ALLEGIANCE COAL
LIMITED

CORPORATE PRESENTATION

TELKWA COKING COAL PROJECT

PROJECT UPDATE | February 2017

Important Information

Forward Looking Statements

This Presentation contains forward-looking statements which are identified by words such as ‘may’, ‘could’, ‘believes’, ‘estimates’, ‘targets’, ‘expects’, or ‘intends’ and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this presentation, are considered reasonable. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Allegiance Coal Limited (**Allegiance or the Company**), its Directors **(Directors)** and Management.

The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this presentation will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. The Directors have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this presentation , except where required by law. These forward looking statements are subject to various risk factors that could cause Allegiance's actual results to differ materially from the results expressed or anticipated in these statements.

Coal Resources

The mineral resources referred to in this presentation (unless otherwise stated in this presentation) were first reported in the Company’s announcement of 16 September 2016 (**Previous Announcement**). The Company confirms that it is not aware of any new information or data that materially affects the information included in the Previous Announcement and that all material assumptions and technical parameters underpinning the estimates in the Previous Announcement continue to apply and have not materially changed.

Corporate Snapshot

Financial information

Share price (10-Feb-17)	A$0.033
Number of shares	169,496,303
Market Capitalisation	**A$5.6M**
Less Cash (31-Dec-16)	A$2.1M
Add Debt (31-Dec-16)	A$0.8M
Enterprise Value	**A$4.3M**

820,000 unlisted options on issue
(exercise price A$0.2475; expiry date 27 November 2018)

**Simple capital structure….
undervalued by reference to peers
….and positioned for growth**

Substantial shareholders

	%
Salisbury Australia Holdings P/L	14.75
Telkwa Holdings Ltd	14.75
Bernard Laverty P/L	8.57
Altius Resources Inc.	6.46

ASX Canadian & USA peers

	Market Cap A$
Atrum Coal Limited (ATU)	**102M**
Attila Resources Limited (AYA)	**36M**
Jameson Resources Limited (JAL)	**23M**
Pacific American Coal Limited (PAK)	**14M**

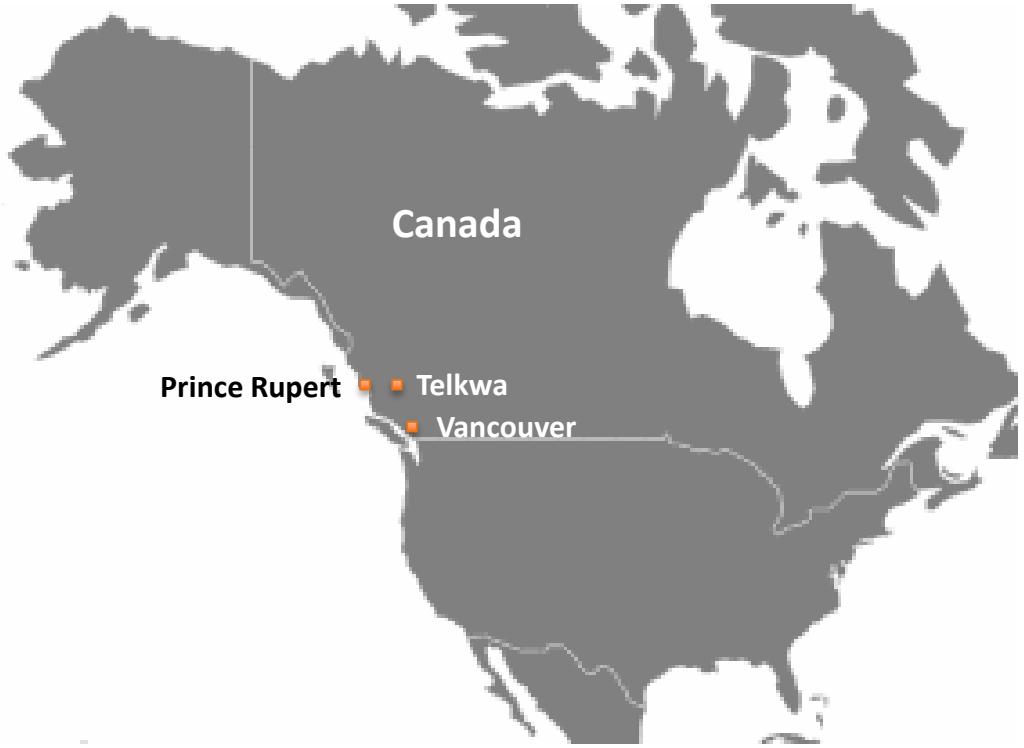
(10-Feb 17)

Source: IRESS, company filings

Company Overview

Allegiance is a publicly listed Australian company fast tracking a coking coal mine into production in British Columbia, Canada.

- The Telkwa coking coal project **(Project)** is the Company's flagship project comprising 165Mt of JORC compliant coal resource which the Company is fast tracking towards production.
- Located 1000 km north of Vancouver, the Project sits uniquely on the western side of British Columbia, immediately adjacent to a major Canadian National Rail line, with a short rail haul to the deep water port of Prince Rupert and Ridley Island Coal Terminal.
- British Columbia has one of Canada's and North America's most competitive, flexible and supportive business climates. Consistently receiving AAA credit ratings, its vast resources, low taxes, stable and well regulated financial system and Government, makes for a wonderful country in which to invest.



The Project is in a great country and enjoys exceptional location to rail and port

Investment Highlights

We believe strong steel prices plus continuing coking coal supply issues, will support a strong coking coal price

We believe it's a great time to invest in advanced coking coal projects, and there are few junior investment options on the ASX

British Columbia is an important supplier of metallurgical coal to the export market and is a great province in which to invest

The Project enjoys exceptional location to Canadian National rail, the deep water Port of Prince Rupert and Ridley Island Coal Terminal

Ridley Island Coal Terminal offers comparable and competitive access with QLD & NSW, to the Asian steel markets

Most of the hard work is done, est. $40M of exploration cost sunk by others … it's now all about mine permitting and production

We anticipate a very low start-up CAPEX requirement to production, and to be a very low OPEX producer

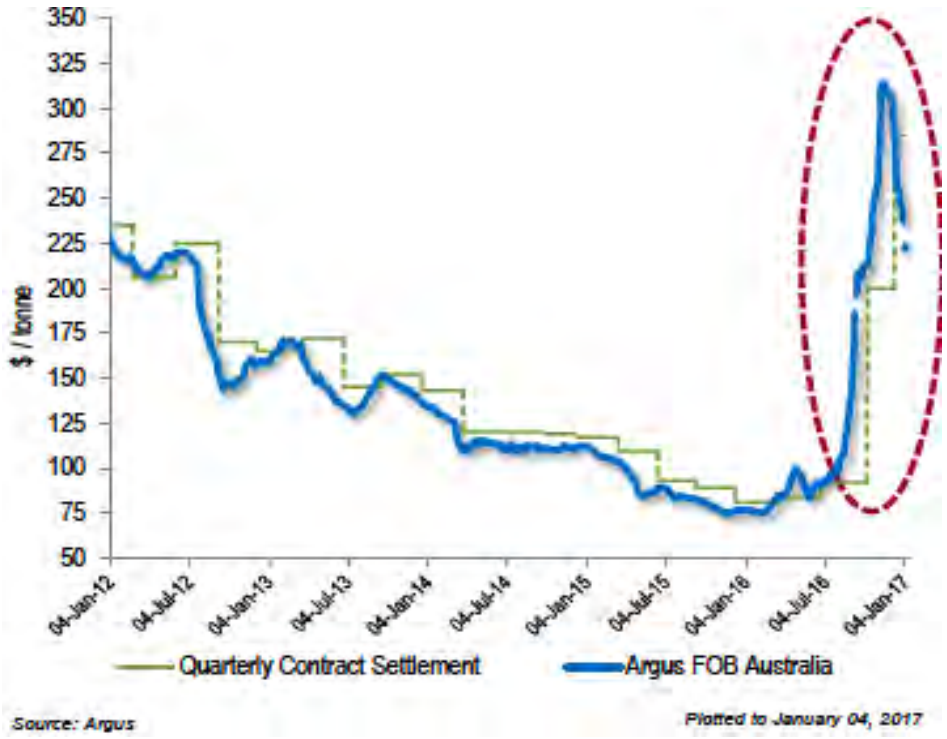
and …. we have a Board and a Management Team, who have done it all before,

VERY SUCCESSFULLY

Coking coal prices are in search of a balance ….

In many ways, 2016 was a perfect storm with several factors merging at once to constrain the supply of metallurgical coal and sending prices skyrocketing.

- Major supply issues emerged in 2016 which materially impacted on coking coal prices:
  - Most importantly, a reduction in Chinese domestic coal production by the Govt. introducing operating day restrictions
  - Weather and transportation issues
  - Production interruptions
  - Global production curtailments continued especially in the US
- Since then:
  - China relaxed operating day restrictions, until March 2017
  - Weather and transport issues resolved
  - Production interruptions resolved
  - Additional supply announced

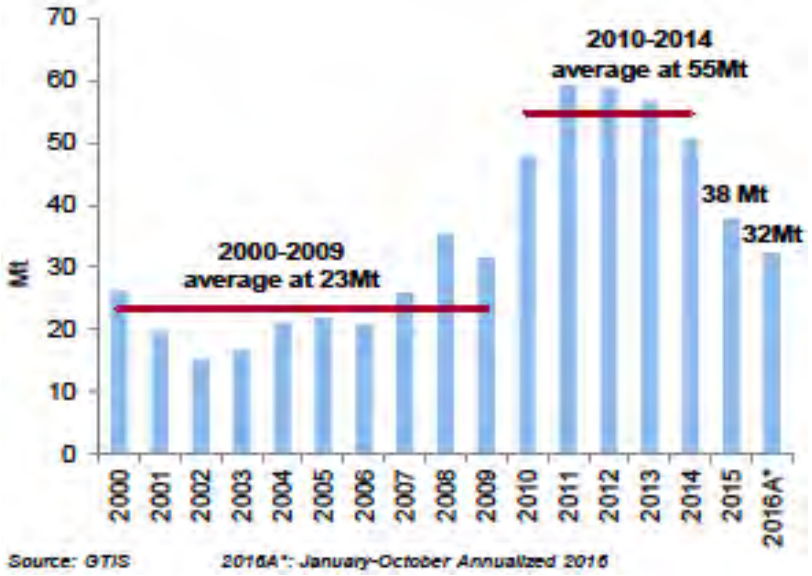


The Q1 2017 benchmark price settled at US$285/t, while spot is trading at US$170

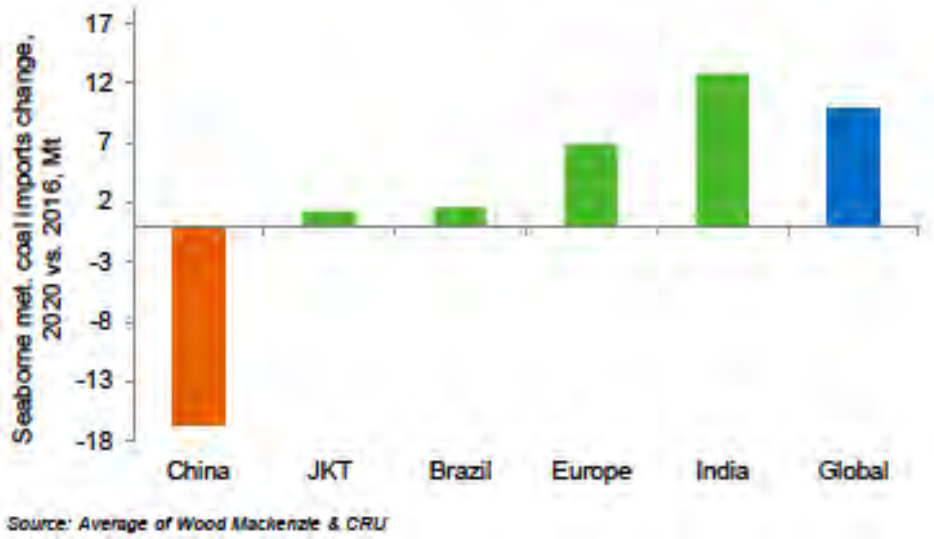
But metallurgical coal supply still remains tight

Metallurgical coal supply remains tight with the continuation of production cutbacks in the US, and the decline in Chinese imports offset by growth in other markets, especially India.

US Met Coal Exports



Seaborne Met Coal Imports



And China is committed to the reduction of inefficient, poor quality, domestic coal production to improve the environment, and that, again, may well have a material impact on supply

British Columbia is an important source of met coal supply

BC metallurgical coal, while just 10% of the global seaborne market, is nevertheless an important source of supply, particularly to the Asian steel mills.

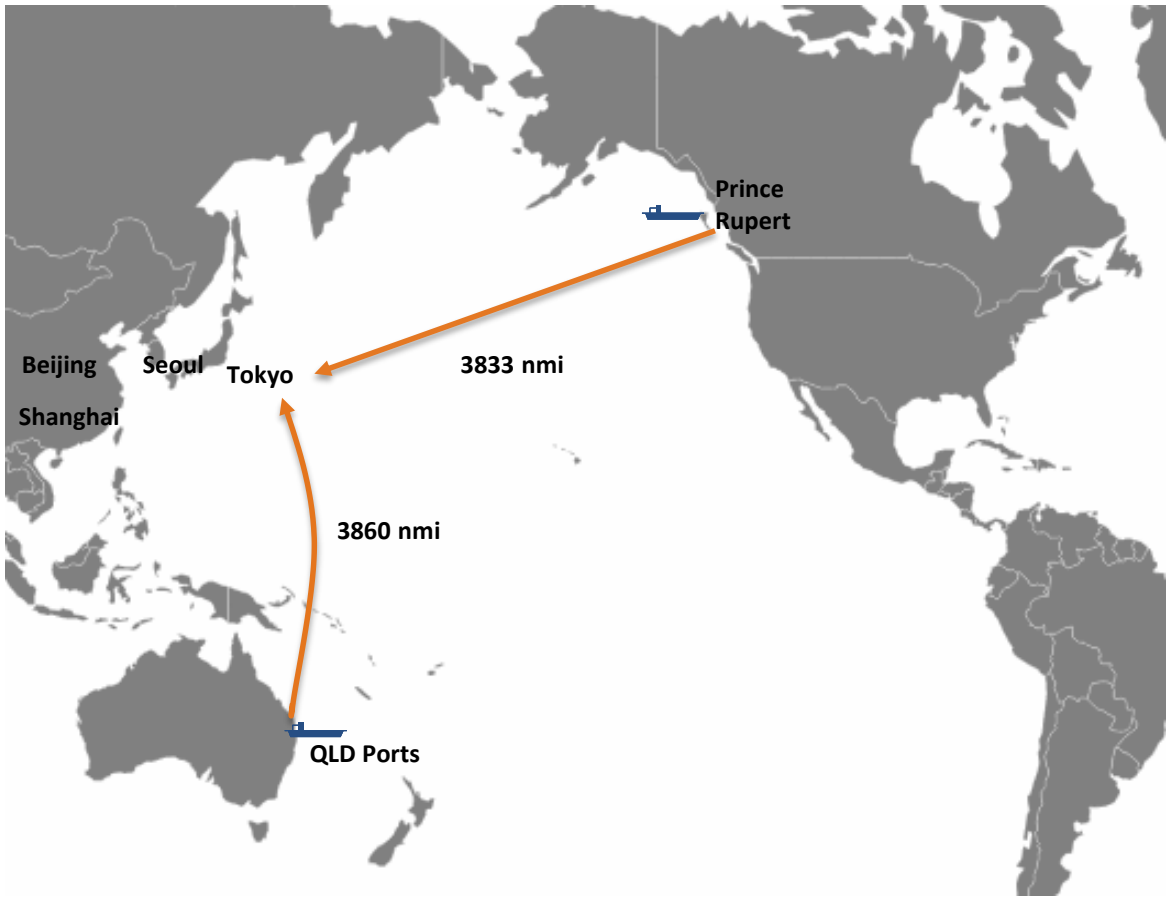
- Annual global met coal exports in 2015 was 299Mt. Australia accounted for 186Mt (65%), USA was next with 55Mt (18%) and BC third with 29Mt (10%).
- The vast majority of BC coal is met coal which is mined along the foothills of the Canadian Rockies on the eastern side of BC and often in complex geology.
- Most of BC's exports in 2015 and 2016 were from Teck Resources mines in the southeast, while most of the northeast mines remained on care and maintenance due to their high cost of production.

British Columbia will remain an important source of met coal supply to the global market

Competitive access to markets

Comparable shipping distances, and good coal quality, attracted the Asian steel mills to British Columbia.

- The Asian steel mills and trading houses, have been an active promoter and investor in the development of met coal production in BC.
- The comparable shipping distances between Queensland and BC, coupled with good coal quality, have provided the Asian steel mills with an alternative source of met coal supply to Australia's dominance of the global seaborne met coal market.
- Whilst BC is just 10% of the export market, it has an important part to play.

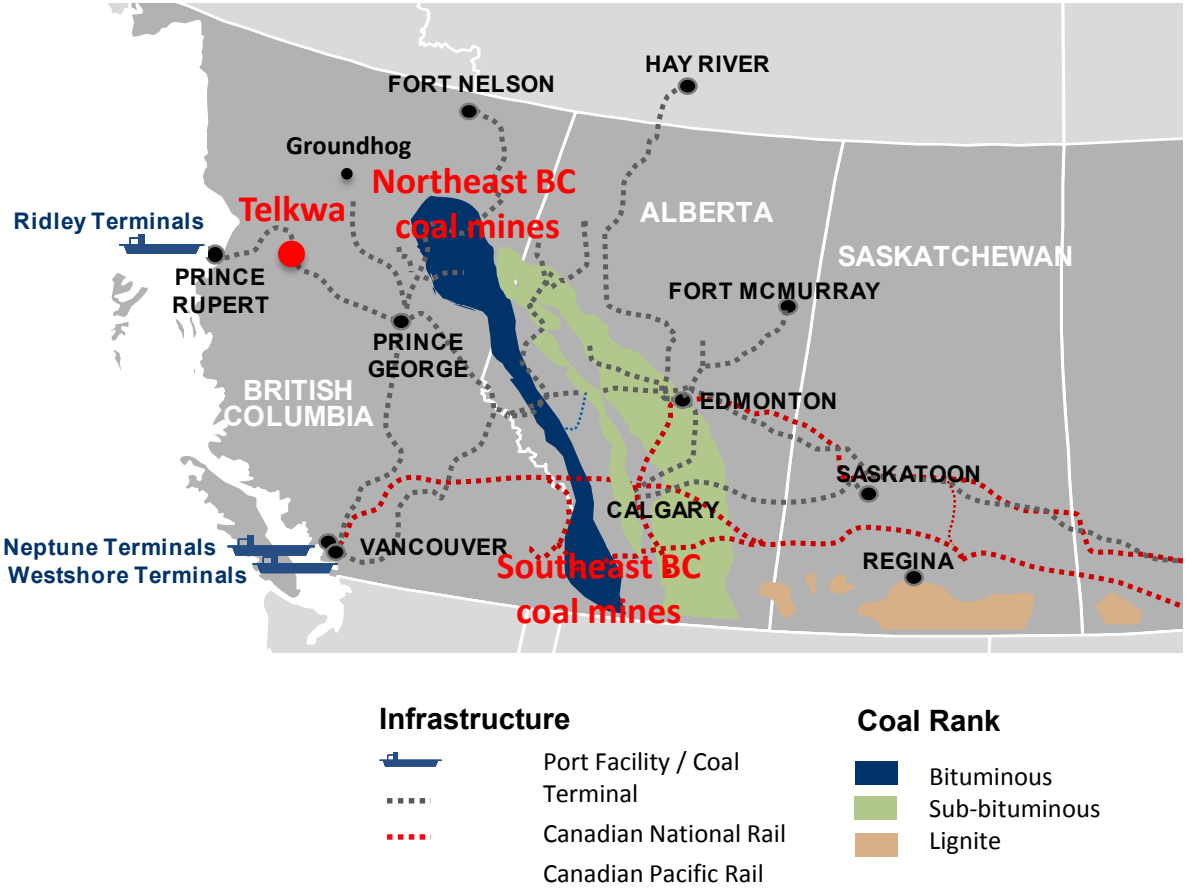


The Asian steel mills will always be attracted to alternative supply options

The importance of project location

Critical to bulk commodities is good logistics and critical to logistics is location. However good the quality of one's coal, if it is not easily accessible to rail and port, it will forever be uneconomic, or at the high end of the cost curve.

- The Project is located in the northwest of BC, 5 km from the small town of Telkwa, and a further 12 km north to the town of Smithers, which is an industrial hub for the region.
- The Project is less than 10 km from its planned rail siding, across low, gentle rolling terrain with no major land features to traverse.
- It is then 360 km by rail from the siding to the deep water Port of Prince Rupert, and Ridley Island Coal Terminal.
- By contrast, the mine to port coal haulage distances for the northeast and southeast BC coal mines, vary from 900 km to 1200 km.



Exceptional project location

165Mt of JORC coal resource

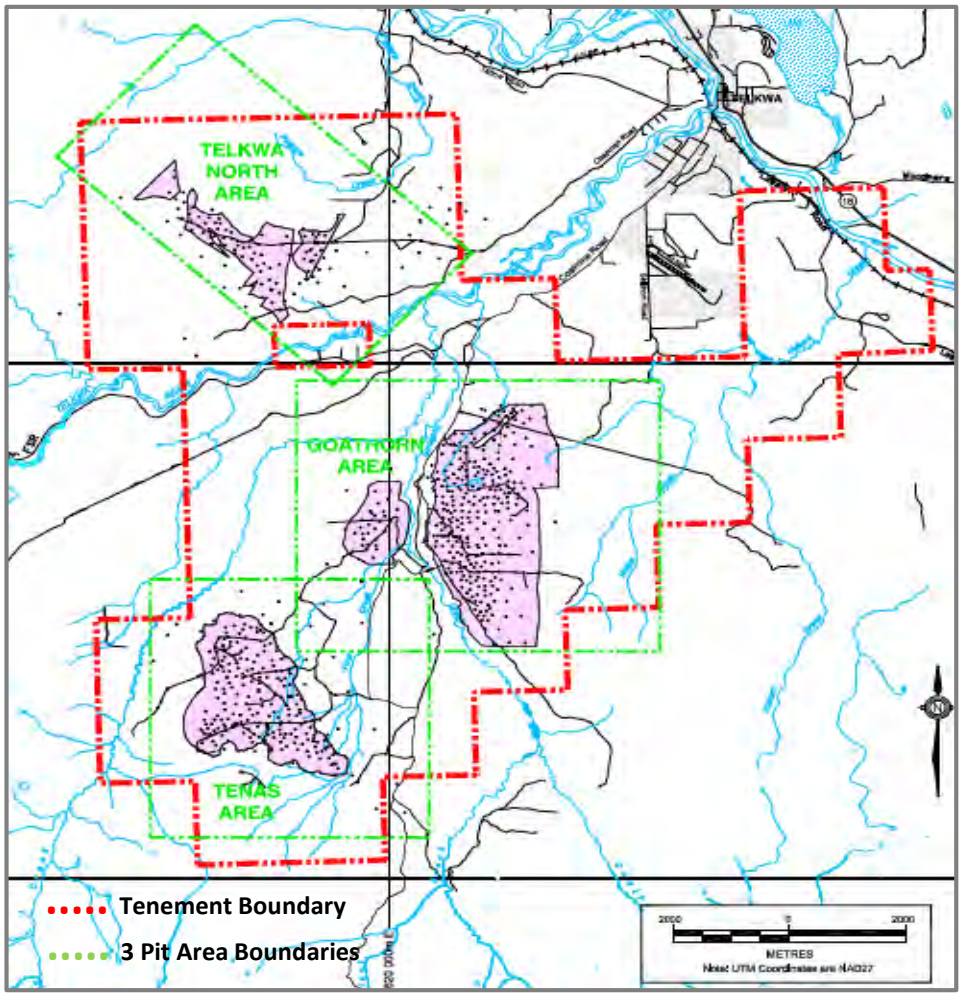
3 PIT AREAS	MEASURED	INDICATED	INFERRED	TOTALS
TENAS	40,329,000	0	0	40,329,000
GOATHORN	35,505,000	26,394,000	27,067,000	88,966,000
TELKWA NORTH	13,279,000	15,643,000	6,345,000	35,267,000
TOTAL	**89,113,000**	**42,037,000**	**33,412,000**	**165,562,000**

- 828 drill holes, 321 cored for 91,475m of drilling
- 2 bulk samples, 80 trenches and 46km of surface geophysics
- In today's dollars in excess of A$40M of expenditure

- 89Mt of resource in the measured category

- Shallow open pit coal, with multiple seams where seam thickness range from 1m to 14m

Allegiance has the benefit of decades of work, and capital invested, estimated A$40M in today's terms



Coal quality sits alongside NSW and QLD

Telkwa coking coal is a semi-soft that ranks alongside that of QLD and NSW

- All steel mills use a blend of coking coals often sourced from different suppliers for their steel production.
- Semi-soft coking coal is frequently used by steel mills to reduce their costs as it is sold at a discount to hard coking coal.
- Telkwa SSCC will be a new product to the market and will likely be aligned with the benchmark SSCC exported from QLD and NSW.
- Depending on the coal blending requirements of steel mills, Telkwa SSCC can be single washed to either a low ash or a high ash on a yield ranging from 65% to 75%.
- It will incur a small penalty on sulphur but likely gain a small premium on the low ash product.

AIR DRIED	TELKWA LOW ASH	TELKWA HIGH ASH	NSW SSCC	QLD SSCC
% M	1.12	1.12	7-11	9-10
% VM	24.6	24.6	33-37	25-26
% Ash	7.4	10.4	6.5-10.5	9-10
% S	0.90	1.20	0.45-1.05	0.50-0.55
% FC	66.9	63.9	50-60	64-66
FSI	3-5	1-3	3-6	3-4
Fluidity	2-17	2-17	100-500	15-50
Rank	0.88	0.79	0.80	1.05
CSR	41-47	32-38	25-30	32-35

Telkwa semi soft coking coal will have a place in the market

Potentially a very low cost producer

Allegiance will complete its pre-feasibility study by 30 June 2017. It will then publish its production costs and project economics. The indicators point to Telkwa being in the lowest cost quartile.

- **INFRASTRUCTURE**
- Less than 10km from the CHPP to the rail siding across gentle terrain
- Canadian National Rail is a world class, low cost operator with available coal wagons and trains
- 360km flat haul to the third deepest natural inland waterway in the world
- Ridley Island Coal Terminal has 18Mt annual export capacity with less than 5Mt in current use
- Multiple powerline options

- **GEOLOGY AND MINING**
- Around 50Mt of coal is at a strip ratio of 6:1 BCM to ROMt
- The Tenas Pit Area representing half of the measured resource is a syncline basin of coal with minimal structure
- The majority of the coal seams are flat lying and thick ranging from 1m to 14m
- The clean coal yield on a single wash low ash SSCC product will be ~70%

- **PROXIMITY**
- The town of Smithers, 17km to the north, is a major industrial hub for forestry with excellent trade services
- Smithers has an airport with daily 2 hour flights to and from Vancouver
- There is a skilled workforce servicing hard rock mines in the region
- The operation will not be FIFO, all workers will live locally

The lesson learnt from the last mining boom, is the importance of low cost production

Staged low risk strategy towards production

- **STAGE 1 – SMALL MINE PERMIT**
- Few mines realistically have the option of starting small because they rely on scale and volume to drive unit costs down to be a lower cost producer.
- Small mine permit in BC is a right to mine up to 250ktpa of clean coal.
- Permitting process can be significantly quicker, less ‘public’ and less costly.
- Potentially, an exceptionally low capital cost to commence production.
- Potentially, an exceptionally low FOB unit cost.
- More responsible approach to the commencement of mining with a smaller environmental footprint and an opportunity to monitor effects while small.

- **STAGE 2 – MAJOR MINE PERMIT**
- Scale drives value, so it is important to plan towards the step up from a small mine to a major mine.
- A major mine permit in BC is a right to mine in excess of 250ktpa.
- Permitting requires a full Environmental Assessment and involves a large committee of key stakeholders. It is a clear and well defined process but it takes time.
- Because Allegiance will have the benefit of environmental data captured from mine operations rather than environmental impact modelling, the major mine permitting process ought to be less contestable.
- Proven operational and profit performance from a small mine is expected to make it significantly easier to raise the larger sums of capital required to build and operate a major mine.

A realistic, affordable, and responsible approach towards production

Pathway to permitting and production

	2017				2018				2019				2020				2021			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
First Nations	Project participation and review						Socio-eco agreement				Continual project participation									
Project studies	PFS				BFS															
Environmental			Baseline studies						Continual environmental monitoring											
Permitting	Constant Govt. dialogue						Filings		Decision											
Marketing			Secure JV partner																	
Financing					Secure mine finance															
Development										Construction										
Small mine												First coal	Full scale mining							
Major mine																	Permitting			

Subject to change

EXPERIENCED TEAM WITH A TRACK RECORD OF PROJECT SUCCESS IN COAL

Malcolm Carson

Non Executive Chairman

A geologist with more than 40 years experience in exploration, research and executive management of both private and listed companies on the ASX, TSX and LSE. Currently the Executive Chairman of Dampier Gold Ltd (ASX:DAU).

Jonathan Reynolds

Finance Director

An accountant with more than 25 years experience of which 15 years has involved the financial control and directorship of mineral exploration and producing mines across several commodities, in multiple jurisdictions and stock exchanges.

David Fawcett

Non Executive Director

A mining engineer with more than 40 years experience in North American coal where he co-founded some of British Columbia's largest and most significant coal projects, from which emerged some of British Columbia's largest coal mining companies.

Mark Gray

Managing Director, Telkwa Coal Ltd

More than 30 years experience in corporate law and investment banking during which time he co-founded, ran and listed an underground contract coal mining company in Australia, prior to founding Telkwa Coal Limited.

Dan Farmer

Chief Mining Engineer

A mining engineer with more than 25 years coal mining experience in Canada rising to the Operations Manager of Anglo American's coal mines in British Columbia where he developed, built and ran coal mining operations.

Angela Waterman

Environment & Government Relations

A 20 year industry professional with an in-depth knowledge of the regulatory regime in British Columbia and extensive advocacy experience with Governments, First Nations and stakeholders including as head of regulatory & community affairs for Peace River Coal (owned by Anglo American).

ALLEGIANCE COAL
LIMITED

Principal Office
Suite 107, 109 Pitt Street, Sydney 2000

Telephone: +61 2 9233 5579

Email : info@allegiancecoal.com.au