



30 October 2020

## ALLEGIANCE RAISES A FURTHER A\$1 MILLION THROUGH THE ISSUE OF CONVERTIBLE NOTES TO MERCER STREET GOLBAL OPPORTUNITY FUND LLC

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### HIGHLIGHTS

- Allegiance has raised a further A\$1M through the issue of convertible notes under the A\$8M Convertible Note (**Note**) arrangement with Mercer Street Global Opportunity Fund LLC, a New York based investment fund (**Fund**), bringing the total value of funds raised to date through the Notes to A\$3M.
  - The funds drawn under the Note will be applied to the immediate working capital requirements of the New Elk mine while Allegiance raises the mine's start-up capital requirement of US\$24M.
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Allegiance Coal Limited (**Allegiance** or **the Company**) refers to its announcement lodged with ASX dated 31 July 2020 and its Notice of General Meeting dated 21 August 2020 and advises that it has procured a third investment amount of \$1 million under the Note agreement entered with the Fund.

In return for this funding the Company will issue convertible notes to the Fund (Tranche 3 Notes). The Tranche 3 Notes are for a term of 12 months, with a maturity date of 30 October 2021.

The Tranche 3 Notes are interest free but will be issued at an original issue discount of 15%. Accordingly, the Company will issue 1,150,000 Tranche 3 Notes to the Fund.

The Tranche 3 Notes are convertible at the Fund's election into Allegiance ordinary shares at lower of: (i) \$0.15; or (ii) 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 (subject to limited adjustment events including in the event of bonus issues).

The Company may repurchase the Tranche 3 Notes at any time prior to maturity by repaying the Note at face value together with a premium of 3% of face value; subject to the Fund having the right to convert 30% of the amount sought to be re-purchased into Allegiance ordinary shares on the terms summarised above.

Restrictions apply in respect of the Company's ability to undertake capital raisings involving an issue of securities convertible into shares or otherwise at a price per share less than the lowest conversion price which may apply at that time, without the Fund's prior consent.

The Tranche 3 Notes (as with convertible notes that have been issued previously to the Fund under the Notes arrangement) will be secured by a general security interest over Allegiance, subordinated to the bridging loan in place with Nebari Natural Resources Credit Fund 1 LP.

Additional provisions such as Company covenants, representations, warranties and event of default provisions apply, which are considered customary. Please refer to the Notice of General Meeting dated 21 August 2020 for a detailed summary of the terms and conditions of the Notes and the Note agreement.

The Tranche 3 Notes are issued pursuant to the shareholder approval obtained at the General Meeting held on 21 September 2020.

Authorised for release by Chairman and Managing Director, Mark Gray.

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**About Allegiance Coal**

Allegiance Coal is a publicly listed (ASX:AHQ) Australian company based in Vancouver, BC Canada, and is focussed on developing and mining metallurgical coal projects in North America and Western Canada. The Company is developing the Tenas metallurgical coal project, located in northwest British Columbia, in partnership with Itochu Corporation. The Tenas Project has a completed definitive feasibility study and is now in the permitting process targeting H2 2022 for the commencement of production. In October 2020, the Company completed the acquisition of the New Elk hard coking coal mine, a fully permitted and constructed mine located in southeast Colorado, US. The Company is targeting to return the New Elk mine to production in 2021.

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