ALLEGIANCE COAL
LIMITED

TELKWA METALLURGICAL COAL PROJECT
PFS RESULTS PRESENTATION

PROJECT UPDATE | 10 JULY 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 PROJECT SUCCESS IN COAL

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 all its 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.

Corporate snapshot

Financial information

Share price (11-Jul-17)	A$0.03
Number of shares	225,995,235
Market Capitalisation	**A$6.8M**
Less Cash (30-Jun-17)	A$1.6M
Add Debt (30-Jun-17)	A$0.8M
Enterprise Value	**A$6.0M**

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

Source: IRESS, company filings

Simple capital structure
Still undervalued by reference to peers and still positioned for growth

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**

ASX Canadian & USA peers

	Market Cap A$
Paringa Resources Limited (PNL)	**138M**
Atrum Coal Limited (ATU)	**44M**
Jameson Resources Limited (JAL)	**25M**
Pacific American Coal Limited (PAK)	**8M**

(11-Jul-17)

Re-cap, what's our plan?

- **Putting a safe and environmentally sustainable mine into production quickly, that is affordable and achievable for a junior through staged permitting and production.**
- The Staged Production Pre-feasibility Study (PFS) was undertaken by SRK Consulting (Canada) Inc. In doing so, Allegiance sought to lay a foundation for development by:
  - Establishing a large JORC Proven and Probable Reserve of 62.9Mt;
  - Confirming an exceptionally low cost operation, whatever the scale of production; and
  - Providing guidance parameters on capital expenditure.
- The platform is now set for Allegiance to focus more specifically on:
  - Stage 1 development, operating at 250ktpa of saleable coal (sub-full Environmental Assessment);
  - And, the scale of ramp-up in production that gives the best return on the lowest level of Stage 1 start-up capital.

How we've tracked and what's in front of us …

- ✓ Prior quarter AHQ acquires Telkwa and raises $2.5M to fund PFS
- ✓ SRK & Sedgman engaged and PFS commences for delivery by 30 June 2017
- ✓ AHQ announces 1:3 rights issue to raise $1.4M

- ○ Baseline studies commenced
- ○ Staged Production PFS review commences
- ○ Stage 1 PFS commences

- ○ Commence Stage 1 feasibility study

- ○ Undertake and complete environmental effects assessment

Q1 17 → Q2 17 → Q3 17 → Q4 17 → Q1 18 → Q2 18 → Q3 18 → Q4 18

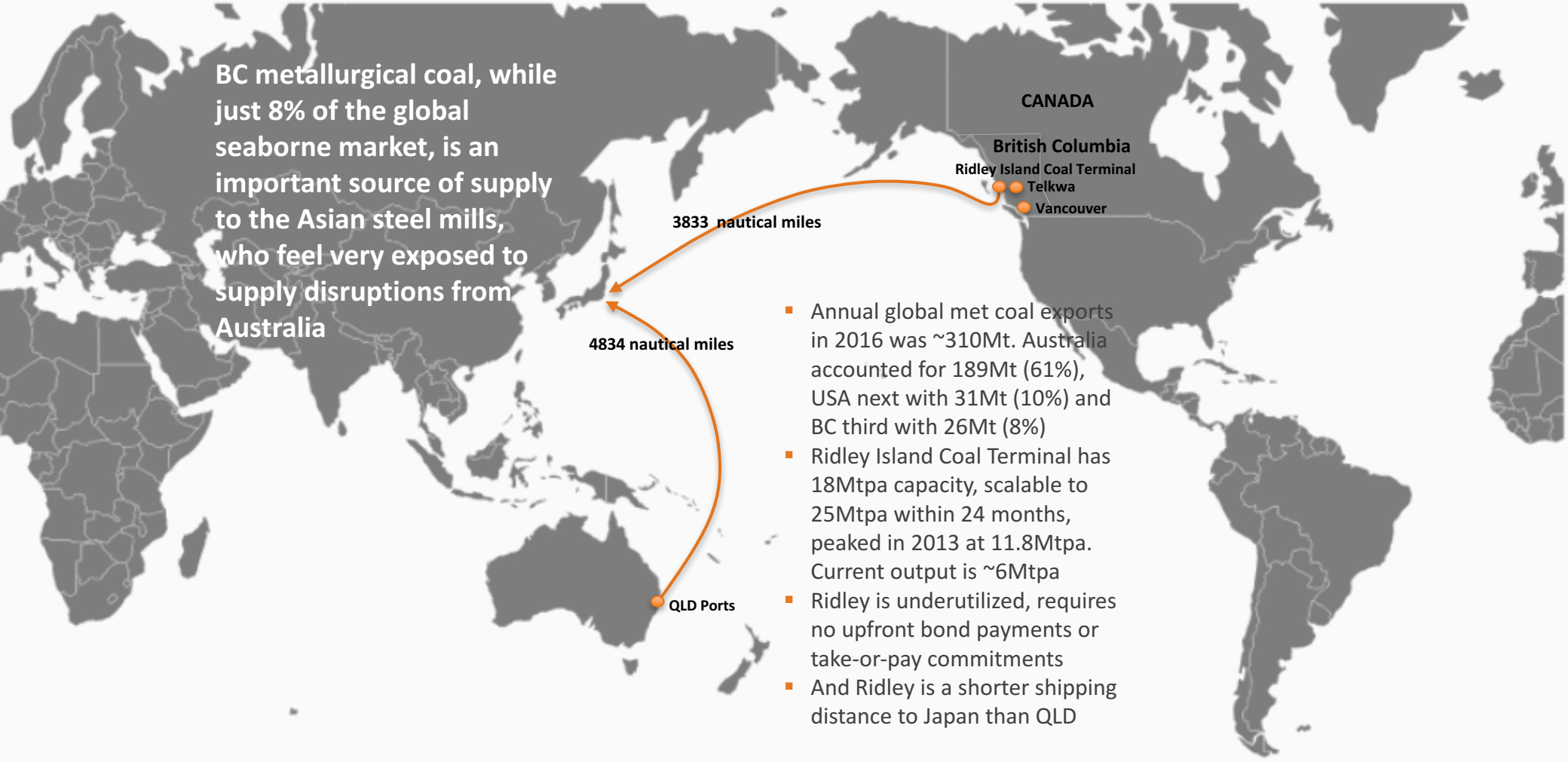
- ✓ Rights issue closes with shortfall placed raising the full $1.4M
- ✓ AHQ enters into Communication & Engagement Agreement with First Nations
- ✓ SRK & Sedgman, deliver the Staged Production PFS

- ○ Release results of Staged Production PFS review
- ○ Release results of Stage 1 PFS
- ○ Six hole drill program for ground water wells and rock analysis, core will be taken for coal quality tests
- ○ Possible coal blending tests to be undertaken

- ○ Complete Stage 1 feasibility study
- ○ Complete baseline studies
- ○ Secure project funding

- ○ Prepare applications for permits to build and operate Stage 1 mine

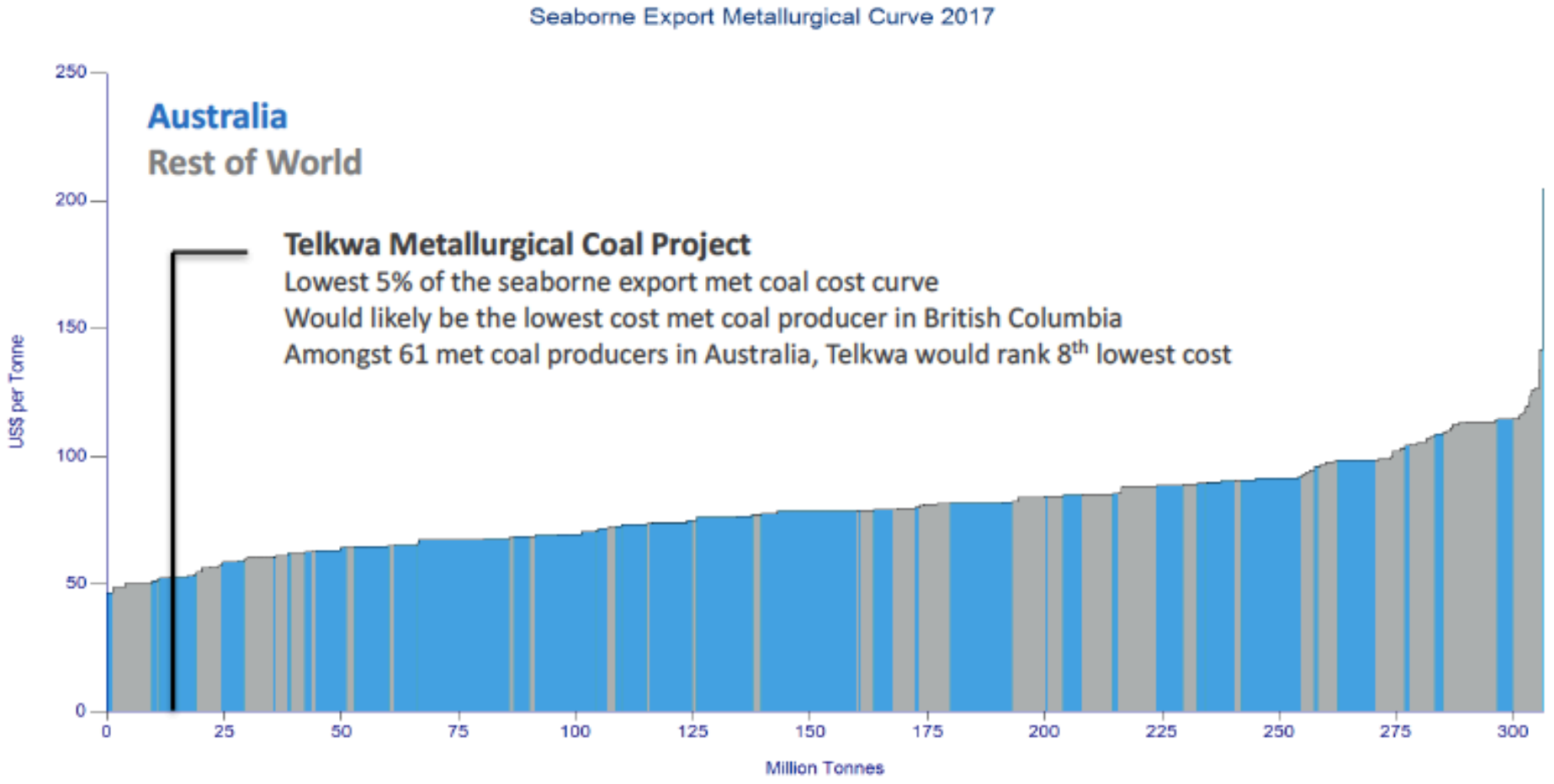
Why Telkwa? BC is an important source of global met coal supply…



- Annual global met coal exports in 2016 was ~310Mt. Australia accounted for 189Mt (61%), USA next with 31Mt (10%) and BC third with 26Mt (8%)
- Ridley Island Coal Terminal has 18Mtpa capacity, scalable to 25Mtpa within 24 months, peaked in 2013 at 11.8Mtpa. Current output is ~6Mtpa
- Ridley is underutilized, requires no upfront bond payments or take-or-pay commitments
- And Ridley is a shorter shipping distance to Japan than QLD

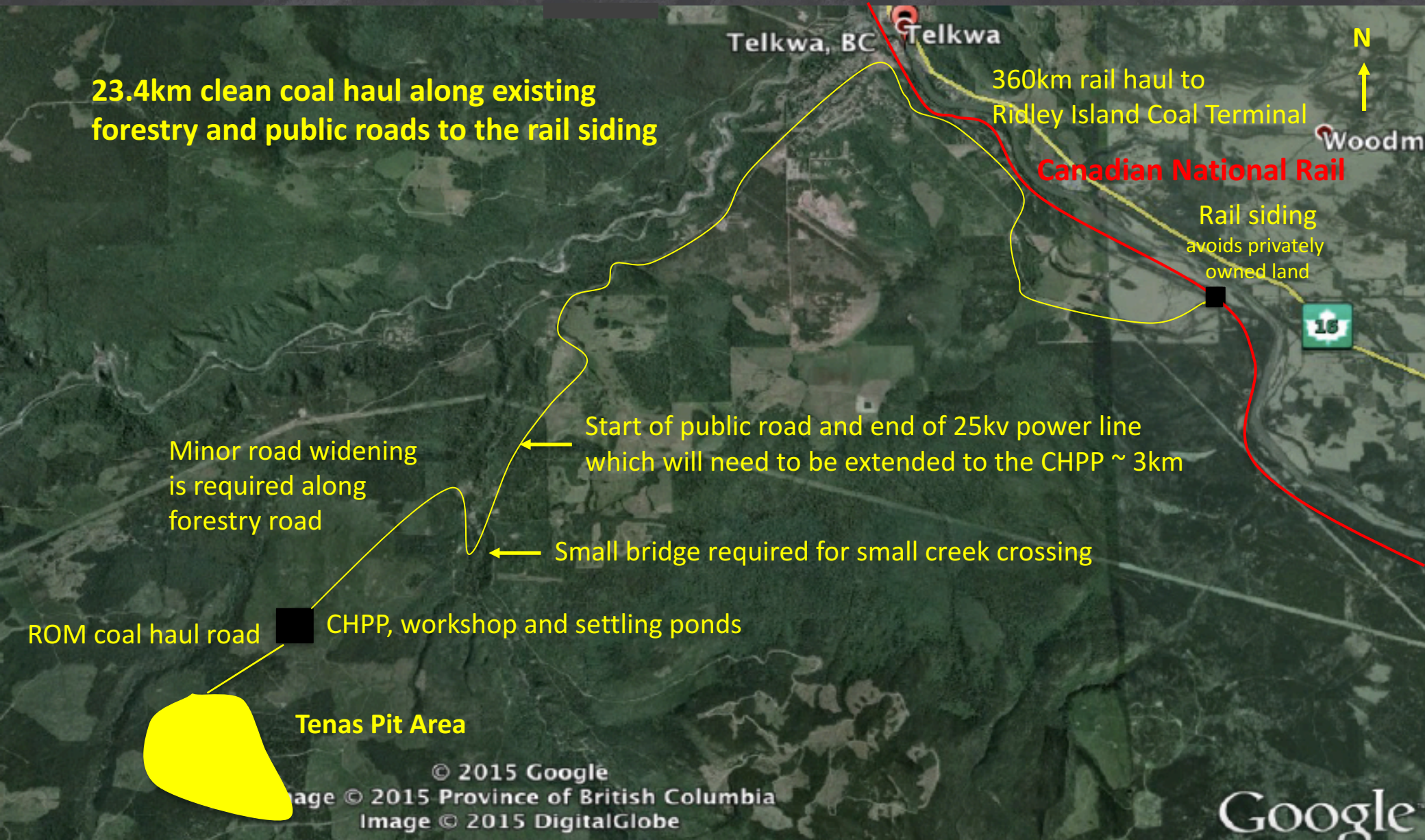
Asian steel mills have recently stated, they want alternative supply options to Australia!

…and Telkwa can compete on that global stage

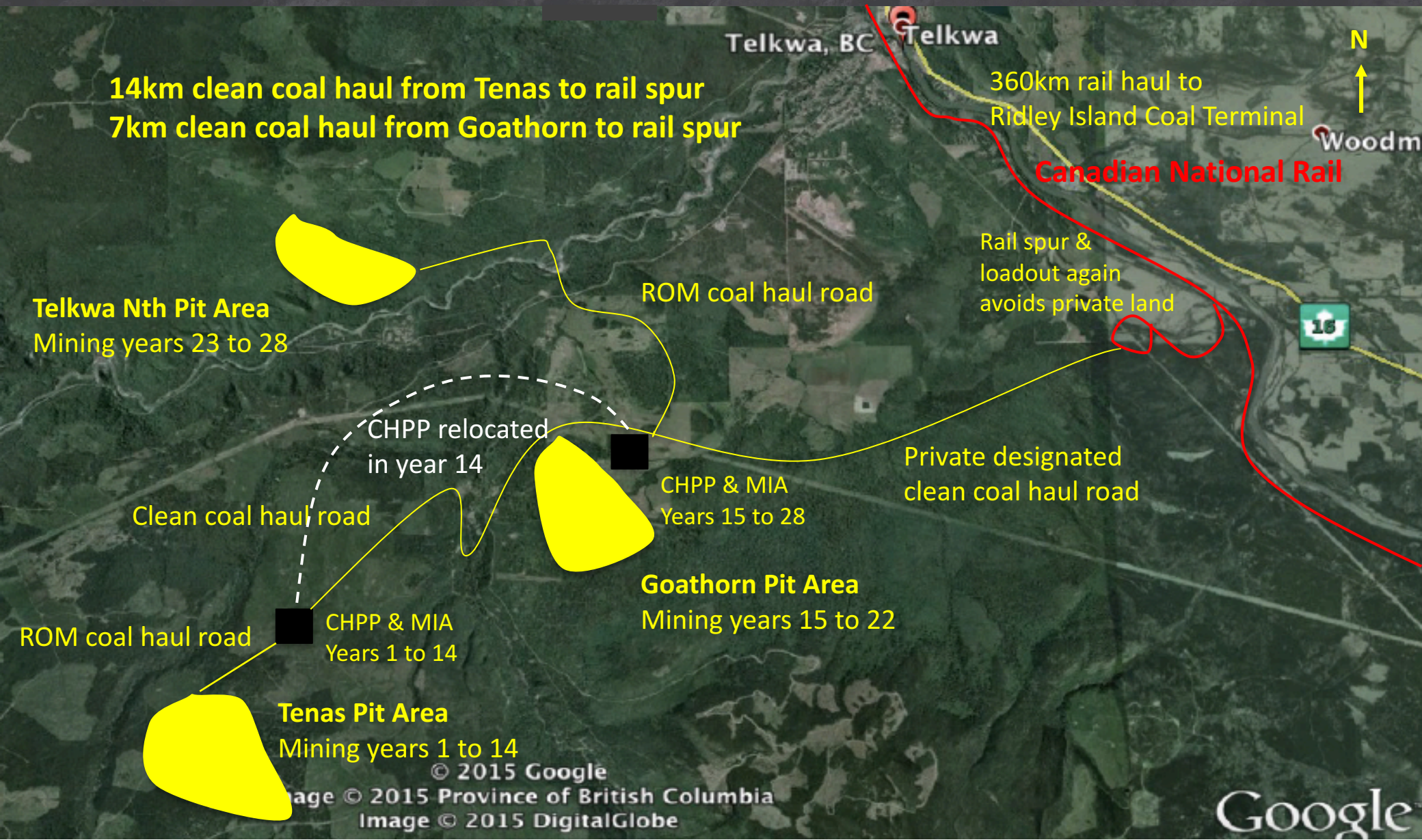


Source: Wood Mackenzie Ltd, Dataset: May 2017

Stage 1 production starts lean at 250kctpa focused just on the Tenas Pit …



… then Stage 2 we ramp to 1.75Mctpa and progressively mine all Pits …



...and the Staged Production PFS results sum it up, very convincingly!

250k to 1.75M ctpa	• Commence mining at 250k clean coal tonnes per annum and ramping to 1.75M by year four.
5.7:1 strip ratio	• A very low average life-of-mine strip ratio of 5.7:1 BCM/ROMt, equating to a clean coal strip ratio of 8.4:1 PRODt.
28 years LOM	• At a strip ratio of 5.7:1 BCM/ROMt, the Project will recover 42.5Mt of saleable coal for a mine life of 28 years.
75% yield first 14 years	• For the first 14 years of production, an all met coal yield of 75%, with a life of mine average yield of 68%.
US$55 FOB	• The very low all in FOB cash cost (before tax) is driven by simple geology, simple logistics, and very low waste removal costs.
US$51M	• The start-up capital while still very low, still has immediate scalability by going from 4 day shifts to 7/24, and includes a wash-plant with capacity of 1Mctpa.
1.8 years	• Capital payback 1.8 years (real terms) from Stage 2 production.
Pre-tax $NPV_{10\%}$ US$416M	• Pre-tax $NPV_{10\%}$ US$416M: Post-tax $NPV_{10\%}$ US$243M.
Pre-tax IRR 37%	• Pre-tax IRR 37%: Post-tax IRR 30%.

Tenas dominates the reserves at 50% and is first 14 years of mining

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	Product	Tenas Mt	Goathorn Mt	Telkwa Nth Mt	Total Mt
Proven	ROM Coal	29.1	22.1	10.8	62.9
	Clean Coal	20.6	12.6	6.4	39.5
	Saleable Coal	21.0	13.8	7.0	41.8
Probable	ROM Coal	-	0.2	0.7	0.9
	Clean Coal	-	0.1	0.4	0.5
	Saleable Coal	-	0.1	0.5	0.6
Total	**ROM Coal**	**29.1**	**22.3**	**11.5**	**62.9**
	Clean Coal – 8.5% moisture	**20.6**	**12.7**	**6.8**	**40.1**
	Saleable Coal – 10% moisture	**21.0**	**13.9**	**7.5**	**42.5**

…while coal quality sits alongside similar global met coal products

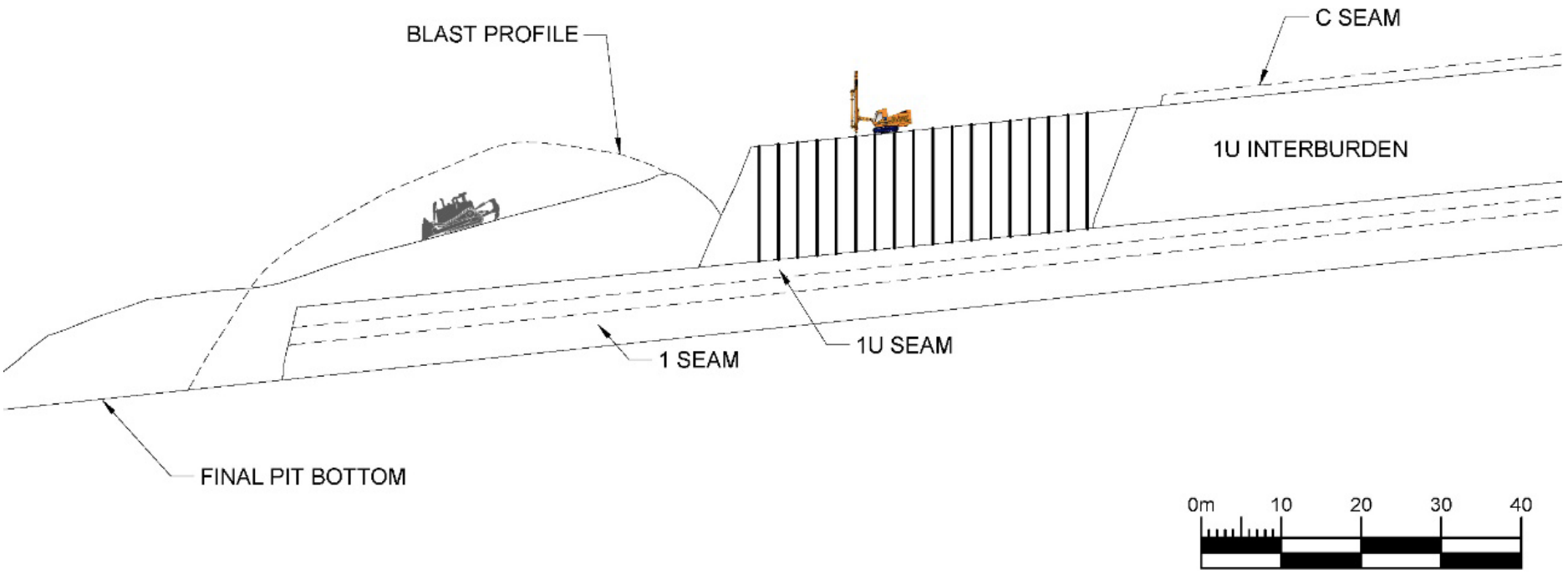
Washed at an SG of 1.6 for a life of mine yield of 68%			NSW SSCC	NSW HV PCI
Total moisture	%	**7.8**	6-10.5	6-10.5
Volatile matter	%	**24.6**	33-37	33-38
Ash	%	**9.5**	6.5-10.5	9-10.5
Sulphur	%	**0.9**	0.5-10.5	0.35-0.85
Fixed carbon	%	**65.3**	50-60	55
Calorific value	Kcal/kg	**7,245**	N/A	7250
Free 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

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

The coal specifications represent mine site quality

The geology in Tenas enables a very low cost mining sequence …

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



… which ultimately leads to extremely low operating costs

Operating Costs	Average life of mine	US$ saleable/t
Waste removal	Combination of load, haul and dozer push	23.8
Coal recovery	Load and haul	2.7
Coal processing	190tph modular and scalable washplant	3.6
Other site costs	Water management and reclamation	2.5
General and admin		4.0
Sub-total	**All costs to rail siding**	**36.6**
Marketing		0.2
Haulage	Clean coal load and haul from CHPP to siding	2.6
Rail and port		12.7
Royalties	Payable to third parties	2.8
Sub-total	**All costs from siding to ship loaded**	**18.3**
Total Operating Costs	**Pre corporate tax & BC Govt. mineral tax**	**54.8**

Start-up capital expenditure

Initial Capital Base Case	Stage 1 US$M	Stage 2 US$M	Total US$M
Equipment primary production and ancillary*	9.1	59.9	69.0
Pre-strip	3.0	-	3.0
Mine access	1.5	7.0	8.5
CHPP and mine infrastructure*	20.2	36.3	56.5
Water management, power and other	15.2	39.1	59.3
Rail siding and loadout	2.3	19.6	21.9
Total Initial Capital (*includes contingency)	**51.2**	**161.6**	**213.0**

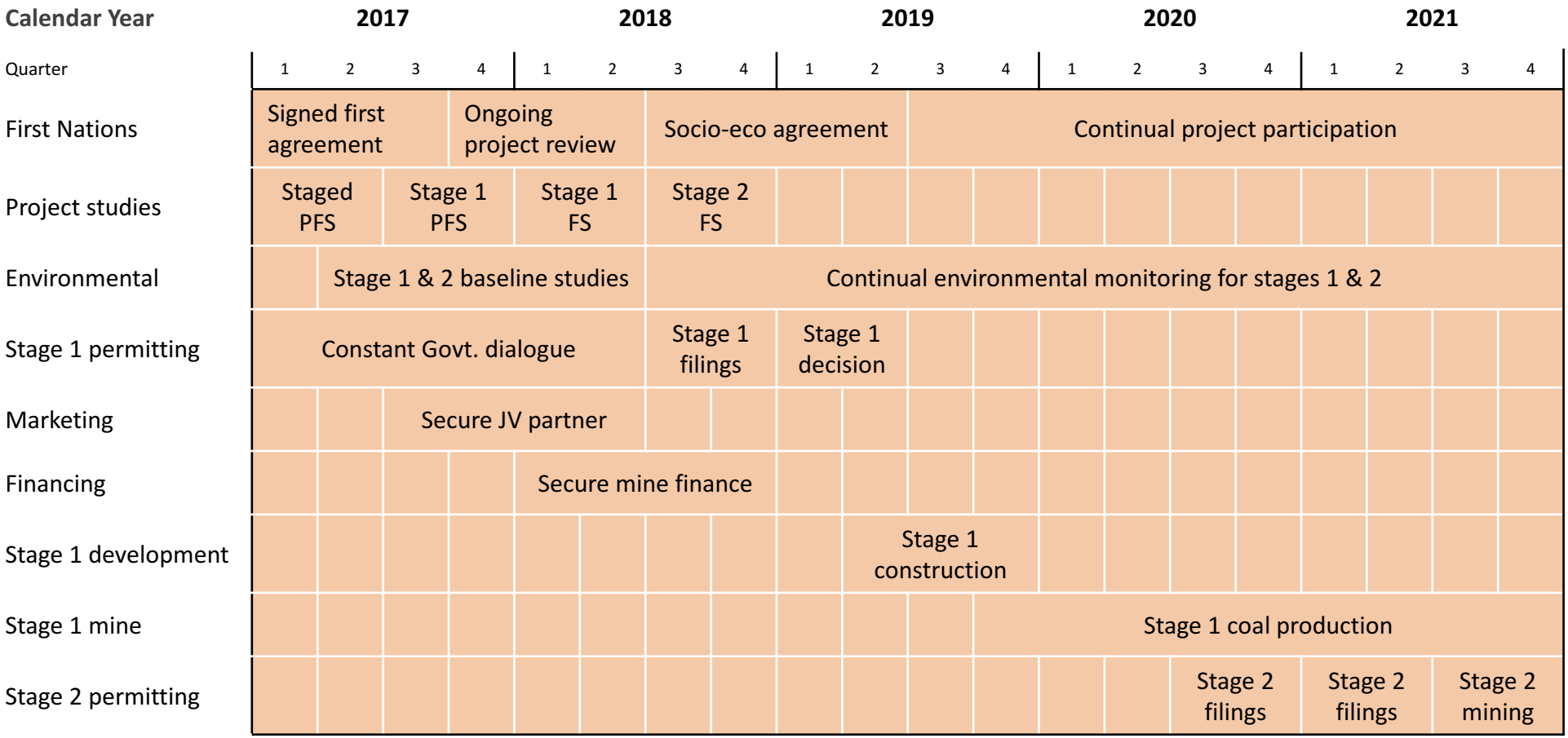
Capital Reduction Options	Stage 1 US$M	Stage 2 US$M	Total US$M
Start-up capital base case	51.2	161.6	212.8
Manufacturer financed and operated CHPP	-24.6	-4.8	-29.4
Finance equipment or contract mining	-5.5	-102.7	-108.3
Reduced Start-up Capital potential	**21.1**	**54.2**	**75.2**

Key performance indicators

Inputs to Key Performance Indicators	Units	Value
Average Coal price for a mid-volatile PCI coal	US$/t	110
Exchange rate Canadian to US dollars	Multiple	1.33
BC Minerals tax rate (deductible from corporate taxes)	%	15
BC Corporate tax rate	%	11
Federal Corporate tax rate	%	15

Key Performance Indicators	Units	Value
Pre-tax NPV10%	US$M	416
Pre-tax IRR	%	37
Post-tax NPV10%	US$M	243
Post-rax IRR	%	30
Payback from commencement of Stage 2 full production (real terms)	Years	1.8

Pathway to staged permitting and production



Subject to change

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