



17 August 2022

Dale Allen
ASX Limited
Level 40 Central Park
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PERTH WA 6000
By Email: Dale.Allen@asx.com.au, Stephanie.Patchell@asx.com.au and
ListingsCompliancePerth@asx.com.au

Dear Mr Allen

RESPONSE TO ASX QUERY

We refer to your letter dated 15 August 2022 to Allegiance Coal Limited (**Allegiance** or **the Company**).

Capitalised terms which have not otherwise been defined have the meaning given in your letter.

The Company's response to each of your requests for information is as follows:

1. **Please provide production amounts in kilotonnes from each of the weekly reports (such reports referred to by AHQ in reply to question 10 of the Response to ASX Query) for the June 2022 quarter for:**
 - 1.1 **New Elk; and**
 - 1.2 **Black Warrior.**

ROM tonnes produced figures in t'000

Week commencing	New Elk	Black Warrior
28/03/2022	13	4
4/04/2022	11	9
11/04/2022	13	5
18/04/2022	14	5
25/04/2022	11	8
2/05/2022	12	4
9/05/2022	13	7
16/05/2022	13	6
23/05/2022	12	7
30/05/2022	9	5

6/06/2022	8	6
13/06/2022	11	11
20/06/2022	12	6
27/06/2022	5	4

2. Having regard to the weekly production amounts:

2.1 As at the date of AHQ's monthly board meeting in May, was it possible for AHQ to meet:

2.1.1 the New Elk June Quarter Production Target; and

2.1.2 the Black Warrior June Quarter Production Target?

The May board meeting was held on 3 May 2022.

The March 2022 monthly report was provided to the Board. It reported ROM coal production of 46kt at New Elk and 23kt at Black Warrior during March 2022.

For New Elk, the 46kt of ROM production achieved was a step-up from 29kt achieved in February. Management had also commenced its second production unit with one shift per day and management were confident in ramping production further with the second shift to be added to the second production unit. An estimate for New Elk ROM production for April 2022 of 58kt was provided by management.

For Black Warrior, the 23kt of ROM production achieved was a step-up from 16.5kt achieved in February. As management were updating and refining aspects of the mine plan with independent consultants, no estimate for Black Warrior ROM production for April 2022 was provided by management. However, with the planned arrival of additional larger items of equipment, management remained confident in continuing a ramp-up in production.

The content of the Board discussion related to underlying trends in production performance and actions being taken by management to continue to improve performance and productivity, which was evident from the significant increase in production numbers. The Board did not specifically turn its mind to evaluating whether at that point in time it would be possible for AHQ to meet the New Elk June Quarter Production Target and the Black Warrior June Quarter Production Target. Such evaluations are not typically undertaken by the Company on a monthly basis given the inherent variances in production on a month-to-month basis.

Having regard to the weekly production figures available to the Company as at 3 May 2022, ROM production totalled 61kt for New Elk and 31kt for Black Warrior. Taking into account the statement set out in the previous paragraph that such an evaluation was not undertaken by the Company at the time and also the comments set out above regarding expectations of production growth, with the benefit of hindsight it can be concluded that at 3 May 2022 the Company could meet the New Elk June Quarter Production Target and the Black Warrior June Quarter Production Target.

2.2 As at the date of AHQ's monthly board meeting in June, was it possible for AHQ to meet:

2.2.1 the New Elk June Quarter Production Target; and

2.2.2 the Black Warrior June Quarter Production Target?

The June board meeting was held on 7 June 2022.

The April 2022 monthly report was provided to the Board. It reported ROM coal production of 51kt at New Elk and 28kt at Black Warrior during April 2022.

Both New Elk and Black Warrior production continued its upward trend as management from both mines continued to execute the ramp-up strategies they had previously presented to the Board. Overall, the Board remained pleased with the upward trend in month to month production from January continued strongly into April.

In addition, an estimate for New Elk ROM production for May 2022 of 55kt and an estimate for Black Warrior ROM production for May 2022 of 26kt was provided by management.

The content of the Board discussion related to underlying trends in production performance and actions being taken by management to continue to improve performance and productivity, which again was evident from the continuing increase in production. Again, the Board did not specifically turn its mind to evaluating whether at that point in time it would be possible for AHQ to meet the New Elk June Quarter Production Target and the Black Warrior June Quarter Production Target. Such evaluations are not typically undertaken by the Company on a monthly basis given the inherent variances in production on a month-to-month basis.

Having regard to the weekly production figures available to the Company as at 7 June 2022, ROM production totalled 120kt for New Elk and 60kt for Black Warrior. Taking into account the statement set out in the previous paragraph that such an evaluation was not undertaken by the Company at the time and also the comments set out above regarding expectations of production growth, with the benefit of hindsight it can be concluded that at 7 June 2022 the Company could materially meet the New Elk June Quarter Production Target and the Black Warrior June Quarter Production Target.

2.3 As at the date of AHQ's monthly board meeting in July, was it possible for AHQ to meet:

2.3.1 the New Elk June Quarter Production Target; and

2.3.2 the Black Warrior June Quarter Production Target?

The July board meeting was held on 6 July 2022.

The May 2022 monthly report was provided to the Board. It reported ROM coal production of 48kt at New Elk and 27kt at Black Warrior during May 2022.

While ROM production at both New Elk and Black Warrior were flat compared to April, the Board was assured by management that the increase in production would continue in June. To this end, New Elk had commenced its second shift in the second production unit in late May and this was expected to make a significant step-up in production. Given the background of senior management at New Elk, including the mine's General Manger, all of whom would typically achieve production numbers 2 to 3 times in excess of April and May production with similar manning and geological conditions, the Board considered management would achieve the next step-up in Production. Black Warrior had also commenced its second shift increasing production shifts per week from five to ten with additional production equipment.

The content of the Board discussion related to underlying trends in production performance and actions being taken by management to improve performance and productivity. The Board did not specifically turn its mind to evaluating whether at that point in time it would be possible for AHQ to meet the New Elk June Quarter Production Target and the Black Warrior June Quarter Production Target. Such evaluations are not typically undertaken by the Company on a monthly basis given the inherent variances in production on a month-to-month basis.

Having regard to the weekly production figures available to the Company as at 6 July 2022, ROM production totalled 157kt for New Elk and 87kt for Black Warrior. Taking into account the statement set out in the previous paragraph that such an evaluation was not undertaken by the Company at the time, with the benefit of hindsight it can be concluded that at 6 July 2022 the Company would not meet the New Elk June Quarter Production Target and the Black Warrior June Quarter Production Target.

The question then arises whether the Company had an obligation to notify the market of that fact. The issue relates to whether the difference is material. As set out on its letter to ASX dated 27 July 2022, the Company does not consider the Mine Performance Information, including the New Elk June Quarter Production and the Black Warrior June Quarter Production to be information that a reasonable person would expect to have a material effect on the price or value of its securities.

In each of the responses above, please include:

- 2.4 the date of the relevant meeting;**
- 2.5 the production figures provided to the board at the meeting; and**
- 2.6 the specific period(s) to which those production figures related.**

As reported above.

- 3. Having regard to section 7.8 of ASX Guidance Note 12, if the answer to question 2.1.1, 2.1.2, 2.2.1, 2.2.2, 2.3.1 and/or 2.3.2 is 'yes' please advise the factors which AHQ relied on in considering that it was possible to meet the New Elk June Quarter Production Target or the Black Warrior June Quarter Production Target, as applicable, having regard to the relevant weekly and/or monthly production figures.**

AHQ assumes the reference to "ASX Guidance Note 12" in ASX's letter is intended to refer to ASX Guidance Note 8. The response below is based on this assumption.

As reported above, at each of the Board meetings above, the Board did not specifically turn its mind to evaluating whether at those points in time it would be possible for AHQ to meet the New Elk June Quarter Production Target and the Black Warrior June Quarter Production Target.

The Board's evaluation of its quarterly performance is undertaken on a quarterly, rather than monthly basis, due to the inherent variances of actual production on a month-to-month basis. In addition, end of month production figure reporting at both mines takes up to two weeks, sometimes more, to be reconciled. Both New Elk and Black Warrior have unreliable coal weighing infrastructure and production numbers need to be reconciled against daily surveys at the mine face, daily wash-plant scales (wash-plant scales which have proven to be unreliable at both mines), daily truck weights, and barge and train loadout weights. Final end of month production figures often vary, sometimes considerably, from day to day record keeping once properly reconciled. The evaluation of the quarterly performance was therefore undertaken at the time the quarterly activities report was drafted and approved for release.

The Board first became aware that its production results for the June quarter would be less than the New Elk June Quarter Production Target and the Black Warrior June Quarter Production Target at the time of undertaking this quarterly review. The results were reported promptly upon completion of this review, in the quarterly report announced on 19 July 2022.

As also announced on 19 July 2022, in light of the Company being unable to successfully ramp up production at New Elk and Black Warrior to previous expectations, the Company commenced a strategic review of its operations which was expected to be completed by the end of August 2022. The Company announced the completion of this strategic review on 15 August 2022. One of the outcomes of the review was the withdrawal of its previously disclosed production targets.

4. Having regard to section 7.8 of ASX Guidance note 8, if the answer to questions 2.1.1, 2.1.2, 2.2.1, 2.2.2, 2.3.1 and/or 2.3.2 is 'no' please explain why AHQ did not release updated production guidance for New Elk and/or Black Warrior to the market at an earlier time, commenting specifically on when you believe AHQ was obliged to release updated production guidance under Listing Rules 3.1 and 3.1A and what steps AHQ took to ensure that that updated production guidance was released promptly and without delay.

As reported above, until the evaluation of the June quarterly performance, the Board believed production was trending upward for both mines and while May was flat the Board relied on and believed in management and their plans for continuing to ramp production. The target production rates, as disclosed to the market, for both mines were well within the capacity of the mines and management had proven experience in similar operations and mining conditions in achieving production in excess of their targets.

As reported above, the Board did not specifically turn its mind at each monthly Board meeting to evaluating whether at those points in time it would be possible for AHQ to meet the New Elk June Quarter Production Target and the Black Warrior June Quarter Production Target. The evaluation of the quarterly performance was undertaken at the time the quarterly activities report was drafted, at which time the actual results were reported to the market.

Several points relevant to this query are made by the Company in its Response to ASX Query dated 27 July 2022, including:

- In relation to the New Elk June Quarter Production and Black Warrior June Quarter Production, these production volumes data taken on their own are not considered to be information that a reasonable person would expect to have a material effect on the price or value of its securities for the following reasons:
- The table below sets out the operating performance over the 2022 financial year as reported in the Quarterly Reports:

	Q1 FY 22	Q2 FY 22	Q3 FY 22	Q4 FY 22
Tonnes ('000)				
New Elk ROM	97	77	92	135
New Elk Clean	45	31	40	62
Black Warrior ROM	32	51	56	85
Black Warrior Clean	24	32	48	53

- Taken at face value, and as a mining exploration entity transitioning, subject to the ASX's discretion, over time to be a mining producing entity, the Company has demonstrated growing and satisfactory operating performance from a start-up situation.
- As disclosed in the Quarterly Reports, the Company has faced various operating challenges. The challenges have been, and are being, addressed in a business-like manner. It is noted that these challenges are consistent with those a reasonable person would expect to find at a mining venture involved in (i) restarting a mine previously on care and maintenance, and (ii) pivoting and ramping production at a mine from domestic supply to the export market. Furthermore, many of the challenges being encountered are of a type widely reported in the press as being faced across the industry, eg Covid, staffing and supply chain.
- Although challenges have been encountered, no fundamental or fatal flaws had been identified or exposed in the operating environment.
- There were no events in the June 2022 quarter that, taken in isolation, were considered to be information that a reasonable person would expect to have a material effect on the price or value of its securities.
- It would have been premature and potentially misleading to disclose the New Elk June Quarter Production and Black Warrior June Quarter Production before the Company was in a position to assess the reconciled June month production numbers and the overall quarterly performance and future outlook which process was conducted during the course of preparing the June 2022 Quarterly Activities Report.
- As part of the review of the draft June Quarterly Activities Report, on the morning of Monday 18 July 2022, the conclusions set out in the Mine Performance Information were considered by the Board but were only crystallised into a firm conclusion following close of the market on Monday 18 July 2022, leading to the disclosure of the Mine Performance Information and Commencement of Strategic Review Information, prior to the market opening on 19 July 2022.

5. Noting AHQ's previous price sensitive disclosure released on MAP, in particular the Production and Sales Guidance Announcement, does AHQ consider the Mine Performance

Information, including the New Elk June Quarter Production and the Black Warrior June Quarter Production, or any part thereof, to be information that a reasonable person would expect to have a material effect on the price or value of AHQ's securities?

No.

6. If the answer to question 5 is 'no', please explain the basis of that view, commenting specifically on the Mine Performance Information, including the New Elk June Quarter Production and the Black Warrior June Quarter Production in light of AHQ's previous price sensitive disclosure, in particular the Production and Sales Guidance Announcement.

The basis of the Company's response to question 5 are set out in the Company's Response to ASX Query letter dated 27 July 2022 (see the response to question 2, at paragraph (b)).

In addition, the Company notes that the "Mine Performance Information" disclosed on 19 July 2022 comprised the following statements:

- that AHQ has been "unable to successfully ramp up production to previous expectations at its two operating mines" and "unable to secure medium term equipment financing at both Black Warrior and New Elk, which has driven lower than expected performance"; and
- "It is currently unclear if Black Warrior or New Elk have the capability to meet, within a material margin, previously advised target production rates".

At the time of the announcement of the Mine Performance Information of 19 July 2022, the Company was aware of various unanticipated impediments to production at New Elk and Black Warrior. These impediments were disclosed in the announcement. AHQ also disclosed in the announcement that:

- as a result of it being unclear if the previously disclosed production targets would be met within a material margin, the Board had made the decision to commence a strategic review of its operations; and
- the outcomes of the strategic review were expected before the end of August 2022.

The outcomes of the strategic review were announced by the Company on 15 August 2022. It was disclosed in that announcement that, amongst other things:

"the Company notes that it has previously published production targets for both the New Elk and Black Warrior mines. Following the Strategic Review, the Company has determined that until the issues listed above are resolved, it is in the Company's view unlikely these production targets will be achieved and as such they are withdrawn. The Company will not be providing production targets in the near term. The Company will continue to provide the market with updates to its operations in accordance with its continuous disclosure obligations, including along with updates on issues mitigation and resolution."

The date which the Company formed the view that the Production and Sales Guidance would not be capable of being achieved is 15 August 2022, being the date the Board authorised the findings of the Strategic Review to be released.

7. Please comment specifically on when you believe AHQ was obliged to notify the market that actual production results at New Elk and Black Warrior for the June 2022 Quarter were likely



to materially differ from the New Elk June Quarter Production Target and the Black Warrior June Production Target.

As disclosed above, the Company became aware that the actual production results at New Elk and Black Warrior for the June 2022 Quarter would be less than the New Elk June Quarter Production Target and the Black Warrior June Production Target as part of its quarterly review process.

This review process was concluded after the close of the market on 18 July 2022 and announced prior to market open on 19 July 2022.

Accordingly, AHQ believes it was obliged to notify the market on 19 July 2022, being the date the June quarterly activities report was authorised for release under the Company's disclosure policy.

8. What are the Proposed Asset Financing Facilities referred to in the June Quarter Activities Report? In answering this question, please also advise the date(s) of any announcements by AHQ that referred to the Proposed Asset Financing Facilities.

In common with other mining companies, in the ordinary course of business, the Company has sought to finance an element of its mining equipment through lease arrangements, either as right of use assets or through, for example, instalment sales.

The Company refers to its half-year report for the period ended 31 December 2021 in which right of use assets of \$10.5 million and lease liabilities of \$10.2 million are reported.

There are two classes of equipment that were to be financed under the Proposed Asset Financing Facilities. Underground equipment at New Elk and surface equipment at Black Warrior. The New Elk amount to be financed was US\$4.8 million and the Black Warrior amount to be financed was US\$6.9 million.

9. On what date did AHQ become aware that the Proposed Asset Financing Facilities were unavailable?

22 June 2022. Of itself, AHQ does not consider the unavailability of the Proposed Asset Financing Facilities to be material information warranting disclosure because the Company was pursuing alternative financing options aimed at procuring the equipment and amending its mine plans to mitigate against this.

For completeness, in relation to a portion of the Black Warrior surface equipment, the Company refers to its announcement dated 15 August 2022, where it reports: "...Four more 150t dump trucks to increase haulage of waste rock and remove the last of the 50t dump trucks involved in waste rock removal (these trucks have already been purchased on delayed payment terms with the vendor)."

10. Please confirm that AHQ is complying with the Listing Rules and, in particular, Listing Rule 3.1.

We confirm that the Company is complying with the Listing Rules and, in particular, ASX Listing Rule 3.1.



- 11. Please confirm that AHQ's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of AHQ with delegated authority from the board to respond to ASX on disclosure matters.**

We confirm that the Company's response to the questions has been authorised in accordance with its published continuous disclosure policy by Mr Jonathan Romcke, the Company's Chief Executive Officer.

Yours sincerely

Allegiance Coal Limited

A handwritten signature in black ink, appearing to read "J Reynolds", is written in a cursive style.

Jonathan Reynolds
Company Secretary
For and on behalf of the Board of Directors of Allegiance Coal Limited



15 August 2022

Reference: 55795

Mr Jonathan Reynolds
Company Secretary
Allegiance Coal Limited

By email: jreynolds@allegiancecoal.com.au

Dear Mr Reynolds

Allegiance Coal Limited ('AHQ'): Query

ASX refers to the following:

- A. AHQ's announcement entitled 'Production and Sales Guidance from Coal Mining Operations', marked as 'price sensitive' and released on the ASX Market Announcements Platform ('MAP') on 21 September 2021, in which AHQ disclosed '*...the following update to the market regarding near term production guidance from the Black Warrior and New Elk mines.*' ('Production and Sales Guidance Announcement').
- B. AHQ's quarterly activities report for the quarter ended 31 March 2022, marked as 'price sensitive' and released on the ASX Market Announcements Platform ('MAP') on 29 April 2022 ('March Quarter Activities Report'), which disclosed, amongst other things:
- (a) in respect of New Elk:
- (i) "*New Elk production in March was its best, and April is tracking to step up again by 25%. Overall, operations are starting to perform as anticipated*"; and
- (ii) "*In the March quarter we mined 92.5kt of ROM coal against 76.7kt in the prior quarter. Half of that production was in the month of March, while April is already on track to exceed that and reach more than 200kt of ROM production in the June quarter.*",
- (*'New Elk June Quarter Production Target'*); and
- (b) in respect of Black Warrior: "*We currently expect ROM production to exceed 150kt for the June quarter yielding around 110kt of saleable Black Warrior coal*" ('Black Warrior June Quarter Production Target').
- C. AHQ's quarterly activities report for the quarter ended 30 June 2022, marked as 'price sensitive' and released on MAP on 19 July 2022 ('June Quarter Activities Report'), which disclosed, amongst other things:
- (a) In respect of Production at New Elk, AHQ's 'issues affecting production', which included the following:
- (i) "*The Company budgeted to enhance its equipment performance with the use of asset financing facilities. These facilities are currently unavailable and the Company is considering alternative options to seek to improve production at the mine.*' ('Proposed Asset Financing Facilities').
- D. AHQ's announcement entitled "Response to ASX Query" released on MAP on 27 July 2022, which stated, relevantly (ASX queries bolded):
- "1. Does AHQ consider:**
- 1.1 the Tranche 2 Funding Delay;**
- 1.2 the requirement for alternative funding to fulfil AHQ's Liquidity Needs;**

1.3 the Mine Performance Information, including the New Elk June Quarter Production and Black Warrior June Quarter Production;

1.4 the Commencement of Strategic Review Information;

1.5 all or any parts of the above information considered together;

to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

(a) The Company does not consider:

(i) the Tranche 2 Funding Delay;

(ii) the requirement for alternative funding to fulfil AHQ's Liquidity Needs;

(iii) the Mine Performance Information, including the New Elk June Quarter Production and the Black Warrior June Quarter Production;

(iv) all or any parts of the above information considered together,

to be information that a reasonable person would expect to have a material effect on the price or value of its securities.

(b) The Company does consider the Commencement of Strategic Review Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities.

"8. As AHQ only achieved ROM coal production of 135kt at New Elk during the June 2022 quarter, compared with the New Elk June Quarter Production Target of "more than 200kt of ROM production in the June Quarter", when did AHQ first become aware of issues impacting production at New Elk, including those specifically detailed in the June Quarter Activities Report:

8.1 labour sourcing issues;

8.2 equipment performance and availability falling in the quarter losing around 20% of available production time;

8.3 the unavailability of asset financing facilities the Company had budgeted to enhance production; and

8.4 a 7 day outage for production unit 1 in June due to roof falls and a coal rib sloughing, such that production at New Elk was unlikely to meet the New Elk June Quarter Production Target?

Allegiance first became aware of the above factors as follows:

(a) At each of the board meetings held in May, June and July 2022, the Board considered the production performance and operational challenges of each New Elk and Black Warrior. Given the timing of monthly board meetings (generally first week of the month), and the requirement for month end reconciliations, the performance indicators reviewed by the Board covered the period to the end of May 2022 at the time of the 6 July meeting.

(b) At each of the board meetings held in May, June and July 2022, the Board considered that:

(i) The Company has demonstrated growing and satisfactory operating performance from a start-up situation.

(ii) The Company's operating challenges were being addressed in a business-like manner.

(iii) No fundamental or fatal flaws had been identified or exposed in the operating environment.

-
- (c) *No events had occurred that, taken in isolation, were considered to be information that a reasonable person would expect to have a material effect on the price or value of its securities.*
 - (d) *As part of the review of the draft June Quarterly Activities Report, at the Board meeting of 18 July 2022, the Board reviewed the operating performance for the full quarter ended 30 June. As set out in the answer to question 2 above, the conclusions set out in the Mine Performance Information were considered by the Board but were only crystallised into a firm conclusion following close of the market on Monday 18 July 2022, leading to the disclosure of the Mine Performance Information and Commencement of Strategic Review Information, prior to the market opening on 19 July 2022.*
 - (e) *Allegiance considers that it had a reasonable basis to make the New Elk June Quarter Production Target of “more than 200kt of ROM production in the June Quarter” when made in April 2022. The impact of the various individual factors limiting this production became known to the Company during the review process undertaken at the time of preparing and reviewing the draft June Quarterly Activities Report.*

...

10. Please provide details regarding the date and time that AHQ first became aware of:

10.1 the impact on production at New Elk of each of the factors set out above at questions 8.1 to 8.4 (inclusive), and any other issues impacting production at New Elk identified by AHQ in its response to question 8; and

10.2 that AHQ was unlikely to meet the New Elk June Quarter Production Target.

In answering the above questions 10.1 and 10.2, please specifically reference any written or unwritten information that AHQ was in receipt of which caused it to become aware.

As set out in the answer to question 8 and 9.

In terms of written and unwritten information, the Company advises:

- (a) *Written reports regarding production volumes achieved are provided to the board monthly together with management accounts, within four weeks of month end, to tie into board meetings generally held during the first week of the month.*
- (b) *Management provide verbal reports to the board at each board meeting.*
- (c) *Written reports regarding production volumes achieved as well as staffing and equipment availability are provided to senior management on a daily/weekly basis.*
- (d) *Operating management provide verbal reports to senior operating executives at each weekly management meeting. The purpose of these meetings is to address and put in place processes to overcome operating challenges.*
- (e) *Operating management remained in verbal contact with the lease finance broker throughout the quarter.*

11. As AHQ only achieved ROM coal production of 84kt at Black Warrior during the June 2022 quarter, compared with the Black Warrior June Quarter Production Target of “exceed 150kt for the June quarter”, when did AHQ first become aware of issues impacting production at Black Warrior, including those specifically detailed in the June Quarter Activities Report:

11.1 the unavailability of asset financing facilities the Company had budgeted to enhance production; and

11.2 the requirement to source additional dump trucks, drill rigs, dozers and labour, such that production at Black Warrior was unlikely to meet the Black Warrior June Quarter Production Target?

Allegiance first became aware of these factors as follows:

- (a) At each of the board meetings held in May, June and July 2022, the Board considered the production performance and operational challenges of each New Elk and Black Warrior. Given the timing of monthly board meetings (generally first week of the month), and the requirement for month end reconciliations, the performance indicators reviewed by the Board covered the period to the end of May 2022 at the 6 July Board meeting.*
- (b) At each of the board meetings held in May, June and July 2022, the Board considered that:*
 - (i) The Company has demonstrated growing and satisfactory operating performance pivoting from supplying the domestic market to supplying the export market, together with ramping up production.*
 - (ii) The Company's operating challenges were being addressed in a business-like manner, even though sourcing of additional equipment was delayed due to the unavailability of equipment financing solutions.*
 - (iii) No fundamental or fatal flaws had been identified or exposed in the operating environment. Progress had been made in setting up a well laid out mine pit with sequential and planned extraction.*
 - (iv) No events had occurred that, taken in isolation, were considered to be information that a reasonable person would expect to have a material effect on the price or value of its securities.*
- (c) In relation to asset financing facilities, the Company advises that in March 2022, it entered the master lease finance arrangement and paid the requisite deposit to the finance broker on the basis that the finance would close in short order. Despite indications from the broker that the funding would close, to date they have not been successful. The broker continues to present financing options to the Company. The Company has also been able to arrange alternative options for acquiring operating equipment. The major equipment items yet to be acquired are the dozers and drills, which items were part of the March 2022 master finance lease arrangement.*
- (d) In relation to labour, the Company advises that the labour market in Alabama is quite different to that in Colorado given the established nature of the Alabama coal mining industry. Securing the additional required labour is therefore not envisaged to be a material challenge.*
- (e) As part of the review of the draft June Quarterly Activities Report, at the Board meeting of 18 July 2022, the Board reviewed the operating performance for the full quarter ended 30 June. As set out in the answer to question 2 above, the conclusions set out in the Mine Performance Information were considered by the Board but were only crystallised into a firm conclusion following close of the market on Monday 18 July 2022, leading to the disclosure of the Mine Performance Information and Commencement of Strategic Review Information, prior to the market opening on 19 July 2022.*

...

13. Please provide details regarding the date and time that AHQ first became aware of:

13.1 the impact on production at Black Warrior of each of the factors set out above at questions 11.1 and 11.2 (inclusive), and any other issues impacting production at Black Warrior identified by AHQ in its response to question 11; and

13.2 that AHQ was unlikely to meet the Black Warrior June Quarter Production Target.

In answering the above questions 13.1 and 13.2, please specifically reference any written or unwritten information that AHQ was in receipt of which caused it to become aware.

As set out in the answer to question 11.

In terms of written and unwritten information, the Company advises:

- (a) Written reports regarding production volumes achieved are provided to the board monthly together with management accounts, within four weeks of month end, to tie into board meetings generally held during the first week of the month.
- (b) Management provide verbal reports to the board at each board meeting.
- (c) Written reports regarding production volumes achieved are provided to senior management on a weekly basis.
- (d) Operating management provide verbal reports to senior operating executives at each weekly management meeting. The purpose of these meetings is to address and put in place processes to overcome operating challenges.
- (e) Operating management remained in verbal contact with the lease finance broker throughout the quarter.

E. The definition of “aware” in Chapter 19 of the Listing Rules, which states that:

“an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity” and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information.”

F. Section 7.8 of Guidance Note 8 which provides:

“Other financial forecasts (such as forecast sales or forecast operational or capital expenditure) published by entities, and exploration and production targets published by mining or oil and gas entities, can raise similar considerations to earnings guidance. As forward-looking statements, these must be based on reasonable grounds or else they will be deemed to be misleading, with all the significant legal consequences that entails. For this reason, appropriate due diligence needs to be applied to their preparation and the underlying figures and assumptions should be carefully vetted and signed off at a suitably senior level before they are released.

If an entity becomes aware that its financial results will differ materially (downwards or upwards) from any financial forecast it has published, or that its exploration or production results for a period will differ materially (downwards or upwards) from any target it has published, it may have a legal obligation to notify the market of that fact. This obligation may arise under Listing Rule 3.1 and section 674 if the difference is of such a magnitude that a reasonable person would expect it to have a material effect on the price or value of the entity’s securities. It may also arise under section 1041H, because failing to inform the market that its published forecast or target is no longer accurate could constitute misleading conduct on its part.”

Request for information

Having regard to the above, ASX asks AHQ to respond separately to each of the following questions and requests for information:

1. Please provide production amounts in kilotonnes from each of the weekly reports (such reports referred to by AHQ in reply to question 10 of the Response to ASX Query) for the June 2022 quarter for:
 - 1.1 New Elk; and
 - 1.2 Black Warrior.
2. Having regard to the weekly production amounts:
 - 2.1 As at the date of AHQ's monthly board meeting in May, was it possible for AHQ to meet:
 - 2.1.1 the New Elk June Quarter Production Target; and
 - 2.1.2 the Black Warrior June Quarter Production Target?
 - 2.2 As at the date of AHQ's monthly board meeting in June, was it possible for AHQ to meet:
 - 2.2.1 the New Elk June Quarter Production Target; and
 - 2.2.2 the Black Warrior June Quarter production Target?
 - 2.3 As at the date of AHQ's monthly board meeting in July, was it possible for AHQ to meet:
 - 2.3.1 the New Elk June Quarter Production Target; and
 - 2.3.2 the Black Warrior June Quarter production Target?

In each of the responses above, please include:

- 2.4 the date of the relevant meeting;
 - 2.5 the production figures provided to the board at the meeting; and
 - 2.6 the specific period(s) to which those production figures related.
3. Having regard to section 7.8 of ASX Guidance Note 12, if the answer to question 2.1.1, 2.1.2, 2.2.1, 2.2.2, 2.3.1 and/or 2.3.2 is 'yes' please advise the factors which AHQ relied on in considering that it was possible to meet the New Elk June Quarter Production Target or the Black Warrior June Quarter Production Target, as applicable, having regard to the relevant weekly and/or monthly production figures.
 4. Having regard to section 7.8 of ASX Guidance note 8, if the answer to questions 2.1.1, 2.1.2, 2.2.1, 2.2.2, 2.3.1 and/or 2.3.2 is 'no' please explain why AHQ did not release updated production guidance for New Elk and/or Black Warrior to the market at an earlier time, commenting specifically on when you believe AHQ was obliged to release updated production guidance under Listing Rules 3.1 and 3.1A and what steps AHQ took to ensure that that updated production guidance was released promptly and without delay.
 5. Noting AHQ's previous price sensitive disclosure released on MAP, in particular the Production and Sales Guidance Announcement, does AHQ consider the Mine Performance Information, including the New Elk June Quarter Production and the Black Warrior June Quarter Production, or any part thereof, to be information that a reasonable person would expect to have a material effect on the price or value of AHQ's securities?
 6. If the answer to question 5 is 'no', please explain the basis of that view, commenting specifically on the Mine Performance Information, including the New Elk June Quarter Production and the Black Warrior June

Quarter Production in light of AHQ's previous price sensitive disclosure, in particular the Production and Sales Guidance Announcement.

7. Please comment specifically on when you believe AHQ was obliged to notify the market that actual production results at New Elk and Black Warrior for the June 2022 Quarter were likely to materially differ from the New Elk June Quarter Production Target and the Black Warrior June Production Target.
8. What are the Proposed Asset Financing Facilities referred to in the June Quarter Activities Report? In answering this question, please also advise the date(s) of any announcements by AHQ that referred to the Proposed Asset Financing Facilities.
9. On what date did AHQ become aware that the Proposed Asset Financing Facilities were unavailable?
10. Please confirm that AHQ is complying with the Listing Rules and, in particular, Listing Rule 3.1.
11. Please confirm that AHQ's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of AHQ with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **3.00pm AWST Thursday, 18 August 2022**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, AHQ's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require AHQ to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in AHQ's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in AHQ's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to AHQ's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that AHQ's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Dale Allen
Manager, Listings Compliance (Perth)