In the Notice, words importing the singular include the plural and vice versa.

\$, A\$ or AUD means Australian Dollars.

10% Placement Facility has the meaning given in Section 15.1.

10% Placement Period has the meaning given in Section 15.2(f).

20-Day VWAP means the 20-day volume weighted average market price of Shares trading on ASX prior to the date of Completion.

Acquisition Agreement means the term sheet between the Company and Cline, for the purchase by the Company of 100% of the issued capital of NECC.

Acquisition means the acquisition of 100% of the fully paid issued capital of NECC by the Company in accordance with the Acquisition Agreement.

AEDT means Australian Eastern Daylight Time being the time in Sydney, New South Wales.

Annual Report means the Directors' Report, the Financial Report, and Auditor's Report, in respect to the year ended 30 June 2019.

ASX means the ASX Limited (ABN 98 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

Auditor's Report means the auditor's report on the Financial Report.

Board means the board of Directors.

C\$ means Canadian Dollars.

Capital Raising means the Company's proposal under Resolution 4 to raise between A\$4,259,000 and A\$13,000,000 (before costs) via a private placement of Shares.

Capital Raising Shares means the Shares to be issued under the Capital Raising.

Chair means the person appointed to chair the Meeting of the Company convened by the Notice.

Clause means a clause of the Constitution.

Cline Debt means the C\$55 million debt due and payable by NECC to Cline as discussed in more detail in Section 3.2(b)(iv).

Cline means Cline Mining Corporation (a corporation incorporated in the province of British Columbia, Canada).

Closely Related Party means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

Company means Allegiance Coal Limited (ACN 149 490 353).

Completion means completion of the Acquisition in accordance with the Acquisition Agreement.

Constitution means the constitution of the Company as at the date of the Meeting.

Corporations Act means the *Corporations Act 2001* (Cth).

Debt Repayment Shares means the US\$3,000,000 worth of Shares to be issued to Cline (or its nominees) in part satisfaction for the repayment of the Cline Debt which are the subject of Resolution 3.

Director means a director of the Company.

Directors' Report means the annual directors' report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

Equity Security has the same meaning as in the Listing Rules.

Explanatory Memorandum means the explanatory memorandum which forms part of the Notice.

Feasibility Study means the proposed independent feasibility study in order to declare coal reserves for the Mine under JORC 2012, and to develop a mine plan to bring the Mine back into production.

Financial Report means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

JORC Code means the 2012 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Latest Practicable Date means 14 October 2019, being latest practicable date before finalising the Notice.

Listing Rules means the listing rules of ASX.

Marret means Marret Asset Management Inc of Canada.

Maximum Subscription means the proposal to raise a maximum of A\$13,000,000 under the Capital Raising.

Meeting has the meaning given in the introductory paragraph of the Notice.

Merged Group means the Company and NECC following completion of the Acquisition.

Mine means the New Elk Coal Mine located in Colorado, USA.

Minimum Issue Price has the meaning given in Section 15.2(e).

Minimum Subscription means the proposal to raise a minimum of A\$4,259,000 under the Capital Raising.

NECC means New Elk Coal Company, LLC (a limited liability company incorporated in Colorado, USA).

Net Cline Debt has the meaning given in Section 3.2(a).

New Elk Coal Project means the New Elk hard coking coal project which is located in Colorado, USA.

Notice means this notice of annual general meeting.

Option means an option to acquire a Share.

Performance Right means a right, subject to certain conditions, to be allocated one Share in the Company for nil consideration, to be granted to Messrs Larry Cook, Amon Mahon or Bernie Mason (or their respective nominees) on the terms and conditions set out in Schedule 3, which is the subject of Resolution 5 or 6 (as applicable).

Project Originators means Messrs Amon Mahon and Bernie Mason.

Proxy Form means the proxy form attached to the Notice.

Remuneration Report means the remuneration report of the Company contained in the Directors' Report.

Resolution means a resolution referred to in the Notice.

Schedule means a schedule to the Notice.

Section means a section of the Explanatory Memorandum.

Securities means any Equity Securities of the Company (including Shares, Options and Performance Rights).

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means the holder of a Share.

Strike means a 'no' vote of 25% or more on the resolution approving the Remuneration Report.

Telkwa Project has the meaning given in Section 3.1.

Trading Day has the meaning given in the Listing Rules.

US\$ or USD means United States Dollars.

USA means United States of America.

Schedule 2 - Pro forma balance sheet

Set out on the following page is the audited balance sheet (statement of financial position) of the Company (Balance Sheet "A") as at 30 June 2019 and the unaudited balance sheet (statement of financial position) of NECC as at 31 May 2019 (Balance Sheet "B"). In addition, disclosed is a pro forma consolidated balance sheet (Balance Sheet "C") using reverse acquisition principles and assuming the following:

1. A minimum subscription of A\$4,259,000 (before costs) and a maximum subscription of A\$13,000,000 (before costs) is raised under the Capital Raising.
2. The acquisition of 100% of the issued capital of NECC by way of payment of US\$1.00 in cash consideration.
3. The issue of up to 55,465,168 Debt Repayment Shares.
4. Pre-Acquisition costs being the monthly payments of US\$150,000 for care and maintenance expenses and due diligence costs, in particular the Feasibility Study; the payment of US\$5,060,258 to Cline to replace the reclamation bonds in place for NECC with the State of Colorado; and the US\$3,000,000 cash payment in part satisfaction of the Cline Debt.
5. The issue of up to 15,000,000 Performance Rights to Messrs Larry Cook, Amon Mahon and Bernie Mason on the terms and conditions set out in Schedule 3. At the date of this Notice, and other than for the Class A Performance Rights, there are no reasonable grounds on which to assess the likelihood of the milestones being met for the conversion of the Performance Rights. As such, no adjustments have been made. The Company will re-assess the probability at each reporting date up until expiry of the Performance Rights.
6. A USD/AUD exchange rate of A\$1:US\$0.6761.
7. There are no other material operational transactions relating to the Company.

	Company Audited 30-June-19 "A"	NECC unaudited 31-May-19 "B"	Proforma Unaudited Consolidated "C"	
	\$'000	\$'000	Minimum Raising (\$4.259m) \$'000	Maximum Raising (\$13m) \$'000
CURRENT ASSETS				
Cash and cash equivalents	2,596	-	492	1,749
Trade and other receivables	101	-	101	101
Inventories	-	1,929	1,929	1,929
Other	47	433	480	480
TOTAL CURRENT ASSETS	2,744	2,362	3,002	4,259
NON CURRENT ASSETS				
Property, plant and equipment	-	53,671	53,671	53,671
Intangible assets	16,509	-	16,509	16,509
Other	-	7,484	7,484	7,484
TOTAL NON CURRENT ASSETS	16,509	61,155	77,664	77,664
TOTAL ASSETS	19,253	63,517	80,666	81,923
CURRENT LIABILITIES				
Trade and other payables	1,913	1,119	3,032	3,032
Borrowings	963	-	963	963
TOTAL CURRENT LIABILITIES	2,876	1,119	3,995	3,995
NON CURRENT LIABILITIES				
Borrowings	656	60,731	52,513	45,028
Provisions	-	1,667	1,667	1,667
TOTAL NON CURRENT LIABILITIES	656	62,398	54,180	46,695
TOTAL LIABILITIES	3,532	63,517	58,175	50,690
NET ASSETS	15,721	-	22,491	31,232
EQUITY				
Share capital	27,423	-	36,482	45,223
Accumulated losses	(12,548)	-	(16,649)	(16,649)
Reserves	244	-	2,057	2,057
Non-controlling interest	602	-	602	602
TOTAL EQUITY	15,721	-	22,491	31,232

Schedule 3 - Terms and conditions of Performance Rights

The following terms and conditions apply to the Performance Rights:

1. Entitlement

Subject to the terms and conditions set out below, each Performance Right, once vested, entitles the holder to the issue of one Share.

2. Vesting conditions and expiry dates

Subject to the terms and conditions set out below, the Performance Rights will have the vesting conditions (**Vesting Condition**) and expiry dates (**Expiry Date**) specified below:

Class	A	B	C	D	E
Number	2.5 million	3.75 million	1.25 million	3.75 million	3.75 million
Vesting Condition	Vesting immediately on receipt of Shareholder approval	Vesting on completion of the Acquisition	Vesting on completion of commissioning of the New Elk Coal Project mine and commencement of production	Vesting on the sale of the first 500kt of coal from the New Elk Coal Project	Vesting on the sale of the second 500kt of coal from the New Elk Coal Project
Expiry Date	N/A (immediately vesting)	18 months from date of issue	27 months from date of issue	3 years from date of issue	4 years from date of issue

3. Change of Control

Upon a Change of Control occurring, the Performance Rights automatically vest into such number of Shares which is equal to the lesser of:

- (a) one Share for every Performance Right then on issue; and
- (b) such number of Shares which, when issued together with all other Shares issued as a result of the automatic vesting of convertible securities due to the Change of Control, constitutes 10% of the issued ordinary capital of the Company as at the date of vesting.

For the purposes of this clause, "Change of Control" means, in respect of the Company:

- (c) a court approval of a merger by way of scheme of arrangement (but shall not include a merger by way of scheme of arrangement for the purposes of a corporate restructure (including change of domicile, consolidation, subdivision, reduction or return of the issued capital of the Company)); or
- (d) a takeover bid (as defined under the Corporations Act) is announced, has become unconditional, and the person making the takeover bid has a relevant interest in 50% or more of the Shares.

4. Expiry of Performance Rights

A Performance Right will lapse upon the earlier to occur of:

- (a) the cessation of the holder's employment or other engagement with the Company (or any related body corporate of the Company) (unless waived by the Company); and
- (b) the Vesting Condition not being satisfied on or before the Expiry Date.

5. Shares issued on vesting

Shares issued on the vesting of a Performance Rights rank equally with the then Shares of the Company.

6. No cash consideration

The Performance Rights will be issued for nil cash consideration and no consideration will be payable upon the issue of Shares upon the vesting of the Performance Rights.

7. Timing of issue of Shares

- (a) If the Company is able to issue a Cleansing Statement, within 5 Business Days after the vesting of a Performance Right, the Company will:
 - (i) allot and issue the Shares required to be issued to the holder pursuant to the vesting (**Vested Shares**);
 - (ii) record the holder as the holder of the Vested Shares in the Company's share register;
 - (iii) lodge with the ASX in accordance with all applicable laws in respect of the issue of the Vested Shares a Cleansing Statement which will enable the Vested Shares to be freely tradeable from the date of the Cleansing Statement; and
 - (iv) apply for official quotation on ASX of such Vested Shares issued pursuant to the vesting.
- (b) If the Company is not able to issue a Cleansing Statement within the time required pursuant to paragraph 7(a), within 5 Business Days after the vesting of a Performance Right, the Company will:
 - (i) allot and issue the Vested Shares to the holder;
 - (ii) record the holder as the holder of the Vested Shares in the Company's share register; and
 - (iii) apply for official quotation on ASX of such Vested Shares issued pursuant to the Exercise,

and the Company will also issue a Cleansing Prospectus as soon as reasonably practicable after the issue of the Vested Shares and an any event, within 20 Business Days of that date. Until the Company has issued the Cleansing Prospectus, the holder may only transfer the Vested Shares to a person satisfying the requirements of section 708(8), (10) or (11) of the Corporations Act.

- (c) The Company must not later than 2 Business Days after the issue of the Vested Shares to the holder, deliver or cause to be delivered to the holder a holding statement in respect of the Vested Shares.
- (d) Upon the issue of the Vested Shares, the holder agrees to be bound by the Constitution.

8. Quotation

- (a) The Company will not apply for quotation of the Performance Rights on ASX.
- (b) Application will be made by the Company to ASX, on the business day the Shares are issued, for quotation of the Shares issued upon the vesting of the Performance Rights.

9. Transferability of Performance Rights

The Performance Rights are not transferable, except with the prior written approval of the Company.

10. Participation in new issues

There are no participation rights or entitlements inherent in the Performance Rights and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of unvested Performance Rights.

11. Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment), the number of Shares which must be issued on the vesting of a Performance Right will be increased by the number of Shares which the holder would have received if the Performance Right had vested before the record date for the bonus issue.

12. Adjustment for entitlements issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than as a bonus issue, to which paragraph 11 will apply) there will be no adjustment to the number of Shares which will be issued upon the vesting of a Performance Right.

13. Adjustments for reorganisation

If there is any reorganisation of the issued share capital of the Company, the rights of the holders of Performance Rights will be varied in accordance with the Listing Rules.

Schedule 4 - Terms and conditions of Incentive Options

1. Entitlement

Each Incentive Option (**Option**) entitles the holder to subscribe for one Share upon exercise of the Option.

2. Exercise Price

Subject to paragraph 11, the amount payable upon exercise of each Option will be \$0.28 (**Exercise Price**).

3. Vesting Conditions

The exercise of the Options are subject to and conditional on the satisfaction of the relevant vesting condition summarised below:

Director	No. Incentive Options subject to each Vesting Condition						Total Incentive Options
	Condition A	Condition B	Condition C	Condition D	Condition E	Condition F	
Mark Gray	500,000	500,000	500,000	500,000	500,000	500,000	3,000,000
Jonathan Reynolds	250,000	250,000	250,000	250,000	250,000	250,000	1,500,000
Malcolm Carson	Nil	Nil	Nil	250,000	250,000	250,000	750,000
TOTAL	750,000	750,000	750,000	1,000,000	1,000,000	1,000,000	5,250,000

Each of the Options will vest upon the satisfaction of the conditions described below, subject to the relevant Director remaining engaged by the Company at all times up until the relevant condition is satisfied:

Vesting Condition A: The announcement of the Company on ASX of the commissioning of the New Elk Mine and commencement of production.

Vesting Condition B: The announcement of the Company on ASX of the sale of the first 500,000 metric tonnes of coal from the New Elk Project.

Vesting Condition C: The announcement of the Company on ASX of the sale of the second 500,000 metric tonnes of coal from the New Elk Project.

Vesting Condition D: The 12-month anniversary of the date of issue of the Options.

Vesting Condition E: The 24-month anniversary of the date of issue of the Options.

Vesting Condition F: The 36-month anniversary of the date of issue of the Options.

4. Expiry Date

Each Option will expire at 5.00pm (Sydney time) on a date that is 5 years from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

5. Exercise Period

The Options are exercisable if both the following conditions are satisfied:

- (a) the Option has vested in accordance with clause 3; and
- (b) the Option is exercised on or before the Expiry Date

(Exercise Period).

6. Notice of Exercise

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

7. Exercise Date

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

8. Quotation

Unless determined otherwise by the Board in its absolute discretion, the Options will not be quoted on the ASX or any other recognised exchange.

9. Issue of Shares on exercise

Within 15 business days after the Exercise Date, the Company will:

- (a) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (b) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (c) if admitted to the official list of ASX at the time, subject to any restriction or escrow arrangements imposed by ASX or under the Plan, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under paragraph 9(a) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 business days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

10. Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

11. Reconstruction of capital

In the event of any reconstruction (including consolidation, subdivision, reduction or return of capital) of the issued capital of the Company prior to the expiry date of the Options, all rights of the Option holder will be varied in accordance with the Listing Rules.

12. Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options. However, the Company will give the holders of Options notice of the proposed issue prior to the date for determining entitlements to participate in any such issue.

13. Change in exercise price

There will be no change to the exercise price of the Options or the number of Shares over which the Options are exercisable in the event of the Company making a pro rata issue of Shares or other securities to the holders of Shares in the Company (other than a bonus issue).

14. Adjustment for bonus issues

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the holder would have received if the holder of the Options had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Option exercise price.

15. Transferability

The Options are not transferable except as permitted pursuant to the terms of the Company's Participants Securities Incentive Plan.

16. Participants Securities Incentive Plan

The Options are issued pursuant to and are subject to the Company's Participants Securities Incentive Plan. In the event of conflict between a provision of these terms and conditions and the Plan, these terms and conditions prevail to the extent of that conflict.

Schedule 5 - Securities issued in the previous 12 months

Details of each issue of Equity Securities by the Company during the 12 months preceding the date of the Meeting are set out in the table below:

Date of Issue	Number of Securities	Type of Security	Recipient of Security	Issue Price and details of any discount to Market Price ¹ (if applicable)	Consideration, Use of Funds and Current Value ² as at the date of this Notice
6/12/2018	480,769	Shares	Mr Mark Gray under the Placement, as approved at the Shareholders' meeting on 28 November 2018	\$0.052 per Share, representing a premium of 2% to the Market Price on the date of issue	\$25,000 (before costs) was raised, of which \$25,000 has been expended. The funds were applied towards the further development of the Telkom metallurgical coal project and for general working capital.
6/12/2018	480,769	Shares	Mr David Fawcett under the Placement, as approved at the Shareholders' meeting on 28 November 2018	\$0.052 per Share, representing a premium of 2% to the Market Price on the date of issue	\$25,000 (before costs) was raised, of which \$25,000 has been expended. The funds were applied towards the further development of the Telkom metallurgical coal project and for general working capital.
6/12/2018	200,000	Shares	Mr Jonathan Reynolds under the Placement, as approved at the Shareholders' meeting on 28 November 2018	\$0.052 per Share, representing a premium of 2% to the Market Price on the date of issue	\$10,400 (before costs) was raised, of which \$10,400 has been expended. The funds were applied towards the further development of the Telkom metallurgical coal project and for general working capital.
14/01/2019	2,000,000	Unquoted Options ³	Employees under the Company's Participants Securities Incentive Plan	Nil issue price (nil cash consideration)	Performance based remuneration for services provided to the Company. Current Value: \$82,229

Date of Issue	Number of Securities	Type of Security	Recipient of Security	Issue Price and details of any discount to Market Price ¹ (if applicable)	Consideration, Use of Funds and Current Value ² as at the date of this Notice
20/06/2019	34,515,814	Shares	Sophisticated and professional investors under the Placement	\$0.075 per Share, representing no premium or discount to the Market Price on the date of issue	\$2,588,686 (before costs) was raised, of which \$1,864,547 has been expended. The funds were applied towards the further development of the Telkwa metallurgical coal project and for general working capital.
15/08/2019	666,666	Shares	Mr Mark Gray under the Placement, as approved at the Shareholders' meeting on 15 August 2019	\$0.075 per Share, representing a discount of 93% to the Market Price on the date of issue	\$50,000 (before costs) was raised, of which \$nil has been expended. The funds are to be applied towards the further development of the Telkwa metallurgical coal project and for general working capital.
15/08/2019	135,000	Shares	Mr Jonathan Reynolds under the Placement, as approved at the Shareholders' meeting on 15 August 2019	\$0.075 per Share, representing a discount of 93% to the Market Price on the date of issue	\$10,125 (before costs) was raised, of which \$nil has been expended. The funds are to be applied towards the further development of the Telkwa metallurgical coal project and for general working capital.

Date of Issue	Number of Securities	Type of Security	Recipient of Security	Issue Price and details of any discount to Market Price ¹ (if applicable)	Consideration, Use of Funds and Current Value ² as at the date of this Notice
27/09/19	22,017,871	Shares	Sophisticated and professional investors under the placement	\$0.14 per Share, representing a discount of 4% to the Market Price on the date of issue	<p>3,082,502 (before costs) was raised, of which \$nil has been expended. The funds are to be applied towards:</p> <ul style="list-style-type: none"> • continued development of the Tenas Metallurgical Coal Project; • due diligence and associated costs with the proposed acquisition of the New Elk Hard Coking Coal Mine; and • general working capital.

Notes:

1. "Market Price" means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
2. In respect of quoted Equity Securities the current value is based on the closing price of the Shares (\$0.145) on ASX on the Latest Practicable Date. The value of unquoted Equity Securities (unquoted Options) is measured using the Black & Scholes pricing model. Measurement inputs include the Share price on the measurement date, the exercise price, the term of the Equity Security, the expected volatility of the underlying Share (based on weighted average historic volatility), the expected dividend yield and the risk-free interest rate for the term of the Equity Security. No account is taken of any performance conditions included in the terms of the Equity Security other than market-based performance conditions (i.e. conditions linked to the price of Shares).
3. Unquoted Options exercisable at \$0.075 each on or before 6 December 2022 and subject to vesting conditions based on period of employment.

Schedule 6 - Notice of Nomination

11 October 2019

The Company Secretary
Allegiance Coal Limited
Suite 107, 109 Pitt Street
Sydney NSW 2000

Dear Sir

Notice of Nomination of Auditor

I am a member of Allegiance Coal Limited (ACN 149 490 353) (**Company**).

I hereby nominate Brian R Taylor & Associates for appointment as the auditor of the Company pursuant to section 328B of the Corporations Act 2001 (Cth) (**Act**).

In accordance with section 328B of the Act, please send a copy of this notice to Brian R Taylor & Associates and any person entitled to receive notice of general meetings of the Company.

Yours sincerely

J B Maguire

Schedule 7 - Proposed amendments to the Constitution

Clause	Current provision	Amendment
Clause 1.1	-	<p>Insert new definitions as follows:</p> <p><i>'Dispose has the meaning given to that term in the ASX Listing Rules and Disposal has the corresponding meaning.'</i></p> <p><i>'Restriction Deed means a restriction agreement or deed in a form prescribed by the ASX Listing Rules or otherwise approved by ASX.'</i></p>
26.2(a)	'except as permitted by ASX, refuse to register any transfer of Shares or other securities which are Restricted Securities if that transfer is or might be in breach of the ASX Listing Rules or any restriction agreement entered into by the Company under the ASX Listing Rules in relation to the Shares; and'	Delete
26.5	'Subject to clause 26.3, Restricted Securities cannot be disposed of during the escrow period except as permitted by the ASX Listing Rules or ASX. The Company will refuse to acknowledge a disposal of Restricted Securities to the extent required under the ASX Listing Rules.'	Delete
44.2	'During a breach of the ASX Listing Rules relating to Shares which are Restricted Securities, or a breach of a restriction agreement, the holder of the relevant Restricted Securities is not entitled to any voting rights in respect of those Restricted Securities.'	Delete
89	'During a breach of the ASX Listing Rules relating to Shares which are Restricted Securities, or a breach of a restriction agreement, the holder of the relevant Restricted Securities is not entitled to any dividend in respect of those Restricted Securities.'	<p>Delete and replace with the following:</p> <p><i>'89.1 While the Company is on the official list of ASX, the Company must recognise and comply with the ASX Listing Rules with respect to Restricted Securities.</i></p> <p><i>89.2 The following provisions apply notwithstanding any other provision of this Constitution and without limiting the obligation to comply with the ASX Listing Rules:</i></p> <p><i>(a) a holder of Restricted Securities must not Dispose of, or agree or offer to Dispose of, the Restricted Securities</i></p>

Clause	Current provision	Amendment
		<p><i>during the escrow period applicable to those Restricted Securities except as permitted by the ASX Listing Rules or ASX;</i></p> <p><i>(b) if the Restricted Securities are in the same class as quoted securities, the holder will be taken to have agreed in writing that the Restricted Securities are to be kept on the Company's issuer sponsored sub-register and are to have a holding lock applied for the duration of the escrow period applicable to those securities;</i></p> <p><i>(c) the Company will refuse to acknowledge any Disposal (including, without limitation, to register any transfer), of Restricted Securities during the escrow period except as permitted by the ASX Listing Rules or the ASX;</i></p> <p><i>(d) a holder of Restricted Securities will not be entitled to participate in any return of capital on those Restricted Securities during the escrow period applicable to those Restricted Securities except as permitted by the ASX Listing Rules or ASX; and</i></p> <p><i>(e) if a holder of Restricted Securities breaches a Restriction Deed or a provision of this Constitution restricting a Disposal of those Restricted Securities, the holder will not be entitled to any dividend or distribution, or to exercise any voting rights, in respect of those Restricted Securities for so long as the breach continues.'</i></p>



ABN 47 149 490 353

Lodge your vote:

By Mail:

GPO Box 2703
Sydney NSW 2001 Australia

Alternatively you can fax your form to:
+61 2 9233 1349

For all enquiries email:

info@allegiancecoal.com.au

Proxy Form

For your vote to be effective it must be received by 10.30am (AEDT) on Tuesday, 26 November 2019.

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form



ALLEGIANCE COAL
LIMITED

ABN 47 149 490 353

Proxy Form

I/We

of

being the holder of _____ ordinary shares of Allegiance Coal Limited hereby appoint

the Chairman OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Allegiance Coal Limited to be held at Suite 107, 109 Pitt Street, Sydney, NSW 2000 on Thursday, 28 November 2019 at 10.30am (AEDT) and at any adjournment of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolution: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1, 5 and 7 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 5 and 7 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

Resolutions

	For	Against	Abstain
1. Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Approval to change in scale of activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Approval to issue Debt Repayment Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Approval to issue Capital Raising Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Approval to issue Performance Rights to Larry Cook	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Approval to issue Performance Rights to Project Originators	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7(a). Approval of issue of Incentive Options to Mr Mark Gray	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7(b). Approval of issue of Incentive Options to Mr Jonathan Reynolds	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7(c). Approval of issue of Incentive Options to Mr Malcolm Carson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8. Ratification of issue of Placement Shares

9. Election of Director – Larry Cook

10. Re-election of Director – Jonathan Reynolds

11. Approval of 10% Placement Facility

12. Appointment of Auditor

13. Amendment to the Constitution

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Securityholder 2

Securityholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date ____/____/____

SRN/HIN _____

Perf (Will not print)