



31 December 2020

Stephanie Patchell
Australian Securities Exchange Limited
Level 40 Central Park
152 - 158 St George's Terrace
PERTH WA 6000

By Email: Stephanie.Patchell@asx.com.au and ListingsCompliancePerth@asx.com.au

Dear Ms Patchell

ASX AWARE QUERY

We refer to your letter dated 30 December 2020 regarding Allegiance Coal Limited's (**Allegiance or the Company**) Announcement entitled "New Elk Start-Up Mine Plan Finalised" lodged on the ASX Market Announcements Platform and released at 9.31am AEDT on 30 December 2020 (the **Announcement**), and respond to each point below.

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

1. **Noting the significant share price increase following the release of the Announcement, does AHQ consider the following information, or any part thereof, to be information that a reasonable person would expect to have a material effect on the price or value of its securities:**

- 1.1 **Mine Plan Information;**

- 1.2 **Cost Information?**

The Company does not consider the Mine Plan Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities.

The Company does consider the Cost Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities.

2. **If the answer to question 1 is "no", please advise the basis for that view,**

The Mine Plan Information, as defined in your letter, is comprised of two elements:

- the finalisation of the New Elk mine, including a target date for commencement of mining of June 2021;

- a reduction in production units resulting in the mining of reserves over 24 years rather than 15 years.

In respect to the first element, the target date for commencement of mining is not material new information. The Company has previously made a number of announcements regarding the planned commencement of mining, including, without limitation, the announcement of 1 December 2020 that the Company's current plan, subject to raising the start-up capital, is to commence production in late Q2 2021, and the announcement of 13 November 2020 that first production was targeted for mid-2021.

In respect to the second element, the Company does not consider the reduction in production units and subsequent extension of mine life to be price sensitive information as:

- The production target and underlying coal reserves and resources for New Elk remains unchanged. The mine plan continues to be comprised of mining 22.2Mt of coal reserves as announced on 29 April 2020. All that has changed from the Company's previous announcements is the rescheduling of labour and equipment by a reduction in production units from four to two, resulting in the reserves being mined over 24 years, rather than 15 years. As described in further detail below, the development of the New Elk mine plan has been an iterative process, with various updates having been previously disclosed.
- The loss in annual coal sales from a reduction in production units has been off-set by the acquisition of Pratt seam coal from Mays Mining, Inc. as announced on 1 December 2020. Accordingly, a similar coal sales profile exists for the first 15 years as compared to the coal sales profile previously announced on 29 April 2020.

3. When did AHQ first become aware of the:

3.1 Mine Plan Information;

3.2 Cost Information?

In relation to Mine Plan Information

Allegiance first became aware of the target date for commencement of mining of June 2021 as follows:

- On 5 June 2020, the Company announced that certain amendments had been agreed to the New Elk Acquisition Agreement, allowing the Company to target completion to occur by the end of July 2020. The ability to plan an indicative completion date provided the Company with sufficient certainty to forecast an estimated date for the commencement of production. The Company disclosed in its announcement on 5 June 2020, and has been regularly disclosing in its announcements since that date, that the Company is targeting returning the New Elk mine to production in 2021.
- On 13 November 2020, the Company announced the completion of a capital raising, which enabled it to refine its anticipated date of commencement of production to "mid-2021".

- On 1 December 2020, the Company announced that it had entered into an agreement to acquire Alabama coal with Mays Mining, and that this coal would be included in the Company's production. The Company was then in a position to disclose its plan was to commence production in late Q2 2021, which would allow several months to refurbish the New Elk coal preparation plant and its existing production equipment.
- The Company was able to further refine and confirm the target date for commencement of mining to June 2021 in the Announcement as a result of the updated information provided by Stantec to the Company enabling the Company to update its financial model after the close of trading on ASX on 29 December 2020 (as described in further detail below).

Allegiance first became aware of the reduction in production units resulting in the mining of reserves over 24 years rather than 15 years as follows:

- Adjustments and refinements to the mine plan has been an ongoing process, with the Company releasing several updates since the Company first released the results of its feasibility study on restarting the New Elk Mine on 28 November 2019.
- As disclosed in the 28 November 2019 announcement, the initial mine plan was developed by Stantec in the US on behalf of the Company. The announcement relevantly disclosed that:

"The Mine Plan was driven by coal seam height, and coal quality that would meet the requirements of steel mills and to that end focussed on the 3 following seams:

- *The shallow Blue seam (which is already established with portal entries and main headings);*
- *The bottom or deepest Allen seam; and*
- *The very shallow Green seam used as an access road to the point at which new declines can be established into the southern area of the Blue seam, and then into the Allen seam.*

The Mine Plan was designed with a minimum coal seam height of 4.0 foot allowing for 6 inches of unavoidable out-of-seam dilution. Therefore, a mining height of 4.5 foot provides ample room for conventional lower profile underground mining equipment to operate remaining in the coal seam, and for the Mine to be adequately ventilated."

The mine plan at as at 28 November 2019 envisaged the deployment of 7 continuous mining units operating over 24 years (with production concluding early in year 24).

- The Company subsequently requested Stantec to revise the mine plan to reschedule labour and production to focus on extracting the reserves in the Blue Seam. The results of this revised mine plan were announced to the ASX on 31 January 2020. The revised mine plan envisaged the deployment of 4 continuous mining units operating over 15 years.

- The Company subsequently requested Stantec undertake a further revision of the mine plan, focusing again on the Blue Seam and rescheduling labour and production. The revised mine plan envisaged the deployment of 4 continuous mining units operating over 14 years. Under this revised mine plan, the deployment of continuous mining units number 2 and 3 were delayed to preserve capital.
- The Company's management team used the information derived from the studies described above to, amongst other things, develop a strategy to blend its Blue Seam Coal (as derived from the mine plans described above) with Alabama high sulphur coal. Given the benefits of such blending, the Company entered into agreements to acquire such coal, as announced on 1 December 2020. The Company disclosed in that announcement that:

“Allegiance will provide a further update to the market on the new production schedule along with the revised New Elk start-up capital requirement once Stantec, Allegiance’s independent mine engineering consultant, has completed the rescheduling of two production units within the existing mine plan.”

- The Company instructed Stantec to update their New Elk mine plan schedule and capital and operating cost model on 17 November 2020. Due to other commitments, Stantec could not commence the work until the week commencing 30 November 2020. The Stantec data was received by the Company on 16 December 2020.

The mine plan schedule and capital and operating costs are interrelated and form part of the Company's financial model. Accordingly, following receipt of the Stantec data on 16 December 2020, the Company's management team incorporated the updated Stantec mine plan and operating and capital cost assumptions into its financial model.

The model was subject to numerous reviews and amendments by the Company's North American management team, with the final amendments being incorporated into the Company's model on the afternoon of 29 December 2020 (Sydney time) (after business hours North American time).

The finalized operating and capital costs and mine plan were then adopted by the North American based management team during the course of their day on 29 December 2020 (i.e. after ASX market close) and the Announcement was prepared, summarizing the outcomes of the updated model.

The Company's Managing Director provided a draft of the Announcement to the Company Secretary at 7.42am (Sydney time) on 30 December 2020. The Company Secretary provided some amendments by return email at 8.30am (Sydney time) on 30 December 2020. The Managing Director provided the final form of the Announcement to the Company Secretary for release at 9.14am (Sydney time) on 30 December 2020. The Company Secretary then lodged the Announcement for release, prior to the commencement of trading.

In relation to Cost Information

As with the Mine Plan Information, Allegiance has released information to the market on the capital and operating costs for the mine regularly over the period commencing 28 November 2019, as each refinement to the mine plan was made.

As described above, the mine plan schedule and capital and operating costs are interrelated and form part of the Company's financial model. The Company therefore became aware of the Cost Information in the same manner as described.

4. **If AHQ first became aware of the Mine Plan Information, or any part thereof, before the release of the Announcement, did AHQ make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe AHQ was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps AHQ took to ensure that the information was released promptly and without delay.**

As described above:

- Allegiance has made several previous announcements regarding the target date for commencement of mining. The details of these previous announcements are provided above.
- The final amendments to the Company's financial model, which incorporates the mine plan schedule, were made on the afternoon of 29 December 2020 (Sydney time) (after business hours North American time), with the North American management team approving the model during the course of their day on 29 December 2020 (i.e. after ASX market close). The Announcement was finalized and lodged on the ASX market announcement platform prior to the commencement of trading on 30 December 2020.

5. **If AHQ first became aware of the Cost Information, or any part thereof, before the release of the Announcement, did AHQ make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe AHQ was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps AHQ took to ensure that the information was released promptly and without delay.**

As described above, the final amendments to the Company's financial model, which incorporates the Cost Information, were made on the afternoon of 29 December 2020 (Sydney time) (after business hours North American time), with the North American management team approving the model during the course of their day on 29 December 2020 (i.e. after ASX market close). The Announcement was finalized and lodged on the ASX market announcement platform prior to the commencement of trading on 30 December 2020.

6. **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.

7. **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 authorized in accordance with its published continuous disclosure policy by Mr Mark Gray, the Company's Chairman and Managing Director.

Yours sincerely
Allegiance Coal Limited



Jonathan Reynolds
Company Secretary

30 December 2020

Reference: 29295

Mr Jonathan Reynolds
Company Secretary
Allegiance Coal Limited

By email: jreynolds@allegiancecoal.com.au

Dear Mr Reynolds

Allegiance Coal Limited ('AHQ'): Aware Query

ASX refers to the following:

- A. The increase in the price of AHQ's securities from a low of \$0.05 to an intraday high of \$0.07 on 29 December 2020, and the increase in the volume of securities traded over that period.
- B. AHQ's announcement entitled "New Elk Start-Up Mine Plan Finalised" lodged on the ASX Market Announcements Platform and released at 9.31am AEDT on 30 December 2020 (the 'Announcement'), disclosing, amongst other things:
 - (a) the finalisation of the mine plan for the New Elk mine, including a target date for commencement of mining of June 2021, reduction in production units, and mining of reserves over 24 years rather than 15 years ('Mine Plan Information'); and
 - (b) changes to the capital and operating costs for the mine ('Cost Information').
- C. The increase in the price of AHQ's securities from a low of \$0.057 at the close of trading on 29 December 2020 to an intraday high of \$0.08 on 30 December 2020, and the increase in the volume of securities traded over that period.
- D. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- 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. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

"3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

 - *It would be a breach of a law to disclose the information;*
 - *The information concerns an incomplete proposal or negotiation;*
 - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*

- The information is generated for the internal management purposes of the entity; or
- The information is a trade secret; and

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed.”

- G. ASX’s policy position on the concept of “confidentiality”, which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. In particular, the Guidance Note states that:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

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. Noting the significant share price increase following the release of the Announcement, does AHQ consider the following information, or any part thereof, to be information that a reasonable person would expect to have a material effect on the price or value of its securities:
 - 1.1 Mine Plan Information;
 - 1.2 Cost Information?
2. If the answer to question 1 is “no”, please advise the basis for that view.
3. When did AHQ first become aware of the:
 - 3.1 Mine Plan Information;
 - 3.2 Cost Information?
4. If AHQ first became aware of the Mine Plan Information, or any part thereof, before the release of the Announcement, did AHQ make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe AHQ was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps AHQ took to ensure that the information was released promptly and without delay.
5. If AHQ first became aware of the Cost Information, or any part thereof, before the release of the Announcement, did AHQ make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe AHQ was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps AHQ took to ensure that the information was released promptly and without delay.
6. Please confirm that AHQ is complying with the Listing Rules and, in particular, Listing Rule 3.1.
7. 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 **1.00pm AWST on Tuesday, 5 January 2021**. 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

Stephanie Patchell

Adviser, Listings Compliance (Perth)

30 December 2020

Reference: 29295

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Company Secretary
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Stephanie Patchell

Adviser, Listings Compliance (Perth)