

5 August 2020

CLEANSING NOTICE UNDER SECTION 708A(5)(e) OF THE CORPORATIONS ACT

This cleansing notice is given by Allegiance Coal Limited (ASX:AHQ) (**Company**) under section 708A(5)(e) of the *Corporations Act 2001* (Cth) (**Corporations Act**).

The Company advises that it has today issued 738,770 fully paid ordinary shares (**Shares**).

Pursuant to section 708A(5)(e) of the Corporations Act, the Company gives notice that:

- the Shares were issued without disclosure to investors under Part 6D.2 of the Corporations Act;
- the Company is providing this notice under paragraph (5)(e) of section 708A of the Corporations Act;
- as at the date of this notice, the Company has complied with:
 - the provisions of Chapter 2M of the Corporations Act, as they apply to the Company; and
 - section 674 of the Corporations Act; and
- as at the date of this notice, there is no information:
 - that has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
 - that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:
 - the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; or
 - the rights and liabilities attaching to the Shares.

A separate cleansing notice under section 708A(12C)(e) of the Corporations Act in respect of the issue of convertible notes by the Company is also being released by the Company to ASX today.

Authorised for issue by Jonathan Reynolds, Company Secretary.

For more information, please contact:

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CLEANSING NOTICE UNDER SECTION 708A(12C)(e) OF THE CORPORATIONS ACT

This cleansing notice (**Cleansing Notice**) is given by Allegiance Coal Limited (ASX:AHQ) (**Company**) under section 708A(12C)(e) of the *Corporations Act 2001* (Cth) (**Corporations Act**) (as notionally inserted by *ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82*).

The Company advises that it has today issued 772,105 convertible notes. The convertible notes were issued without disclosure to investors under Part 6D.2 of the Corporations Act.

The purpose of this Cleansing Notice is to enable the shares that may be issued on any future conversion of the convertible notes to be on-sold to retail investors without further disclosure.

This Cleansing Notice is an important document and should be read in its entirety. Neither ASIC nor ASX takes any responsibility for the contents of this Cleansing Notice.

1. Background

The Company announced on 31 July 2020 that it is proposing to undertake a capital raising by the issue of convertible notes (**Convertible Notes** or **Notes**) to Mercer Street Global Opportunity Fund, LLC (or its nominee) (**Noteholder**) to raise up to \$8 million (before costs) as follows:

- (a) an initial issue of 772,105 Notes issued under the Company's Listing Rule 7.1. placement capacity (**Tranche 1 Convertible Notes**) upon the receipt of \$661,804.19 from the Noteholder;
- (b) a subsequent issue of 1,561,228 Notes subject to Shareholder approval (**Tranche 2 Convertible Notes**) upon the receipt of \$1,338,195.81 from the Noteholder; and
- (c) subsequent issues of up to 6,900,000 Notes (in total) subject to Shareholder approval (**Tranche 3 Convertible Notes**) upon the receipt of \$6,000,000 from the Noteholder.

The Company has today issued 772,105 Tranche 1 Convertible Notes to the Noteholder.

The terms of the Notes are in the Convertible Notes Agreement (**Agreement**) executed by the Company and the Noteholder.

The Directors of the Company (**Directors**) consider that the entry into the Agreement and the issue of the Notes is in the best interests of Shareholders as it provides funding for the Company's near term general corporate and working capital purposes.

2. Contents of this Cleansing Notice

This Cleansing Notice sets out the following:

- (a) in relation to the Tranche 1 Notes:
 - (i) the effect of the issue on the Company;
 - (ii) a summary of the rights and liabilities attaching to the Convertible Notes; and
 - (iii) a summary of the rights and liabilities attaching to the Shares that will be issued on the conversion of the Convertible Notes; and
- (b) any information that:
 - (i) has been excluded from continuous disclosure notices in accordance with the ASX Listing Rules; and
 - (ii) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
 - (A) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (B) the rights and liabilities attaching to the Shares; and
 - (C) other information relating to the Company's status as a disclosing entity.

3. The effect of the issue on the Company

3.1 Effect of the issue on the Company

The principal effect of the issue of the Tranche 1 Notes on the Company will be to:

- (a) increase the Company's cash reserves by up to \$661,804.19 (before costs associated with the Notes issue);
- (b) increase the number of unquoted Notes on issue from nil to 772,105;
- (c) give rise to the Company having a liability for the aggregate amount of the Face Value of the Notes (\$772,104.78); and
- (d) if the Notes are converted, either wholly or in part to Shares, increase the number of Shares on issue as a consequence of the issue of Shares on such conversion.

In addition to the above, as partial consideration for the investment, the Company has issued 738,770 Shares to the Noteholder (**Tranche 1 Establishment Fee Shares**) in connection with the issue of the Tranche 1 Convertible Notes. The Company intends to issue an additional 2,216,313 Shares to the Noteholder, in connection with the issue of the Tranche 2 Convertible Notes, subject to obtaining Shareholder approval (**Tranche 2 Establishment Fee Shares**).

3.2 Pro-forma consolidated statement of financial position

- (a) Set out in Annexure A is a pro forma consolidated Statement of Financial Position as at 31 May 2020 for the Company based on the unaudited 31 May 2020 accounts adjusted to reflect the Notes issue and has been prepared on the basis of the accounting policies normally adopted by the Company.
- (b) The pro forma financial information is presented in an abbreviated form in so far as it does not include all of the disclosures required by the International Accounting Standards applicable to the Company's annual financial statements. The pro forma financial information is not audited. The classification of the allocations between debt and equity for the Notes may change in the future.

3.3 Potential effect on capital structure

The capital structure of the Company as at the date of this Cleansing Notice, before the issue of the securities pursuant to the Agreement, is set out below:

Type of security	Number
Shares	614,260,861
Options	20,700,000 ¹
Performance rights	12,500,000 ²
Notes	Nil

Notes:

1. Comprising of options with exercise prices ranging between \$0.05 to \$0.28 and with expiry dates ranging between 6 December 2020 and 2 December 2024.
2. Performance rights with expiry dates ranging between 2 June 2021 and 2 December 2023 and subject to vesting conditions on the terms and conditions in schedule 3 of the Company's 2019 notice of annual general meeting.

The Notes are convertible into Shares based on the conversion formula in Section 4 below. The number of Shares issued to the Noteholder will therefore depend on a number of factors, including whether the Noteholder elects to convert the Notes, or the Company elects to repurchase the Notes, or in the event the Noteholder has not notified the Company in writing prior to the maturity date that they will be converting the Notes, the Company is to pay in full to the Noteholder the face value of the Notes.



The Noteholder did not hold any Shares prior to the date of this Cleansing Notice. In addition to the Notes, the Company has issued 738,770 Tranche 1 Establishment Fee Shares to the Noteholder under the terms of the Agreement.

The table below shows the potential effect of the conversion of all Notes, as at the date of this Cleansing Notice, based on a floor price for the conversion of \$0.03.

	Shares	% Shares	Options	Performance Rights	Convertible Notes
Existing Securities	614,260,861	66.4%	20,700,000	12,500,000	0
Conversion of Tranche 1 Convertible Notes	25,736,826	2.8%	-	-	-772,105
Tranche 1 Establishment Fee Shares	738,770	0.1%	-	-	-
Conversion of Tranche 2 Convertible Notes	52,040,940	5.6%	-	-	-1,561,228
Tranche 2 Establishment Fee Shares	2,216,313	0.2%	-	-	-
Conversion of Tranche 3 Convertible Notes	230,000,000	24.9%	-	-	-6,900,000
Total post conversion	924,993,710	100%	20,700,000	12,500,000	0

Note: Assumes all Notes are issued, that no additional Shares are issued prior to conversion of the Notes and that a conversion price of \$0.03 applies, being the agreed 'floor price' (subject to adjustment). Fractions have been rounded up to the nearest Share.

4. Rights and liabilities attaching to the Notes

The following is a broad summary of the rights, privileges and restrictions attaching to the Convertible Notes.

The summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of the Noteholder.

Face Value	\$1.00 per Note
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Issue Date of Tranche 1 Notes	5 August 2020
Investments	<p>Subject to the satisfaction or waiver of the relevant closing conditions, the Noteholder will subscribe for the Notes as follows:</p> <ul style="list-style-type: none"> • on the date that is 5 business days after satisfaction or waiver of the closing conditions in respect of the Tranche 1 Convertible Notes, the Noteholder advance the sum of approximately \$661,804 to the Company (First Investment Amount). In consideration, the Company will issue the Noteholder 772,105 Tranche 1 Convertible Notes; • on the date that is 5 business days after satisfaction or waiver of the closing conditions in respect of the Tranche 2 Convertible Notes, the Noteholder advance the sum of approximately \$1.34 million to the Company (Second Investment Amount). In consideration, the Company will issue the Noteholder 1,561,228 Tranche 2 Convertible Notes; and • on the date that is 5 business days after satisfaction or waiver of the conditions in respect of the Tranche 3 Convertible Notes, the Noteholder will advance a sum to be agreed between the parties ranging between \$500,000 and \$6,000,000 (Subsequent Investment Amount) to the Company. In consideration, the Company will issue the Noteholder such number of certificated Convertible Notes with an aggregate face value equal to 115% of the relevant Subsequent Investment Amount so advanced (i.e. up to 6,900,000 Tranche 3 Convertible Notes).
Exclusivity	<p>During the term of the Agreement, the Company must not enter into any agreement with a third party:</p> <ul style="list-style-type: none"> • for the issue or sale of any debt or equity securities that are convertible into Shares; or • any securities in a capital or debt raising transaction or series of related transactions which grant to an investor the right to receive additional securities based upon future transactions of the Company. <p>However the Company is not restricted from undertaking a rights issue, share purchase plan, raising money through placements of Shares or security issues at a fixed price per Share not in the nature of an on-going equity line arrangement.</p> <p>In addition, the Company must not undertake any capital raising (including rights issue, share purchase plan or placement), at a fixed price per Share which is lower than the lowest Conversion Price that could be selected by the Noteholder at that time (assuming the date of announcing the capital raising is deemed to be the date of issue of the relevant Conversion Notice for the purpose of calculating the</p>

	Conversion Price), without the prior written approval of the Noteholder.
Closing Conditions	<p>In summary, the payment of the investments are subject to the satisfaction of the following conditions:</p> <ul style="list-style-type: none"> • Company to ensure the issue of the Notes would not cause the voting power in the Company of the Noteholder and its associates (Relevant Interest) to exceed 4.99%, unless the Noteholder gives its written consent to the Company that the Noteholder's Relevant Interest may exceed 4.99% but will not exceed 9.99%; • the Noteholder will not acquire a relevant interest in Shares which causes the voting power to exceed 19.99%; • the Company obtain Shareholder approval to issue the Tranche 2 Convertible Notes and Tranche 2 Establishment Fee Shares; • the Company to deliver a general security deed executed by the Company and a priority deed in relation to the Tranche 1 Convertible Notes; • the payment of the Second Investment Amount and issue of the Tranche 2 Convertible Notes is conditional on the completion of the payment of the First Investment Amount and the issue of the Tranche 1 Convertible Notes and Tranche 1 Establishment Fee Shares; • the Company's representation and warranties made in the Agreement is true and correct; • Company to obtain all authorisations, consents, permits and approvals as necessary; • the Company to deliver a copy of the resolutions duly adopted by the board of directors of the Company and all relevant and additional documents, certificates and payments to the Noteholder; • no Event of Default has occurred and any offer for sale by the Noteholder does not and will not need disclosure under Part 6D.2 of the Corporations Act and will not result in a breach of the Listing Rules or other relevant and applicable law; • the Company has performed and complied in all respects with all the agreements and covenants required by the Agreement; • ASX has not indicated that quotation of the Shares on ASX will not be granted; and • the Company lodges a cleansing notice and cleansing statement in relation to the Tranche 1 and Tranche 2 Convertible Notes and Tranche 1 and Tranche 2 Establishment Fee Shares.

	<p>The closing conditions are for the benefit of the Noteholder and may be waived by the Noteholder in its absolute and sole discretion by providing written notice to the Company.</p> <p>If, in respect of the completion of the payment of the First Investment Amount and issue of the Tranche 1 Convertible Notes, a closing condition is not satisfied or becomes incapable of being satisfied, the Noteholder may terminate the Agreement by giving notice to the Company. In addition, the Company is not permitted to issue any securities to the Noteholder if any of the closing conditions have not been fulfilled (unless the Company has obtained written consent from the Noteholder).</p>
<p>Conversion</p>	<ul style="list-style-type: none"> • Subject to the below, the Noteholder may, at its election, convert one or more of the Tranche 1, Tranche 2 or Tranche 3 Convertible Notes (together the Convertible Notes) into Shares by delivering a conversion notice to the Company at any time prior to the Maturity Date. • The conversion price in respect of the Tranche 1 Convertible Notes and Tranche 2 Convertible Notes, is \$0.10 for the first 2 months following issue of the Convertible Note and thereafter the lower of: <ul style="list-style-type: none"> ○ \$0.10; or ○ 92% of the lowest daily volume weighted average market price (VWAP) of the Shares during the preceding 10 trading days immediately before the holder giving a conversion notice, <p>subject to the conversion price being not less than \$0.03.</p> • The conversion price in respect of the Tranche 3 Convertible Notes, is the lower of: <ul style="list-style-type: none"> ○ \$0.15; or ○ 90% of the lowest daily VWAP of the Shares during the preceding 10 trading days immediately before the holder giving a conversion notice, <p>subject to the conversion price being not less than \$0.03.</p> • Each conversion notice must specify how many Convertible Notes the Noteholder elects to convert and must be at least for a face value in an amount equal to or greater than \$25,000 (unless the remaining face value of the Convertible Notes on issue is less than \$25,000). • For the avoidance of doubt, the Company has no right to require the Noteholder to convert any Convertible Notes at any time.

<p>Maturity</p>	<ul style="list-style-type: none"> • The maturity date for the Tranche 1 Convertible Notes, Tranche 2 Convertible Notes and Tranche 3 Convertible Notes is 12 months after the relevant issue date. • The Company must repay the face value of the Convertible Notes in the event the Convertible Notes are not converted prior to the maturity date.
<p>Repurchase</p>	<ul style="list-style-type: none"> • The Company may at any time, elect to repurchase all of the outstanding Convertible Notes on issue at any time by delivering a repurchase notice to the Noteholder (Repurchase Notice) provided that: <ul style="list-style-type: none"> ○ the Company is at all times in compliance with its obligations under the Agreement; ○ there is no existing Event of Default; and ○ the Noteholder has not issued a Conversion Notice in respect of the Convertible Notes. • If the Company delivers a Repurchase Notice to the Noteholder, the Repurchase Notice must specify how many Convertible Notes the Company has elected to repurchase (Repurchased Securities) and the repurchase price as determined by multiplying the face value of the repurchased Convertible Notes by 1.03. • Upon receipt of a Repurchase Notice, the Noteholder has the ability to elect to convert up to 30% of the Repurchased Securities set out in the Repurchase Notice by delivering a conversion notice to the Company setting out the number of Repurchased Securities its wishes to convert (Noteholder Further Conversion Securities), within 4 business days of receipt by the Noteholder of the Repurchase Notice. • If the Noteholder elects to convert the Repurchased Securities, the Repurchase Notice issued by the Company is automatically amended to reduce the Repurchased Securities by the number of Noteholder Further Conversion Securities.
<p>Mandatory Repayment</p>	<p>If:</p> <ul style="list-style-type: none"> • the Noteholder has not notified the Company in writing by 5.00pm on the day that is 10 business days prior to the relevant Maturity Date that it will be converting the relevant Convertible Notes (in whole or in part), to the extent not already converted or repurchased prior to the relevant Maturity Date, the Company is to pay in full to the Noteholder of the Convertible Notes the face value of the Convertible Notes, within 20 business days of the Maturity Date; • an Event of Default occurs after the Company has received 10 business days written notice (Notice of Default) from the

	<p>Noteholder setting out the details of the Event of Default and requiring repayment of the Convertible Notes, the Company must repay the outstanding Convertible Notes held by the Noteholder together with any accrued by unpaid interest at the date of such Repayment as from the date of service of the Notice of Default, within 10 business days after the Notice of Default; or</p> <ul style="list-style-type: none"> • a takeover bid or scheme of arrangement occurs, or the Company's Shares are no longer quoted on ASX or are suspended for a period of 20 consecutive business days, the Company must immediately give the Noteholder written notice of the occurrence of that event. In such circumstances, the Noteholder may require repayment by the Company of some or all of the Convertible Notes by giving written notice to the Company (Noteholder Repayment Notice) no later than 20 business days after the date of the notice issued by the Company. Repayment of the outstanding Convertible Notes must occur 5 business days after the date of the Noteholder Repayment Notice is given by the Noteholder to the Company.
Security	<p>The Convertible Notes are issued as a secured debt security evidencing the Company's indebtedness to the Noteholder on the terms in the Agreement.</p>
Interest	<ul style="list-style-type: none"> • There is no interest payable on the Convertible Notes. However upon an Event of Default occurring, an interest rate of 18% per annum will apply on the amount of the face value of all Convertible Notes issued which has not been satisfied via the Noteholder's election to convert the Notes or the Company's election to repurchase the Notes. • The interest is to be calculated daily and compound monthly.
Representations and warranties	<p>The Company has provided the Noteholder with customary representations and warranties.</p>
Events of default	<p>The Convertible Note Agreement includes typical events of default, including, amongst other things, the following (in summary):</p> <ul style="list-style-type: none"> • a representation or warranty of the Company being untrue or misleading in any material respect; • the Company fails to perform or comply with any obligation under the Agreement and the default is not capable of remedy or the default is capable of remedy and the default remains unremedied within a certain time period; • the Company fails to pay an amount when due and payable under the Agreement and that failure is not remedied within a certain time period;



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- the Company fails to issue conversion shares within 3 business days of conversion or are not quoted on the ASX within 3 business days immediately following the date of their issue;
- the Company suffers an insolvency event or a change in control (i.e. takeover bid or scheme of arrangement);
- the Company ceases, or suspends the conduct of all its business or dispose of, or threaten to dispose of, a substantial part of its assets;
- the Company does not comply with the requirement to issue a cleansing notice or cleansing statement;
- a stop order, suspension of trading, cessation of quotation, or removal of the Company or the Shares from the ASX Official List has been requested by the Company or imposed by ASIC, the ASX, or any other government body with respect to public trading in the Shares on the ASX or a fact of circumstances causes the Company to request or the ASX or any other governmental authority or regulatory body to impose a stop order;
- trading in securities generally in Australia or the United States has been suspended or limited;
- the conditions in the Agreement has not been met;
- the Company challenges or denies the right of the Noteholder to receive any securities or otherwise dishonours or rejects any action taken or document delivered;
- the Agreement becomes partly void, voidable or unenforceable;
- a change in an interpretation or administration of the law or proposed law introduced into the Parliament of Australia or any State or Territory of Australia is more likely than not to have a direct or indirect effect on the duties and obligations of the Company and the Noteholder;
- any person has commenced an action, claim, proceeding or investigation against any other person which seeks to restrain, challenge, deny, limit or delay the right of the Noteholder or the Company to enter into the Agreement and any associated documents;
- the transactions to be undertaken as a consequence of the Agreement, including the issue of securities, would result in the Company breaching Listing Rule 7.1 or Listing Rule 7.1A;
- the Noteholder has not received all items required to be delivered to it in connection with a closing or conversion;
- any litigation or proceedings of which the Company is a party to has commenced and may result in a material adverse effect;

	<ul style="list-style-type: none"> • any present or future liabilities of the Company for an amount totalling more than \$500,000 have not been satisfied on time; • a judgement of an amount of \$500,000 or greater is entered against the Company; and • an event occurs which in the opinion of the Noteholder has or is reasonably likely to have a material adverse effect. <p>Interest will be payable at a rate of 18% per annum in the event of an event of default occurring.</p>
<p>Company Covenants</p>	<p>The Agreement includes covenants from the Company including the below:</p> <ul style="list-style-type: none"> • will use all reasonable endeavours to ensure that a reorganisation, subdivision, consolidation, buy back, redemption, reduction or cancellation of Shares or share capital, without the prior written approval of the Noteholder; • will ensure the Noteholder's Shares rank equally in all respects with the existing Shares on the date of issue of the Noteholder's Shares; • will not take any action, enter into any agreement or make any commitment that would conflict or interfere in any material respect with its obligations to the Noteholder under the Agreement; • comply with all applicable laws; • list any of its securities on any financial market, quotation system, or stock exchange, other than the ASX, without the Noteholder's prior written consent; • remain continuously quoted on the ASX without suspension for more than 5 trading days in any 12 month period; • conduct business in a proper and efficient manner in accordance with good commercial practice; • incur any financial indebtedness in excess of \$250,000 (or as otherwise disclosed), create or permit to create any encumbrance on any of its present or future property or assets; • not dispose of any assets unless it is in the ordinary course of business, for fair market value and approved by the board of directors of the Company; • pay, make or declare any dividend to another subsidiary; • cease to carry on or suspend its business; • enter into any arrangement with a related party except on terms which are agreed on arm's length terms or otherwise approved by the Company's Shareholders in accordance with Chapter 2E of the Corporations Act;

	<ul style="list-style-type: none"> • reduce its issued share capital or initiate and undertake a merger or amalgamation; • change the nature of its business; • make an application under section 411 of the Corporations Act; • transfer the jurisdiction of incorporation of the Company or any of its subsidiaries; or • enter into any agreement with respect to any of the matters listed above.
<p>Noteholder covenants</p>	<p>The Noteholder must:</p> <ul style="list-style-type: none"> • not acquire a relevant interest in the Shares which causes the voting power in the Company of the Noteholder and its associates (as defined in the Corporations Act) to exceed 19.99%; • not engage in any short selling of Shares; and • notify the Company of any change of its prime brokers or share custodians.
<p>Bonus Issues</p>	<p>If at any time before the Convertible Notes being converted, the Conversion Price of a Convertible Note may be reduced according to the following formula:</p> $C_n = \frac{C_o - E [P - (S + D)]}{N + 1}$ <p>Where:</p> <ul style="list-style-type: none"> • C_n = the new conversion price of the Convertible Note; • C_o = the old conversion price of the Convertible Note; • E = the number of underlying securities into which one Convertible Note is exercisable; • P = the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex right date or the ex entitlements date; • S = the subscription price for a security under the pro rata issue; • D = dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue); and • N = the number of securities with rights or entitlements that must be held to receive a right to one new security. <p>However this does not apply to Shares issued as part of a bonus share plan, share top up plan, share purchase plan, dividend reinvestment</p>

	<p>plan, an employee or executive share plan or executive option plan, or any Shares issued as part of the co-equity investment.</p> <p>If there is a bonus issue to the holders of Shares in the Company, the number of Shares over which the Convertible Note is exercisable may be increased by the number of Shares which the Noteholder would have received if the Convertible Note had been exercised before the record date for the bonus issue.</p> <p>An issue will be regarded as a pro rata issue notwithstanding that the Company does not make offers to some or all holders of Shares with registered addresses outside Australia.</p>
Quotation	<p>The Convertible Notes will not be quoted on the ASX. However, the Company will apply for the Tranche 1 Establishment Fee Shares, Tranche 2 Establishment Fee Shares and the new shares issued on the conversion of the Notes to be quoted on the ASX.</p>
Transferability	<p>The Notes are non-transferrable except to other sophisticated investors or professional investors (as defined in the Corporations Act)</p>

5. Rights and liabilities attaching to the Shares issued on conversion of the Notes

The Shares issued to the Noteholder on the conversion of the Convertible Notes under the Convertible Notes Agreement will rank equally in all respects with all of the Company's existing Shares.

The rights attaching to Shares, including new Shares to be issued to the Noteholders on the conversion of the Convertible Notes, are set out in the Company's constitution (**Constitution**), and, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules and the general law.

A summary of the rights attaching to Shares in the Company is below. This summary is qualified by the full terms of the Constitution (a full copy of the Constitution is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, the Shareholder should seek legal advice.

General meeting and notices	<ul style="list-style-type: none"> Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.
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	<ul style="list-style-type: none"> Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.
Voting rights	<p>Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of Shareholders or classes of Shareholders:</p> <ul style="list-style-type: none"> each Shareholder entitled to vote may vote in person or by proxy, attorney or representative; on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).
Further issue of securities	<p>The Directors may, on behalf of the Company, issue Shares, grant options over or otherwise dispose of unissued Shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by the Constitution, the Listing Rules, the Corporations Act and any rights for the time being attached to the Shares in any special class of those Shares.</p>
Shareholder liability	<p>As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.</p>
Variation of rights	<p>At present, the Company has on issue one class of Shares only, namely ordinary Shares. Unless otherwise provided by the Constitution or by the terms of issue of a class of Shares, the rights attached to the Shares in any class may be varied or cancelled only with the written consent of the holders of at least three-quarters of the issued Shares of the affected class, or by special resolution passed at a separate meeting of the holders of the issued Shares of the affected class.</p>
Transfer of Shares	<p>Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.</p>

<p>Dividends</p>	<p>Subject to the rights of any preference Shareholders and to the rights of the holders of any Shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare that a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.</p> <p>No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.</p> <p>The Directors may grant to Shareholders or any class of Shareholders the right to elect that dividends payable by the Company be reinvested, including by way of subscription for fully paid Shares in the Company or by foregoing any dividends that may be payable on all or some of the Shares held by that member and to receive instead some other entitlement, including the issue of Shares.</p>
<p>Winding up</p>	<p>Subject to the Constitution, the Corporations Act and the rights of holders of Shares with special rights in a winding-up (at present there are none), on a winding-up of the Company, the liquidator may, with the sanction of a special resolution of the Company, divide among the Shareholders in kind the whole or any part of the property of the Company and may for that purpose set the value the liquidator considers fair upon any property to be so divided and may determine how the division is to be carried out as between members or different classes of members.</p>
<p>Alteration of Constitution</p>	<p>In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.</p>

6. Compliance with disclosure obligations

The Company is a “disclosing entity” under the Corporations Act and, as such, is subject to regular reporting and disclosure obligations under both the Corporations Act and the ASX Listing Rules.

Broadly, these obligations require:

- (a) the Company to notify ASX immediately of any information (subject to certain exceptions) of which it is or becomes aware which a reasonable person would

expect to have a material effect on the price value of its securities. That information is available to the public from ASX; and

- (b) the preparation of yearly and half-yearly financial statements and a report of the Company's operations during the relevant account period, together with an audit or review report prepared by the Company's auditor. These documents are lodged with ASIC and ASX.

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC. Copies of all documents announced to the ASX can be found at <https://www.allegiancecoal.com.au/site/investor-information/ASX-Announcements>.

The Company will provide free of charge to any person who requests it during normal business hours:

- (a) the Annual Report for the period ending 30 June 2019 lodged with ASX on 6 September 2019 (**Annual Financial Report**);
- (b) the Half Yearly Report for the period ending 31 December 2019 lodged with ASX on 6 March 2020; and
- (c) the continuous disclosure notices given by the Company to notify ASX of information relating to the Company during the period from the date of lodgement of the Annual Financial Report lodged with ASX on 6 September 2019, until the date of this Prospectus:

Date	Announcement
31/7/2020	Allegiance Secures up to A\$8m of Funding
12/06/2020	Cleansing Statement
12/06/2020	Appendix 2A
05/06/2020	Proposed Issue of Securities - AHQ
05/06/2020	Allegiance to Close Acquisition of New Elk Coking Coal Mine
06/05/2020	Investor Presentation
01/05/2020	Top 20 Securityholders
30/04/2020	Quarterly Activities Report
30/04/2020	Quarterly Cashflow Report
29/04/2020	Further Reduction in Start-up Capex at New Elk Project

Date	Announcement
27/04/2020	Extends Option to Acquire New Elk Hard Coking Coal Mine
20/04/2020	Lorencito Leases Acquisition (Re-issued with clarification)
16/04/2020	Cleansing Statement
16/04/2020	Appendix 2A
15/04/2020	Completes Acquisition of Lorencito Coal Leases
09/04/2020	Proposed Issue of Securities - AHQ
09/04/2020	Proposed Issue of Securities - AHQ
09/04/2020	Completes \$1.98m Capital Raising
07/04/2020	Trading Halt
06/04/2020	New Elk Project Marketing Contract and Off-take Financing
02/04/2020	Clarification re New Elk Rail Contract Terms
01/04/2020	Finalises New Elk Project Rail Contract Terms
31/03/2020	Clarification re New Elk Loan Facility Terms Sheet
30/03/2020	New Elk Project Loan Facility Terms Sheet Entered
06/03/2020	Half Yearly Report and Accounts
05/03/2020	Proposed Issue of Securities - AHQ
02/03/2020	Raises US\$2.5m Bridging Loan
12/02/2020	Response to Appendix 5B Queries
31/01/2020	Simplifies New Elk Mine Plan to Reduce Start-up Capex
29/01/2020	Quarterly Activities Report
29/01/2020	Quarterly Cashflow Report
22/01/2020	Concludes Binding Agreement to Acquire New Elk Mine
20/12/2019	Investor Presentation
09/12/2019	Clarification Regarding Announcement Dated 5 December 2019

Date	Announcement
05/12/2019	Planned Acquisition to Coal to Enhance New Elk Project
03/12/2019	Change of Director's Interest Notice*4
03/12/2019	Appendix 3B
28/11/2019	Updated Constitution
28/11/2019	Results of Annual General Meeting
28/11/2019	New Elk Feasibility Study Delivers Outstanding Results
30/10/2019	Notice of Annual General Meeting/Proxy Form
28/10/2019	Change of Director's Interest Notice J Reynolds
28/10/2019	Appendix 3B
28/10/2019	Quarterly Activities Report
28/10/2019	Quarterly Cashflow Report
24/10/2019	Share Purchase Plan Closes Raising \$0.6 million
27/09/2019	Cleansing Statement
27/09/2019	Appendix 3B
23/09/2019	\$3 million Placement and Launch of Share Purchase Plan
19/09/2019	Trading Halt
11/09/2019	Investor Presentation
06/09/2019	2019 Appendix 4G Corporate Governance
06/09/2019	2019 Annual Report

7. Information excluded from continuous disclosure notices

As at the date of this Cleansing Notice, other than as set out in this Cleansing Notice and the cleansing notice attached to this Cleansing Notice, in respect of the Shares issued today, the Company advises that there is no information that:

- (a) the Company has excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and



- (b) is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:
- (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (ii) the rights and liabilities of the Notes (and the underlying Shares) offered by the Company.

Authorised for issue by Jonathan Reynolds, Company Secretary.

For more information, please contact:

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Allegiance Coal Limited

Mr Jonathan Reynolds

Finance Director

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ANNEXURE A - PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Company unaudited 31-May-20 "A"	Note Tranche 1 "B"	Note Tranche 1 and 2 "B"	Note Tranche 1, 2 and 3* "B"
	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS				
Cash and cash equivalents	997	1,659	2,997	8,997
Trade and other receivables	101	101	101	101
TOTAL CURRENT ASSETS	1,098	1,760	3,098	9,098
NON CURRENT ASSETS				
Intangible assets	20,420	20,420	20,420	20,420
TOTAL NON CURRENT ASSETS	20,420	20,420	20,420	20,420
TOTAL ASSETS	21,518	22,180	23,518	29,518
CURRENT LIABILITIES				
Trade and other payables	931	931	931	931
Borrowings	4,915	5,577	6,915	12,915
TOTAL CURRENT LIABILITIES	5,846	6,508	7,846	13,846
TOTAL LIABILITIES	5,846	6,508	7,846	13,846
NET ASSETS	15,672	15,672	15,672	15,672
EQUITY				
Share capital	33,052	33,102	33,252	33,252
Accumulated losses	(21,673)	(21,723)	(21,873)	(21,873)
Reserves	2,085	2,085	2,085	2,085
Non-controlling interest	2,208	2,208	2,208	2,208
TOTAL EQUITY	15,672	15,672	15,672	15,672

* Assuming full \$6 million of Tranche 3 Note is subscribed