



ALLEGIANCE COAL
LIMITED

INVESTOR PRESENTATION

FAST TRACKING THE TELKWA MET COAL PROJECT

PROJECT UPDATE | APRIL 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.



Company Overview

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

- The Telkwa met 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



Progress snapshot & key project milestones

2016 | 2017

- ✓ Acquisition of Telkwa into Allegiance
- ✓ \$3M capital raising
- ✓ Project team engaged
- ✓ Groundwater wells from previous exploration found and water samples taken

- ✓ SRK and Sedgman appointed as two lead consultants for the PFS
- ✓ Comprehensive review of the historical mine plans, studies and data completed

- ✓ SRK completes models for geology and pit optimization, and confirm resource tons
- ✓ Management targets 7:1 BCM/ROMt as PFS strip ratio
- ✓ Sedgman completes wash-plant design options

- Complete Stage 1 agreement with First Nations
- Receive draft PFS for review
- Commence water monitoring for baseline studies
- Commence community consultation
- Complete rights issue



- ✓ First Nations engagement
- ✓ Introductory meeting and presentation to Ministry of Mines & Energy, BC
- ✓ David Fawcett joins the Board

- ✓ PFS commences
- ✓ Receive Coal Quality and Market Assessment Report for the PFS
- ✓ Further First Nations engagement

- Sedgman completes coal seam recovery and quality analysis
- Coal Quality and Market Assessment Report updated
- Settle on rail siding location
- Confirm power supply
- Appoint baseline consultants

- Receive completed PFS
- Release PFS results
- Commence baseline studies
- Commence PFS results roadshows



Corporate snapshot

Financial information

Share price (31-Mar-17) A\$0.025

Number of shares 169,496,303

Market Capitalisation A\$4.2M

Less Cash (31-Mar-17) A\$1.5M

Add Debt (31-Mar-17) A\$0.8M

Enterprise Value A\$3.5M

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

Source: IRESS, company filings

**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\$

Paringa Resources Limited (PRL) 119M

Atrum Coal Limited 83M

Jameson Resources Limited (JAL) 20M

Attila Resources Limited (AYA) 18M

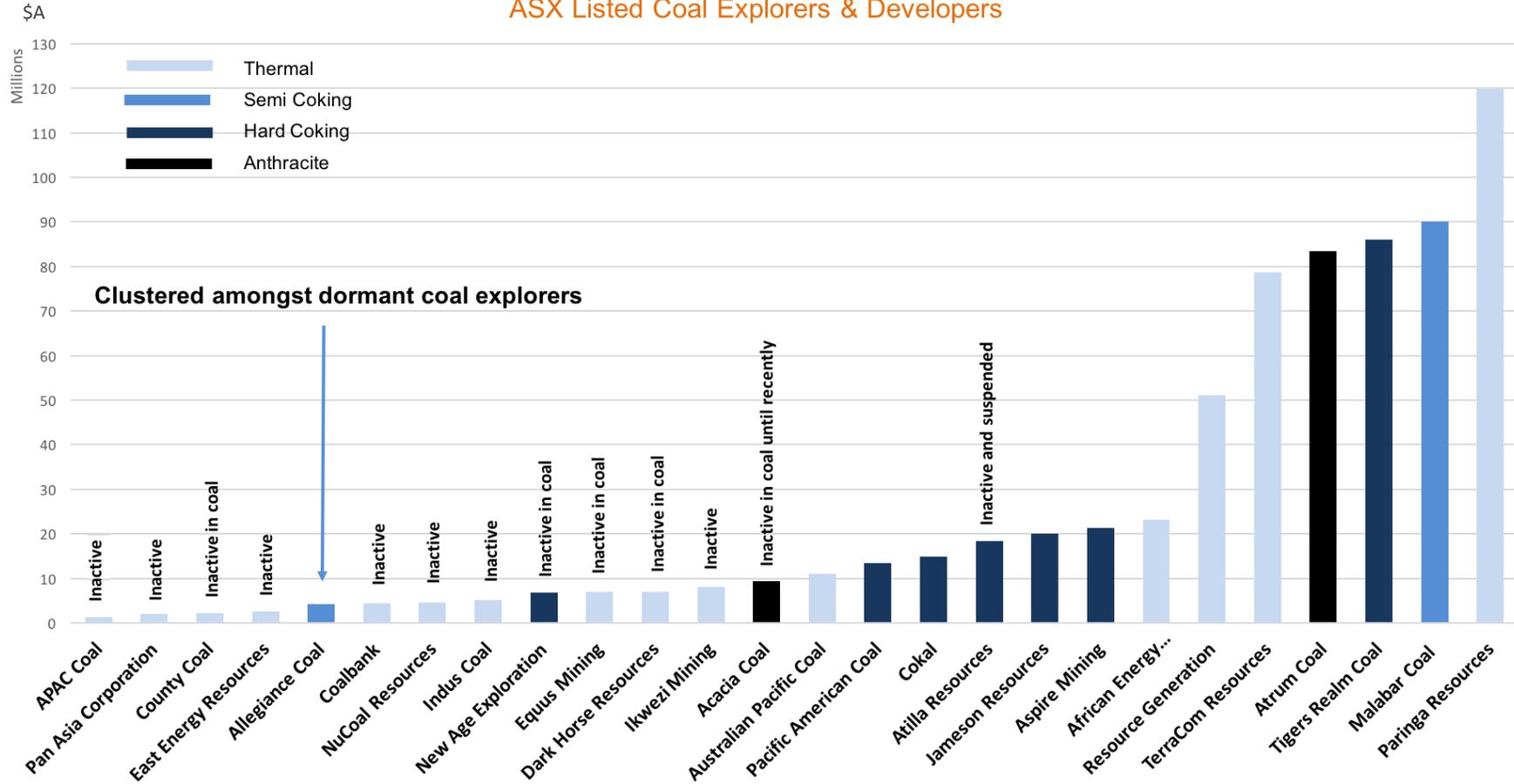
Pacific American Coal Limited (PAK) 13M

(31-Mar-17)



Under-radar...unknown...undervalued...

Market Capitalisation ASX Listed Coal Explorers & Developers





Non-underwritten rights issue

- Allegiance is fully funded to deliver its PFS in June 2017.
- If it did nothing else in 2017, it is funded through to the end of 2017.
- In order to commence its environmental baseline studies in July 2017, it requires around \$1M of investment.
- Failure to commence baseline studies in 2017 will result in a one year delay in mine permitting.
- Notwithstanding broker support to underwrite a rights issue for Allegiance, the Board resolved, with the support of a large proportion of the Company's shareholders, to restrict the offer to the Company's shareholders.
- Allegiance's shareholders representing 45% of the issued share capital, have indicated their support for the rights issue totaling around \$650,000.

Rights Issue Summary

1 for 3	
Total new shares @ 100%	56,498,768
Total shares on issue today	169,496,303
Total shares on issue @ 100%	225,995,071
Price per share	\$0.025
Highest price last 60 days on 6 Jan	\$0.040
Lowest price last 60 days on 28 Mar	\$0.021
Total cash raised @100%	\$1,412,469
"Ex" date for entitlement	5 April



Investment highlights

Around \$40M of historical data

- 91,000m of drilling, 828 drill holes, 321 cored, and 2 bulk samples
- Several feasibility studies and a full environmental assessment

Exceptional logistics

- Less than 10km from the CHPP to the planned rail loop across gentle terrain
- 350km from the rail loop to Ridley Island Coal Terminal

Simple mining

- The main and predominant pit is a syncline basin of coal, with minimal structure, and 3 seams that outcrop extensively

Big tons at a low strip ratio

- Within the total JORC resource of 165Mt, 83Mt is at a strip ratio of 7:1 BCM/ROMt (refer slide 14 for the JORC resource table)

Strong coking coal price

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

Low cost operation

- Staged approach to production allows for a low start-up CAPEX, and thereafter a very low cost producer

Excellent country to be in

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

Proven management

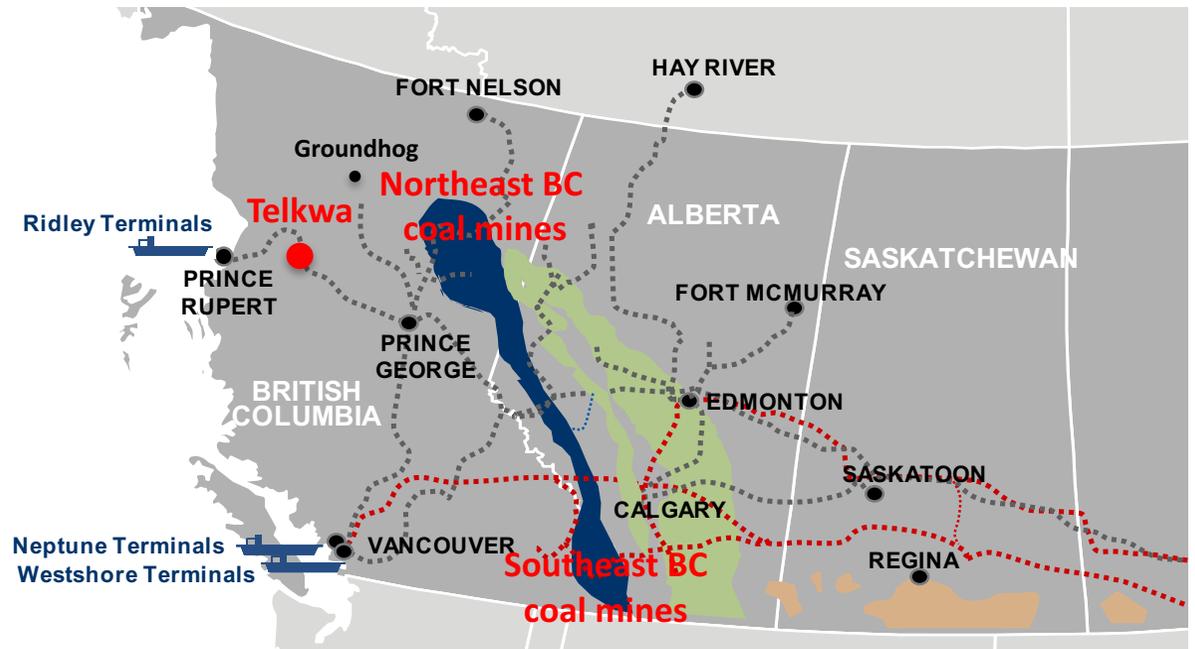
- A proven history of developing mines and creating significant shareholder wealth



Location...location...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.



Infrastructure

- Port Facility / Coal Terminal
- Canadian National Rail
- Canadian Pacific Rail

Coal Rank

- Bituminous
- Sub-bituminous
- Lignite

Exceptional project location



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

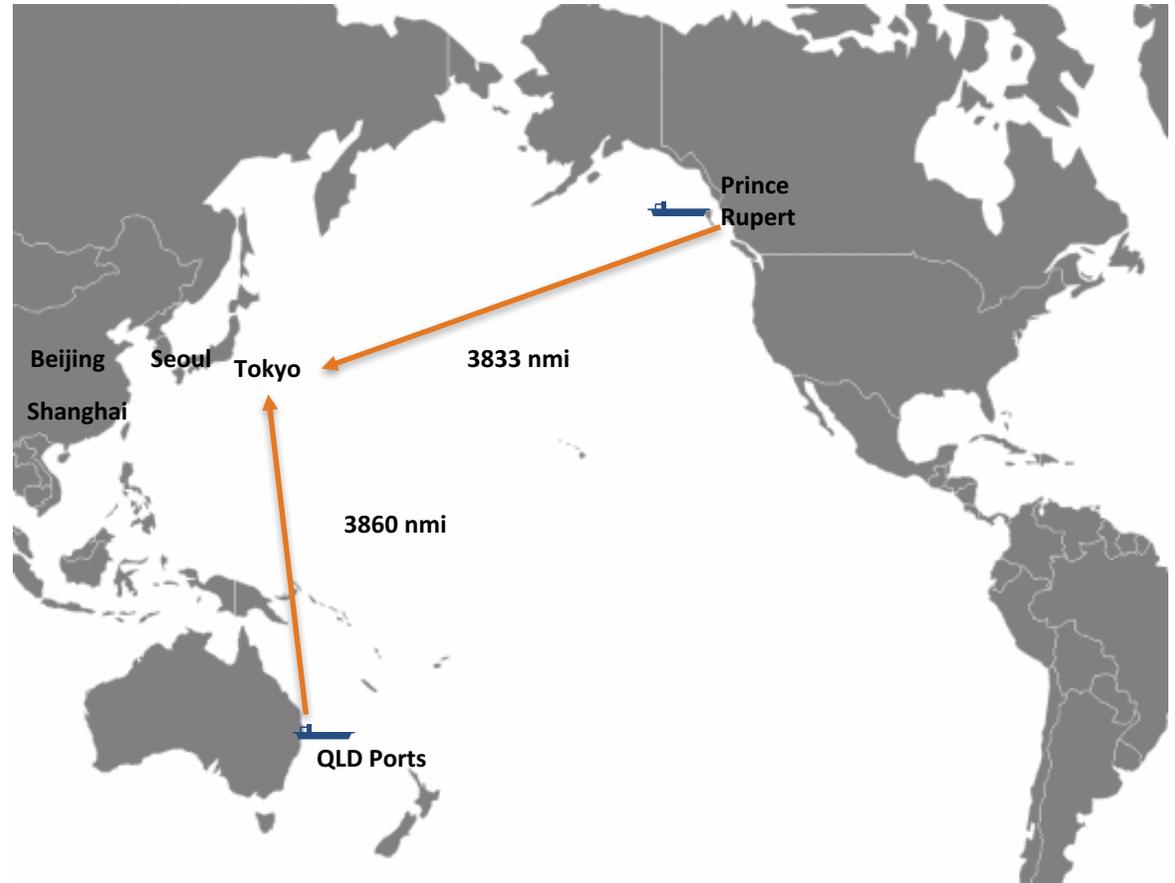




Competitive access to markets

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.



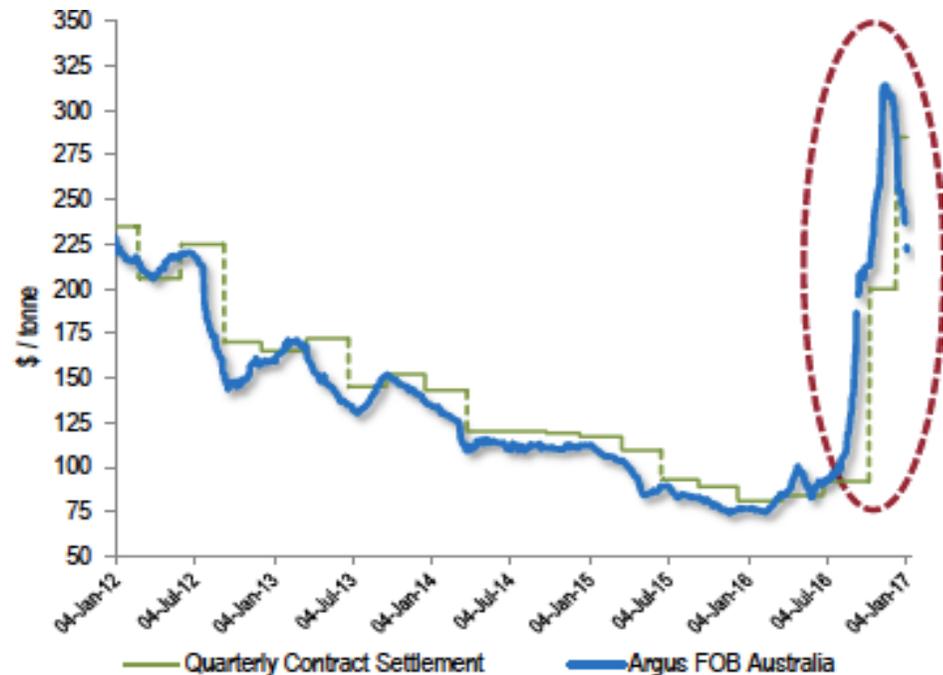
The Asian steel mills will always be attracted to alternative supply options



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



Source: Argus

Plotted to January 04, 2017

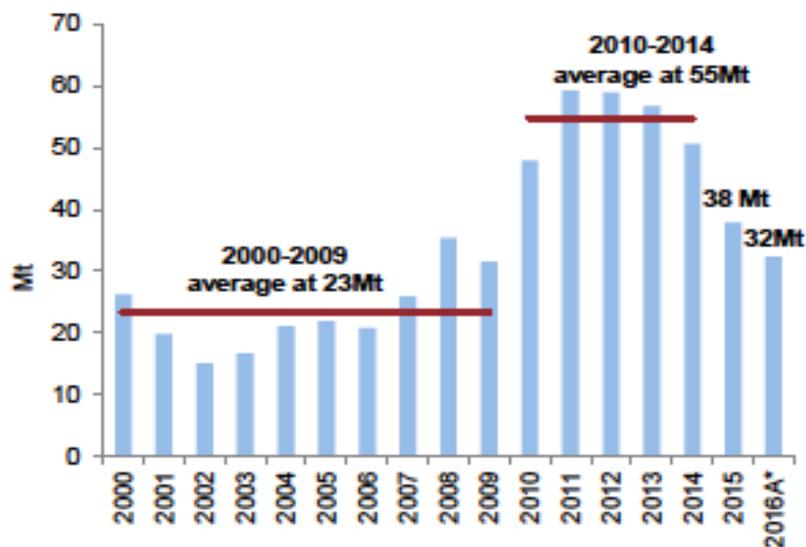
The Q1 2017 benchmark price settled at US\$285/t, while spot is trading at US\$154



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.

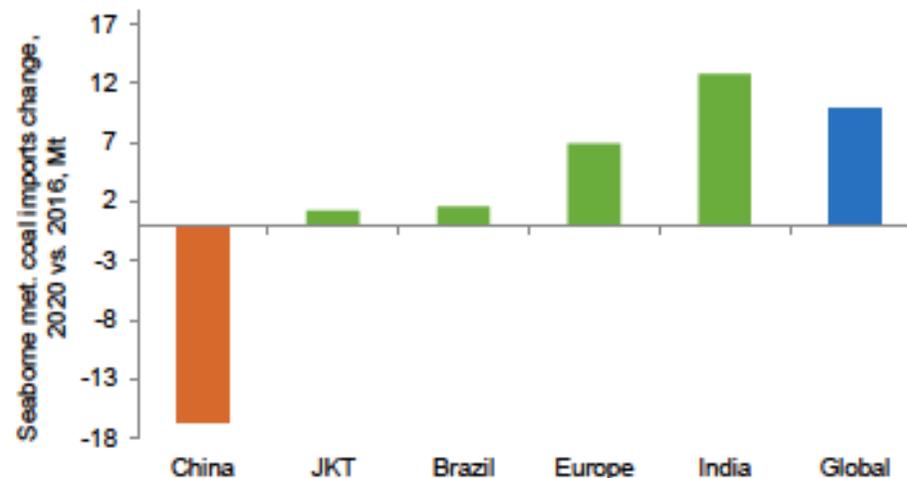
US Met Coal Exports



Source: GTIS

2016A*: January-October Annualized 2016

Seaborne Met Coal Imports

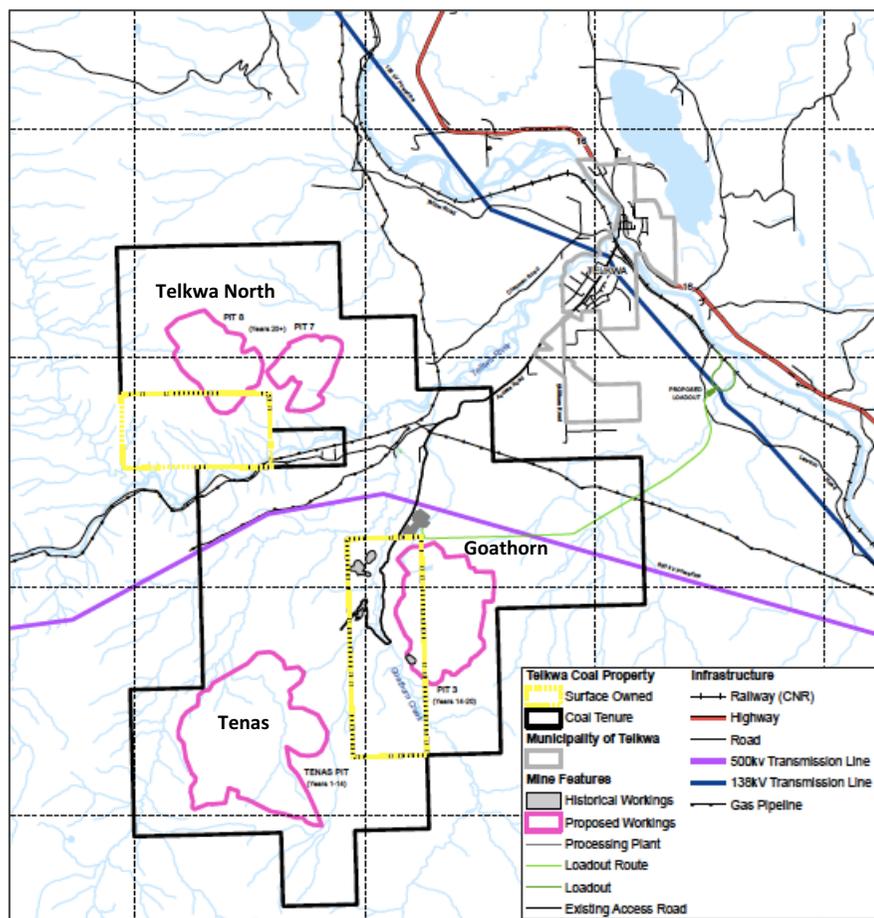


Source: Average of Wood Mackenzie & CRU

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



165Mt surrounded by excellent infrastructure



- The Project comprises 3 open pits all within close proximity of each other.
- And the proximity of the mine area to rail, roads and power, is fantastic.
- With 165Mt of JORC resource, the opportunity to mine substantial tonnes, for a long life of mine, is very real.

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

Few mining projects offer such simple solutions in mine development, production and export



Coal quality sits alongside NSW and QLD

As a coking coal Telkwa ranks alongside semi-coking coals out 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	1.5	1.5
% 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



Telkwa coal could also be sold into the PCI market

Telkwa also ranks alongside mid-volatile PCI coals on the global market

- PCI, or pulverised coal injection, is another coal typically used by steel mills in the blend of coals to make steel. PCI is often used in the blast furnace to replace more expensive coke in providing heat and carbon dioxide.
- The predominant #1 coal seam in the Tenas pit has low sulphur allowing it to fit more comfortably alongside PCI coals.
- The #1 seam has lower raw ash enabling the coal to be washed at a higher density yielding more clean coal, and significantly improving the theoretical yield.
- The #1 seam also represents 70 percent of the recoverable coal from the Tenas pit.

AIR DRIED	TELKWA TENAS # 1 SEAM	MID VOL PCI	NSW HV PCI	Venezuela HV PCI
% M	1.12	1.5	1.5	2
% VM	22.2	22-26	33-38	38
% Ash	8.7	9-11.5	5-10.5	7
% S	0.7	0.35-0.41	0.35-0.85	0.75
% FC	67	62-67	50-55	55
CV kcal/kg	7145	7400	7250	7433
HGI	64	70-75	40-52	60
Rank	0.84	1.0-1.16	0.65-0.85	n/a
R'Ratio	0.83	0.82-0.85	0.77-0.80	0.83

Demand for PCI coal provides flexibility for the marketing of Telkwa met coal



Potentially a very low cost producer

Allegiance is on track to complete its pre-feasibility study by 30 June 2017. It will then publish its production costs and project economics. The indicators continue to 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 83Mt of coal is at a strip ratio of 7:1 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

Year	2017				2018				2019				2020				2021					
Quarter	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).

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.

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.

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.

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.

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).



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