



11 February 2020

Sean Maloney
Australian Securities Exchange Limited
Level 40 Central Park
152 - 158 St George's Terrace
PERTH WA 6000

By Email: Sean.Maloney@asx.com.au and ListingsCompliancePerth@asx.com.au

Dear Mr Maloney

ASX DECEMBER QUARTER 2019 CASH FLOW REPORT QUERY

We refer to your letter dated 10 February 2020 regarding Allegiance Coal Limited's (**Allegiance or the Company**) Appendix 5B quarterly cash flow report for the quarter and 6 months ended 31 December 2019 (**Appendix 5B**) and respond to each point as follows:

1. Does AHQ expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

In common with resource exploration and development companies, Allegiance expects that it will continue to have negative operating cash flows until such time as it is able to bring an operating mine into production.

2. Has AHQ taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

The Company requires additional funding to meet its business objectives and intends to secure such funding from sources including but not limited to:

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

As reflected in the Appendix 5B, during the half-year ended 31 December 2019, the Company generated proceeds from the issue of shares, before costs, amounting to \$3.8 million and project participation contributions from Itochu Corporation of Japan of \$1.6 million.

As also reflected in the Appendix 5B, as at 31 December 2019 the Company had cash on hand of \$1.4 million.



The Company currently has capacity to place, without shareholder approval, up to 86,313,972 ordinary shares in accordance with ASX Listing Rule 7.1 and 57,542,648 ordinary shares in accordance with ASX Listing Rule 7.1A.

The Company's officers are in regular contact with Allegiance's major shareholders and other potential financiers and the Directors believe on reasonable grounds that the financing steps outlined above will be successful.

3. Does AHQ expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Having carefully assessed the likelihood of securing additional funding (as set out in the answer to question 2 above), and the Company's ability to effectively manage its expenditures and cash flows from operations, the Directors believe that the Company will be able to continue its operations and meet its business objectives for the foreseeable future.

4. Please confirm that AHQ is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.

We confirm that the Company is in compliance with ASX Listing Rule 3.1.

5. Please confirm that AHQ's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of AHQ with delegated authority from the board to respond to ASX on disclosure matters.

We confirm that the Company's response to the questions has been authorized in accordance with its published continuous disclosure policy by Mr Mark Gray, the Company's Chairman and Managing Director.

Yours sincerely
Allegiance Coal Limited

A handwritten signature in black ink, appearing to read "Jonathan Reynolds", written in a cursive style.

Jonathan Reynolds
Company Secretary



10 February 2020

Reference: 13758

Mr Jonathan Reynolds
Company Secretary
Allegiance Coal Limited

By email: jreynolds@allegiancecoal.com.au

Dear Mr Reynolds

Allegiance Coal Limited ('AHQ'): Appendix 5B Query

ASX refers to AHQ's Appendix 5B quarterly report for the period ended 31 December 2019 lodged with ASX Market Announcements Platform on 29 January 2020 (the 'Appendix 5B').

ASX notes that AHQ has reported:

- negative net operating cash flows for the quarter of \$2,953,000;
- cash at the end of the quarter of \$1,431,000; and
- estimated cash outflows for the next quarter of \$2,420,000.

It is possible to conclude, based on the information in the Appendix 5B that if AHQ were to continue to expend cash at the rate indicated by the Appendix 5B, AHQ may not have sufficient cash to continue funding its operations.

In view of that, ASX asks AHQ to respond separately to each of the following questions and requests for information:

1. Does AHQ expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has AHQ taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does AHQ expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that AHQ is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.
5. Please confirm that AHQ's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of AHQ with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **4:00 PM AWST Thursday, 13 February 2020**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in AHQ's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, AHQ's

obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and Listing Rule 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to AHQ’s obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that AHQ’s obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in AHQ’s securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Sean Maloney
Adviser, Listings Compliance (Perth)