Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Allegiance Coal Limited

ABN	Quarter ended ("current quarter")
47 149 490 353	30 September 2020

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3.months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	(307)	(307)
	(b) development		
	(c) production		
	(d) staff costs	(461)	(461)
	(e) administration and corporate costs	(118)	(118)
1.3	Dividends received (see note 3)		
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**(886)**	**(886)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) exploration & evaluation	(408)	(408)
	(e) investments		
	(f) other non-current assets		

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3.months) $A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	**Net cash from / (used in) investing activities**	**(408)**	**(408)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	107	107
3.2	Proceeds from issue of convertible debt securities	2,000	2,000
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(40)	(40)
3.5	Proceeds from borrowings	42	42
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid		
3.9	Other (provide details if material)		
	Itochu advances to TCL	41	41
3.10	**Net cash from / (used in) financing activities**	**2,150**	**2,150**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	442	442
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(886)	(886)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(408)	(408)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,150	2,150

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3.months) $A'000**
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**1,298**	**1,298**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	1,215	175
5.2	Call deposits	83	267
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**1,298**	**442**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	187
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Directors' remuneration

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	7,651	7,651
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	**Total financing facilities**		

7.5	**Unused financing facilities available at quarter end**	0

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

US$2.5M loan from the Nebari Natural Resources Credit Fund 1 LP (Nebari) secured over the assets of the Company (excluding the shares in Telkwa Coal Limited (TCL)), does not bear interest but is repayable by paying the amount of US$3.75M to Nebari upon the earlier of TCL receiving the C$3.6M tranche 3 payment from Itochu Corporation or 31 December 2020.

In July 2020, the Company secured up to $8 million of funding by way of a secured convertible note issued to Mercer Street Global Opportunity Fund LLC, a New York based investment fund (Fund); $662,000 of which was drawn in August 2020; $1,338,000 of which was drawn in September 2020 following shareholder approval; and with further amounts to be drawn at the discretion of the parties subject to any required shareholder approval. In August 2020, following receipt of the first tranche of funds from the Fund, secured notes with a face value of $772,105 maturing 5 August 2021 were issued; and simultaneously 738,770 ordinary shares were issued to the Fund in settlement of a $50,000 fee attaching to the notes. In September 2020, following receipt of the second tranche of funds from the Fund, secured notes with a face value of $1,561,228 maturing 24 September 2021 were issued; and simultaneously 2,216,313 ordinary shares were issued to the Fund in settlement of a $150,000 fee attaching to the notes The notes are convertible at the Fund's election into ordinary shares on the following terms : the conversion price is the lesser of A$0.10, or 92% of the lowest daily VWAP of Allegiance shares selected by the Fund for the 10 trading days on which Allegiance shares are traded in the ordinary course of business on the ASX ending on the date immediately prior to a conversion notice. If the note is not converted, it will be repaid on maturity at its issued face value.

In September 2020, the Company received a C$40,000 loan from the Canadian government as part of its response to Covid-19. The loan is unsecured, interest free and repayable on or before 31 December 2022.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(886)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(408)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,294)
8.4	Cash and cash equivalents at quarter end (item 4.6)	1,298
8.5	Unused finance facilities available at quarter end (item 7.5)	0
8.6	Total available funding (item 8.4 + item 8.5)	1,298

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8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	1

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes

In common with resource exploration and development companies, the Company expects that it will continue to have negative operating cash flows until such time as it is able to bring an operating mine into production.

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes.

In July 2020, the Company secured up to $8 million of funding by way of a secured convertible note issued to Mercer Street Global Opportunity Fund LLC, a New York based investment fund; $662,000 of which was drawn in August 2020; and $1,338,000 of which was drawn in September 2020 following shareholder approval; and with further amounts to be drawn at the discretion of the parties subject to any required shareholder approval.

The Company requires additional funding to meet its business objectives and intends to secure such funding from sources including but not limited to:

- Further equity capital raisings;
- The potential farm-out of participating interests in the Company's tenements and rights; and / or
- Other financing arrangements.

The Company currently has capacity to place, without shareholder approval, 82,939,656 ordinary shares in accordance with ASX Listing Rule 7.1 and 67,508,522 ordinary shares in accordance with ASX Listing Rule 7.1A.

The Company's officers are in regular contact with Allegiance's major shareholders and other potential financiers and the Directors believe on reasonable grounds that the financing steps outlined above will be successful.

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes

Having carefully assessed the likelihood of securing additional funding (as set out in the answer to question 2 above), and the Company's ability to effectively manage its expenditures and cash flows from operations, the Directors believe that the Company will be able to continue its operations and meet its business objectives for the foreseeable future.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

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Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 30 October 2020

Authorised by: Board of directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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