



4 April 2017

Dear Shareholder

**Notice to Eligible Shareholders of Non-Renounceable Entitlement Offer**

We write to you as the registered holder of shares in Allegiance Coal Limited (ASX: AHQ) (**Allegiance** or the **Company**). As advised in the Company's ASX announcement dated 31 March 2017, the Company is undertaking a non-renounceable pro-rata entitlement offer to eligible shareholders of ordinary fully paid shares in the Company at an issue price of \$0.025 per share and on the of basis 1 new share (**New Share**) for every 3 shares (**Entitlement Offer**). Pursuant to the Entitlement Offer, the Company will issue up to 56,498,768 New Shares to raise up to \$1,412,469 before costs.

The Entitlement Offer is available to all Allegiance shareholders (**Shareholders**) registered on the record date on 6 April 2017 (**Record Date**) whose registered address is in Australia or New Zealand (**Eligible Shareholders**). The Entitlement Offer is not being extended to any Shareholders with addresses outside these jurisdictions.

**Purpose of the Entitlement Offer**

Subject to the satisfactory completion of the Offer, funds will be used to further develop the Telkwa metallurgical coal project and provide the Company with general working capital.

**Indicative Timetable**

The New Shares will be offered in accordance with the following indicative timetable:

Item	Date
Lodgement of Appendix 3B and Prospectus with ASX	31 March 2017
Notice of Entitlement Offer sent to Optionholders	
Notice of Entitlement Offer sent to Shareholders	4 April 2017
Shares quoted on an "EX" basis	5 April 2017
Record Date for determining Entitlements	6 April 2017
Prospectus and Entitlement and Acceptance Form despatched to Eligible Shareholders	11 April 2017
Last day to extend the offer closing date	26 April 2017
Closing Date of Entitlement Offer (5pm AEST)*	1 May 2017
Shares quoted on a deferred settlement basis	2 May 2017
Notification of Shortfall	4 May 2017
Anticipated date for issue of the Securities.	8 May 2017

Item	Date
Deferred settlement trading ends	
Anticipated date for commencement of Shares trading on a normal settlement basis	9 May 2017

All dates are indicative only and subject to change without prior written notice. Any extension of the Closing Date will have a consequential effect on the date of issue of the New Shares.

#### Shortfall

The Company reserves the right, subject to any restrictions imposed by the Corporations Act and the Listing Rules, to issue the shortfall shares at their sole discretion.

#### Effect on Capital Structure

The table below sets out the impact of the Entitlement Offer on the capital structure of the Company:

Detail	Number of Shares	Number of unquoted options
Balance at date of announcement of the Entitlement Offer	169,496,303	820,000
Maximum Number of New Shares offered under the Entitlement Offer*	56,498,768	Nil
Total at completion of the Entitlement Offer	225,995,071	820,000

\*Assuming no options are exercised prior to the Record Date.

#### Prospectus

Details of the Entitlement Offer are contained in the Prospectus. The Prospectus can be accessed from the ASX and Allegiance websites, [www.asx.com.au](http://www.asx.com.au) and [www.allegiancecoal.com.au](http://www.allegiancecoal.com.au) respectively.

A copy of the Prospectus is intended to be sent to Eligible Shareholders on 11 April 2017.

The Directors of Allegiance urge you to read the Prospectus carefully and seek advice from your financial adviser if you have any queries. This notice is to inform you of the Entitlement Offer. You are not required to do anything in respect to this letter.

For all enquiries concerning the Prospectus, please contact Jonathan Reynolds on +61 4 5663 9232. For all general shareholder enquiries, please contact Computershare Investor Services Pty Limited on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

Yours sincerely



Malcolm Carson  
Chairman