ALLEGIANCE COAL LIMITED

TELKWA METALLURGICAL COAL PROJECT

INVESTOR PRESENTATION

INVESTOR UPDATE | OCTOBER 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.

Why invest in Allegiance Coal?

- Our Telkwa metallurgical coal project based in British Columbia, Canada **(Project)**, offers investment exposure to the steel making coal market that no other ASX junior company does.
- The Project sits in the lowest 5 percentile of the global seaborne metallurgical coal cost curve which means it is hedged against the volatility of met coal prices – when prices come down the high cost producers close while the Project has much greater capacity to remain profitable and in production, ready to catch the upturn in the cycle.
- The Project requires relatively low start-up CAPEX to get into production which means the funding risk is reduced and dilution to shareholders in raising development capital is also reduced.
- The Project is in a great jurisdiction in which to invest, where mine permitting legislation is clear, prescriptive and objective. We would argue that permitting risk is higher in Australia than Canada.
- We have the benefit of ~A$40M of historical exploration data which means we do not have to do any exploration and can apply shareholders funds to getting the Project permitted and into production significantly faster and more cost effectively than many of our peers.
- In the 11 months we have owned the Project, we have achieved a great deal more than many of our peers have in several years.

The Project enjoys exceptional location to rail, port & market …

Telkwa to Ridley Island Coal Terminal is 375km by rail along a flat track with little or no grade.

The Port currently has capacity of 18Mtpa with ~6Mtpa in use. The Port requires no take-or-pay contracts or bond payments to secure space.

The Shipping distance to the Japanese steel mills is around one day shorter than the distance from Queensland or NSW ports.

British Columbia offers an alternative source of supply of met coal to the north Asian steel mills, especially Japan.

… as well as flat topography away from the public

Four production scenarios have been assessed …

… and all four showed excellent economic outcomes

Annual saleable coal production	250,000t	500,000t	1Mt	1.75Mt
All-in-FOB cash cost per sold tonne (pre-tax)	US$54	US$51	US$59	US$55
Start-up CAPEX (incremental from 250kt)	US$35M	US$2M	US$20M	US$162
Average annual revenue (US$110t)	US$28M	US$55M	US$110M	US$192M
Average annual EBITDA	US$14M	US$30M	US$51M	US$97M
Average EBITDA ratio to revenue	50%	54%	46%	50%
Unleveraged pre-tax NPV_{10}	US$51M	US$83M	US$312M	US$416M
Unleveraged pre-tax IRR	32%	54%	44%	37%
Permitting timing (incremental from 250kt)	2 years	1 year	3 years	Same as 1Mt

Except for the 1 Mtpa case, all production scenarios were assessed by SRK Consulting (Canada) Inc. in two pre-feasibility studies completed in July and September 2017.

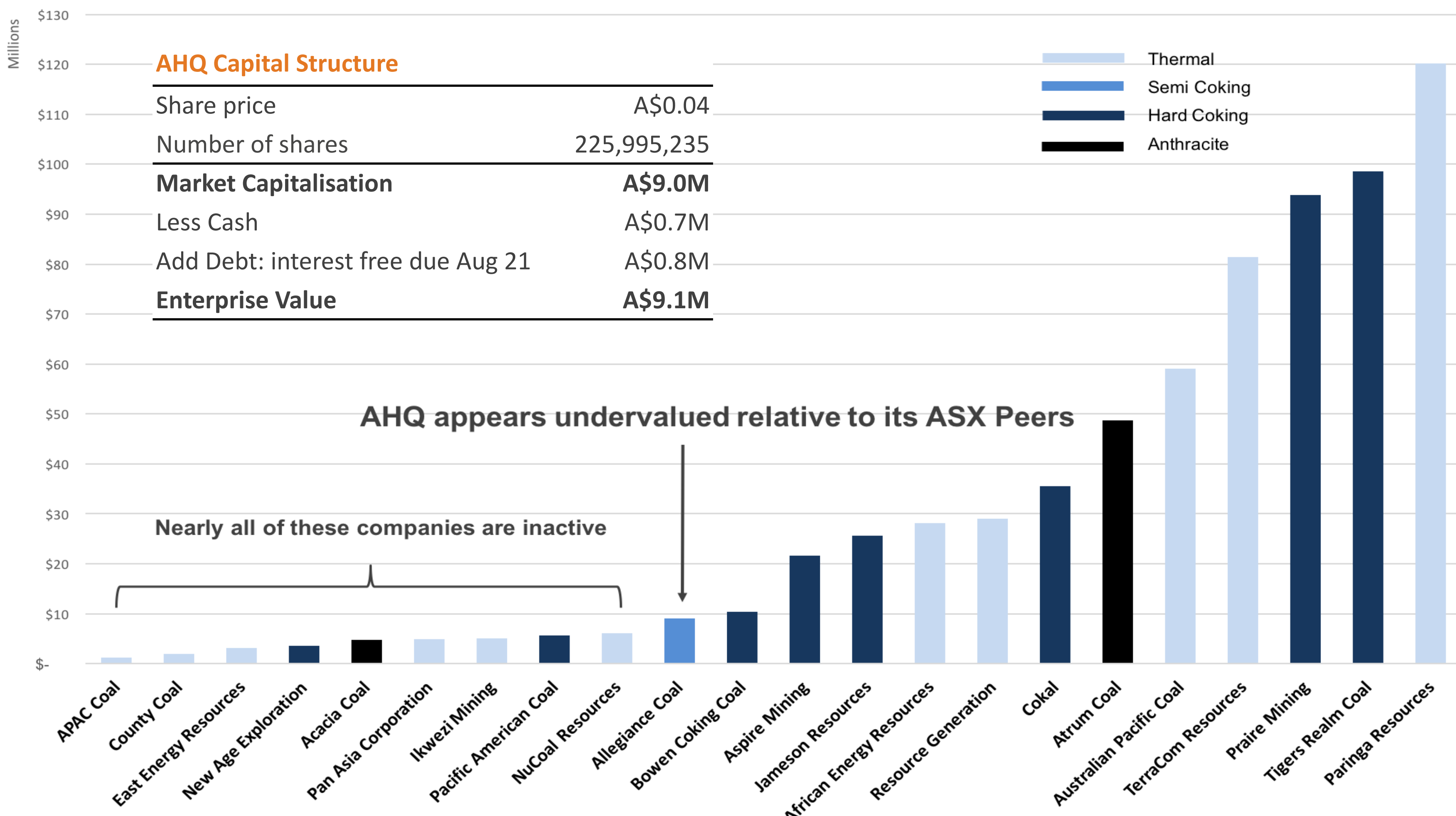
The 1 Mtpa case was assessed by Independent Investment Research in their research coverage dated September 2017 and where the NPV discount applied was 8%.

Yet Allegiance remains under-valued compared to its peers

Market Capitalisation
ASX Listed Coal Explorers & Developers

AHQ Capital Structure

Share price	A$0.04
Number of shares	225,995,235
Market Capitalisation	**A$9.0M**
Less Cash	A$0.7M
Add Debt: interest free due Aug 21	A$0.8M
Enterprise Value	**A$9.1M**



All information as at 17 October 2017

Project owned for just 11 months we are making rapid progress …

Q4 16
- ✓ Acquisition of Telkwa into Allegiance
- ✓ $2.5M cash raised
- ✓ David Fawcett joins the Board

Q1 17
- ✓ SRK and Sedgman appointed as two lead consultants for the Staged Production PFS
- ✓ Coal Quality and Market Assessment Report completed
- ✓ 1:3 rights issue announced

Q2 17
- ✓ Rights issue closes fully subscribed
- ✓ Communications & Engagement Agreement signed with First Nations
- ✓ SRK complete and deliver the Staged Production PFS

Q3 17
- ✓ Allegiance complete Staged Production PFS review and reduce startup CAPEX
- ✓ SRK complete and deliver Stage 1 PFS
- ✓ Baseline studies well underway

Q4 17
- ○ Assess further ramp-up options
- ○ Assess further reduction in CAPEX by leasing and contract mining
- ○ Commence Stage 1 Feasibility Study fieldwork

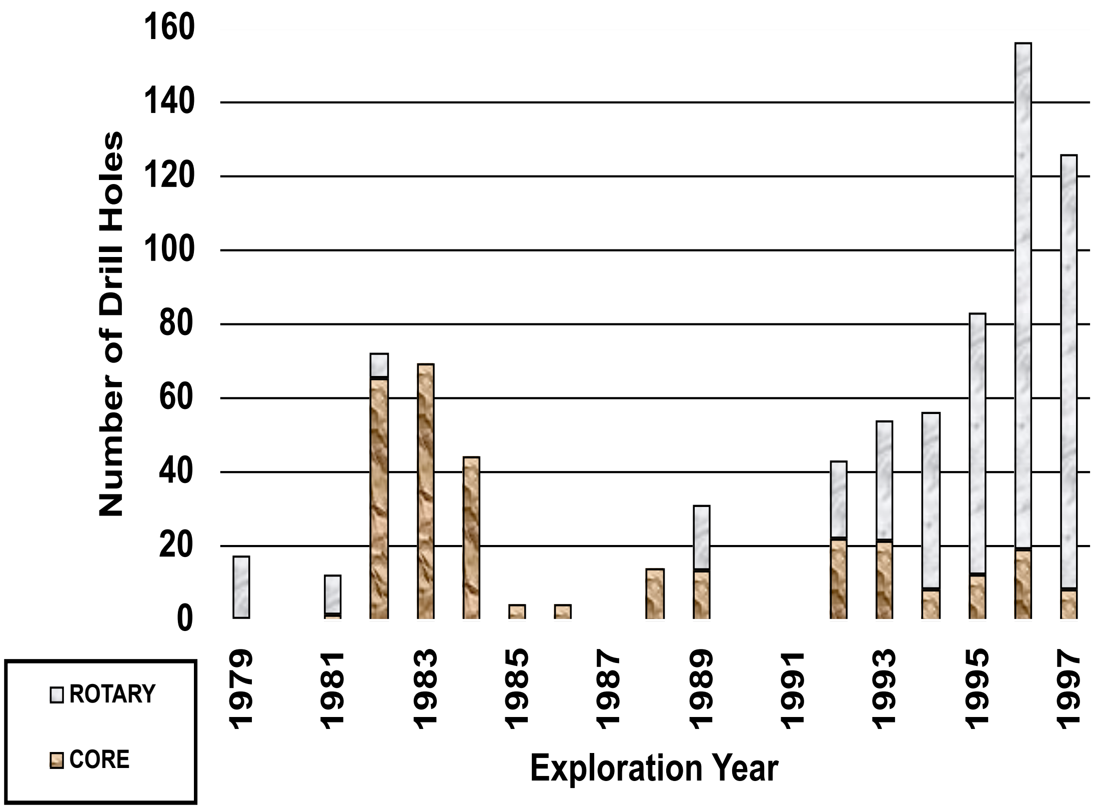
Q1 18
- ○ Commence Stage 1 Feasibility Study
- ○ Undertake 6 hole drill program and release coal quality test results
- ○ Enter into Project Assessment Agreement with First Nations

Q2 18
- ○ Complete Stage 1 Feasibility Study
- ○ Complete baseline studies
- ○ Secure either off-take or JV funding for the Project

Q3 18
- ○ Complete an Environmental Effects Assessment of the Project
- ○ Settle rail and port contracts

Q4 18
- ○ Prepare to file applications for permits to mine at 245kctpa

… and ~A$40M of historical exploration data helped significantly



- 91,475m of drilling
- 826 drill holes
  - 505 rotary
  - 321 core all sampled
- 219 ton bulk sample
- 80 ton bulk sample
- 88 trenches all sampled
- An enormous coal quality database
- 46.4km of surface geophysics
- 20 years of environmental monitoring data
- 3 feasibility studies, the last in 1996, assessed a 1.5Mctpa PCI/thermal operation
- A full environmental assessment review was undertaken in 1997

We've declared 148Mt of resources & 42.5Mt of saleable coal reserves …

Resources	Measured Mt	Indicated Mt	Inferred Mt	Total Mt
Tenas	58.8		-	58.8
Goathorn	59.5	9.2	0.2	68.9
Telkwa North	15.7	3.7	1.0	20.4
Total	**134.0**	**12.9**	**1.2**	**148.1**

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**

… while the coal quality has been reviewed by Japanese steel mills …

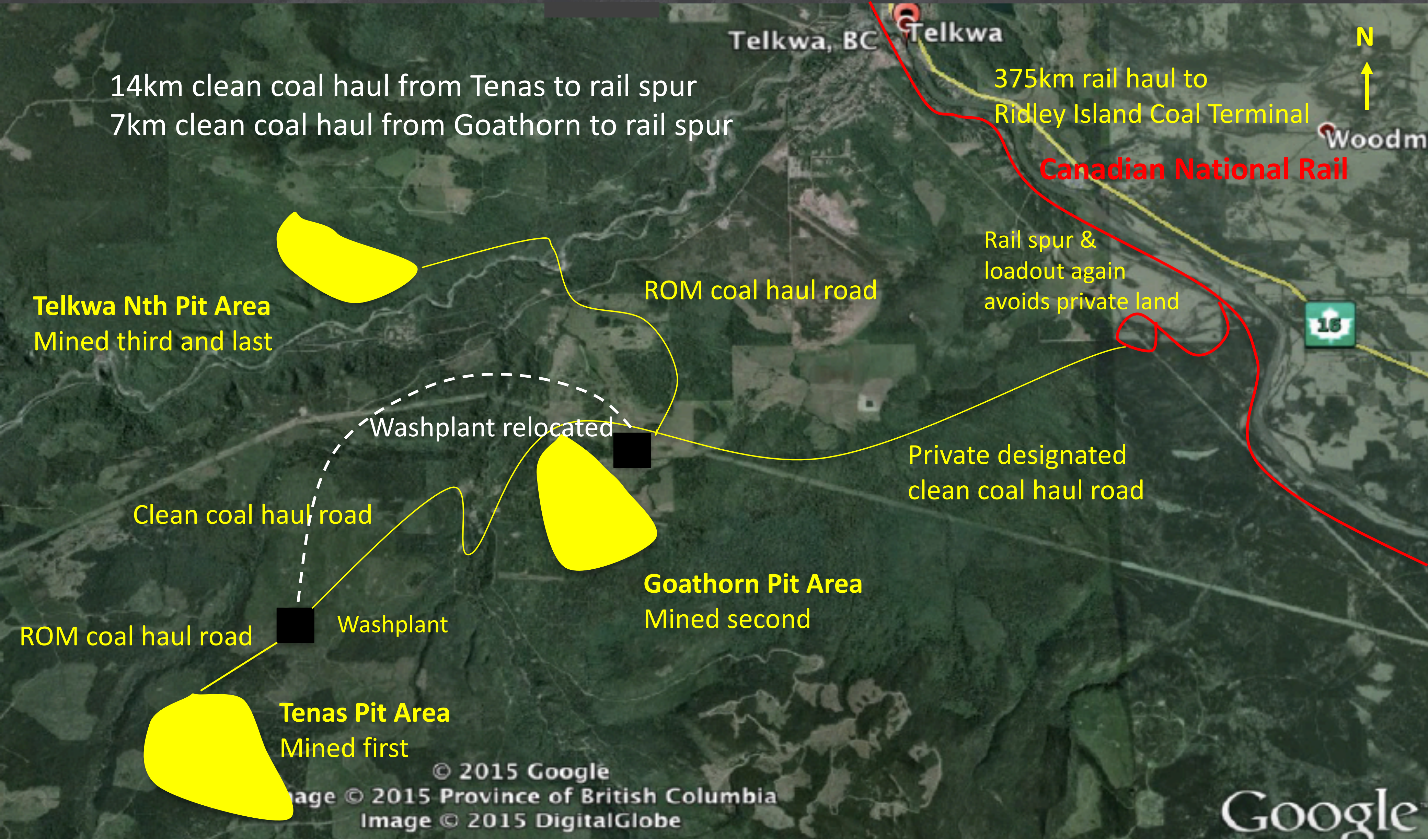
… and is suitable for use as a semi-coking coal, or a PCI coal

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	**7,545**	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

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

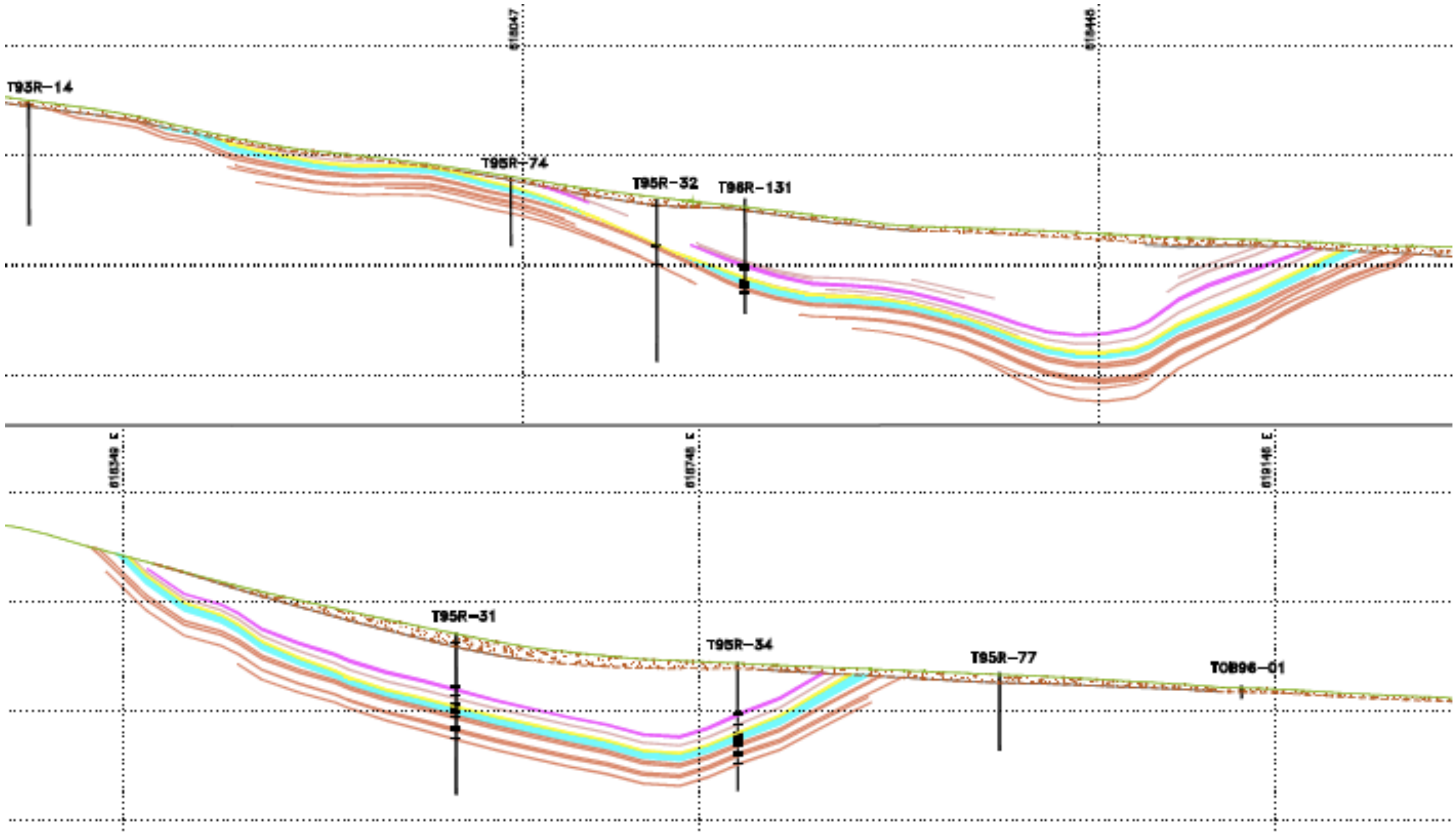
We start lean at 250,000 tpa, focused just on the Tenas Pit …

… and then we ramp production progressively mining all Pits



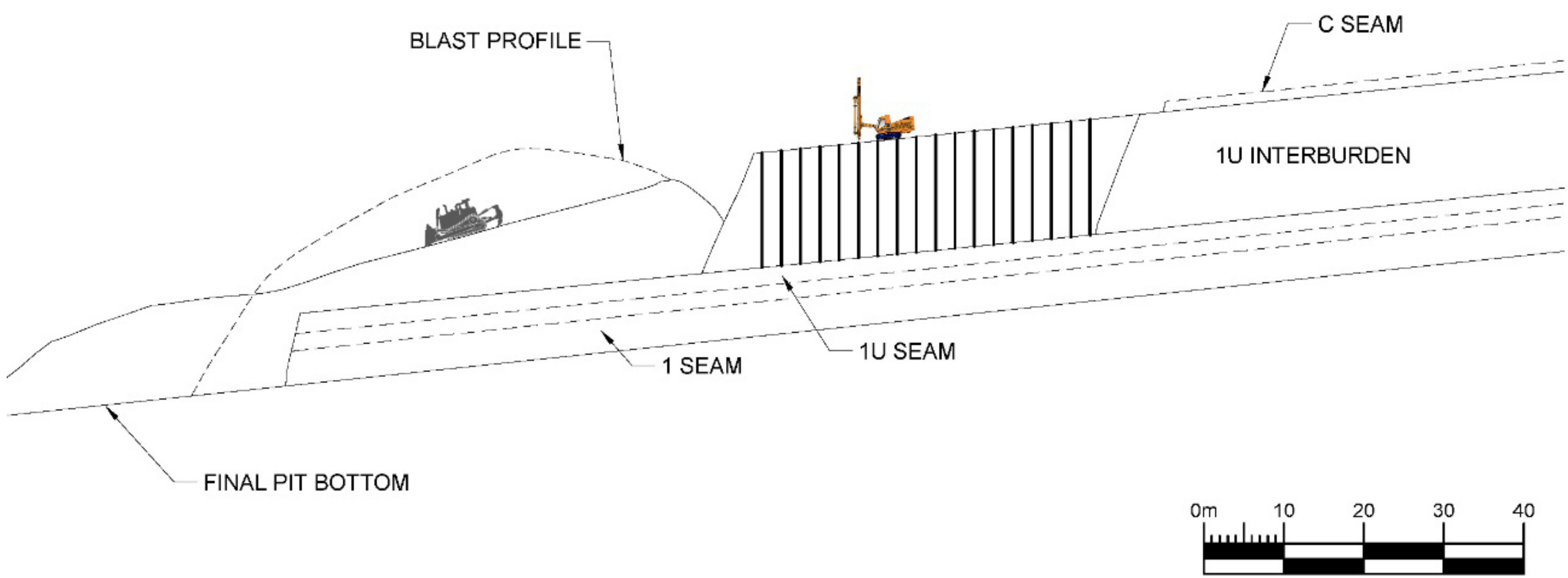
50% of saleable coal reserves are in the Tenas Pit …

Tenas is a shallow syncline basin with no structure and three flat mineable coal seams of 1.5m, 1.5m & 4m



… 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.

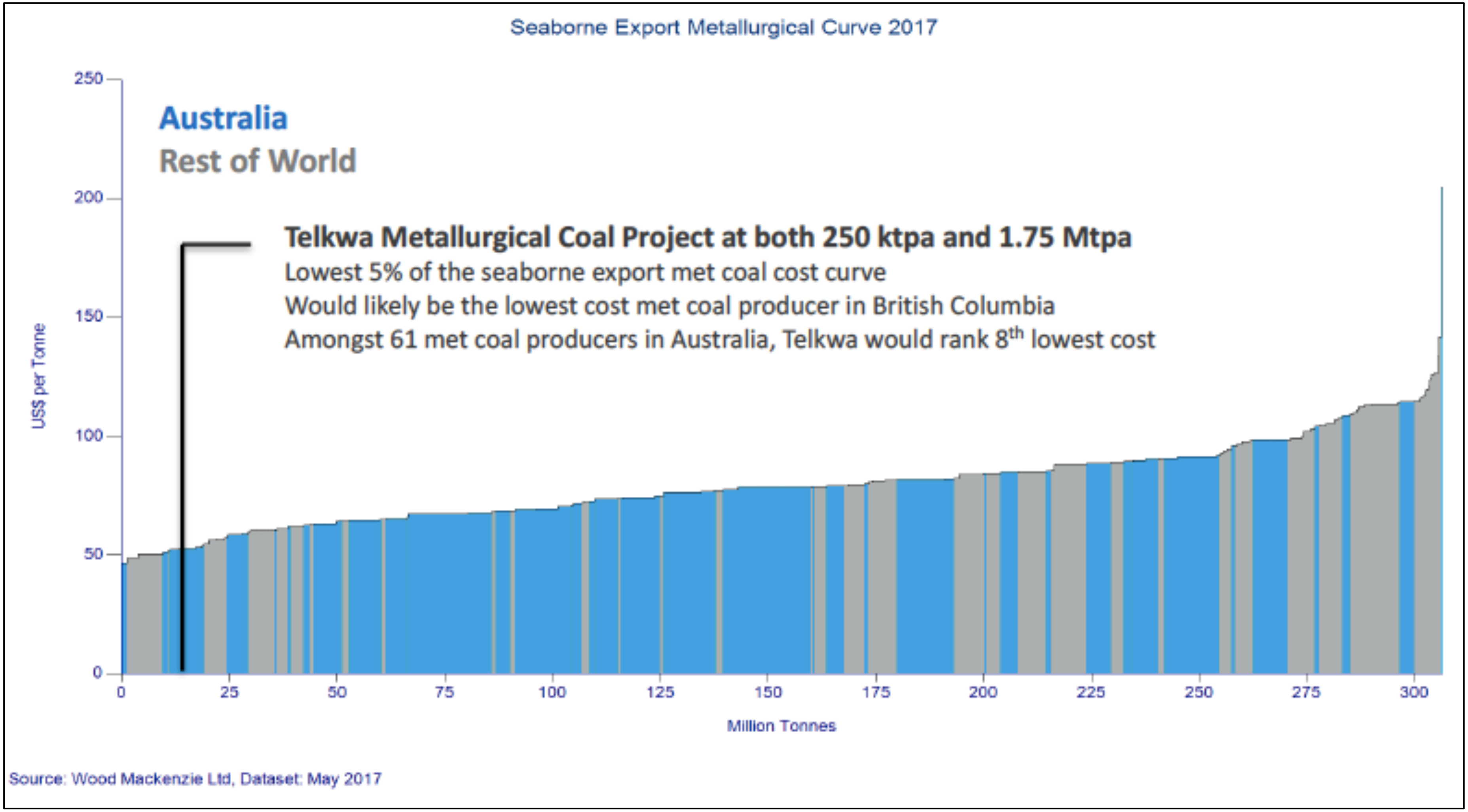


Simple geology & logistics + low strip ratio + good yield = LOW OPEX …

Remarkably, regardless of the rate of 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	US$/Saleable t @ 1.75Mtpa	US$/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 potentially one of the lowest cost producers on the world stage



ALLEGIANCE COAL
LIMITED

Appendices Follow

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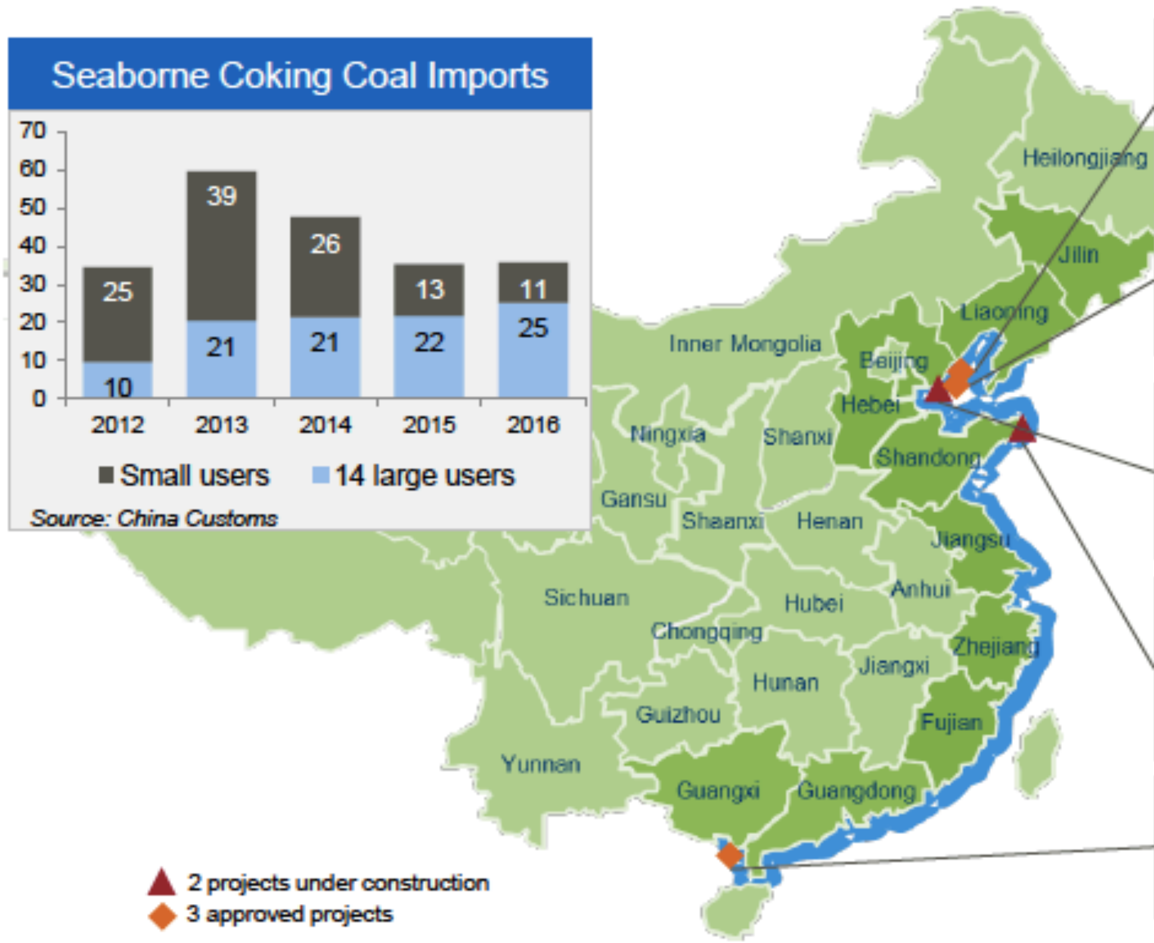
The met coal demand fundamentals look good in China …

Large users and the transition to coastal steel production is supporting seaborne met coal demand in China



Guofeng Project
- Inland plant relocating to coastal area
- Capacity: crude steel 8Mt, hot metal 8Mt
- Status: Construction to be started in 2017; completion in 2021

Hegang Project
- Inland plant relocating to coastal area
- Capacity: crude steel 20Mt
- Status: Timeline not announced

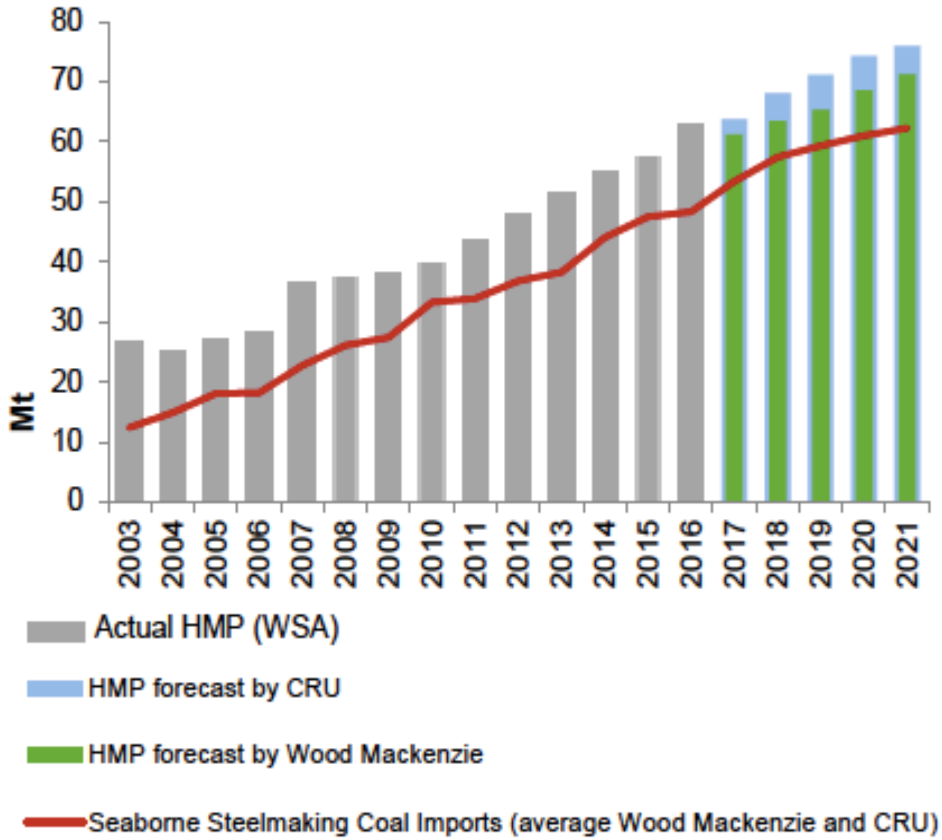
Shougang Jingtang Plant
- Expansion
- Capacity: crude steel 9.4Mt (phase 2)
- Status: Construction started in 2015; completion in 2018

Shandong Steel Rizhao Project
- Greenfield project
- Capacity: crude steel 8.5Mt
- Status: Construction started in 2015; completion in 2017

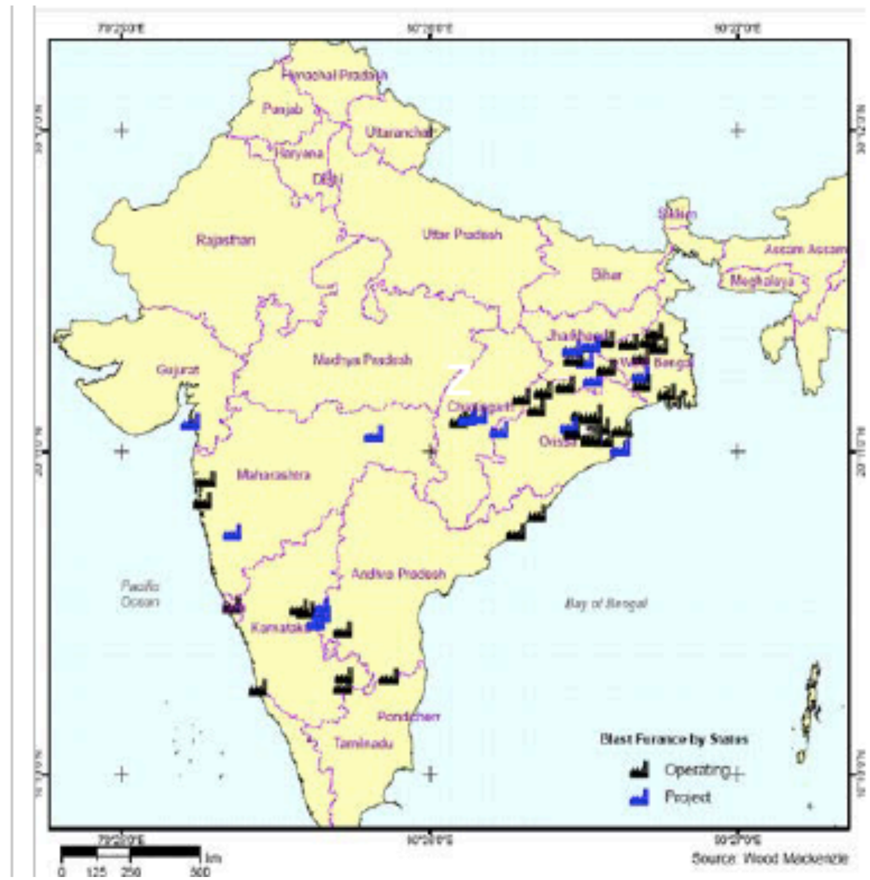
Liusteel Fangcheng Project
- Greenfield project
- Capacity: Phase 1 crude steel ~10Mt
- Status: Timeline for blast furnace not announced

… while India met coal imports are forecast to increase by 25%

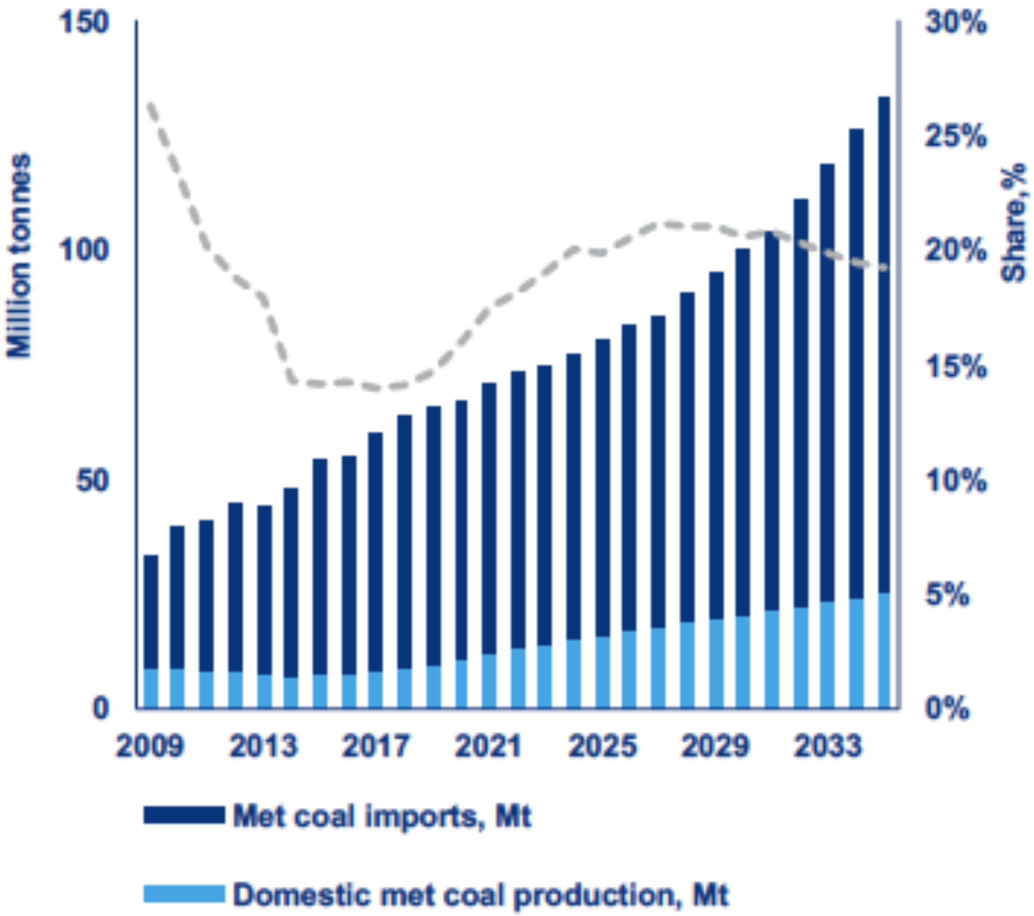
Seaborne met coal imports required
to meet India hot metal production



India's hot metal capacity;
Projects and Operations



Unlike China, India domestic met coal supply cannot meet its demand



Growth in India's steel production will be via blast furnace.

Demand for metallurgical coal is forecast to increase from 60Mt in 2017 to 133Mt in 2035.

Only 15 to 20 percent of metallurgical coal demand is covered by domestic supply over the forecast period.

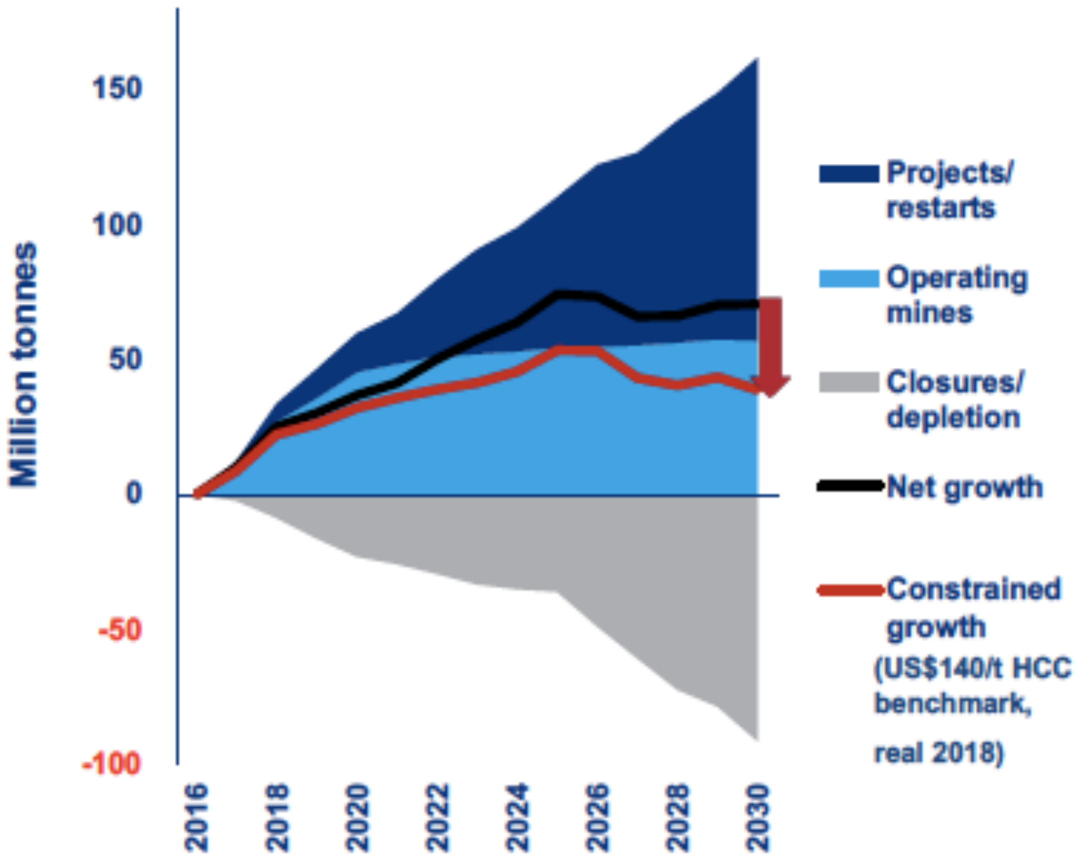
India metallurgical coal demand growth therefore, will be met by seaborne imports.

HCC, SSCC and PCI imports are all growing.

Source: Wood Mackenzie

On the supply side growth is constrained at US$140/t HCC benchmark

For a low cost producer such as Allegiance, both the demand and supply fundamentals for metallurgical coal provide a very positive outlook for the Telkwa metallurgical coal project.



As is, the project pipeline for metallurgical coal far exceeds the forecast demand for new supply in the seaborne market.

However, with depletions at existing mines taken into account, net growth in export supply is much lower and highly sensitive to the price forecast.

For example, at US$140/t HCC benchmark price, new supply into the seaborne market is constrained.

Source: Wood Mackenzie

Pathway to staged permitting and production

Calendar Year	2017				2018				2019				2020				2021			
Quarter	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
First Nations	Signed first agreement			Ongoing project review			Socio-eco agreement				Continual project participation									
Project studies	Staged PFS complete		Stage 1 PFS complete		Stage 1 FS		Stage 2 FS													
Environmental	Baseline studies commenced						Continual environmental monitoring for stages 1 & 2													
Stage 1 permitting	Constant ongoing Govt. dialogue						Stage 1 filings		Stage 1 decision											
Marketing			Secure JV partner																	
Financing					Secure mine finance															
Stage 1 development										Stage 1 construction										
Stage 1 mine												Stage 1 coal production								
Stage 2 permitting															Stage 2 filings		Stage 2 decision		Stage 2 mining	

Subject to change

Experienced team with a track record of delivery and 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.