



ALLEGIANCE COAL

LIMITED

Allegiance Coal Limited
ACN 149 490 353

Notice of General Meeting

The General Meeting of the Company will be held at the offices of the Company at Suite 107, 109 Pitt Street Sydney, New South Wales on Friday, 16 April 2021 at 10.30am (AEST) via teleconference.

DUE TO THE ONGOING COVID-19 PANDEMIC SHAREHOLDERS WILL NOT BE ABLE TO ATTEND THE MEETING IN PERSON

The Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from a suitably qualified 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 encouraged to vote by lodging the proxy form attached to the Notice

Allegiance Coal Limited
ACN 149 490 353
(Company)

Notice of General Meeting

Notice is given that a general meeting of Allegiance Coal Limited will be held at the offices of the Company at Suite 107, 109 Pitt Street Sydney, New South Wales on Friday, 16 April 2021 at 10.30am (AEST) (**Meeting**).

Due to the ongoing COVID-19 pandemic, Shareholders will only be able to attend and participate in the Meeting via teleconference. Please refer to the Explanatory Memorandum attached to the Notice for further details.

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 that pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those persons who are registered Shareholders at 5.00 pm (AEST) on Wednesday, 14 April 2021.

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

Agenda

1 Resolution 1 – Ratification of issue of Tranche 1 Placement Shares

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 with Listing Rule 7.4 and for all other purposes, Shareholders approve the issue of Tranche 1 Placement Shares as follows:

(a) 124,302,414 Tranche 1 Placement Shares issued under Listing Rule 7.1; and

(b) 63,197,586 Tranche 1 Placement Shares issued under Listing Rule 7.1A,

on the terms and conditions in the Explanatory Memorandum.'

2 Resolution 2 - Approval to issue Tranche 2 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 7.1 and for all other purposes, Shareholders approve the issue of up to 125,000,000 Tranche 2 Placement Shares on the terms and conditions in the Explanatory Memorandum.'

3 **Resolution 3 – Ratification of issue of Lead Manager Options**

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 approve the issue of 5,625,000 Lead Manager Options to the Lead Manager (or its nominees) on the terms and conditions in the Explanatory Memorandum.'

4 **Resolution 4 – Approval to issue Remaining Tranche 3 Convertible Notes**

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 3,450,000 Remaining Tranche 3 Convertible Notes on the terms and conditions in the Explanatory Memorandum.'

5 **Resolution 5 - Consolidation of capital**

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 section 254H of the Corporations Act and for all other purposes the issued capital of the Company be consolidated on the terms and conditions in the Explanatory Memorandum, on the basis that:

- (a) *every 5 Shares be consolidated into 1 Share;*
- (b) *all Convertible Securities (except Options) be adjusted in accordance with Listing Rule 7.21; and*
- (c) *all Options on issue be adjusted in accordance with Listing Rule 7.22,*

and where this Consolidation results in a fraction of a security being held, the Company be authorised to round that fraction up to the nearest whole security. The Consolidation is to take effect on 30 April 2021.'

Voting exclusions

Pursuant to the Listing Rules, the Company will disregard any votes cast in favour of:

- (a) Resolution 1(a) or (b) by or on behalf of any person who participated in the issue of the Tranche 1 Placement Shares, or any of their respective associates;
- (b) Resolution 2 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 of the Tranche 2 Placement Shares (except a benefit solely by reason of being a Shareholder) or any of their respective associates;
- (c) Resolution 3 by or on behalf of the Lead Manager or its nominees or any of their respective associates; and

- (c) Resolution 4 by or on behalf of Mercer Street Global Opportunity Fund, LLC or 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.

The above voting exclusions do not apply to a vote cast in favour of the relevant Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way;
- (b) the Chair as proxy or attorney for a person who is entitled to vote, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

BY ORDER OF THE BOARD



Jonathan Reynolds
Finance Director & Company Secretary
Allegiance Coal Limited
Dated: 18 March 2021

Allegiance Coal Limited
ACN 149 490 353
(Company)

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, at Suite 107, 109 Pitt Street Sydney, New South Wales on Friday, 16 April 2021 at 10.30am (AEST).

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 information about the following to assist Shareholders in deciding how to vote on the Resolutions:

Section 2	Voting and attendance information
Section 3	Resolution 1 – Ratification of issue of Tranche 1 Placement Shares
Section 4	Resolution 2 - Approval to issue Tranche 2 Placement Shares
Section 5	Resolution 3 – Ratification of issue of Lead Manager Options
Section 6	Resolution 4 – Approval to issue Remaining Tranche 3 Convertible Notes
Section 7	Resolution 5 - Consolidation of capital
Schedule 1	Definitions
Schedule 2	Terms and conditions of Lead Manager Options
Schedule 3	Terms and conditions of Convertible Notes

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

2. Voting and attendance information

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

2.1 No voting in person

Given the current COVID-19 circumstances and in the interests in public health and safety of our Shareholders, Shareholders will not be permitted to physically attend the Meeting. Please refer to the information below on how Shareholders can participate in the Meeting.

2.2 Voting by proxy

Shareholders are encouraged to complete a Proxy Form to provide specific instructions to the Chair on how the Shareholder's vote is to be exercised on each item of business. The Chair must follow your instructions. Shareholders will not be permitted to appoint any other person as their proxy for the purposes of the Meeting. Lodgement instructions (which include the ability to lodge proxies electronically) are set out in the Proxy Form attached to the Notice of Meeting.

Proxy Forms can be lodged:

By mail:	GPO Box 2703 Sydney NSW Australia 2001
By fax:	+61 2 9233 1349
By email:	info@allegiancecoal.com.au

2.3 Remote attendance and voting via poll form

The Meeting will be accessible to all Shareholders via teleconference, which will allow Shareholders to listen to and observe the Meeting. Details of the teleconference are in Section 2.5 below.

Shareholders who do not wish to vote using a Proxy Form and who intend to vote on a poll at the Meeting must contact the Company at info@allegiancecoal.com.au by 14 April 2021 to notify the Company of their intentions and to request a personalised poll form.

The Company will send personalised poll forms following the cut-off time for the return of Proxy Forms (i.e. after 10:30am (AEST) on 14 April 2021) to Shareholders who request them prior to this time. Personalised poll forms must be completed and returned to the Company after the poll has been called and prior to the close of polling. During the Meeting, the Chair will notify you how and when you are able to complete and return the personalised poll form.

You may still attend the Meeting via the teleconference facility if you have completed a Proxy Form (but have not notified the Company that you intend to vote using a poll form), but the person you have appointed as proxy will cast your vote on your behalf.

2.4 Submitting questions

Shareholders may submit questions in advance of the Meeting to the Company. Questions must be submitted by emailing the Company Secretary at info@allegiancecoal.com.au by 14 April 2021.

Shareholders will also have the opportunity to submit questions during the Meeting in respect to the formal items of business. In order to ask a question during the Meeting, please follow the instructions from the Chair.

The Chair will attempt to respond to the questions during the Meeting. Shareholders are limited to a maximum of two questions each (including any submitted in advance of the Meeting). The Chair will request prior to a Shareholder asking a question that they identify themselves (including the entity name of their shareholding and the number of Shares they hold).

2.5 Remote attendance via teleconference

The Meeting will be accessible to all Shareholders via a teleconference, which will allow Shareholders to listen and observe the Meeting.

Shareholders who wish to participate in the Meeting can do so remotely by joining via teleconference using the following details:

Australia dial-in number: 1300 254 410

International dial-in number: please contact info@allegiancecoal.com.au for details

Meeting ID: 5083271622

Shareholders should note that the teleconference will not provide for a voting mechanism during the Meeting other than as described in Section 2.3 above.

2.6 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.

3. Resolution 1 – Ratification of issue of Tranche 1 Placement Shares

3.1 General

On 22 February 2021, the Company announced that it had received binding commitments for a placement to raise \$15,000,000 before costs by the issue of 187,500,000 Shares at an issue price of \$0.08 each (**Tranche 1 Placement Shares**).

The Tranche 1 Placement Shares were issued on 3 March 2021 as follows:

- (a) 124,302,414 Tranche 1 Placement Shares were issued pursuant to Listing Rule 7.1; and
- (b) 63,197,586 Tranche 1 Placement Shares were issued pursuant to Listing Rule 7.1A.

Resolution 1(a) and (b) seek the approval of Shareholders pursuant to Listing Rule 7.4 to ratify the issue of the Tranche 1 Placement Shares.

3.2 Listing Rules 7.1, 7.1A and 7.4

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

Under Listing Rule 7.1A however, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%. The Company obtained this approval at its annual general meeting held on 30 November 2020.

The issue of the Tranche 1 Placement Shares does not fit within any of the exceptions to Listing Rules 7.1 and 7.1A and, as it has not yet been approved by Shareholders, effectively

uses up part of the 15% and 10% limits under each of Listing Rules 7.1 and 7.1A, reducing the Company's capacity to issue further Equity Securities without Shareholder approval under those Listing Rules for the 12 month period following the issue of the Tranche 1 Placement Shares.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of Equity Securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further Equity Securities without shareholder approval under Listing Rule 7.1 or 7.1A.

The Company wishes to retain as much flexibility as possible to issue additional Equity Securities into the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1.

If the resolutions which form part of Resolution 1 are passed, the issue of the Tranche 1 Placement Shares will be excluded in calculating the Company's 15% and 10% limit already used under Listing Rules 7.1 and 7.1A, effectively increasing the number of Equity Securities it can issue without Shareholder approval over the 12 month period following the issue of the Tranche 1 Placement Shares.

In the event that Resolution 1(a) is not passed, 124,302,414 Tranche 1 Placement Shares will continue to be included in calculating the Company's 15% limit already used under Listing Rule 7.1, effectively decreasing the number of Equity Securities the Company can issue or agree to issue without obtaining prior Shareholder approval over the 12 month period following the issue of those Tranche 1 Placement Shares.

In the event Resolution 1(b) is not passed, 63,197,586 Tranche 1 Placement Shares will continue to be included in calculating the Company's 10% limit already used under Listing Rule 7.1A, effectively decreasing the number of Equity Securities the Company can issue or agree to issue without obtaining prior Shareholder approval, until the earlier of:

- (a) 30 November 2021;
- (b) the Company's next annual general meeting; or
- (c) the date Shareholders approve a transaction under Listing Rule 11.1.2 or 11.2.

3.3 **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 ratification of the issue of the Tranche 1 Placement Shares:

- (a) The Tranche 1 Placement Shares were issued to sophisticated or professional investors, none of whom is a related party of the Company. The participants in the placement were introduced by the Lead Manager or were prospective investors already known to the Company. None of the are participants in the placement are considered to be Material Investors.
- (b) 187,500,000 Tranche 1 Placement Shares were issued as follows:
 - (i) 124,302,414 Tranche 1 Placement Shares were issued within the 15% annual limit permitted under Listing Rule 7.1, without the need for Shareholder approval; and

- (ii) 63,197,586 Tranche 1 Placement Shares were issued within the 10% limit permitted under Listing Rule 7.1A, without the need for Shareholder approval.
- (c) The Tranche 1 Placement Shares are 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 Tranche 1 Placement Shares were issued on 3 March 2021.
- (e) The Tranche 1 Placement Shares were issued at \$0.08 per Share.
- (f) The proceeds from the issue of the Tranche 1 Placement Shares are intended to be used towards the development at New Elk, the Tenas environmental assessment application, debt repayment and general working capital.
- (g) There are no other material terms to the agreement for the subscription of the Tranche 1 Placement Shares.
- (h) A voting exclusion statement is included in the Notice.

3.4 **Additional information**

Resolutions 1(a) and (b) are ordinary resolutions.

The Board recommends that Shareholders vote in favour of Resolutions 1(a) and (b).

4. **Resolution 2 - Approval to issue Tranche 2 Placement Shares**

4.1 **General**

On 8 March 2021, the Company announced that it had received binding commitments for a placement to raise \$10,000,000 before costs by the issue of 125,000,000 Shares at an issue price of \$0.08 each (**Tranche 2 Placement Shares**).

The Company does not currently have sufficient placement capacity under Listing Rules 7.1 or 7.1A to issue the Tranche 2 Placement Shares.

Resolution 2 seeks the approval of Shareholders pursuant to Listing Rule 7.1 to issue the Tranche 2 Placement Shares.

4.2 **Listing Rule 7.1**

A summary of Listing Rule 7.1 is in Section 3.2 above.

The proposed issue of the Tranche 2 Placement Shares does not fall within any of the exceptions to Listing Rule 7.1 and the Company does not have sufficient placement capacity remaining under Listing Rule 7.1 or 7.1A to accommodate the issue. The Company therefore requires the approval of Shareholders under Listing Rule 7.1 for the issue of the Tranche 2 Placement Shares.

If Resolution 2 is passed, the Company will be able to proceed with the issue of the Tranche 2 Placement Shares and raise up to \$10,000,000 before costs. In addition, the issue will be excluded from the calculation of the number of Equity Securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

If Resolution 2 is not passed, the Company will not be able to proceed with the issue of the Tranche 2 Placement Shares and may need to raise additional funds through an equity capital raising of a lesser amount using any remaining capacity under Listing Rules 7.1 and 7.1A, debt financing, joint ventures, licensing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and projects may result in delay and indefinite postponement. There can be no assurance that additional finance will be available when needed or, if available, that the terms of the financing will be favourable to the Company.

4.3 **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 approval of the issue of the Tranche 2 Placement Shares:

- (a) The Tranche 2 Placement Shares will be issued to sophisticated or professional investors, none of whom is a related party of the Company. The participants in the placement were introduced by the Lead Manager or were prospective investors already known to the Company. None of the are participants in the placement are considered to be Material Investors.
- (b) A maximum of 125,000,000 Shares are to be issued as Tranche 2 Placement Shares.
- (c) The Tranche 2 Placement Shares will be issued as 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.
- (d) The Tranche 2 Placement Shares will be issued no later than three months after the date of the Meeting. It is intended that the Tranche 2 Placement Shares will be issued on the same date on or about 23 April 2021.
- (e) The Tranche 2 Placement Shares will be issued at \$0.08 per Share.
- (f) The proceeds from the issue of the Tranche 2 Placement Shares are intended to be used towards the development of New Elk and general working capital. As announced on 8 March 2021, the Company anticipates that following completion of the issue of the Tranche 2 Placement Shares, New Elk will be full funded to commence production in the June 2021 quarter.
- (g) There are no other material terms to the agreement for the subscription of the Tranche 2 Placement Shares.
- (h) A voting exclusion statement is included in the Notice.

4.4 **Additional information**

Resolution 2 is an ordinary resolution.

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

5. Resolution 3 – Ratification of issue of Lead Manager Options

5.1 General

On 3 March 2021, the Company issued Petra Capital Pty Ltd (**Lead Manager**) (or its nominees) 5,625,000 Options as partial consideration for the lead manager services provided in connection with the placement announced on 22 February 2021 (**Lead Manager Options**).

The Lead Manager Options were issued pursuant to the Lead Manager Mandate summarised in Section 5.4 below.

The Lead Manager Options were issued within the 15% limit permitted under Listing Rule 7.1, without the need for Shareholder approval.

Resolution 3 seeks the approval of Shareholders pursuant to Listing Rule 7.4 to ratify the issue of the Lead Manager Options.

5.2 Listing Rules 7.1 and 7.4

Summaries of Listing Rules 7.1 and 7.4 are in Section 3.2 above.

If Resolution 3 is passed, the issue of the Lead Manager Options will be excluded in calculating the Company's 15% limit already used under Listing Rule 7.1, effectively increasing the number of Equity Securities it can issue without Shareholder approval over the 12 month period following the issue of the Lead Manager Options.

In the event that Resolution 3 is not passed, 5,625,000 Lead Manager Options will continue to be included in calculating the Company's 15% limit already used under Listing Rule 7.1, effectively decreasing the number of Equity Securities the Company can issue or agree to issue without obtaining prior Shareholder approval over the 12 month period following the issue of those Lead Manager Options.

5.3 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 ratification of the issue of the Lead Manager Options:

- (a) The Lead Manager Options were issued to the Lead Manager or its nominees. Neither the Lead Manager or any of its nominees are a Material Investor of the Company.
- (b) 5,625,000 Lead Manager Options were issued.
- (c) The Lead Manager Options are exercisable at \$0.10 each on or before 3 March 2024 and were otherwise issued on the terms and conditions in Schedule 2.
- (d) The Lead Manager Options were issued on 3 March 2021.
- (e) The Lead Manager Options were issued for nil cash consideration, as part consideration for lead manager services.
- (f) The Lead Manager Options were issued in accordance with the Lead Manager Mandate. The material terms of the Lead Manager Mandate are summarised in Section 5.4 below.
- (g) A voting exclusion statement is included in the Notice.

5.4 **Summary the Lead Manager Mandate**

The Company entered into a mandate with the Lead Manager for the provision of lead manager services and bookrunner services, including the coordination and management of the placement announced on 22 February 2021 as well as marketing services.

Under the Lead Manager Mandate, the Company agreed to pay the Lead Manager a fee of 6% of the amount raised under the placement, plus the Lead Manager Options.

The Lead Manager Mandate contains additional provisions, including warranties and indemnities in respect of the Company, which are considered standard for agreements of this nature.

5.5 **Additional information**

Resolution 3 is an ordinary resolution.

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

6. **Resolution 4 – Approval to issue Remaining Tranche 3 Convertible Notes**

6.1 **General**

On 31 July 2020, the Company announced that it had entered into a convertible subscription agreement with Mercer Street Global Opportunity Fund, LLC (**Mercer**) for a placement of convertible notes (**Convertible Notes**) to raise up to \$8 million (before costs) to be undertaken in three tranches as detailed below:

- (d) an initial issue of 772,105 Convertible Notes issued under the Company's Listing Rule 7.1 placement capacity (**Tranche 1 Convertible Notes**) for a total face value of \$772,105, upon the receipt of \$661,804 from Mercer;
- (e) subsequent issue of 1,561,228 Convertible Notes (**Tranche 2 Convertible Notes**) for a total face value of \$1,561,228, upon the receipt of \$1,338,195 from Mercer; and
- (f) subsequent issue of up to 6,900,000 Convertible Notes, which is equal to 115% of the relevant Subsequent Investment Amount so advanced, for a total face value of up to \$6,900,000 to be issued subject to Shareholder approval (**Tranche 3 Convertible Notes**), upon the receipt of up to \$6,000,000 from Mercer.

In consideration for entry into the agreement, the Company agreed to issue Mercer \$200,000 worth of Shares at a deemed issue price of \$0.06768 per Share as follows:

- (a) \$50,000 worth of Establishment Fee Shares upon completion of the issue of the Tranche 1 Convertible Notes (738,770 Shares) (**Tranche 1 Establishment Fee Shares**); and
- (b) \$150,000 worth of Establishment Fee Shares upon completion of the issue of the Tranche 2 Convertible Notes (2,216,313 Shares) (**Tranche 2 Establishment Fee Shares**) subject to Shareholder approval.

The Tranche 1 Convertible Notes and Tranche 1 Establishment Fee Shares were issued under the Company's Listing Rule 7.1 placement capacity on 5 August 2020 and ratified at the Company's general meeting held on 21 September 2020.

The issue of the Tranche 2 Convertible Notes and Tranche 2 Establishment Fee Shares was approved by Shareholders at the Company's general meeting held on 21 September 2020 and were issued on 24 September 2020.

The issue of the Tranche 3 Convertible Notes was approved by Shareholders at the Company's general meeting on 21 September 2020 and the Company's annual general meeting held on 30 November 2020. On 30 October 2020, 1,150,000 of the Tranche 3 Convertible Notes were issued and on 20 January 2021, 2,300,000 of the Tranche 3 Convertible Notes were issued.

The Company did not issue the remaining 3,450,000 Tranche 3 Convertible Notes (**Remaining Tranche 3 Convertible Notes**) within 3 months of the date of the annual general meeting held on 30 November 2020. The Company therefore seeks re-approval of Shareholders at this Meeting pursuant to Listing Rule 7.1 to approve the issue of the Remaining Tranche 3 Convertible Notes within the 3 month period following the date of this Meeting.

6.2 **Conversion of Remaining Tranche 3 Convertible Notes**

The number of Shares issued upon a conversion of the Remaining Tranche 3 Convertible Notes will be determined by the following formula:

$$\text{Number of Shares} = \text{FV} / \text{Conversion Price}$$

Where:

'FV' means the Face Value of the Convertible Note, being \$1.00 each, multiplied by the number of Convertible Notes to be converted.

'Conversion Price' in respect of the Remaining Tranche 3 Convertible Notes means the lower of:

- (a) \$0.15; or
- (b) 90% of the lowest daily VWAP of the Shares during the preceding 10 trading days immediately before the holder giving a conversion notice,

subject to the Conversion Price being not less than \$0.03 (**Floor Price**).

The Remaining Tranche 3 Convertible Notes are convertible into a maximum of 115,000,000 Shares based on the Floor Price.

Refer to Schedule 3 for a summary of the circumstances where the Floor Price may be adjusted. In the event the Floor Price is adjusted, the maximum referred to in the preceding paragraph may not apply.

6.3 **Dilution and effect on capital structure**

For illustrative purposes, a number of examples are contained below, which show the potential effect of the conversion of the Remaining Tranche 3 Convertible Notes into Shares at a range of Conversion Prices. These examples are based on the following additional assumptions:

- (a) the Remaining Tranche 3 Convertible Notes are all converted in full; and
- (b) no other Shares are issued.

Conversion Price	Number of Shares issued on conversion	Dilution to Shareholders
\$0.150 ¹	23,000,000	2.14%
\$0.077 ²	44,573,643	4.06%
\$0.116 ³	29,715,762	2.74%
\$0.039 ⁴	89,147,287	7.80%
\$0.030 ⁵	115,000,000	9.84%

Notes:

1. Conversion price of \$0.15 (being the highest conversion price).
2. Based on 90% of the current market price (\$0.086), being the closing price of the Shares on ASX on 17 March 2021, being the latest practicable date before the finalisation of this Notice (**Current Market Price**).
3. Based on 90% of a 50% increase of the Current Market Price.
4. Based on 90% of a 50% decrease of the Current Market Price.
5. Based on the Floor Price.

6.4 Listing Rules 7.1

A summary of Listing Rule 7.1 is in Section 3.2 above.

The proposed issue of the Remaining Tranche 3 Convertible Notes does not fit within any of the exceptions to Listing Rule 7.1 and exceeds the 15% limit in Listing Rule 7.1. It therefore requires the approval of Shareholders under Listing Rule 7.1.

In addition, Shareholder approval will not be required under Listing Rule 7.1 for the issue of the Shares to Mercer on conversion of the Remaining Tranche 3 Convertible Notes pursuant to exception 9 of Listing Rule 7.2 and the issue of those Shares will be excluded from the calculation of the number of Equity Securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

The effect of Shareholders passing Resolution 4 will be to allow the Company to issue the Remaining Tranche 3 Convertible Notes 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.

If Resolution 4 is not passed, the Company may not be able to proceed to issue the Remaining Tranche 3 Convertible Notes in which case Mercer would have no obligation to advance up to \$3,000,000 to the Company and the Company would have no obligation to issue the Remaining Tranche 3 Convertible Notes.

6.5 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 the Remaining Tranche 3 Convertible Notes:

- For personal use only
- (a) The Remaining Tranche 3 Convertible Notes will be issued to Mercer (or its nominee), whom is not a related party of the Company and is not considered to be a Material Investor.
 - (b) A maximum of 3,450,000 Convertible Notes are to be issued as Remaining Tranche 3 Convertible Notes.
 - (c) The material terms and conditions of the Remaining Tranche 3 Convertible Notes are in Schedule 3. The Shares issued on conversion of the Remaining Tranche 3 Convertible Notes 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.
 - (d) The Remaining Tranche 3 Convertible Notes are intended to be issued no later than three months after the date of the Meeting.
 - (e) The Remaining Tranche 3 Convertible Notes will be issued with a face value of \$1.00 each.
 - (f) Proceeds from the issue of the Remaining Tranche 3 Convertible Notes are intended to be used primarily towards general corporate expenses, as well as for costs of the placement of the Convertible Notes and general working capital.
 - (g) The Remaining Tranche 3 Convertible Notes will be issued under a subscription agreement on the material terms summarised in this Notice (see Schedule 3) and otherwise on terms considered standard for agreements of this nature.
 - (h) A voting exclusion statement is included in the Notice.

6.6 **Board recommendation**

Resolution 4 is an ordinary resolution.

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

7. **Resolution 5 - Consolidation of capital**

7.1 **General**

Resolution 5 seeks Shareholder approval for the Company to undertake a consolidation of its capital on a 1 for 5 basis (**Consolidation**).

The Consolidation will result in a more appropriate and effective capital structure for the Company and a more appropriate share price for a wider range of investors.

With the exception of this Section 7 of the Explanatory Memorandum, all other references in this Notice of Meeting (including the Explanatory Memorandum and Schedules) to the Company's Securities, exercise prices of Securities or similar, are on a pre-Consolidation basis.

7.2 **Legal requirements**

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its Shares into a larger or smaller number.

Listing Rule 7.20 provides that where an entity proposes to reorganise its capital, it must tell Equity Security holders:

- (a) the effect of the proposal on the number of Securities and the amount unpaid (if any) on the Securities;
- (b) the proposed treatment of any fractional entitlements; and
- (c) the proposed treatment of any Convertible Securities on issue.

Listing Rule 7.21 provides that a listed entity which has Convertible Securities (except Options) on issue may only reorganise its capital if, in respect of the Convertible Securities, the number of its Convertible Securities or the conversion price, or both, is reorganised so that the holder of the Convertible Securities will not receive a benefit that holders of ordinary Securities do not receive.

Listing Rule 7.22.1 requires that when a listed entity undertakes a consolidation of capital, the number of its Options must be consolidated in the same ratio as the ordinary capital and the exercise price must be amended in inverse proportion to that ratio.

If Resolution 5 is passed, the Company will be able to proceed with the Consolidation and the number of Securities on issue is anticipated to be adjusted as follows, based on the Securities currently on issue (in each case, subject to rounding):

Security	Pre-Consolidation	Post-Consolidation
Shares	1,053,682,760	210,736,552
Options	21,325,000	4,265,000
Performance Rights	8,750,000	1,750,000
Convertible Notes	4,708,333	4,708,333

Subject to the receipt of Shareholder approval pursuant to Resolution 2, it is intended to undertake the Consolidation after the issue of the Tranche 2 Placement Shares. This would result in the number of Shares on issue on a pre-Consolidation basis increasing to 1,178,682,760, and the number of Shares on issue on a post-Consolidation basis increasing to 235,736,552 (in each case, subject to rounding).

If Resolution 5 is not passed, the Company will not be able to proceed with the Consolidation.

7.3 Fractional entitlements

Not all Shareholders will hold that number of Securities (Shares, Options, Performance Rights, or Convertible Notes, as the case may be) which can be evenly divided by 5. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Security (Shares, Options, Performance Rights or Convertible Note, as applicable).

7.4 Taxation

It is not considered that any taxation implications will exist for Shareholders arising from the Consolidation. However, Shareholders are advised to seek their own tax advice on the effect

of the Consolidation and the Company accepts no responsibility for the individual taxation implications arising from the Consolidation.

7.5 Holding statements

From the date of the Consolidation, all holding statements for Securities will cease to have any effect, except as evidence of entitlement to a certain number of Securities on a post-Consolidation basis. After the Consolidation becomes effective, the Company will arrange for new holding statements for Securities to be issued to holders of those Securities. It is the responsibility of each Shareholders to check the number of Securities held prior to disposal or exercise (as the case may be).

7.6 Effect on capital structure

The approximate effect which the Consolidation will have on the Company's current capital structure is set out in the tables below. All numbers are subject to rounding.

(a) Shares

The Company's issued Share capital as a result of the Consolidation on a 5 for 1 basis will be as follows (subject to rounding)

	Pre-Consolidation	Post-Consolidation
Shares currently on issue (excluding the Tranche 2 Placement Shares)	1,053,682,760	210,736,552
Shares anticipated to be on issue following the issue of the Tranche 2 Placement Shares	1,178,682,760	235,736,552

(b) Options

The Company's existing Options will be adjusted in accordance with Listing Rule 7.22 as follows (subject to rounding):

	Pre-Consolidation		Post-Consolidation	
Expiry date	Number	Exercise Price	Number	Exercise Price
3 March 2024	5,625,000	\$0.100	1,125,000	\$0.500
6 December 2022	9,250,000	\$0.075	1,850,000	\$0.375
2 December 2024	6,450,000	\$0.280	1,290,000	\$1.400
TOTAL	21,325,000		4,265,000	

(c) Performance Rights

The Company's Performance Rights as a result of the Consolidation will be as follows:

	Pre-Consolidation	Post-Consolidation
Description	Number	Number
Performance Rights vesting on completion of the commissioning of the New Elk Mine and commencement of production, expiring 2 February 2022	1,250,000	250,000
Performance Rights vesting on the sale of the first 500,000 metric tonnes of coal from the New Elk Mine, expiring 2 December 2022	3,750,000	750,000
Performance Rights vesting on the sale of the second 500,000 metric tonnes of coal from the New Elk Mine, expiring 2 December 2023	3,750,000	750,000
TOTAL	8,750,000	1,750,000

- (d) The number of Convertible Notes on issue as a result of the Consolidation will remain unchanged. However, in accordance with the terms and conditions of the Convertible Notes, in the event of a consolidation, the conversion price of the Convertible Notes will be adjusted in the same proportion as the issued capital of the Company is adjusted, being an increase of 5 fold. Accordingly, by way of example, the Floor Price for the Convertible Notes, which is currently \$0.03, will be adjusted to \$0.15.

7.7 Consolidation timetable

If Resolution 5 is passed, the Consolidation will take effect in accordance with the following timetable:

Event	Date
Company announces Consolidation using an Appendix 3A.3 and sends out Notice	18 March 2021
Meeting - Shareholders approve Consolidation	16 April 2021
Effective Date of Consolidation	30 April 2021
Last day for trading on a pre-Consolidation basis	3 May 2021
Post-Consolidation trading starts on a deferred settlement basis	4 May 2021
Record date and last day for Company to register transfers on a pre-Consolidation basis	5 May 2021

Event	Date
First day for Company to update its register of Securities on a post-Consolidation basis and first day for issue of holding statements	6 May 2021
Last date for Company to update its register and send holding statements on a post-Consolidation basis and notify ASX that this has occurred	12 May 2021
Normal trading of post-Consolidation Securities commences	13 May 2021
Lodge ASIC Form 2205 notification	No later than 16 May 2021

The timetable is a proposed indicative timetable and the Board reserves the right to vary the dates in accordance with the Listing Rules.

7.8 **Additional information**

Resolution 5 is an ordinary resolution.

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

Schedule 1 Definitions

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

\$ or A\$	means Australian Dollars.
AEST	means Australian Eastern Standard Time, being the time in Sydney, New South Wales.
ASX	means the ASX Limited (ABN 98 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.
Board	means the board of Directors.
Chair	means the person appointed to chair the Meeting of the Company convened by the Notice.
Company	means Allegiance Coal Limited (ACN 149 490 353).
Consolidation	has the meaning given in Section 7.1.
Constitution	means the constitution of the Company as at the date of the Meeting.
Conversion Price	has the meaning given in Section 6.2.
Convertible Note	has the meaning given in Section 6.1.
Convertible Security	has the meaning given in the Listing Rules.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Director	means a director of the Company.
Equity Security	has the same meaning as in the Listing Rules.
Explanatory Memorandum	means the explanatory memorandum which forms part of the Notice.
Floor Price	means \$0.03.
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.
Lead Manager	means Petra Capital Pty Ltd (ACN 110 952 782).

Lead Manager Options	means 5,625,00 Options issued to the Lead Manager (or its nominees) on the terms and conditions in Schedule 2 which are the subject of Resolution 3.
Listing Rules	means the listing rules of ASX.
Material Investor	means, in relation to the Company: <ul style="list-style-type: none"> (a) a related party; (b) Key Management Personnel; (c) a substantial Shareholder; (d) an advisor; or (e) an associate of the above, who received or will receive Securities in the Company which constitute more than 1% of the Company's anticipated capital structure at the time of issue.
Meeting	has the meaning given in the introductory paragraph of the Notice.
Mercer	means Mercer Street Global Opportunity Fund, LLC.
Notice	means this notice of general meeting.
Option	means an option to acquire a Share.
Performance Right	means a right to be issued a Share, subject to the satisfaction or waiver of specified vesting conditions.
Proxy Form	means the proxy form attached to the Notice.
Remaining Tranche 3 Convertible Notes	has the meaning given in Section 6.1.
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/or Performance Rights).
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means the holder of a Share.
Trading Day	has the meaning given in the Listing Rules.
Tranche 1 Convertible Notes	has the meaning given in Section 6.1.

Tranche 1 Placement Shares means the 187,500,000 Shares the subject of Resolution 1.

Tranche 2 Convertible Notes has the meaning given in Section 6.1.

Tranche 2 Placement Shares means the 125,000,000 Shares the subject of Resolution 2.

Tranche 3 Convertible Notes has the meaning given in Section 6.1.

VWAP means volume weighted average market price.

Schedule 2 Terms and conditions of Lead Manager Options

The terms of the Lead Manger Options are as follows:

1. **(Entitlement)**: Each Option entitles the holder to subscribe for one Share upon exercise of the Option.
2. **(Issue Price)**: No cash consideration is payable for the issue of the Options.
3. **(Exercise Price)**: The Options have an exercise price of \$0.10 per Option (**Exercise Price**).
4. **(Expiry Date)**: The Options expire at 5.00 pm (Sydney time) on 3 March 2024 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
5. **(Exercise Period)**: The Options are exercisable at any time and from time to time on or prior to the Expiry Date.
6. **(Quotation of the Options)**: The Company does not presently intend, and is not obliged, to apply for quotation of the Options on ASX. The Company reserves its discretion to apply for quotation of the Options on ASX in the future, subject to meeting the requirements of any applicable securities exchange and the Corporations Act.
7. **(Transferability of the Options)**: The Options are not transferable, except with the prior written approval of the Company.
8. **(Notice of Exercise)**: The Options may be exercised 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.

Any Notice of Exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at 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**).

9. **(Timing of issue of Shares on exercise)**: Within 5 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, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.
10. **(Restrictions on transfer of Shares)**: If the Company is required but unable to give ASX a notice under paragraph 9(b), or such a notice 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.

11. **(Shares issued on exercise):** Shares issued on exercise of the Options will rank equally with the then Shares of the Company.
12. **(Quotation of Shares on exercise):** If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options in accordance with the Listing Rules.
13. **(Reconstruction of capital):** If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reconstruction.
14. **(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.
15. **(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).
16. **(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):
 - (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 Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
 - (b) no change will be made to the Exercise Price.
17. **(Constitution):** Upon the issue of Shares on exercise of the Options, the holder agrees to be bound by the Company's Constitution.

Schedule 3 Terms and conditions of Convertible Notes

1. (Interpretation and definitions)

Unless the context otherwise requires, in these conditions (**Note Conditions**):

Business Day	has the meaning given to that term in the Listing Rules.
Cleansing Notice	means a written notice by the Company to ASX pursuant to section 708A(12)(C) of the Corporations Act, in a form and containing the information required by ASIC Corporations (<i>Sale Offers: Securities Issued on Conversion of Convertible Notes</i>) Instrument 2016/82, that is sufficient to permit secondary trading on the ASX of the Shares to which it relates on Conversion of the Convertible Notes or any of them.
Cleansing Statement	means a written notice by the Company to ASX pursuant to section 708A(5) of the Corporations Act meeting the requirements of section 708A(6) of the Corporations Act, in a form, and containing the information, that is sufficient to permit secondary trading on the ASX of the Shares to which it relates.
Closing	means: <ul style="list-style-type: none">(i) Mercer undertaking its obligations pursuant to the Agreement to advance funds in respect of each Convertible Note (including payment of the relevant investment amount subject to deductions as provided for in this Agreement); or(ii) the Company undertaking its obligations pursuant to the Agreement to issue each Convertible Note.
Conversion	means the conversion of the Convertible Notes into Shares pursuant to the Note Conditions.
Conversion Date	means the Convertible Notes the subject of a Conversion Notice will Convert within 5 Business Days of receipt of a Conversion Notice by the Company.
Conversion Price	means: <ul style="list-style-type: none">1.2 in respect of the Tranche 1 Convertible Notes and Tranche 2 Convertible Notes, \$0.10 for the first 2 months following issue of the Convertible Note and thereafter the lower of:<ul style="list-style-type: none">(iii) \$0.10; or(iv) 92% of the lowest daily VWAP of the Shares during the preceding 10 trading days

immediately before the holder giving a conversion notice; and

1.3 in respect of the Tranche 3 Convertible Notes, the lower of:

- (v) \$0.15; or
- (vi) 90% of the lowest daily VWAP of the Shares during the preceding 10 trading days immediately before the holder giving a conversion notice,

subject to the Conversion Price being not less than \$0.03.

Conversion Shares means the Shares issued pursuant to a Conversion.

Convertible Notes means the Tranche 1 Convertible Notes, Tranche 2 Convertible Notes and Tranche 3 Convertible Notes.

Event of Default includes the following key events:

- (a) a representation or warranty of the Company being untrue or misleading in any material respect;
- (b) 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 un-remedied within a certain time period;
- (c) 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;
- (d) 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;
- (e) the Company suffers an Insolvency Event or a takeover bid or scheme of arrangement occurs;
- (f) 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;
- (g) the Company does not comply with the requirement to issue a Cleansing Notice or Cleansing Statement;
- (h) 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;

- (i) trading in securities generally in Australia or the United States has been suspended or limited;
- (j) the conditions in the Agreement has not been met;
- (k) the Company challenges or denies the right of Mercer to receive any Securities or otherwise dishonours or rejects any action taken or document delivered;
- (l) the Agreement becomes partly void, voidable or unenforceable;
- (m) 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 Mercer;
- (n) 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 Mercer or the Company to enter into the Agreement and any associated documents;
- (o) 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;
- (p) Mercer has not received all items required to be delivered to it in connection with a Closing or Conversion;
- (q) any litigation or proceedings of which the Company is a party to has commenced and may result in a Material Adverse Effect;
- (r) any present or future liabilities of the Company for an amount totalling more than \$500,000 have not been satisfied on time;
- (s) a judgement of an amount of \$500,000 or greater is entered against the Company; and
- (t) an event occurs which in the opinion of the Holder has or is reasonably likely to have a Material Adverse Effect.

The Agreement also contains additional events of defaults, which are considered standard for agreements of this nature.

Floor Price means \$0.03 per Share.

Insolvency Event means:

- (a) in relation to any corporation:
 - (i) winding up or liquidation (whether voluntary or involuntary), provisional liquidation, dissolution, bankruptcy or other analogous proceeding;

- (ii) an external administrator is appointed in respect of the corporation or any of its property;
 - (iii) the corporation ceases or threatens to cease to carry on its business;
 - (iv) the corporation being deemed to be, or stating that it is, unable to pay its debts when they fall due;
 - (v) any other ground for liquidation or the appointment of an external administrator occurs in relation to the corporation;
 - (vi) the corporation resolves to enter into liquidation; or
 - (vii) an application being made which is not dismissed or withdrawn within ten Business Days for an order, resolution being passed or proposed, a meeting being convened or any other action being taken to cause or consider anything described above;
- (b) in relation to an individual, that person becoming an insolvent under administration as defined in section 9 of the Corporations Act; and
 - (c) in relation to any person, anything analogous to or having a similar effect to anything described above in this definition under the law of any relevant jurisdiction.

Material Adverse Effect

means, one or more occurrences or matters individually or in aggregate that:

- (a) have or could reasonably be expected to have a material adverse effect on the business, assets, condition (financial or otherwise), prospects or results of operations of the Company taken as a whole;
- (b) prevent or could reasonably be expected to prevent the Company from performing its obligations under the Agreement; or
- (c) have or could reasonably be expected to have a material adverse effect on the validity or enforceability of all or a material part of the Agreement.

Maturity Date

means in respect of the Convertible Notes, 12 months from the relevant issue date.

Mercer

means Mercer Street Global Opportunity Fund, LLC.

Repayment

means the repayment of a Convertible Note (other than in connection with its Conversion) by payment of the Repayment Amount in accordance with the Agreement.

Repayment Amount

equals the Face Value of the Convertible Notes or any of them (as the context requires).

Tranche 1 Establishment Fee Shares means 738,770 Shares issued on 5 August 2020 in settlement of a \$50,000 fee in connection with the subscription of Convertible Notes.

Tranche 2 Establishment Fee Shares means 2,216,313 Shares issued on 24 September 2020 in settlement of a \$150,000 fee in connection with the subscription of Convertible Notes.

2. (Face Value)

Each Convertible Note has a face value of \$1.00 (**Face Value**).

3. (Terms of issue)

- (a) Each Convertible Note:
 - (i) is non-interest bearing unless an Event of Default occurs;
 - (ii) is issued as a secured debt security evidencing the Company's indebtedness to Mercer on the terms set out in the Agreement;
 - (iii) is not proposed to be quoted on any securities exchange;
 - (iv) may be Converted at Mercer's election at any time prior to the Maturity Date in accordance with Note Condition 7;
 - (v) may be satisfied by being repaid by the Company in accordance with Note Condition 8;
 - (vi) may be satisfied by being repurchased by the Company in accordance with Note Condition 9; and
 - (vii) are non-transferrable except to other sophisticated investors or professional investors (as defined in the Corporations Act).
- (b) If a Convertible Note is Converted then such Convertible Note will be automatically cancelled and may not be re-issued.
- (c) On the Conversion of a Convertible Note, the outstanding Face Value of the Convertible Notes which has been Converted will be deemed satisfied.

4. (Investments)

Subject to the satisfaction or waiver of the relevant closing conditions, Mercer will subscribe for the Notes as follows:

- (a) on the date that is 5 business days after satisfaction or waiver of the closing conditions in respect of the Tranche 1 Convertible Notes, Mercer advance the sum of approximately \$661,804.19 to the Company (**First Investment Amount**). In consideration, the Company will issue Mercer 772,104 Tranche 1 Convertible Notes;
- (b) on the date that is 5 business days after satisfaction or waiver of the closing conditions in respect of the Tranche 2 Convertible Notes, Mercer advance the sum of approximately \$1.34 million to the Company (**Second Investment Amount**). In

consideration, the Company will issue Mercer 1,561,228 Tranche 2 Convertible Notes; and

- (c) on the date that is 5 business days after satisfaction or waiver of the conditions in respect of the Tranche 3 Convertible Notes, Mercer 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 Mercer 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).

5. (Exclusivity)

- (a) During the term of the Agreement, the Company must not enter into any agreement with a third party:
 - (i) for the issue or sale of any debt or equity securities that are convertible into Shares; or
 - (ii) 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.
- (b) 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.
- (c) 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 Mercer 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 Conversion Price), without the prior written approval of Mercer.

6. (Closing conditions)

- (a) In summary, the payment of the investments are subject to the satisfaction of the following conditions:
 - (i) the Company to ensure the issue of the Notes would not cause the voting power in the Company of Mercer and its associates (**Relevant Interest**) to exceed 4.99%, unless Mercer gives its written consent to the Company that Mercer's Relevant Interest may exceed 4.99% but will not exceed 9.99%;
 - (ii) Mercer will not acquire a relevant interest in Shares which causes the voting power to exceed 19.99%;
 - (iii) the Company to obtain Shareholder approval to issue the Tranche 2 Convertible Notes and Tranche 2 Establishment Fee Shares;
 - (iv) the Company to deliver a general security deed executed by the Company and a priority deed in relation to the Tranche 1 Convertible Notes;

- (v) 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;
- (vi) the Company's representation and warranties made in the Agreement is true and correct;
- (vii) the Company to obtain all authorisations, consents, permits and approvals as necessary;
- (viii) 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 Mercer;
- (ix) no Event of Default has occurred and any offer for sale by Mercer 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;
- (x) the Company has performed and complied in all respects with all the agreements and covenants required by the Agreement;
- (xi) ASX has not indicated that quotation of the Shares on ASX will not be granted; and
- (xii) 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.
- (b) The closing conditions are for the benefit of Mercer and may be waived by Mercer in its absolute and sole discretion by providing written notice to the Company.
- (c) 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, Mercer may terminate the Agreement by giving notice to the Company. In addition, the Company is not permitted to issue any securities to Mercer if any of the closing conditions have not been fulfilled (unless the Company has obtained written consent from Mercer).

7. (Conversion at Holder's election)

- (a) Subject to the other provisions of this Note Condition 7, Mercer may elect to Convert all or some of the Convertible Notes by delivering a conversion notice to the Company at any time prior to the Maturity Date.
- (b) Subject to the other provisions of this Note Condition 7, if Mercer delivers a conversion notice to the Company in accordance with Note Condition 7(a), the Convertible Notes will be Converted into such number of Shares as is determined by dividing the sum of the total of the Face Value of those Convertible Notes by the Conversion Price (provided that if the resultant number contains a fraction, such number shall be rounded to the nearest whole number).
- (c) Each conversion notice must specify how many Convertible Notes Mercer 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).

- (d) For the avoidance of doubt, the Company has no right to require Mercer to Convert any Convertible Notes at any time.
- (e) Note Condition 10 will apply in respect to any issue of Shares pursuant to a Conversion in accordance with this Note Condition 7.

8. **(Repayment)**

If:

- (a) Mercer 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 (in accordance with Note Condition 7) prior to the relevant Maturity Date, the Company is to pay the Face Value of the Convertible Notes, within 20 Business Days of the Maturity Date;
- (b) an Event of Default occurs after the Company has received 10 Business Days written notice (**Notice of Default**) from Mercer 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 Mercer 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
- (c) 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 Mercer written notice of the occurrence of that event. In such circumstances, Mercer may require repayment by the Company of some or all of the Convertible Notes by giving written notice to the Company (**Holder 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 Holder Repayment Notice is given by Mercer to the Company.

9. **(Repurchase)**

- (a) The Company may elect to repurchase all of the outstanding Convertible Notes on issue at any time by delivering a repurchase notice to Mercer (**Repurchase Notice**) provided that:
 - (i) the Company is at all times in compliance with its obligations under the Agreement;
 - (ii) there is no existing Event of Default; and
 - (iii) Mercer has not issued a Conversion Notice in respect of the Convertible Notes.
- (b) If the Company delivers a Repurchase Notice to Mercer in accordance with Note Condition 9(a), 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.

- (c) Upon receipt of a Repurchase Notice, Mercer 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 Mercer of the Repurchase Notice.
- (d) If Mercer elects to convert the Repurchased Securities in accordance with Note Condition 9(c), the Repurchase Notice issued by the Company is automatically amended to reduce the Repurchased Securities by the number of Noteholder Further Conversion Securities.
- (e) Note Condition 10 will apply in respect to any issue of Shares pursuant to a Conversion in accordance with this Note Condition 7.

10. (Issue of Conversion Shares)

- (a) Subject to Note Conditions 10(b) and 10(f), within 5 Business Days after the receipt of a conversion notice which satisfies the requirements of Note Condition 7, the Company must:
 - (i) allot and issue the Shares required to be issued to Mercer pursuant to the Conversion;
 - (ii) cause the Convertible Notes the subject of the Conversion Notice to be cancelled; and
 - (iii) record Mercer as the holder of the Conversion Shares in the Register.
- (b) If the Company is not able to comply with the requirements of ASIC Corporations (Sale Offers: Securities Issued On Conversion Of Convertible Notes) Instrument 2016/82, the Company must either:
 - (i) within 5 Business Days of the Conversion Date, provide ASX with a Cleansing Statement; or
 - (ii) where unable to issue a Cleansing Statement, as soon as is reasonably practicable and in any event within 10 Business Days of issue of the resultant shares of the Company, issue a prospectus or other form of disclosure document to enable the Shares issued upon Conversion to be freely on-sold.
- (c) The Company must, no later than 5 Business Days after the issue of the Conversion Shares to Mercer:
 - (i) apply for official quotation on ASX of such Conversion Shares issued pursuant to the Conversion; and
 - (ii) deliver or cause to be delivered to Mercer a holding statement in respect of the Conversion Shares.
- (d) Upon the issue of the Conversion Shares, Mercer agrees to be bound by the constitution of the Company.

- (e) The Conversion Shares must rank equally with all other fully paid Shares other than in respect of any dividend or other entitlement for which the applicable record date falls prior to the Conversion Date.
- (f) Notwithstanding any other provision of these Note Conditions:
- (i) Mercer shall not acquire a relevant interest in the Shares which causes the voting power in the Company of Mercer and its associates (as defined in the Corporations Act) to exceed 19.99%;
 - (ii) Mercer shall not be required by the Company to:
 - (A) accept or be issued any Convertible Notes pursuant to this Agreement; or
 - (B) otherwise acquire a relevant interest in the Shares,
 which causes the voting power in the Company of Mercer and its associates (as defined in the Corporations Act) (**Relevant Interest**) to exceed 4.99%, unless Mercer gives its written consent to the Company from time to time in respect of a Closing or Conversion that Mercer's Relevant Interest may exceed 4.99% but will not exceed 9.99%;
 - (iii) Mercer shall, confirm verbally and in writing to the Company its Relevant Interest as of the date of the request within one Business Day; and
 - (iv) in the event that the issue of Mercer's Shares in respect of a Closing would result in a breach of this Note Condition 10, the Investment Amount the subject of the relevant Closing will, on notice by Mercer to the Company, be deemed to be decreased to the extent necessary.

11. (Bonus issues or rights issue)

- (a) If there is a pro rata issue (except a bonus issue), the Conversion Price of a Convertible Note may be reduced according to the following formula:

$$C_n = \frac{C_o - E [P - (S + D)]}{N + 1}$$

Where:

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);

N= the number of securities with rights or entitlements that must be held to receive a right to one new security.

However this does not apply to Shares issued as part of a bonus share plan, share top up plan, share purchase plan, dividend reinvestment plan, an employee or executive share plan or executive option plan, or any Shares issued as part of the co-equity investment.

- (b) 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 Mercer would have received if the Convertible Note had been exercised before the record date for the bonus issue.
- (c) For the purpose of this Note Condition, 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.

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 10.30 am (AEST) on 14 April 2021.

How to Vote on Items of Business

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

You may vote online or by proxy only.

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 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.

To vote by proxy, please complete and sign the Proxy Form and send:

- (a) By post to the Company at GPO Box 2703, Sydney NSW 2001 Australia; or
- (b) By facsimile to the Company on +61 2 9233 1349; or
- (c) By email to the Company at info@allegiancecoal.com.au.

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

Due to the ongoing COVID-19 pandemic, Shareholders will only be able to attend the Meeting via teleconference.

All voting will be conducted by poll using the proxy instructions on this form. Shareholders who do not wish to vote by proxy using this form must contact the Company at info@allegiancecoal.com.au by 14 April 2021 to notify the Company of their intentions and to request a personalised poll form. The Company will send personalised poll forms following the cut-off time for the return of Proxy Forms (i.e. after 10.30 am on 14 April 2021) to Shareholders who request them prior to this time. Personalised poll forms must be completed and returned to the Company after the poll has been called and prior to the close of polling. During the Meeting, the Chair will notify you how and when you are able to complete and return the personalised poll form.

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

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 General Meeting of Allegiance Coal Limited to be held at Suite 107, 109 Pitt Street Sydney NSW via teleconference on 16 April 2021 at 10.30 am (AEST) and at any adjournment of that meeting.

The Chair intends to vote all undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change their voting intentions on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

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(a). Ratification of issue of Tranche 1 Placement Shares - Listing Rule 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1(b). Ratification of issue of Tranche 1 Shares - Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Approval to issue Tranche 2 Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Ratification of issue of Lead Manager Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Approval to issue Remaining Tranche 3 Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Turn over to complete the form

For Against Abstain

5. Consolidation of capital

☐

☐

☐

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

Sole Director and Sole Company Secretary

Contact
Name

SRN/HIN

Securityholder 2

Director

Contact
Daytime Telephone

Securityholder 3

Director/Company Secretary

Date / /