



ACN 149 490 353

PROSPECTUS

THIS PROSPECTUS IS BEING ISSUED FOR A NON-RENOUNCEABLE PRO-RATA OFFER TO ELIGIBLE SHAREHOLDERS ON THE BASIS OF ONE NEW SHARE FOR EVERY THREE SHARES HELD ON THE RECORD DATE AT AN ISSUE PRICE OF \$0.025 EACH TO RAISE UP TO APPROXIMATELY \$1,400,000.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY.

IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY.

THE SECURITIES OFFERED IN CONNECTION WITH THIS PROSPECTUS ARE OF A SPECULATIVE NATURE.

IMPORTANT INFORMATION

This Prospectus is dated 31 March 2017 and was lodged with the ASIC on that date with the consent of all Directors. Neither ASIC nor ASX nor their respective officers take any responsibility for the contents of this Prospectus.

No Securities will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus (being the expiry date of this Prospectus).

A copy of this Prospectus is available for inspection at the registered office of the Company at Suite 107, 109 Pitt Street, Sydney, New South Wales, during normal business hours. The Company will provide a copy of this Prospectus to any person on request. The Company will also provide copies of other documents on request (see Section 5.4).

The Securities offered by this Prospectus should be considered speculative. Please refer to Section 4 for details relating to investment risks.

Acceptances of Securities under the Entitlement Offer can only be submitted on an original Entitlement and Acceptance Form sent with a copy of this Prospectus by the Company. The Entitlement and Acceptance Form sets out an Eligible Shareholder's entitlement to participate in the Entitlement Offer. If acceptance is by BPAY there is no need to return the original Entitlement and Acceptance Form.

Revenues and expenditures disclosed in this Prospectus are recognised exclusive of the amount of goods and services tax, unless otherwise disclosed. No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

No action has been taken to permit the offer of Securities under this Prospectus in any jurisdiction other than Australia.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

This document is important and should be read in its entirety before deciding to participate in the Offer. This does not take into account the investment objectives, financial or taxation, or particular needs of any Applicant. Before making any investment in the Company, each Applicant should consider whether such an investment is appropriate to his/her particular needs, and considering their individual risk profile for speculative investments, investment objectives and individual financial circumstances. Each Applicant should consult his/her stockbroker, solicitor, accountant or other professional adviser without delay. Some of the risk factors that should be considered by potential investors are outlined in Section 4. Definitions of certain terms used in this Prospectus are contained in Section 7. All references to currency are to Australian dollars and all references to time are to AEST unless otherwise indicated.

CORPORATE DIRECTORY

Directors

Mr Malcolm Carson	Non-Executive Chairman
Mr David Deitz	Non-Executive Director
Mr David Fawcett	Non-Executive Director
Mr Jonathan Reynolds	Finance Director

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

Company Secretary

Mr Jonathan Reynolds

Lawyers

Bellanhuse Legal
Ground Floor, 11 Ventnor Avenue
West Perth WA 6005

Registered Office

Suite 107
109 Pitt Street
Sydney NSW 2000

ASX Code: AHQ

Website: www.allegiancecoal.com.au

Telephone: +61 (4) 5663 9232

Fax: +61 (2) 9233 1349

Email: info@allegiancecoal.com.au

PROPOSED TIMETABLE FOR ENTITLEMENT OFFER

Lodgement of Appendix 3B and Prospectus with ASX Notice of Entitlement Offer sent to Optionholders	31 March 2017
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 dispatched 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 Securities Deferred settlement trading ends	8 May 2017
Anticipated date for commencement of Shares trading on a normal settlement basis	9 May 2017

* The Directors may extend the Closing Date by giving at least 3 Business Days’ notice to ASX prior to the Closing Date. As such, the date the Shares issued under the Entitlement Offer are expected to commence trading on ASX may vary.

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LETTER FROM THE CHAIRMAN

Dear Shareholder

On behalf of your Directors, I am pleased to invite you to participate in this non-renounceable pro-rata 1-for-3 Entitlement Offer at an issue price of \$0.025 per Share to raise approximately \$1,400,000 (before payment of costs).

The issue price represents a discount of approximately 22% per cent to the 60-day VWAP of the Shares prior to the date of this Prospectus, providing Shareholders with an opportunity to increase their holdings at an attractive price.

Use of Funds

Subject to the satisfactory completion of the Offer, funds raised under the Entitlement Offer will enable the Company to commence its environmental baseline studies and to undertake a small drill programme in connection with its Telkwa metallurgical coal project located in northwest British Columbia (**Project**).

The studies involve monitoring environmental and cultural data for approximately one year. The data collected from the baseline studies is a key component of the mining permit applications.

In addition, the Company is planning five drill holes in August this year. Three drill holes will recover core for coal sampling and coke analysis, and rock analysis. Two drill holes will be used for ground water wells to assist monitoring water for the baseline studies.

Use and Application of Funds	AU\$
Commencement of environmental and cultural baseline studies	650,000
Drill programme	350,000
General working capital	412,469
Total	1,412,469

Conclusion

The Board recommends that you take up your Entitlement under the Offer after reading this Prospectus in its entirety including the risks outlined in Section 4.

Full details of the Offer are set out in this Prospectus.

I am also pleased to advise that following discussions with the Company's major shareholders, they have confirmed their ongoing support of the Company's progress in connection with the Project, and have indicated they will take up their entitlements under the rights issue amounting to approximately \$650,000. Please refer to the Investment Overview for further detail.

I look forward to your continued support and on updating you on the Company's progress.

Yours faithfully



Malcolm Carson
Non-Executive Chairman

INVESTMENT OVERVIEW

This Section is intended to highlight key information for potential investors. It is an overview only, and is not intended to replace the Prospectus. Potential investors should read the Prospectus in full before deciding to invest in Securities.

Key Information	Further Information
<p>Transaction specific prospectus</p> <p>This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.</p>	Section 5.2
<p>Risk factors</p> <p>Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 4, including (but not limited to) risks in respect of:</p> <ul style="list-style-type: none"> • Farm-in risk: the Company's rights to own the Project are invested in the 'farm-in' rights with the owner of the Project tenements. Any failure by the tenement owner to maintain those tenements, or by the Company to meet the milestones of the farm-in rights, may result in the Company losing all or part of its ownership interest in the Project. • Coal price risk: coal like all commodities is subject to a level of price volatility. A movement downwards in coal prices may render the Project uneconomic and therefore, unable to be developed or if developed for production to continue. • Exploration risk: Mineral exploration is a high risk undertaking. There can be no assurance that further exploration on the Company's projects will result in the discovery of an economic ore deposit. • Development risk: developing a mine is a high risk undertaking. There can be no assurance that upon the granting of a permit to mine, that the Project will be economically viable and in which event, imprudent to construct a mine. • Permitting risk: the regulatory environment for the Project requires certain requirements to be met and deliverables to be made. Failure to meet those requirements and deliverables may result in the Project not be able to be permitted for mining. • First Nations: the First Nations people of Canada have certain sovereign rights in relation to their lands and resources. Failure to 	Section 4

Key Information	Further Information												
<p>secure their support for the Project may result in the Project not proceeding.</p> <ul style="list-style-type: none">• Future capital needs: Further funding will be required by the Company to support its ongoing activities and operations. There can be no assurance that such funding will be available on satisfactory terms or at all.• General market risks: Share market conditions may affect the value of the Company's Shares regardless of the Company's operating performance.													
<p>Entitlement Offer</p> <p>This Prospectus is for a non-renounceable entitlement issue of one new Share for every three existing Shares held by Eligible Shareholders on the Record Date at an issue price of \$0.025 per new Share to raise up to approximately \$1,400,000 (before costs).</p>	Section 1.1												
<p>Eligible Shareholders</p> <p>The Offer is made to Eligible Shareholders only. Eligible Shareholders are those Shareholders who:</p> <ul style="list-style-type: none">• are the registered holder of Shares as at 5.00pm (AEST) on the Record Date; and• have a registered address in Australia or, subject to the offer restrictions in Section 1.15, New Zealand.	Sections 1.14, 1.15 and 1.16												
<p>Use of funds</p> <p>Funds raised under the Offer are intended to be used to commence environmental baseline studies in June 2017 and undertake a small drill programme in August 2017 and for general working capital.</p>	Section 1.2												
<p>Effect on control of the Company</p> <p>Shareholders should note that if they do not participate in the Offer, their holdings will be diluted.</p>	Section 1.5												
<p>Indicative capital structure and pro-forma balance sheet</p> <p>The indicative capital structure upon completion of the Offer is set out below:</p> <table><tr><th></th><th>Shares</th><th>Options</th></tr><tr><td>Balance at the date of this Prospectus</td><td>169,496,303¹</td><td>820,000²</td></tr><tr><td>To be issued pursuant to the Offer</td><td>56,498,768</td><td>Nil</td></tr><tr><td>Total</td><td>225,995,071</td><td>820,000</td></tr></table>		Shares	Options	Balance at the date of this Prospectus	169,496,303 ¹	820,000 ²	To be issued pursuant to the Offer	56,498,768	Nil	Total	225,995,071	820,000	Sections 3.1 and 3.2
	Shares	Options											
Balance at the date of this Prospectus	169,496,303 ¹	820,000 ²											
To be issued pursuant to the Offer	56,498,768	Nil											
Total	225,995,071	820,000											

Key Information	Further Information															
<p>Note:</p> <p>1. 50,000,000 Shares are subject to escrow until 22 November 2017.</p> <p>2. Options are exercisable at \$0.2475 each on or before 27 December 2018.</p> <p>The indicative pro-forma balance sheet showing the effect of the Offer is in Section 3.2.</p>																
<p>Directors' interests in Shares and Entitlements</p> <p>The relevant interest of each of the Directors in Shares as at the date of this Prospectus, together with their respective Entitlement is set out in the table below:</p> <table><tr><th>Name</th><th>Existing Shares</th><th>Entitlement</th></tr><tr><td>Mr Malcolm Carson</td><td>Nil</td><td>Nil</td></tr><tr><td>Mr David Deitz</td><td>135,334</td><td>45,111</td></tr><tr><td>Mr David Fawcett</td><td>Nil</td><td>Nil</td></tr><tr><td>Mr Jonathan Reynolds</td><td>Nil</td><td>Nil</td></tr></table> <p>It is the intention of Mr Dietz to take up his Entitlement specified above under the Entitlement Offer.</p>	Name	Existing Shares	Entitlement	Mr Malcolm Carson	Nil	Nil	Mr David Deitz	135,334	45,111	Mr David Fawcett	Nil	Nil	Mr Jonathan Reynolds	Nil	Nil	<p>Section 5.7(b)</p>
Name	Existing Shares	Entitlement														
Mr Malcolm Carson	Nil	Nil														
Mr David Deitz	135,334	45,111														
Mr David Fawcett	Nil	Nil														
Mr Jonathan Reynolds	Nil	Nil														
<p>Forward looking statements</p> <p>This Prospectus 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.</p> <p>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 Prospectus, are considered reasonable.</p> <p>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 the Company, the Directors and the management.</p> <p>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 Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.</p> <p>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</p>	<p>Important Information and Section 4</p>															

Key Information	Further Information
<p>other factors affect the information contained in this Prospectus, except where required by law.</p> <p>These forward looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 4.</p>	

1. Details of the Offer

1.1 Entitlement Offer

The Company is making a non-renounceable pro-rata offer of ordinary fully paid Shares at an issue price of \$0.025 each to Eligible Shareholders on the basis of one Share for every three Shares held at 5:00pm (AEST) on the Record Date (Entitlement Offer).

The market price of Shares at the date of this Prospectus is such that it is unlikely that any of the existing Options will be exercised before the Record Date. On the basis that no existing Options are exercised prior to the Record Date, the Entitlement Offer is for a maximum of 56,498,768 Shares, to raise up to approximately \$1,412,469 (before costs).

Where the determination of the Entitlement of any Eligible Shareholder results in a fraction of a Share, such fraction will be rounded up to the nearest whole Share.

Further details on the rights and liabilities attaching to the Shares under the Offer are contained in Section 5.1.

1.2 Use of funds

Completion of the Offer will result in an increase in cash at hand of approximately \$1,412,469 (before payment of costs).

The following indicative table sets out the proposed use of funds raised under the Offer:

Proposed use	\$
Commencement of environmental baseline studies	650,000
Drill programme	350,000
General working capital ¹	384,000
Costs of Offer	28,469
TOTAL	1,412,469

Note:

1. Working capital includes but is not limited to corporate administration and operating costs and may be applied to additional directors' fees or executive fees, ASX and share registry fees, legal, tax and audit fees, insurance and travel costs.

The above is a statement of current intentions at the date of this Prospectus. Intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.

1.3 Opening and Closing Dates

For the Entitlement Offer, the Company will accept Entitlement and Acceptance Forms from the date it dispatches the Prospectus and Entitlement and Acceptance Forms until 5:00pm (AEST) on 1 May 2017 or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the Listing Rules (Closing Date).

1.4 Minimum subscription

There is no minimum subscription for the Entitlement Offer.

1.5 Effect on control of the Company

The total number of Shares proposed to be issued under the Offer is 56,498,768 which will constitute 25% of the Shares on issue following completion of the Offer (assuming no other Shares are issued or Securities exercised or converted to Shares prior to the Record Date).

The Company is of the view that the Offer will not affect the Control (as defined by section 50AA of the Corporations Act) of the Company.

No nominee has been appointed for Ineligible Foreign Shareholders under section 615 of the Corporations Act and, as such, Eligible Shareholders will not be able to rely on the exception for rights issues in item 10 of section 611 of the Corporations Act. Accordingly, when an Eligible Shareholder applies for some or all of their Entitlement, they must have regard to section 606 of the Corporations Act. Eligible Shareholders who may be at risk of exceeding the 20% voting power threshold in section 606 as a result of acceptance of their Entitlement should seek professional advice before completing and returning their Entitlement and Acceptance Form.

1.6 Shortfall

No Shortfall facility is provided under this Prospectus, however the Directors reserve the right to place any Shortfall arising under the Offer at their discretion no later than three months after the Closing Date of the Offer.

1.7 Substantial Shareholders

Based on available information as at the date of this Prospectus, those persons which together with their associates have a voting power in 5% or more of the Shares on issue are set out below:

Substantial Shareholder	Number of Shares	Voting power
Telkwa Holdings Limited	25,000,000	14.75%
Salisbury Australia Holdings Pty Ltd	25,000,000	14.75%
Bernard Laverty Pty Limited	10,243,333	8.57%
Altius Resources Inc	10,956,282	6.46%

1.8 Potential dilution

Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted (as compared to their holdings and number of Shares on issue as at the date of the Prospectus). Examples of how the dilution may impact Shareholders are set out in the table below:

Holder	Holding as at Record Date	% at Record Date	Entitlements under the Offer	Holdings if Offer not taken up	% post Offer
Shareholder 1	32,000,000	18.88%	10,666,667	32,000,000	14.16%
Shareholder 2	16,000,000	9.44%	5,333,333	16,000,000	7.08%
Shareholder 3	8,000,000	4.72%	2,666,667	8,000,000	3.54%
Shareholder 4	4,000,000	2.36%	1,333,333	4,000,000	1.77%
Shareholder 5	2,000,000	1.18%	666,667	2,000,000	0.88%

Note:

1. The dilution effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are subsequently placed pursuant to the Directors' reserved discretion. In the event all Entitlements are not accepted and some or all of the resulting Shortfall is not subsequently placed, the dilution effect for each Shareholder not accepting their Entitlement would be a lesser percentage.

1.9 No rights trading

The rights to Shares under the Entitlement Offer are non-renounceable. Accordingly, there will be no trading of rights on ASX and you may not dispose of your Entitlement to any other party. If you do not take up your Entitlement to Shares under the Entitlement Offer by the Closing Date, the Entitlement Offer to you will lapse.

1.10 Issue Date and dispatch

All Securities under the Entitlement Offer are expected to be issued on or before the date specified in the proposed timetable in this Prospectus.

Security holder statements will be dispatched at the end of the calendar month following the issue of the Shares under the Offer.

It is the responsibility of Applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive their holding statements do so at their own risk.

1.11 Application Monies held on trust

All Application Monies received for the Shares under the Entitlement Offer will be held on trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus until the Shares are issued. All Application Monies will be returned (without interest) if the Shares are not issued.

1.12 ASX quotation

Application has been or will be made for the official quotation of the Shares offered by this Prospectus. If permission is not granted by ASX for the official quotation of the Shares offered by this Prospectus within three months after the date of this Prospectus (or such period as the ASX allows), the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to this Prospectus.

1.13 CHESS

The Company participates in the Clearing House Electronic Sub-register System, known as CHESS. ASX Settlement Pty Limited, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Operating Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of Shares.

If you are broker sponsored, ASX Settlement Pty Limited will send you a CHESS statement.

The CHESS statement will specify the number of Shares issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the Shares, including a notice to exercise the Shares.

If you are registered on the Issuer Sponsored sub-register, your statement will be dispatched by Computershare Investor Services Pty Limited and will contain the number of Shares issued to you under this Prospectus and your security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time; however, a charge may be made for additional statements.

1.14 Ineligible Foreign Shareholders

This Prospectus, and any accompanying Entitlement and Acceptance Form, do not, and is not intended to, constitute an offer of Securities in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus or the Shares under the Offer.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Company believes that it is unreasonable to extend the Offer to Ineligible Foreign Shareholders. The Company has formed this view having considered:

- (a) the number and value of the Securities that would be offered to those Shareholders; and

- (b) the cost of complying with the legal requirements and the requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, Ineligible Foreign Shareholders will not be entitled to participate in the Offer.

1.15 New Zealand offer restrictions

The Securities are not being offered or sold to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand at the Record Date.

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority. This Prospectus is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

1.16 Notice to nominees and custodians

Nominees and custodians that hold Shares should note that the Offer is available only to Eligible Shareholders. The Company is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of Shares. If any nominee or custodian is acting on behalf of a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Offer is compatible with applicable foreign laws.

1.17 Risk factors

An investment in Securities should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are certain specific risks associated with an investment in the Company which are detailed in Section 4.

1.18 Taxation implications

The Directors do not consider it appropriate to give Applicants advice regarding the taxation consequences of subscribing for Securities under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Applicants. As a result, Applicants should consult their professional tax adviser in connection with subscribing for Shares under this Prospectus.

1.19 Major activities and financial information

A summary of the major activities and financial information relating to the Company, for the financial year ended 30 June 2016, can be found in the Company's Annual Report announced on ASX on 30 September 2016 and, for the half-year ended 31 December 2016, the Half Year Accounts announced on ASX on 7 March 2017. The Company's continuous disclosure notices (i.e. ASX announcements) since 30 September 2016 are listed in Section 5.4. Copies of these documents are available free of charge from the Company. The Directors strongly

recommend that Applicants review these and all other announcements prior to deciding whether or not to participate in the Offer.

1.20 Privacy

The Company collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Acceptance and, if the Acceptance is successful, to administer the Applicant's Shareholding in the Company.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Entitlement and Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Acceptance or Application (as applicable).

An Applicant has an entitlement to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

1.21 Enquiries concerning Prospectus

For enquiries concerning the Entitlement and Acceptance Form and the Prospectus, please contact Allegiance Coal Limited on +61 4 5663 9232.

For general shareholder enquiries, please contact Computershare Investor Services Pty Limited on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

2. Action required by Shareholders

2.1 Acceptance of Entitlement in full

Should you wish to accept all of your Entitlement to Shares under the Entitlement Offer and you are not paying by BPAY, then applications for Shares under this Prospectus must be made on the Entitlement and Acceptance Form which accompanies this Prospectus, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided and attach a cheque, bank draft or money order for the amount indicated on the Entitlement and Acceptance Form.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque, bank draft or money order in Australian dollars, crossed "Not Negotiable" and made payable to "Allegiance Coal Limited" and lodged at any time after the issue of this Prospectus and on or before the Closing Date at the Company's share registry (by delivery or by post) at:

Computershare Investor Services Pty Limited
GPO Box 505
MELBOURNE VIC 3001

Applications will be deemed not to have been received until the Company is in receipt of cleared funds.

If paying via BPAY, Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Applicant to ensure that funds are submitted through BPAY by the Closing Date. If you elect to pay via BPAY, you must follow the instructions for BPAY set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

2.2 If you wish to take up only part of your Entitlement

Should you wish to only take up part of your Entitlement under the Entitlement Offer and you are not paying by BPAY, then applications for Shares under the Entitlement Offer must be made on the Entitlement and Acceptance Form which accompanies this Prospectus in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided, including the number of Shares you wish to accept and the amount payable (calculated at \$0.025 per Share accepted), and attach a cheque, bank draft or money order for the appropriate Application Monies.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque, bank draft or money order in Australian dollars, crossed "Not Negotiable" and made payable to "Allegiance Coal Limited" and lodged at any time after the issue of this Prospectus and on or before the Closing Date at the Company's share registry (by delivery or by post) at the address indicated at Section 2.1.

Applications will be deemed not to have been received until the Company is in receipt of cleared funds.

If paying via BPAY, Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Applicant to ensure that funds are submitted through BPAY by the Closing Date. If you elect to pay via BPAY, you must follow the instructions for BPAY set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

2.3 Entitlements not taken up

If you do not wish to accept any of your Entitlement, you are not obliged to do anything. The number of Shares you hold and the rights attached to those Shares will not be affected should you choose not to accept any of your entitlement.

2.4 Entitlement and Acceptance Form

Acceptance of a completed Entitlement and Acceptance Form by the Company creates a legally binding contract between the Applicant and the Company for the number of Shares accepted by the Company. The Entitlement and Acceptance Form does not need to be signed to be a binding acceptance of Shares.

If the Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the Acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form, is final.

The Company will send this Prospectus, together with an Entitlement and Acceptance Form, to all Eligible Shareholders.

By completing and returning your Entitlement and Acceptance Form with the requisite Application Monies, or making a payment via BPAY, you will be deemed to have represented that you are an Eligible Shareholder. In addition, you will also be deemed to have represented and warranted on behalf of yourself or each person on whose account you are acting that the law in your place of residence and/or where you have been given the Prospectus, does not prohibit you from being given the Prospectus and that you:

- (b) agree to be bound by the terms of the Offer;
- (c) declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- (d) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Application Form;
- (e) authorise the Company and its respective officers or agents, to do anything on your behalf necessary for the Shares to be issued to you, including to act on instructions of the Company's Share Registry upon using the contact details set out in the Entitlement and Acceptance Form;

- (f) declare that you are the current registered holder of Shares as at the Record Date and have a registered address in Australia or subject to the offer restrictions in Section 1.15, New Zealand;
- (g) acknowledge that the information contained in, or accompanying, the Prospectus is not investment or financial product advice or a recommendation that Shares are suitable for you given your investment objectives, financial situation or particular needs; and
- (h) acknowledge that the Shares have not, and will not be, registered under the securities laws in any other jurisdictions outside Australia.

2.5 Enquiries concerning your Entitlement

For all enquiries concerning the Prospectus, please contact Allegiance Coal Limited 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).

3. Effect of the Offer

3.1 Capital structure on completion of the Offer

	Number of Shares	Number of Options
Balance at the date of this Prospectus	169,496,303 ¹	820,000 ³
Maximum number of Shares to be issued under the Offer ¹	56,498,768 ²	Nil
TOTAL	225,995,071	820,000

Note:

1. 50,000,000 Shares are subject to escrow until 22 November 2017.
2. This assumes that all Shares offered under the Offer will be issued. The actual number of Shares to be issued will vary based on the Shares subscribed for and issued pursuant to the Offer. This number is also subject to rounding.
3. Exercisable at \$0.2475 each on or before 27 December 2018.

3.2 Pro forma consolidated statement of financial position

Set out below is the consolidated balance sheet (statement of financial position) of the Company as at 31 December 2016 ("A") and a pro-forma consolidated balance sheet ("B") assuming the following:

- (a) the Offer is fully subscribed leading to the issue of 56,498,768 Ordinary Shares at an issue price of \$0.025 each to raise \$1,412,469;
- (b) the costs of the Offer are \$28,469.

	Consolidated 31 December 2016 \$ "A"	Pro-forma Consolidated \$ "B"
Current Assets		
Cash assets	2,103,395	3,487,395
Trade and other receivables	59,559	59,559
Other	5,100	5,100
Total Current Assets	2,168,054	3,552,054
Non-current Assets		
Exploration and evaluation	2,155,625	2,155,625
Total Non-current Assets	2,155,625	2,155,625
Total Assets	4,323,679	5,707,679
Current Liabilities		
Trade and other payables	107,099	107,099
Borrowings	100,625	100,625
Total Current Liabilities	207,724	207,724

	Consolidated 31 December 2016 \$ “A”	Pro-forma Consolidated \$ “B”
Non-current Liabilities		
Borrowings	565,293	565,293
Total Non-current Liabilities	565,293	565,293
Total Liabilities	773,017	773,017
Net Assets	3,550,662	4,934,662
Equity		
Issued Capital	13,296,493	14,680,493
Reserves	391,222	391,222
Accumulated Losses	(10,137,053)	(10,137,053)
Total Equity	3,550,662	4,934,662

Basis of Preparation

The above pro forma statement of financial position has been prepared in accordance with the draft ASIC Guide to Disclosing Pro Forma Financial Information (issued July 2005).

The pro forma balance sheets have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The pro forma statement of financial position is based on the unaudited financial position as at 31 December 2016 and assumes that the Entitlement Offer is fully subscribed. Other than in the ordinary course of business, there have been no other material transactions between that date and the date of this Prospectus.

3.3 Market price of Shares

The highest and lowest closing market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: \$0.040 on 6 January 2017

Lowest: \$0.022 on 28 March 2017

The latest available market sale price of the Shares on ASX prior to the date of lodgement of this Prospectus with the ASIC was \$0.025 per Share on 30 March 2017.

4. Risk Factors

Activities in the Company and its controlled entities, as in any business, are subject to risks, which may impact on the Company's future performance. The Company and its controlled entities have implemented appropriate strategies, actions, systems and safeguards for known risks, however, some are outside its control.

The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors which Shareholders need to be aware of in evaluating the Company's business and risks of increasing your investment in the Company. Shareholders should carefully consider the following factors in addition to the other information presented in this Prospectus.

The principal risks include, but are not limited to, the following:

4.1 Risks specific to the Company

(a) Farm-in agreement risk

The Company's interest in the Telkwa Project is held through the farm-in agreement with Altius Minerals Corporation (**Altius**). There is a risk that the financial failure or default of Altius may adversely affect the operations and performance of the Company. There is a risk also that the Company will not meet the milestone requirements of the farm-in agreement which may result in the Company losing its ability to farm-in higher percentages of Project ownership.

(b) Coal price risk

Coal like all commodities is subject to price volatility. Until the last 12 months, metallurgical coal prices as well as thermal, have suffered extended periods of low prices rendering many operating mines and development projects uneconomic, such that they have had to close and be put into care and maintenance. The economic viability of the Project therefore is reliant on metallurgical coal prices.

(c) Drilling and exploration programmes

There are operational risks associated with the Company's planned drilling and exploration programs for the Project. The planned surface sampling, drilling and exploration programs may be affected by a range of factors, including (but not limited to): geological and ground access conditions; unanticipated operational and technical difficulties encountered in sampling and drilling activities; adverse weather conditions, environmental accidents, and unexpected shortages or increases in the costs of consumables, spare parts, and labour; mechanical failure of operating plant and equipment; prevention of access by reason of political or civil unrest, outbreak of hostilities, outbreak of disease, inability to obtain regulatory consents or approvals; terms imposed by government on development of mining projects including conditions such as equity participation, royalty rates and taxes; and risks of default or non-performance by third parties providing essential services.

No assurance can be given that planned and future exploration will be successful or that a commercial mining operation will eventuate at the Project, or any of the Company's existing mineral projects.

(d) Additional requirements for capital

The future capital requirements of the Company will depend on many factors including the results of future exploration and business development activities. The Company believes its available cash and resources following the Offer should be adequate to fund its immediate obligations. However, the Company will require additional capital to fund the development of the Project.

The Company may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in the delay and indefinite postponement of development or production on the Project or even loss of a property interest.

There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

(e) Exploration and development

Mineral exploration and project development are high risk undertakings.

There can be no assurance that exploration and development of the Project (or any of the Company's existing or future projects) will result in the determination of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited. Until the Company is able to realise value from its mineral projects, it is likely to incur ongoing operating losses.

(f) Title

The claims comprising the Telkwa Project are governed by legislation relating to grant, renewal and forfeiture. There is no guarantee that current or future applications, conversions or renewals of tenure will be approved, including any small or major permit applications.

The claims will be subject to a number of specific legislative conditions including payment of rent and meeting minimum annual expenditure commitments. The inability to meet these conditions in relation to the coal licenses could affect the standing of these coal licenses or restrict their ability to be renewed, adversely affecting the operations, financial position and performance of the Company.

(g) First Nations risk

The ability of the Company to progress from the exploration phase to the development and mining phases of operations will require successful negotiations with the relevant Canadian First Nation interest groups which cannot be guaranteed. First Nations interests may adversely affect the

Company's operations and its ability to explore or develop tenements in a timely manner.

(h) Sovereign and political risk

The activities related to the Project are governed by Canadian law.

The Directors consider that the Canadian government supports the development of natural resources by foreign investors. However, there is no assurance that future political and economic conditions in Canada will not result in the Canadian government adopting different policies regarding foreign development and ownership of mineral resources. Any changes in policy may result in legislative changes affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return on capital, all of which may affect the Company's ability to develop the Project.

Any potential future Canadian operations of the Company are subject to a number of risks, including: potential difficulties in enforcing agreements and collecting receivables through foreign local systems, potential difficulties in protecting rights and interests in assets, increases in costs for transportation and shipping, and restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes.

Any of these factors could materially and adversely affect the Company's business, results of operations and financial condition.

(i) Environment

The Project is subject to laws and regulations regarding environmental matters and the Company will require approvals from and compliance with all relevant authorities.

The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

(j) No market sector diversification

As the Company will be entirely exposed to the mining, and in particular the coal mining, sector, its business performance may be affected should this sector perform poorly.

4.2 General Risks

(a) Economic risks

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's business activities and potential exploration and development programs, as well as on its ability to fund those activities.

(b) **Force majeure**

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(c) **Market conditions**

Share market conditions may affect the value of the Company's Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resources stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return to Shareholders arising from the transactions the subject of this Prospectus or otherwise.

4.3 Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus.

Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

5. Additional information

5.1 Rights and liabilities attaching to Shares

A summary of the rights attaching to Shares in the Company is below. This summary is qualified by the full terms of the Constitution (a full copy of the Constitution is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, the Shareholder should seek legal advice.

(a) General meeting and notices

Each member is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to members under the Constitution, the Corporations Act or the Listing Rules.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at a general meeting of the Company every holder of fully paid Shares present in person or by an attorney, representative or proxy has one vote on a show of hands (unless a member has appointed 2 proxies) and one vote per Share on a poll.

A person who holds a Share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the Share.

(c) Issues of further Shares

The Directors may, on behalf of the Company, issue, grant Options over or otherwise dispose of unissued Shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by the Constitution, the Listing Rules, the Corporations Act and any rights for the time being attached to the Shares in any special class of those Shares.

(d) Variation of rights

At present, the Company has on issue one class of Shares only, namely ordinary Shares. Unless otherwise provided by the Constitution or by the terms of issue of a class of Shares, the rights attached to the Shares in any class may be varied or cancelled only with the written consent of the holders of at least three-quarters of the issued Shares of the affected class, or by special resolution passed at a separate meeting of the holders of the issued Shares of the affected class.

(e) Transfer of Shares

Subject to the Constitution, the Corporations Act and the Listing Rules, ordinary Shares are freely transferable.

(f) Dividends

Subject to the Corporations Act, the Listing Rules and the rights attaching to Shares issued on special conditions (at present there are none), the Directors may from time to time declare that a dividend is payable to the holders of ordinary Shares in proportion to the number of Shares held by them respectively and are paid proportionately to the amounts paid or credited as paid on Shares.

(g) Winding up

Subject to the Constitution, the Corporations Act and the rights of holders of Shares with special rights in a winding-up (at present there are none), on a winding-up of the Company, the liquidator may, with the sanction of a special resolution of the Company, divide among the Shareholders in kind the whole or any part of the property of the Company and may for that purpose set the value the liquidator considers fair upon any property to be so divided and may determine how the division is to be carried out as between members or different classes of members.

(h) Dividend reinvestment and share plans

The Directors may grant to Shareholders or any class of Shareholders the right to elect that dividends payable by the Company be reinvested, including by way of subscription for fully paid Shares in the Company or by foregoing any dividends that may be payable on all or some of the Shares held by that member and to receive instead some other entitlement, including the issue of Shares.

(i) Directors

The Constitution states that the minimum number of Directors is three.

(j) Powers of the Board

Except as otherwise required by the Corporations Act, any other law, the Listing Rules or the Constitution, the Directors have power to manage the business of the Company and may exercise all powers of the Company as are not required by the Corporations Act, Listing Rules or Constitution, required to be exercised by the Company at general meeting.

(k) Unmarketable parcels

The Constitution permits the Company to sell the Shares held by a Shareholder if they comprise less than a marketable parcel within the meaning of the Listing Rules.

If a Shareholder does not want its Shares sold, that Shareholder may notify the Company accordingly.

(l) Capitalisation of profits

The Company may capitalise profits, reserves or other amounts available for distribution to members. Subject to the Constitution and the terms of issue of Shares, members are entitled to participate in a capital distribution in proportion to the number of Shares held by them.

(m) Preference Shares

The Company may issue preference Shares including preference Shares that are liable to be redeemed.

5.2 Company is a disclosing entity

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purpose of ASX making the information available to the securities market conducted by ASX. In particular, the Company has an obligation under the Listing Rules (subject to certain limited exceptions), to notify ASX once it is, or becomes aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a Directors' statement and report, and an audit review or report. Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office (see Section 5.4 below). Copies of all documents announced to the ASX can be found at <http://www.allegiancecoal.com.au/irm/content/asx-announcements.aspx?RID=8>.

5.3 Dividend Policy

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

5.4 Copies of documents

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC. The Company will provide free of charge to any person who requests it during the period of the Entitlement Offer a copy of:

- (a) the financial statements of the Company for the financial year ended 30 June 2016, being the last financial statements for a financial year of the Company lodged with ASIC before the issue of this Prospectus;
- (b) the financial statements of the Company for the half year ended 31 December 2016;
- (c) the annual report of the Company for the financial year ended 30 June 2016, being the last annual report of the Company lodged with ASIC after lodgement of the financial statements referred to in paragraph 5.4(a) above and before the issue of this Prospectus; and

- (d) the following notices given by the Company to notify ASX of information relating to the Company during the period from the date of lodgement of the financial statements referred to in paragraph 5.4(a) above until the date of this Prospectus:

Date lodged	Subject of Announcement
21/03/2017	Telkwa Metallurgical Coal Project PFS Update
07/03/2017	Half Yearly Report and Accounts 31 December 2016
28/02/2017	Coal Assessment Report
13/02/2017	Investor Presentation
30/01/2017	Quarterly Activities Report 31 December 2016
30/01/2017	Quarterly Cashflow Report 31 December 2016
23/01/2017	Locates historical groundwater wells at Telkwa Project
17/01/2017	Telkwa Coking Coal PFS Lead Consultants Appointed
12/12/2016	Becoming a substantial holder
09/12/2016	Initial Director's Interest Notice
09/12/2016	Director Appointment
07/12/2016	Ceasing to be a substantial holder
07/12/2016	Change in substantial holding
07/12/2016	Ceasing to be a substantial holder
07/12/2016	Ceasing to be a substantial holder
06/12/2016	Becoming a substantial holder
06/12/2016	Becoming a substantial holder
30/11/2016	Change in Company Secretary and Registered Address
29/11/2016	Change in substantial holding
29/11/2016	Change in substantial holding
29/11/2016	Ceasing to be a substantial holder

Date lodged	Subject of Announcement
28/11/2016	Change in substantial holding
28/11/2016	Becoming a substantial holder
24/11/2016	Allegiance Coal to expedite Telkwa Coal Project
23/11/2016	Cleansing notice sec 708A
23/11/2016	Appendix 3B
23/11/2016	Completion of acquisition of Telkwa Coal Ltd
23/11/2016	Results of Meeting
08/11/2016	Release of Trading Halt
08/11/2016	Results of Meeting
08/11/2016	Trading Halt
04/11/2016	Consolidation/Split - AHQ
31/10/2016	Quarterly Activities Report
31/10/2016	Quarterly Cashflow Report
26/10/2016	Notice of Annual General Meeting/Proxy Form
20/10/2016	\$2.5 Million Placement
19/10/2016	Ceasing to be a substantial holder
18/10/2016	Trading Halt
10/10/2016	Change in substantial holding
10/10/2016	Notice of Extraordinary General Meeting/Proxy Form
10/10/2016	Investor Presentation

The following documents are available for inspection throughout the period of the Entitlement Offer during normal business hours at the registered office of the Company:

- (a) this Prospectus;
- (b) the Constitution; and

- (c) the consents referred to in Section 5.11 and the consents provided by the Directors to the issue of this Prospectus.

5.5 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules other than as is set out in this Prospectus.

5.6 Determination by ASIC

ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the Shares under this Prospectus.

5.7 Interests of Directors

(a) Information disclosed in this Prospectus

Other than as set out in this Prospectus, no Director holds or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (i) the formation or promotion of the Company;
- (ii) any property acquired or proposed to be acquired by the Company in connection with:
 - (A) its formation or promotion; or
 - (B) the Offer; or
- (iii) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director:

- (iv) as an inducement to become, or to qualify as, a Director; or
- (v) for services provided in connection with:
 - (A) the formation or promotion of the Company; or
 - (B) the Offer.

(b) Security holdings

The relevant interests of each of the Directors in Securities as at the date of this Prospectus is set out below.

Director	Shares	Options
Mr Malcolm Carson	Nil	Nil
Mr David Deitz ¹	135,334	45,111

Mr David Fawcett	Nil	Nil
Mr Jonathan Reynolds	Nil	Nil

Notes:

1. Mr David Deitz's interests are held as follows:

- 135,334 Shares are held indirectly by Mr Deitz through Rainidays Pty Ltd (ACN 130 860 347); and
- 45,111 Options (exercisable at \$0.2475 each on or before 27 November 2018) held indirectly through Rainidays Pty Ltd (ACN 130 860 347).

It is the intention of the Mr Deitz to take up all of his Entitlement under the Entitlement Offer.

(c) Remuneration

The Constitution provides that the Directors may be paid for their services as Directors a sum not exceeding such fixed sum per annum as may be determined by the Shareholders in general meetings, to be divided among the Directors as the Directors shall determine, and in default of agreement then in equal Shares.

A Director may also be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Directors received the following remuneration for the year to 30 June 2015:

Director	Directors' fees, and salary (\$)	Superannuation (\$)	Share based payments (\$)	Total (\$)
Mr Malcolm Carson ¹	-	-	-	-
Mr David Deitz	13,761	1,307	-	15,068
Mr David Fawcett ²	-	-	-	-
Mr Jonathan Reynolds ³	-	-	-	-
Mr Anthony Howland-Rose ⁴	15,000	-	-	15,000
Mr Peter Donkin ⁵	13,761	1,307	-	15,068
Mr Colin Randall ⁶	197,283	12,239	-	209,522

Notes to 2015 remuneration:

1. Mr Carson was appointed as a non-executive director on 12 August 2016.
2. Mr Fawcett was appointed as a non-executive director on 9 December 2016.
3. Mr Reynolds was appointed as an executive director on 12 August 2016.

4. Mr Howland-Rose resigned on 25 August 2016.
5. Mr Donkin resigned on 25 August 2016.
6. Mr Randall resigned on 7 August 2015.

Directors received the following remuneration for the year ended 30 June 2016:

Director	Directors' fees, and salary (\$)	Superannuation (\$)	Share based payments (\$)	Total (\$)
Mr Malcolm Carson ¹	-	-	-	-
Mr David Deitz	24,465	2,324	-	26,789
Mr David Fawcett ²	-	-	-	-
Mr Jonathan Reynolds ³	-	-	-	-
Mr Anthony Howland-Rose ⁴	26,667	-	-	26,667
Mr Peter Donkin ⁵	24,465	2,324	-	26,789
Mr Colin Randall ⁶	-	-	-	-

Note to 2016 remuneration:

1. Mr Carson was appointed as a non-executive director on 12 August 2016.
2. Mr Fawcett was appointed as a non-executive director on 9 December 2016.
3. Mr Reynolds was appointed as an executive director on 12 August 2016.
4. Mr Howland-Rose resigned on 25 August 2016.
5. Mr Donkin resigned on 25 August 2016.
6. Mr Randall resigned on 7 August 2015.

Directors received the following remuneration for the nine months ended 31 March 2017:

Director	Directors' fees, and salary (\$)	Superannuation (\$)	Share based payments (\$)	Total (\$)
Mr Malcolm Carson ¹	34,800	-	-	34,800
Mr David Deitz	32,609	145	-	32,754
Mr David Fawcett ²	13,164	-	-	13,164
Mr Jonathan Reynolds ³	76,452	-	-	76,452
Mr Anthony Howland-Rose ⁴	1,667	-	-	1,667
Mr Peter Donkin ⁵	1,529	145	-	1,674

Note to 2017 remuneration:

1. Mr Carson was appointed as a non-executive director on 12 August 2016.
2. Mr Fawcett was appointed as a non-executive director on 9 December 2016.
3. Mr Reynolds was appointed as an executive director on 12 August 2016.
4. Mr Howland-Rose resigned on 25 August 2016.
5. Mr Donkin resigned on 25 August 2016.

5.8 Related party transactions

There are no related party transactions involved in the Entitlement Offer.

The Company's policy in respect of related party arrangements is:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

5.9 Interests of other persons

Except as disclosed in this Prospectus, no expert, promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity:

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Shares offered under this Prospectus or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Shares offered under this Prospectus; or
- (b) has been paid or given or will be paid or given any amount or benefit in connection with the formation or promotion of the Company or the Shares offered under this Prospectus.

5.10 Expenses of Offer

The estimated expenses of the Offer are as follows:

	\$
ASIC fees	2,350
ASX quotation fee	6,373
Legal and preparation expenses	10,000
Printing, mailing and other expenses	9,746
Total	28,469

5.11 Consents

- (a) Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of Shares under this Prospectus), the Directors, any persons named in the Prospectus with their consent having made a

statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

- (b) Each of the parties referred to in this Section:
 - (i) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
 - (ii) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.
- (c) Bellanhouse Legal has given its written consent to being named as the Australian corporate solicitors to the Company in this Prospectus. Bellanhouse Legal has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.
- (d) Computershare Investor Services Pty Limited has given its written consent to being named as the share registry to the Company in this Prospectus. Computershare Investor Services Pty Limited has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

6. Directors' Statement and Consent

This Prospectus is authorised by each of the Directors of the Company.

This Prospectus is signed for and on behalf of Company by:

A handwritten signature in black ink, appearing to be 'M Carson', written in a cursive style.

Malcolm Carson
Chairman

Dated: 31 March 2017

7. Glossary of Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

\$ means Australian dollars.

Acceptance means a valid acceptance of Shares made pursuant to this Prospectus on a Form.

AEST means Australian Eastern Standard Time.

Applicant means a person who submits an Entitlement and Acceptance Form.

Application means a valid application for Shares made on an Entitlement and Acceptance Form.

Application Monies means application monies for Shares received by the Company.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 and where the context permits the Australian Shares Exchange operated by ASX Limited.

Board means the Directors meeting as a board.

Business Day means Monday to Friday inclusive, other than a day that ASX declares is not a business day.

CHESS means ASX Clearing House Electronic Subregistry System.

Closing Date has the meaning given to it in Section 1.3.

Company means Allegiance Coal Limited (ACN 149 490 353).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means *Corporations Act 2001* (Cth).

Directors mean the directors of the Company as at the date of this Prospectus.

Eligible Shareholder means a person registered as the holder of Shares on the Record Date whose registered address is in Australia or New Zealand.

Entitlement and Acceptance Form means the entitlement and acceptance form provided by the Company with a copy of this Prospectus that describes the entitlement of Shareholders to subscribe for Shares pursuant to the Entitlement Offer.

Entitlement means the number of new Shares for which an Eligible Shareholder is entitled to subscribe under the Entitlement Offer, being one new Share for every existing three Shares held on the Record Date.

Entitlement Offer means the offer under this Prospectus of up to approximately 56,498,768 new Shares to Eligible Shareholders in the proportion of one new Share for every three Shares held on the Record Date.

Ineligible Foreign Shareholder means a person registered as the holder of Shares on the Record Date whose registered address is not in Australia or New Zealand.

Issuer Sponsored means Shares issued by an issuer that are held in uncertified form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

Listing Rules means the listing rules of ASX.

Offer means an offer under this Prospectus to subscribe for Shares.

Option means the right to acquire one Share in the capital of the Company.

Project means the Telkwa metallurgical project located in northwest British Columbia.

Prospectus means this prospectus dated 31 March 2017.

Record Date means 5:00pm (AEST) on the date identified in the proposed timetable.

Section means a section of this Prospectus.

Securities mean any securities including Shares or Options issued or granted by the Company.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

Shortfall means Shares not subscribed for under the Entitlement Offer.

VWAP means volume weighted average price.