



# ALLEGIANCE COAL

LIMITED

**ALLEGIANCE COAL LIMITED**  
**ACN 149 490 353**

## **NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT**

**The Annual General Meeting of the Company will be held at  
the offices of the Company, Suite 107, 109 Pitt Street,  
Sydney, NSW on Wednesday, 28 November 2018  
at 10.30am (AEDT).**

*The Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

**Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice**

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# ALLEGIANCE COAL LIMITED

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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Shareholders of Allegiance Coal Limited (**Company**) will be held at the offices of the Company, Suite 107, 109 Pitt Street, Sydney, NSW, on Wednesday, 28 November 2018 at 10.30am (AEDT) (Meeting).

The Explanatory Statement to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Statement and the Proxy Form comprise part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Monday, 26 November 2018 at 10.30am (AEDT).

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

## AGENDA

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### 1. Annual Report

To consider the Annual Report of the Company and its controlled entities for the financial year ended 30 June 2018, which includes the Financial Report, the Directors' Report and the Auditor's Report.

The reports referred to above are included in the 2018 Annual Report sent to those Shareholders who elected to receive a hard copy. A copy of the report is also available on the Company's website at [www.allegiancecoal.com.au](http://www.allegiancecoal.com.au).

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### 2. Resolution 1 - Remuneration Report

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's Annual Report for the financial year ended 30 June 2018, on the terms and conditions in the Explanatory Statement."*

#### Voting Prohibition

In accordance with section 250R of the Corporations Act, a vote on this Resolution must not be cast by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member.

A vote may be cast by such person as a proxy if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairman to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

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### **3. Resolution 2 - Re-election of Director - Mr Malcolm Carson**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That Mr Malcolm Carson, who retires in accordance with Clause 58 of the Constitution and being eligible, offers himself for election, be elected as a Director."*

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### **4. Resolution 3 - Ratification of issue of 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 7.4 and for all other purposes, Shareholders ratify the issue of 44,808,749 Shares at \$0.052 per Share, on the terms and conditions set out in the Explanatory Statement."*

#### **Voting Exclusion**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person (or any nominee of such a person) who participated in the issue or any associates of those persons.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### **5. Resolution 4 - Approval to issue Placement Shares to Mr David Fawcett**

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 195(4) of the Corporations Act, Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 480,769 Shares at \$0.052 per Share to Mr David Fawcett (or his nominees) on the terms and conditions in the Explanatory Statement."*

#### **Voting Exclusion**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr David Fawcett or his nominees or any associates of those persons.

The Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 6. Resolution 5 - Approval to issue Placement Shares to Mr Mark Gray

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 195(4) of the Corporations Act, Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 480,769 Shares at \$0.052 per Share to Mr Mark Gray (or his nominees) on the terms and conditions in the Explanatory Statement."*

### Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Mark Gray or his nominees or any associates of those persons.

The Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 7. Resolution 6 - Approval to issue Placement Shares to Mr Jonathan Reynolds

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 195(4) of the Corporations Act, Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 200,000 Shares at \$0.052 per Share to Mr Jonathan Reynolds (or his nominees) on the terms and conditions in the Explanatory Statement."*

### Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Jonathan Reynolds or his nominees or any associates of those persons.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 8. Resolution 7 - Approval of 10% Placement Facility

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

*"That in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities of up to 10% of the issued capital of the Company, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement."*

### Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of Shares), or any associate of that person (or those persons).

The Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

BY ORDER OF THE BOARD



Jonathan Reynolds  
Company Secretary

Dated: 24 October 2018

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# ALLEGIANCE COAL LIMITED

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## EXPLANATORY STATEMENT

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### 1. Introduction

The Explanatory Statement 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, Suite 107, 109 Pitt Street, Sydney, NSW on Wednesday, 28 November 2018 at 10.30am (AEDT).

The Explanatory Statement forms part of the Notice which should be read in its entirety. The Explanatory Statement contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Statement includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2	Action to be taken by Shareholders
Section 3	Annual Report
Section 4	Resolution 1 - Remuneration Report
Section 5	Resolution 2 - Re-election of Director - Mr Malcolm Carson
Section 6	Resolution 3 - Ratification of issue of Placement Shares
Section 7	Resolutions 4, 5 and 6 - Approval to issue Placement Shares to Messrs Fawcett, Gray and Reynolds
Section 8	Resolution 7 - Approval of 10% Placement Facility
Schedule 1	Definitions

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

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### 2. Action to be taken by Shareholders

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

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

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### **3. Annual Report**

In accordance with section 317 of the Corporations Act, Shareholders will be offered the opportunity to discuss the Annual Report, including the Financial Report, the Directors' Report and the Auditor's Report for the financial year ended 30 June 2018.

There is no requirement for Shareholders to approve the Annual Report.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available online at [www.allegiancecoal.com.au](http://www.allegiancecoal.com.au);
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- (a) the preparation and content of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

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### **4. Resolution 1 - Remuneration Report**

#### **4.1 General**

In accordance with the Corporations Act, the Company must put a resolution that the Remuneration Report be adopted to the vote of Shareholders at the Meeting. However, such a resolution is advisory only and does not bind the Company or the Directors.

The Directors' Report contains the Remuneration Report which sets out the remuneration policy for the Company and the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

The Chairman will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

#### **4.2 Voting consequences**

If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

However, pursuant to the Corporations Act, if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive annual general meetings, Shareholders will have the opportunity to remove the whole Board except the Managing Director.

Where a resolution on the Remuneration Report receives a Strike at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the Managing Director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election (**Spill Resolution**).

If more than 50% of votes are cast in favour of the Spill Resolution, the Company must convene a Shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the Directors who were in office when the Directors' Report (as included in the Company's financial report for the previous financial year) was approved, other than the Managing Director, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting, those persons whose election or re-election as Directors is approved will be the Directors of the Company.

#### **4.3 Previous voting results**

The Company's Remuneration Report did not receive a Strike at the 2017 annual general meeting. If the Remuneration Report receives a Strike at this Meeting, Shareholders should be aware that if a second Strike is received at the 2019 annual general meeting, this may result in the re-election of the Board.

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### **5. Resolution 2 - Re-election of Director - Mr Malcolm Carson**

Clause 58.1(c) of the Constitution requires that one-third of the Directors must retire at each annual general meeting (rounded down to the nearest whole number), and Clause 58.5 provides that a retiring Director is eligible for re-election.

The Company currently has 4 Directors, and accordingly, one must retire.

Under Clause 58.2, the Directors to retire at any annual general meeting must be those who have served the longest in office since their last election, but, as between persons who became Directors on the same day, those to retire must be determined by lot (unless otherwise agreed upon between those Directors). Under Clause 75.8, the requirement to retire by rotation does not apply to the Managing Director.



Pursuant to the above clauses of the Constitution, Mr Malcolm Carson has served the longest in office since his last election, having been elected at the 2016 annual general meeting held on 23 November 2016.

Mr Carson has over 40 years' experience in the resource sector including field exploration geologist and commercial evaluation of resources and project finance. He has held senior positions in exploration and mining companies, the West Australian Government, investment banks and executive roles in ASX and TSX publicly listed companies.

Mr Carson is considered to be an independent Director.

The Board (excluding Mr Carson) recommends that Shareholders vote in favour of Resolution 2.

Resolution 2 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 2.

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## **6. Resolution 3 - Ratification of issue of Placement Shares**

### **6.1 General**

On 20 September 2018, the Company completed a placement of 44,808,749 Shares at an issue price of \$0.052 per Share to raise \$2,330,055 before costs (**Placement**).

### **6.2 Listing Rule 7.1**

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

### **6.3 Listing Rule 7.4**

Listing Rule 7.4 provides an exception to Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1), those securities will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1.

The effect of Resolution 3 will be to allow the Company to retain the flexibility to issue Equity Securities in the future up to the 15% annual placement capacity provided in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

### **6.4 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 Placement Shares:

- (a) a total of 44,808,749 Shares were issued;
- (b) the Shares were issued at \$0.052 per Share;
- (c) the Shares issued were 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 Shares were issued to selected sophisticated or professional investors who satisfied the requirements of section 708(8) or (11) of the Corporations Act;
- (e) the proceeds from the issue of the Shares are intended to be used to further develop the Telkwa metallurgical coal project, and for general working capital; and
- (f) a voting exclusion statement is included in the Notice.

## **6.5 Additional information**

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

Resolution 3 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 3.

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## **7. Resolutions 4, 5 and 6 - Approval to issue Placement Shares to Messrs Fawcett, Gray and Reynolds**

### **7.1 General**

As announced on 13 September 2018, it is proposed that each of Messrs Fawcett, Gray and Reynolds will subscribe for an aggregate of 1,161,538 Shares on the same terms and conditions as the Placement to raise \$60,400 before costs.

### **7.2 Chapter 2E of the Corporations Act**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

Messrs Fawcett, Gray and Reynolds are related parties of the Company by virtue of their positions as Directors.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Shares pursuant to Resolutions 4, 5 and 6 because these Shares would be issued on the same terms as other Shares issued pursuant to the Placement to non-related party participants. As such, the giving of the financial benefit is considered to be on arm's length terms.

### **7.3 Listing Rule 10.11**

In accordance with Listing Rule 10.11, the Company must not issue Equity Securities to a related party of the Company unless it obtains Shareholder approval.

As noted above, Messrs Fawcett, Gray and Reynolds are related parties of the Company by virtue of their positions as Directors.

The effect of passing Resolutions 4, 5 and 6 will be to allow the Company to issue the Shares to Messrs Fawcett, Gray and Reynolds (or their respective nominees) in accordance with Listing Rule 10.11.

As Shareholder approval is sought under Listing Rule 10.11, approval under Listing Rule 7.1 is not required.

#### **7.4 Specific information required by Listing Rule 10.13**

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to the issue of the Shares:

- (a) the Shares are proposed to be issued to Messrs Fawcett, Gray and Reynolds (or their respective nominees);
- (b) the maximum number of Shares to be issued is 1,161,538, comprised of:
  - (i) 480,769 Shares to David Fawcett (or his nominees);
  - (ii) 480,769 Shares to Mark Gray (or his nominees); and
  - (iii) 200,000 Shares to Jonathan Reynolds (or his nominees);
- (c) the Company intends to issue the Shares as soon as practicable after the date of the Meeting and in any event, no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules);
- (d) each of Messrs Fawcett, Gray and Reynolds are Directors;
- (e) the issue price will be \$0.052 per Share;
- (f) the Shares 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;
- (g) the proceeds from the issue of the Shares are intended to be used to further develop the Telkwa metallurgical coal project, and for general working capital; and
- (h) a voting exclusion statement is included in the Notice.

#### **7.5 Additional information**

Each of the Directors with a personal interest in Resolutions 4, 5 or 6 (being Messrs David Fawcett, Mark Gray and Jonathan Reynolds) decline to make a recommendation to Shareholders due to their interests in the Resolutions.

The remaining and non-conflicted Director, Mr Malcolm Carson, recommends Shareholders vote in favour of Resolutions 4, 5 and 6.

Resolutions 4, 5 and 6 are ordinary resolutions.

The Chairman intends to exercise all available proxies in favour of Resolutions 4, 5 and 6.

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## 8. Resolution 7 - Approval of 10% Placement Facility

### 8.1 General

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility. The number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 8.2(c) below).

### 8.2 Listing Rule 7.1A

#### (a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an annual general meeting.

#### (b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the company.

The Company, as at the date of the Notice, has on issue one quoted class of Equity Securities, being Shares.

#### (c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

**A** is the number of shares on issue 12 months before the date of issue or agreement:

- (A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (B) plus the number of partly paid shares that became fully paid in the 12 months;
- (C) plus the number of fully paid shares issued in the 12 months with Shareholder approval under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the

entity's 15% placement capacity without Shareholder approval;

- (D) less the number of fully paid shares cancelled in the 12 months.

Note that "A" has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

*D* is 10%

*E* is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with Shareholder approval under Listing Rule 7.1 or 7.4.

**(d) Listing Rule 7.1 and Listing Rule 7.1A**

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 8.2(c)).

**(e) Minimum Issue Price**

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

**(f) 10% Placement Period**

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of Shareholder approval of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(10% Placement Period).

### **8.3 Listing Rule 7.1A**

The effect of Resolution 7 will be to allow the Directors to issue the Equity Securities

under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

#### **8.4 Specific information required by Listing Rule 7.3A**

In accordance with Listing Rule 7.3A, information is provided as follows:

**(a) Minimum issue price**

The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

**(b) Risk of economic and voting dilution**

If this Resolution is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of Options, only if the Options are converted into Shares). There is a risk that:

- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below tables show:

- (i) the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of the Notice;
- (ii) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (iii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Table 1: Based on the number of Shares on issue as at the date of this Notice

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.028 50% decrease in Issue Price	\$0.055 Issue Price	\$0.110 100% increase in Issue Price
Current Variable A 510,003,908 Shares	10% Voting Dilution	51,000,391 Shares	51,000,391 Shares	51,000,391 Shares
	Funds raised	\$1,402,511	\$2,805,021	\$5,610,043
50% increase in current Variable A 765,005,862 Shares	10% Voting Dilution	76,500,586 Shares	76,500,586 Shares	76,500,586 Shares
	Funds raised	\$2,103,766	\$4,207,532	\$8,415,064
100% increase in current Variable A 1,020,007,816 Shares	10% Voting Dilution	102,000,782 Shares	102,000,782 Shares	102,000,782 Shares
	Funds raised	\$2,805,021	\$5,610,043	\$11,220,086

Table 2: Based on the assumption that the Placement Shares are issued to Messrs Fawcett, Gray and Reynolds in full

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.028 50% decrease in Issue Price	\$0.055 Issue Price	\$0.110 100% increase in Issue Price
Current Variable A 511,165,446 Shares	10% Voting Dilution	51,116,545 Shares	51,116,545 Shares	51,116,545 Shares
	Funds raised	\$1,405,705	\$2,811,410	\$5,622,820
50% increase in current Variable A 766,748,169 Shares	10% Voting Dilution	76,674,817 Shares	76,674,817 Shares	76,674,817 Shares
	Funds raised	\$2,108,557	\$4,217,115	\$8,434,230
100% increase in current Variable A 1,022,330,892 Shares	10% Voting Dilution	102,233,089 Shares	102,233,089 Shares	102,233,089 Shares
	Funds raised	\$2,811,410	\$5,622,820	\$11,245,640

The tables have been prepared on the following additional assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (ii) No Options or other convertible securities (including any Options or other convertible securities issued under the 10% Placement Facility) are exercised or converted into Shares before the date of the issue of the Equity Securities.
- (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.

- (iv) The tables do not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
- (v) The tables show only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (vii) The issue price is \$0.055, being the closing price of the Shares on ASX on 15 October 2018.

**(c) Final date for issue**

The Company will only issue the Equity Securities during the 10% Placement Period.

**(d) Purposes of issues under 10% Placement Facility**

The Company may seek to issue the Equity Securities for the following purposes:

- (i) non-cash consideration for the acquisition of resources assets and investments and consideration for services provided. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
- (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of resources assets or investments (including expenses associated with such acquisition such due diligence costs and external advisors), continued exploration and development on the Company's current projects, payment of suppliers or service providers, and working capital requirements.

**(e) Disclosure obligations**

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

**(f) Allocation policy**

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and



(iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of the Notice but may include existing substantial Shareholders and/or new Shareholders who are not a related party or an associate of a related party of the Company.

Further, if the Company is successful in acquiring new projects, assets or investments, it is possible that the allottees under the 10% Placement Facility will be the vendors of the new projects, assets or investments.

**(g) Previous approval**

The Company has previously obtained Shareholder approval under Listing Rule 7.1A at its Annual General Meeting held on 29 November 2017. In the 12 months preceding the date of the Meeting and as at the date of this Notice, the Company has issued 284,008,673 Equity Securities. This represents 126% of the total number of Equity Securities on issue at the commencement of that 12 month period and an increase in total Equity Securities on issue of 225% during the 12 month period (taking into account conversion from one class of Equity Securities to another).

Details of each issue of Equity Securities by the Company during the 12 months preceding the date of the Meeting are set out in the table below:

Date of Issue	Number of Securities	Type of Security	Recipient of Security	Issue Price and details of any discount to Market Price <sup>1</sup> (if applicable)	Consideration, Use of Funds and Current Value <sup>2</sup> as at the date of this Notice
30/10/17	33,899,285	Shares	Sophisticated and professional investors	\$0.03 representing a discount of 25% to the closing market price on the date of issue.	\$1,016,979 (before costs) was raised and approximately \$1,016,979 was expended to further develop the Telkwa Metallurgical Coal Project and provide the Company with general working capital.
06/12/17	85,310,639	Shares	Sophisticated and professional investors	\$0.03 representing a discount of 10% to the closing market price on the date of issue.	\$2,559,319 (before costs) was raised and approximately \$2,559,319 was expended to further develop the Telkwa Metallurgical Coal Project and provide the Company with general working capital.

Date of Issue	Number of Securities	Type of Security	Recipient of Security	Issue Price and details of any discount to Market Price <sup>1</sup> (if applicable)	Consideration, Use of Funds and Current Value <sup>2</sup> as at the date of this Notice
06/12/17	5,000,000	Options <sup>3</sup>	The lead manager to the placement	Nil issue price	Issued as part consideration for lead manager services provided in connection with the placement. Value: \$88,068
06/12/17	8,250,000	Options <sup>4</sup>	Participants under the Company's securities incentive plan	Nil issue price	Nil cash consideration. Issued as incentive securities to participants under the Company's securities incentive plan. Value: \$169,063
21/12/17	40,600,000	Shares	Altius Minerals Corporation	Nil issue price	Issued as consideration for acquisition of 100% interest in the coal licences that make up the Telkwa Metallurgical Coal Project. Value: \$2,273,600
06/04/18	78,390,000	Shares	Sophisticated and professional investors	\$0.05 representing a discount of 2% to the closing market price on the date of issue.	\$3,919,500 (before costs) was raised and approximately \$3,919,500 was expended to develop the Telkwa Metallurgical Coal Project and provide the Company with general working capital.
22/05/18	1,000,000	Shares	Mark Gray, a Director of the Company	\$0.05 representing a discount of 2% to the closing market price on the date of issue.	\$50,000 (before costs) was raised and nil has been expended to date. The amount raised is intended to be expended to develop the Telkwa Metallurgical Coal Project and provide the Company with general working capital.

Date of Issue	Number of Securities	Type of Security	Recipient of Security	Issue Price and details of any discount to Market Price <sup>1</sup> (if applicable)	Consideration, Use of Funds and Current Value <sup>2</sup> as at the date of this Notice
20/09/18	44,808,749	Shares	Sophisticated and professional investors	\$0.052 representing a discount of 15% to the closing market price on the date of issue.	\$2,330,055 (before costs) was raised and nil has been expended to develop the Telkwa Metallurgical Coal Project and provide the Company with general working capital.

**Notes:**

1. Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
2. In respect of quoted Equity Securities the current value is based on the closing price of the Shares (\$0.056) on ASX on 2 October 2018. The value of unquoted Options is measured using the Black & Scholes pricing model. Measurement inputs include the Share price on the measurement date, the exercise price, the term of the Option, the impact of dilution, the expected volatility of the underlying Share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the expected dividend yield and the risk free interest rate for the term of the Option. No account is taken of any performance conditions included in the terms of the Option other than market based performance conditions (i.e. conditions linked to the price of Shares).
3. Unlisted Options exercisable at \$0.05 each on or before 6 December 2020.
4. Unlisted Options exercisable at \$0.075 each on or before 6 December 2022.

**(h) Voting exclusion statement**

A voting exclusion statement is included in the Notice.

At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

## 8.5 Additional information

The Board recommends that Shareholders vote in favour of Resolution 7.

Resolution 7 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Chairman intends to exercise all available proxies in favour of Resolution 7.

## Schedule 1 - Definitions

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

\$ means Australian Dollars.

**10% Placement Facility** has the meaning given in Section 8.1.

**10% Placement Period** has the meaning given in Section 8.2(f).

**AEDT** means Australian Eastern Daylight Time, being the time in Sydney, New South Wales.

**Annual Report** means the Directors' Report, the Financial Report, and Auditor's Report, in respect to the year ended 30 June 2018.

**ASX** means the ASX Limited ABN 98 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

**Auditor's Report** means the auditor's report on the Financial Report.

**Board** means the board of Directors of the Company.

**Chairman** means the person appointed to chair the Meeting of the Company convened by the Notice.

**Clause** means a clause of the Constitution.

**Closely Related Party** means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

**Company** means Allegiance Coal Limited (ACN 149 490 353).

**Constitution** means the constitution of the Company as at the date of the Meeting.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Director** means a director of the Company.

**Directors' Report** means the annual directors' report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

**Equity Security** has the same meaning as in the Listing Rules.

**Explanatory Statement** means the explanatory memorandum which forms part of the Notice.

**Financial Report** means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

**Key Management Personnel** means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

**Listing Rules** means the listing rules of ASX.

**Meeting** has the meaning given in the introductory paragraph of the Notice.

**Notice** means this notice of annual general meeting.

**Option** means an option which entitles the holder to subscribe for one Share.

**Placement** has the meaning given in Section 6.1.

**Proxy Form** means the proxy form attached to the Notice.

**Remuneration Report** means the remuneration report of the Company contained in the Directors' Report.

**Resolution** means a resolution referred to in the Notice.

**Schedule** means a schedule to the Notice.

**Section** means a section of the Explanatory Statement.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a shareholder of the Company.

**Spill Meeting** has the meaning given in Section 4.2.

**Spill Resolution** has the meaning given in Section 4.2.

**Strike** means a 'no' vote of 25% or more on the resolution approving the Remuneration Report.

**Trading Day** has the same meaning as in the Listing Rules.

**VWAP** means volume weighted average price.



ALLEGIANCE COAL  
LIMITED

ABN 47 149 490 353

## **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 call:**

+61 2 9233 5579

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# **Proxy Form**

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**For your vote to be effective it must be received by 10.30am (AEDT) on Monday, 26 November 2018.**

## **How to Vote on Items of Business**

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

### **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 attend the meeting and 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.

**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**

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the information tab, "Downloadable Forms".

**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 Annual General Meeting of Allegiance Coal Limited to be held at Suite 107, 109 Pitt Street, Sydney, NSW 2000 on Wednesday, 28 November 2018 at 10.30am (AEDT) and at any adjournment of that meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolution:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

### 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

**1. Remuneration Report**

**2. Re-election of Director – Mr Malcolm Carson**

**3. Ratification of issue of Placement Shares**

**4. Approval to issue Placement Shares to Mr David Fawcett**

**5. Approval to issue Placement Shares to Mr Mark Gray**

**6. Approval to issue Placement Shares to Mr Jonathan Reynolds**

**7. Approval of 10% Placement Facility**

For	Against	Abstain
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

Securityholder 2

Securityholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact  
Name \_\_\_\_\_

Contact  
Daytime Telephone \_\_\_\_\_

Date \_\_\_\_/\_\_\_\_/\_\_\_\_