



29 June 2017

UPDATED TRADING AND CORPORATE GOVERNANCE POLICIES

Allegiance Coal Limited (**Allegiance** or the **Company**) advises that the Company's Board has recently reviewed and adopted updated Trading and Corporate Governance Policies.

The updated Trading Policy is attached to this announcement.

The updated Corporate Governance Policies will be posted to the Company's website www.allegiancecoal.com.au

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About Allegiance Coal

Allegiance Coal is a publicly listed (ASX:AHQ) Australian company fast tracking a metallurgical coal mine into production in British Columbia, Canada. The Telkwa metallurgical coal project (**Project**) is the Company's flagship project comprising 165Mt of JORC compliant coal resource and has been the subject of extensive historical exploration. Located 1,000 km north of Vancouver, the Project sits uniquely on the western side of British Columbia, immediately adjacent to a major Canadian National Rail line, with a 360 km rail haul to the deep water port of Prince Rupert and Ridley Island Coal Terminal. British Columbia has one of Canada's and North America's most competitive, flexible and supportive business climates. Consistently receiving AAA credit ratings, its vast resources, low taxes, stable and well regulated financial system and Government, makes for a wonderful country in which to invest.



Securities Trading Policy

1. Background

The Company has adopted this security trading policy to regulate dealings in securities issued by the Company in accordance with ASX Listing Rule 12.9.

The law prohibits, and imposes severe penalties on insider trading. The Corporations Act 2001 (Cth) ("Corporations Act") and the ASX Listing Rules require disclosure of trading undertaken by Directors or their related entities in the Company's securities.

2. Policy

The Company encourages its directors, senior executives and employees to hold securities in the Company. However, when trading in securities of the Company it is important to ensure that these transactions do not reflect badly on any director, senior executive, employee or the Company. This Policy is designed to ensure that directors, senior executives and employees do not deal in securities of the Company in a manner that may but be perceived to constitute insider trading by imposing further trading restrictions on them.

This policy is made available on the Company website, to all key management and employees and is subject to ASX announcement, including upon any material changes to the policy.

If you do not understand any part of this policy or how it applies to you please contact the Company Secretary.

3. Insider Trading

Anyone buying or selling securities in any company must ensure the insider trading provisions contained in Part 7.10 of the Corporations Act 2001 are not contravened.

Inside Information is information that is not generally available which could reasonably be expected to have a material effect on the price or value of securities of a body corporate. Information is taken to have a "material effect" on the price or value of a security if it would be likely to influence persons in deciding whether or not to subscribe for, buy, or sell the securities. Thus, to constitute inside information the information must be both price sensitive and not generally available.

It is readily apparent that directors, senior executives and employees of the Company in the course of carrying out their duties often possess information which would be regarded as inside information under the Corporation Act. The following are non-exhaustive examples of information which could be regarded as inside information:

- (a) proposed strategic business acquisition;
- (b) financial records not yet released to the market; and
- (c) a proposed takeover not yet announced to the market.

Dealing in securities includes trading, subscribing, buying or selling securities or entering an agreement to do so, as well as advising, procuring or encouraging others such as family members, friends, colleagues etc. to trade in securities.



Insider Trading is a criminal offence attracting fines and possible imprisonment. Any person in possession of Inside Information must not trade in securities of that company. It is a personal responsibility of each individual to comply with the laws governing Insider Trading.

Restrictions on Employees Dealings with Company Securities

Employees generally may freely trade in Company securities; however, they are reminded that Insider Trading restrictions apply to them. Strict compliance with Insider Trading restrictions are a condition of employment and any employee who breaches this restriction will be subject to disciplinary action which may include dismissal.

Employees cannot, either directly or indirectly, communicate Inside Information to other persons and can be liable for Insider Trading if they recommend the Company's securities to other persons while they are in possession of price sensitive information which is undisclosed to the general public. Employees should be aware that they can be liable for Insider Trading by communicating Inside Information to other persons, for example their spouse, family or friends. This liability arises notwithstanding the fact that the employee has not personally dealt with the securities of the Company. Spouses, family or friends who become aware of Inside Information and subsequently act on it before the information becomes public can also be held liable for Insider Trading.

Employees should not engage in short term or speculative trading of the Company's securities, which is defined as the purchase and sale of the same securities within a 12 month period.

Employees should exercise care if borrowing monies to purchase securities or offering securities held by them as collateral and should not enter into arrangements, such as margin loans or arrangements involving the Company's securities as collateral to secure repayment of a loan, where the lender is granted a right to sell or compel the sale of the securities at a time that this policy prohibits the employee dealing in the securities. Further, employees should not use derivatives such as caps, collars, warrants or similar products in relation to any Company securities held by employees.

Restrictions on Key Management Personnel Dealings with Company Securities

Additional restrictions on dealing in the Company's securities apply to those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including directors and any of their associates, all executives reporting directly to the Managing Director and any other employees of the Company considered appropriate by the Managing Director and Company Secretary from time to time (**Key Management Personnel**).

A list of all Key Management Personnel is to be maintained by the Company Secretary who will ensure all Key Management Personnel receive notification of this policy.

The Company's policy regarding dealings by Key Management Personnel in the Company's securities is that Key Management Personnel should never engage in short term trading.

Before engaging in transactions involving the securities of the Company, Key Management Personnel must notify the Company Secretary of the intended transaction at least 24 hours beforehand and cannot trade without written approval from the Chairperson.

Key Personnel Trading Procedure

Key Management Personnel or their associates cannot trade in the Company's securities without prior written approval. The required written approval can only be obtained as follows:

- (a) a written or emailed request for approval of the proposed dealing is made, including a declaration that the applicant is not in possession of inside information in relation to the

- proposed dealing, and sent to the Company Secretary who will forward the request to the Chairman of the Board for approval (Application);
- (b) the Chairman will respond to the Application, normally, within 24 hours when a written or emailed response will be returned to the applicant;
 - (c) the Chairman may, at his or her discretion and without limitation refuse an Application or grant approval subject to conditions;
 - (d) the Chairman may refer an Application to the full Board at his or her discretion and must inform the Board of any such requests;
 - (e) in the case of the Chairman intending to trade in the Company's securities, the Chairman must notify and obtain clearance from the Board before trading or giving instructions for trading;
 - (f) if approval is granted it will be valid for a specific time frame, usually 7 days from the date it is given, meaning the relevant dealing can only occur during that period (subject to the other requirements of this policy) (**Approval**); and
 - (g) if Approval is granted and the dealing occurs, all Key Management Personnel must advise the Company Secretary of their or their associate's participation in any trading of the Company's securities within five business days of the date of any such dealings, including details of the applicant's percentage shareholding in the Company.

Notwithstanding that the Company Secretary is to be informed of all information concerning Key Management Personnel's shareholding, the ultimate responsibility for ensuring that the required forms and notifications, including the obtaining of any substantial shareholding or change in any substantial shareholding, are lodged with ASIC and ASX, remains with the relevant Key Management Personnel.

Key Management Personnel should note that, notwithstanding that the Chairman has granted consent, it is the Key Management Personnel's obligation to ensure that they do not breach the general obligation not to deal in the Company's securities when in possession of unpublished price sensitive information.

4. Prohibited periods

The Board has the discretion to prohibit trading by any Key Management Personnel, for example during periods when it is considering matters which are subject to the exceptions to the continuous disclosure requirements set out in Listing Rule 3.1A (**Prohibited Periods**).

As Key Management Personnel cannot trade in the Company's securities without written Approval, this provides the opportunity for the Board to exercise its discretion to prohibit trading.

5. Closed periods

In addition to Prohibited Periods, Key Management Personnel cannot deal with the Company's securities in the following circumstances:

- (a) for a period of twenty-one (21) days prior to release by the Company of half yearly reports;
- (b) for a period of twenty-one (21) days prior to release by the Company of annual reports; and
- (c) fourteen (14) days prior to the release by the Company of the quarterly cashflow and activities report.

6. Permitted trading

The Board considers that some trading to be excluded from the operation of the Policy. A person otherwise restricted from trading pursuant to this policy (**Restricted Person**) may trade, for instance, where the trading results in no change in beneficial interest in the securities, where trading occurs via

investments in a scheme or other arrangement where the investment decisions are exercised by a third party, where the Restricted Person has no control or influence with respect to trading decisions, or where the trading occurs under an offer to all or most of the security holders of the entity.

The purpose of this policy does not apply to every dealing with the Company's securities and as such there are some dealings which may be exempt from the requirements of this policy, namely:

- (a) transfers of securities of the entity already held into a superannuation fund or other saving scheme in which the Restricted Person is a beneficiary;
- (b) an investment in, or trading in units of, a fund or other scheme (other than a scheme only investing in the securities of the entity) where the assets of the fund or other scheme are invested at the discretion of a third party;
- (c) where a Restricted Person is a trustee, trading in the securities of the entity by that trust provided the Restricted Person is not a beneficiary of the trust and any decision to trade during a Prohibited Period is taken by the other trustees or by the investment managers independently of the Restricted Person;
- (d) undertakings to accept, or the acceptance of, a takeover offer;
- (e) trading under an offer or invitation made to all or most of the security holders, such as, a rights issue, a security purchase plan, a dividend or distribution reinvestment plan and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the Board. This includes decisions relating to whether or not to take up the entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue;
- (f) the exercise (but not the sale of securities following exercise) of an option or a right under an employee incentive scheme, or the conversion of a convertible security, where the final date for the exercise of the option or right, or the conversion of the security, falls during a Prohibited Period and the entity has been in an exceptionally long Prohibited Period or the Company has had a number of consecutive Prohibited Periods and the Restricted Person could not reasonably have been expected to exercise it at a time when free to do so;
- (g) where trading occurs under an offer to all or most of the Company's security holders;
- (h) a disposal of securities of the entity that is the result of a secured lender excising their rights, for example, under a margin lending arrangement;
- (i) transactions conducted between a person and their spouse, civil partner, child or step-child;
- (j) bona fide gifts to a Restricted Person by a third party;
- (k) decisions relating to whether or not to take up entitlements under a renounceable pro rata issue; and
- (l) trading under a non-discretionary trading plan for which prior written clearance has been provided in accordance with procedures set out in this Policy and where:
 - (i) the Restricted Person did not enter into the plan or amend the plan during a Prohibited Period;
 - (ii) the trading plan does not permit the Restricted Person to exercise any influence or discretion over how, when, or whether to trade; and
 - (iii) the entity's trading policy does not allow the Restricted Person to cancel the trading plan or cancel or otherwise vary the terms of his or her participation in the trading plan during a Prohibited Period other than in exceptional circumstances (as set out below).

7. Exceptional circumstances

Key Management Personnel who are not in possession of inside information in relation to the Company, may be given prior written clearance to sell or otherwise dispose of the Company's securities during a Prohibited Period under the Policy in exceptional circumstances.

"Exceptional circumstances" may include severe financial hardship where a pressing financial commitment that cannot be satisfied otherwise than by selling the relevant securities in the Company. A

tax liability of such a person would not normally constitute severe financial hardship unless the person has no other means of satisfying the liability. A tax liability relating to securities received under an employee incentive scheme would also not normally constitute severe financial hardship or otherwise be considered an exceptional circumstance for the purpose of obtaining prior written clearance to sell or otherwise dispose of securities during a Prohibited Period.

The Company may consider it an exceptional circumstance if the person is required by a court order, or there are court enforceable undertakings, for example, in a bona fide family settlement, to transfer or sell the securities of the Company or there is some other overriding legal or regulatory requirement for him or her to do so.

To obtain the Chairman's consent to sell the Company's securities in exceptional circumstances, the following procedure must be followed:

- (a) a written or emailed request to sell the Company's securities in exceptional circumstances is sent to the Company Secretary who will forward the request to the Chairman of the Board for approval. The request must include:
 - (i) a declaration that the applicant is not in possession of inside information in relation to the proposed dealing; and
 - (ii) details as to the grounds upon which the applicant believes they fall within exceptional circumstances, including any documentary evidence.

(Request)

- (b) the Chairman may:
 - (i) at his discretion and without limitation, refuse to grant consent to the dealing or place conditions on the dealing; or
 - (ii) refer a request to trade to the full Board at his or her discretion and must inform the Board of any such requests.

The determination of whether the person in question is in severe financial hardship or whether a particular set of circumstances falls within the range of exceptional circumstances identified in the Policy can only be made by the Board represented by the Chairman. If the Chairman is in any doubt in making such determinations on behalf of the Company, consideration should be given to the purpose of the listing rules and the discretion should be exercised with caution.

- (c) In the case of the Chairman intending to trade in the Company's securities, the Chairman must notify and obtain clearance from the Board before trading or giving instructions for trading.
- (d) the Chairman will respond to a Request, normally, within 24 hours when a written or emailed approval will be returned to the Key Management Personnel. Any such approval may be:
 - (i) subject to conditions; and
 - (ii) valid for a limited period of time (usually 7 days) from the date it is given.

(Grant of Exemption)

- (e) If Grant of Exemption is made and the dealing occurs, all Key Management Personnel must advise the Company Secretary of their or their associate's participation in any trading of the Company's securities within five business days of the date of any such dealings.

Notwithstanding that the Company Secretary is to be informed of all information concerning Key Management Personnel's shareholding, the ultimate responsibility for ensuring that the required forms and notifications, including obtaining any substantial shareholding or change in any substantial shareholding, are lodged with ASIC and ASX, remains with the relevant Key Management Personnel.

Key Management Personnel should note that, notwithstanding that the Chairman has granted consent, it is the Key Management Personnel's obligation to ensure that they do not breach the general obligation not to deal in the Company's securities when in possession of unpublished price sensitive information.

8. Notification to ASX of Director's interest

Directors must also be aware that pursuant to the provisions of the Corporations Act they are obliged to provide the ASX with appropriate notifications of their interests in the Company.

Pursuant to section 205G of the Corporations Act, directors must notify the ASX of their:

- (a) relevant interests in securities of the Company or of a related body corporate; and
- (b) contracts:
 - (i) to which the director is a party or under which the director is entitled to a benefit; and
 - (ii) that confer a right to call for or deliver shares in, debentures of, or interests in a managed investment scheme made available by, the Company or a related body corporate.

Directors must also ensure that the above interests are notified to the ASX in accordance with Listing Rule 3.19A. This Rule requires the Company, not the particular director, to notify the ASX of the above interests.

Accordingly, the Company is to enter into an agreement with each of its directors under which the directors are obliged to provide the necessary information to the Company. An agreement of this nature, recognises that much of the information required by the ASX, under section 205G, is held by the directors, by virtue of their position and role within the Company. By entering into a formal agreement, the Company ensures that the directors of the Company have been notified of their disclosure obligations under the Corporations Act and the directors authorise the Company to give the information provided by directors to ASX on their behalf and as their agent.

Directors should also be aware of the substantial holder provisions contained in section 671B of the Corporations Act which require certain notices to be served on the Company and the ASX when a person and their associates have a relevant interest in at least 5% of the issued voting shares in the Company and any change of more than 1% to those relevant interests occurs.

9. Policy review

The Securities Trading Policy will be reviewed annually by the Board of Directors and Key Management Personnel.

This Policy was adopted by the Board of Directors on 29/6/2017.

Last reviewed by the Board of Directors on 29/6/2017.