ALLEGIANCE COAL

LIMITED

TELKWA METALLURGICAL COAL PROJECT

STAGE 1 PFS RESULTS

PRESENTATION | 12 SEPTEMBER 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.

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Coal Resources and Reserves

The coal resources and reserves referred to in this presentation (unless otherwise stated in this presentation) were first reported in the Company's ASX announcement of 3 July 2017 (**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.

Board and Management

EXPERIENCED TEAM
WITH A TRACK RECORD OF DELIVERY & SUCCESS

Malcolm Carson
Non Executive Chairman

Malcolm is 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

Mark acquired a coal mining services company out of voluntary administration in 2003, listed it in 2005, and took its market cap to $40M. Mark has run mining entities for 15 years and prior to that, a successful career in law and investment banking.

David Fawcett
Non Executive Director

Dave was instrumental in advancing a number of coal projects in northeast British Columbia, four of which became significant mines. He was also co-founder of Western Canadian Coal. As a mining engineer, Dave has over 40 years experience in the North American coal industry

Jonathan Reynolds
Finance Director

Jonathan has been the CFO and held directorships of many exploration and producing operations across several commodities, in multiple jurisdictions and stock exchanges. He is an accountant with more than 25 years experience.

Dan Farmer
Chief Mining Engineer

Dan is a mining engineer with more than 25 years coal mining experience in Canada. He was the Operations Manager of Anglo American's coal mines in British Columbia where he developed, built and ran many coal mining operations.

Angela Waterman
Environment & Government Relations

Angela has permitted two coal mines in British Columbia for Anglo American. A 20 year industry professional Angela, has an in-depth knowledge of the mining and environmental regulatory regime in British Columbia.

Still under the radar, but gaining support & momentum

Capital Structure

Share price	A$0.05
Number of shares	225,995,235
Market Capitalisation	**A$11.3M**
Less Cash	A$1.0M
Add Debt	A$0.8M
Enterprise Value	**A$11.0M**

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

Source: IRESS, company filings

Share price improving on results
But still undervalued by reference to peers

All information provided as at 6 Sep 2017

ASX Canadian & USA peers	Market Cap A$
Paringa Resources Limited (PNL)	**126M**
Atrum Coal Limited (ATU)	**44M**
Jameson Resources Limited (JAL)	**25M**
Allegiance Coal Limited (AHQ)	**11M**
Pacific American Coal Limited (PAK)	**6M**

Substantial shareholders	%
Telkwa Holdings Ltd	**13.23**
Salisbury Australia Holdings P/L	**12.15**
Bernard Laverty P/L	**7.06**
Franklin Civil P/L	**6.91**
Altius Resources Inc.	**6.46**

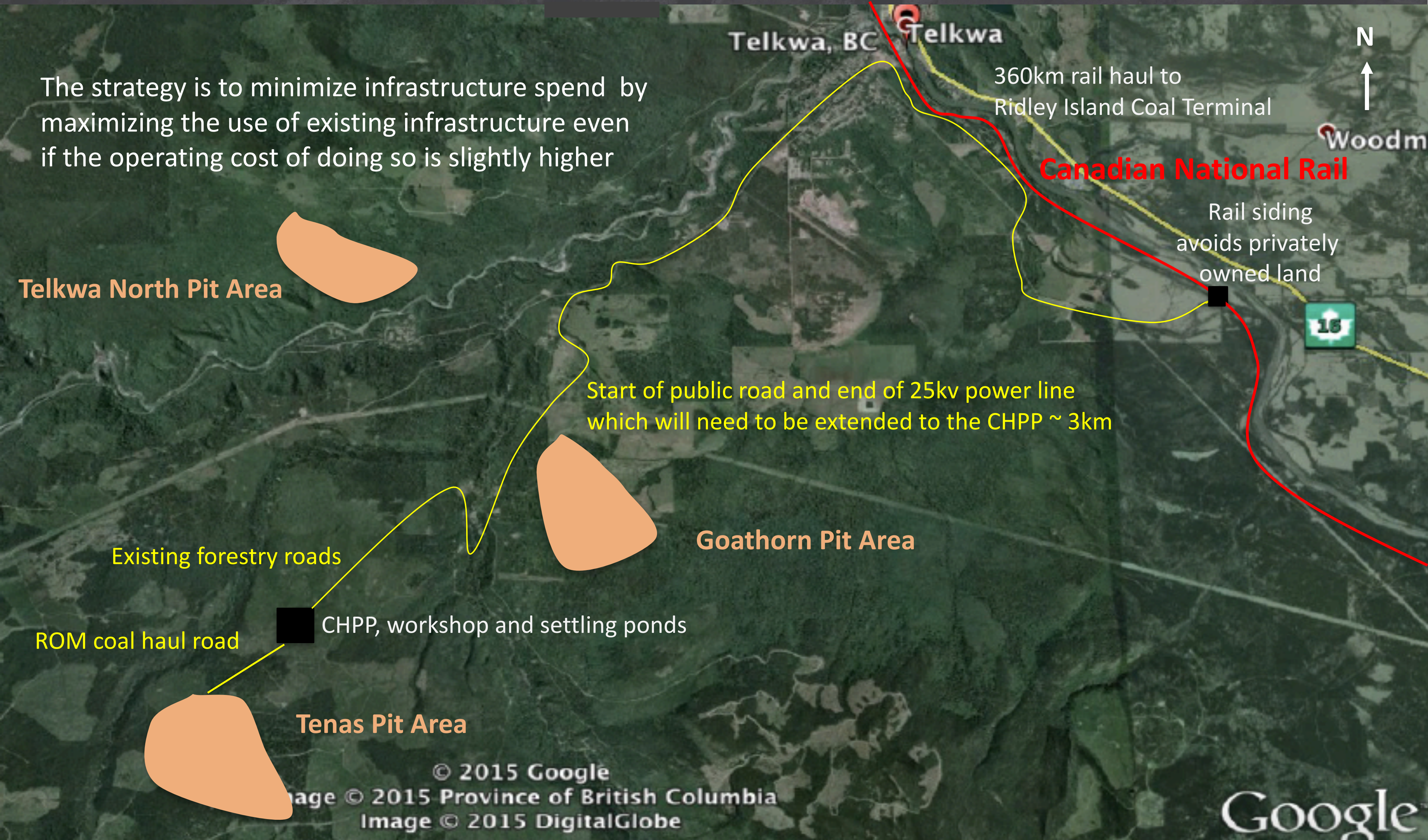
Quick re-cap

- At the core of Allegiance's strategy is a staged approach to both permitting and production, driven by a desire to get into production quickly, with a small environmental footprint, and a low start-up CAPEX.
- Allegiance released the results of its Staged Production PFS **(Staged PFS)** on 3 July 2017 confirming the viability of producing 250ktpa of saleable met coal for 4 years, ramping to 1.75Mtpa for a mine life of 28 years. The results were very positive.
- Allegiance then commenced:
  - A review of the Staged PFS with particular attention on reducing start-up CAPEX and assessing ramp-up options that optimize capital;
  - A pre-feasibility study assessing the viability of producing 250ktpa assuming that is all that Allegiance is ever permitted to produce **(Stage 1 PFS)**.
- This presentation highlights the results of both the Staged PFS review and the Stage 1 PFS and should be read with the results of the Staged PFS in the Company's Presentation dated 10 July 2017.

Stage 1 PFS Executive Summary

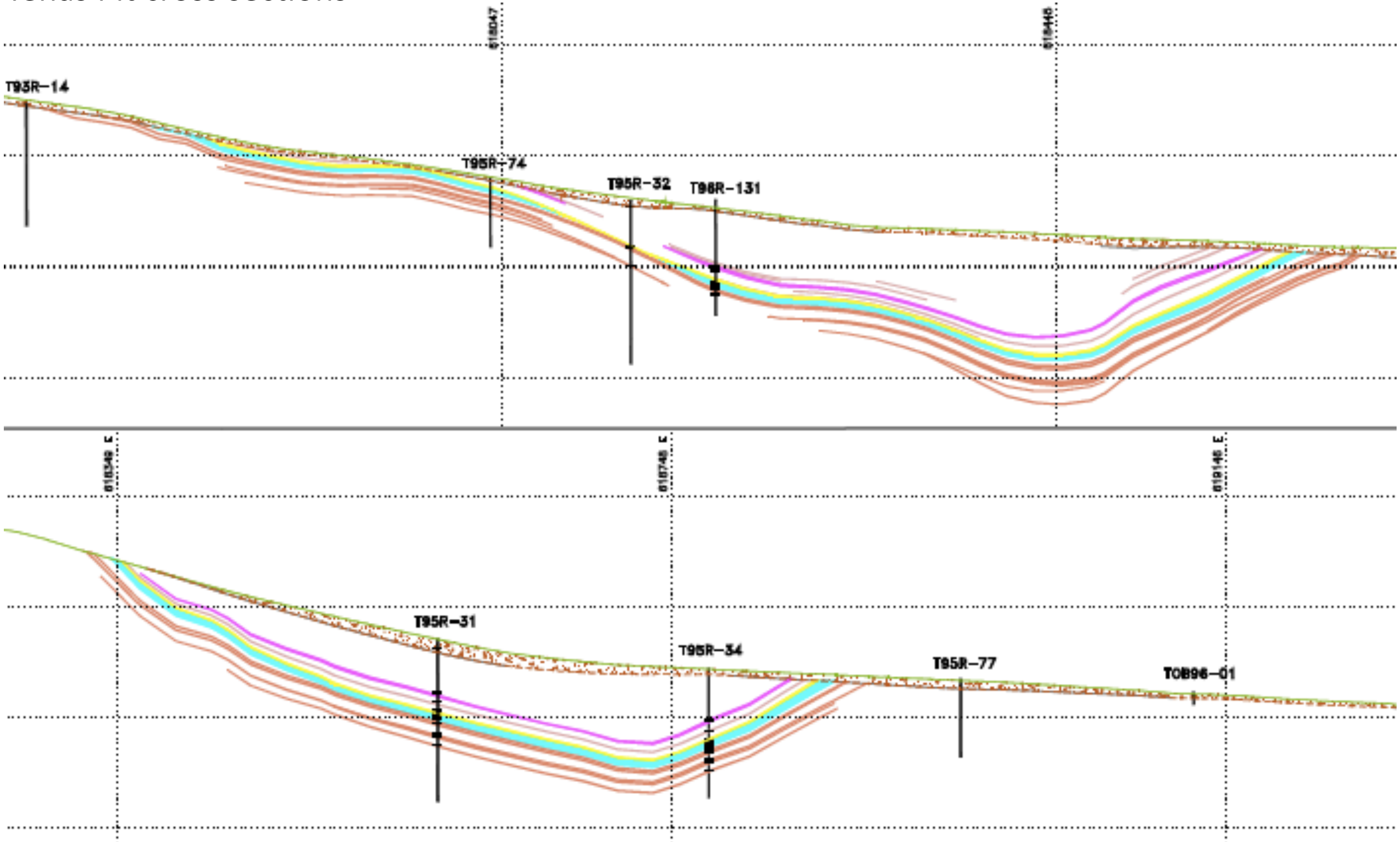
- 250ktpa of clean coal generating on average US$27.5M of revenue per annum
- Forecast average annual EBITDA of US$13.5M (A$18M), a 50% ratio to revenue
- The mine can ramp to 500ktpa instantly doubling production and revenue
- FOB cash cost of US$54/t in the lowest 5% of the seaborne met coal cost curve
- .. and that cash cost drops to US$51/t at 500ktpa of clean coal production
- Strip ratio just 1.9:1 BCM/ROMt for 19 year LOM and all met coal yield of 74%
- US$35M of start-up CAPEX delivers post-tax NPV of US$29M & IRR of 25%
- .. but at 500ktpa similar CAPEX delivers post-tax NPV of US$50M & IRR of 39%

Stage 1 is focussed solely on the Tenas Pit …..



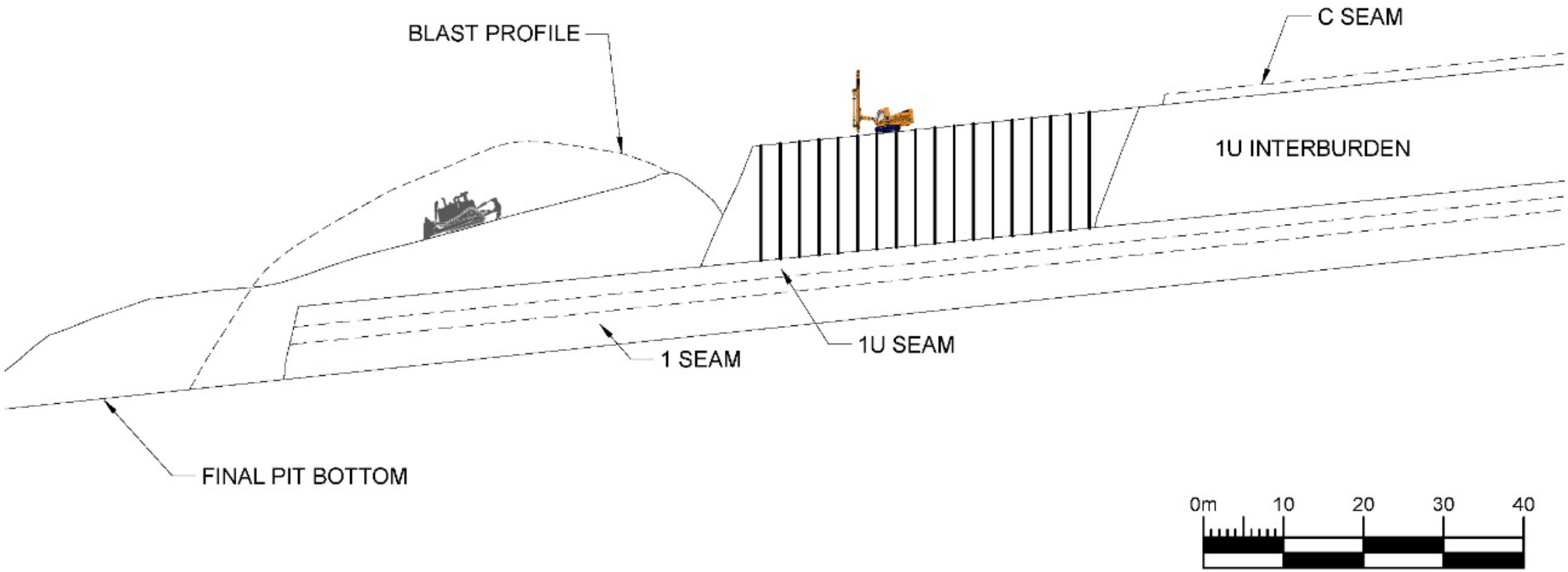
… which is a shallow syncline basin of coal with no structure …

Tenas Pit cross sections



… and which enables up-dip mining and backfilling of waste rock

Typical drill, blast, load and haul operation but mining up-dip backfilling ~50% of waste from start of mining using dozers to push blasted waste into pit bottom, significantly reducing the handling cost of waste removal.



Resources & reserves remain unchanged … but Tenas is now the focus

Resources	Measured Mt	Indicated Mt	M+I Mt	Inferred Mt
Tenas	58.8		58.8	-
Goathorn	59.5	9.2	64.7	0.2
Telkwa North	15.7	3.7	19.4	1.0
Total	**134.0**	**12.9**	**146.9**	**1.2**

Reserves		ROM Coal Mt	Clean Coal Mt	Saleable Coal Mt
Tenas Proven		29.1	20.6	21.0
Tenas Probable		-	-	-
Tenas Total		**29.1**	**20.6**	**21.0**
Goathorn Proven		22.1	12.6	18.8
Goathorn Probable		0.2	0.1	0.1
Goathorn Total		**22.3**	**12.7**	**13.9**
Telkwa North Proven		10.8	6.4	7.0
Telkwa North Probable		0.7	0.4	0.5
Telkwa North Total		**11.5**	**6.8**	**7.5**
Grand Total		**62.9**	**40.1**	**42.5**

Coal quality sits alongside similar seaborne met coal products

Suitable for sale as a semi-coking coal, or a PCI coal.

The coal specifications represent mine site quality from the Tenas Pit only.

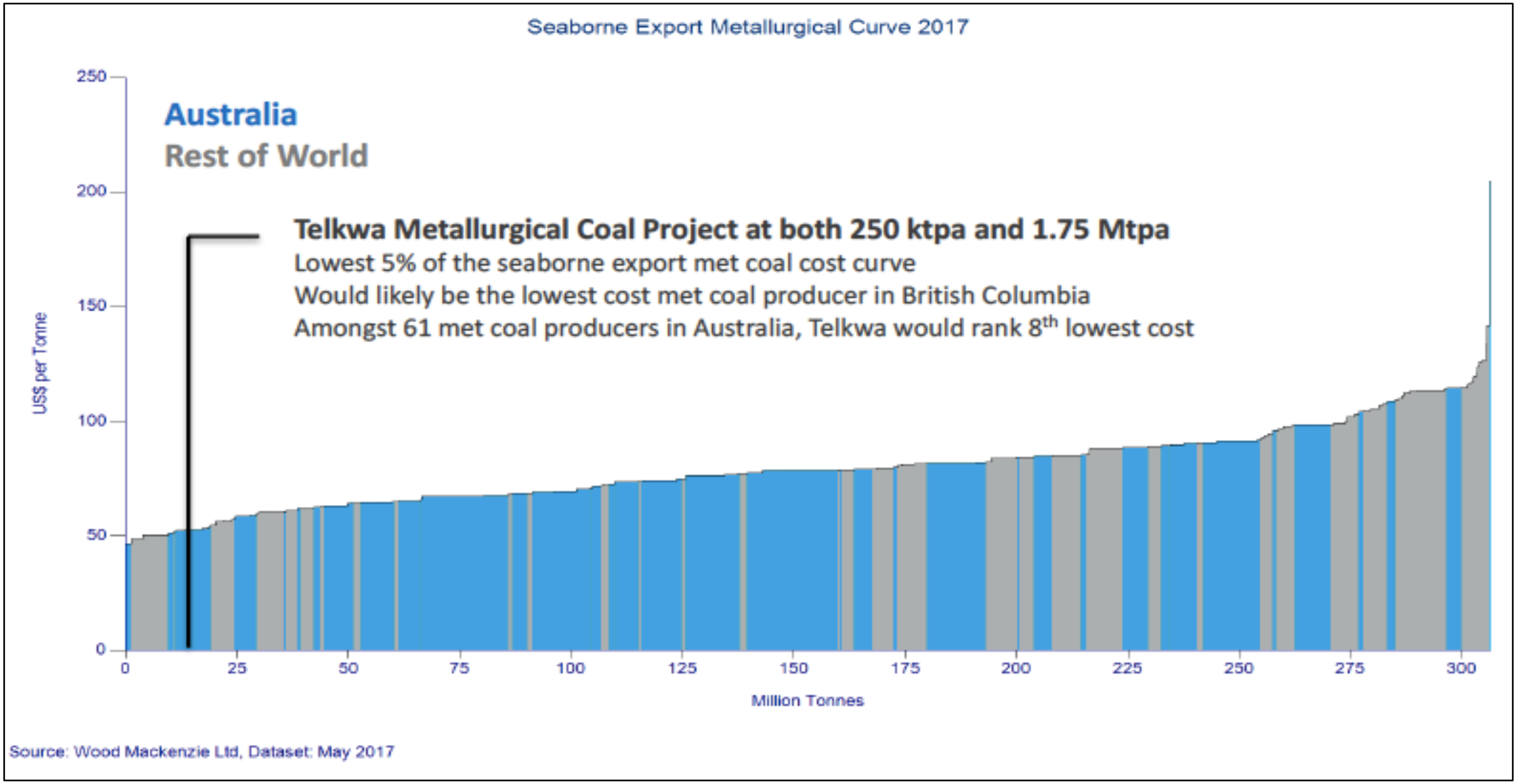
Tenas washed at an SG of 1.6 for a yield of 74%			NSW SSCC	NSW HV PCI
Total moisture	%	**7.8**	6-10.5	6-10.5
Volatile matter	%	**24.6**	33-37	33-38
Ash	%	**9.5**	6.5-10.5	9-10.5
Sulphur	%	**0.9**	0.5-1.5	0.35-0.85
Fixed carbon	%	**65.3**	50-60	55
Calorific value	Kcal/kg	**7,245**	N/A	7250
Free swell index		**3-4**	3-6	N/A
HGI		**64**	N/A	40-50
Reflectance	%	**0.84**	0.80	0.65-0.85
Max Fluidity	ddpm	**2-17**	100-500	N/A
CSR calculated	%	**37-43**	25-30	N/A

Simple geology & logistics + low strip ratio + good yield = LOW OPEX …

Remarkably, even with a reduction in production from 1.75Mtpa to 250ktpa the all-in FOB cash cost is almost identical. The increase in coal recovery, processing and haulage costs caused by a reduction in volume, is offset in its entirety by a reduction in waste removal costs caused by a reduction in strip ratio from 5.8:1 BCM/ROMt to 1.9:1 BCM/ROMt.

Operating Costs Life of Mine	Staged Production PFS US$/Saleable t @ 1.75Mtpa	Stage 1 PFS US$/Saleable t @ 250ktpa
Site Costs		
Waste removal	23.8	11.2
Coal recovery	2.7	4.6
Coal processing	3.6	8.5
General and administration	4.0	2.3
Other	2.5	4.6
Transportation, Marketing & Royalties		
Marketing costs	0.2	0.2
Haulage (CHPP to Rail Siding)	2.6	3.6
Rail to port and loaded	12.7	16.7
Third party royalties	2.8	2.8
Total all-in cash cost FOB pre-tax	**54.8**	**54.5**

… and the seaborne met coal cost curve continues to tell the story



Start-up capital expenditure reduced by 31%

Gains in capital reduction were achieved in three main areas:

- Rescheduling the mine plan so that mining in the first 3 years occurs in the shallowest corner of the pit thereby reducing the pre-strip and the immediate demand for some items of mining equipment;
- Selecting a smaller and more suitable washplant that still has expansion capacity to 200tpa; and
- Selecting a less capital intensive water management option while achieving the same environmental performance.

And further significant capital reductions can be achieved by equipment and washplant finance and leasing.

Start-up Capital Expenditure	Staged Production PFS US$M	Stage 1 PFS US$M
Equipment including primary production and ancillary	9.1	6.1
Pre-strip	3.0	1.0
Mine access	1.5	1.5
Coal handling preparation plant and related Infrastructure	20.2	15.4
Water management, power and other	15.2	9.1
Rail siding and Loadout	2.3	1.9
Total Initial Capital (includes >10% contingency)	**51.2**	**35.1**

KPIs reinforce robust project economics

Key Performance Indicators @ 250ktpa	Units	Value
Pre-tax NPV10%	US$M	51
Pre-tax IRR	%	32
Post-tax NPV10%	US$M	29
Post-tax IRR	%	25
Payback from commencement of production (real terms)	Years	3.5

Key Performance Indicators @ 500ktpa	Units	Value
Pre-tax NPV10%	US$M	83
Pre-tax IRR	%	52
Post-tax NPV10%	US$M	49
Post-tax IRR	%	39
Payback from commencement of production (real terms)	Years	2.3

Pathway to staged permitting and production

<table>
<tr><th>Calendar Year</th><th colspan="4">2017</th><th colspan="4">2018</th><th colspan="4">2019</th><th colspan="4">2020</th><th colspan="4">2021</th></tr>
<tr><td>Quarter</td><td>1</td><td>2</td><td>3</td><td>4</td><td>1</td><td>2</td><td>3</td><td>4</td><td>1</td><td>2</td><td>3</td><td>4</td><td>1</td><td>2</td><td>3</td><td>4</td><td>1</td><td>2</td><td>3</td><td>4</td></tr>
<tr><td>First Nations</td><td colspan="3">Signed first agreement</td><td colspan="3">Ongoing project review</td><td colspan="4">Socio-eco agreement</td><td colspan="10">Continual project participation</td></tr>
<tr><td>Project studies</td><td colspan="2">Staged PFS complete</td><td colspan="2">Stage 1 PFS complete</td><td colspan="2">Stage 1 FS</td><td colspan="2">Stage 2 FS</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Environmental</td><td colspan="6">Baseline studies commenced</td><td colspan="14">Continual environmental monitoring for stages 1 & 2</td></tr>
<tr><td>Stage 1 permitting</td><td colspan="6">Constant ongoing Govt. dialogue</td><td colspan="2">Stage 1 filings</td><td colspan="2">Stage 1 decision</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
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<tr><td>Financing</td><td></td><td></td><td></td><td></td><td colspan="4">Secure mine finance</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
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<tr><td>Stage 1 mine</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td colspan="9">Stage 1 coal production</td></tr>
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Subject to change

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