



ALLEGIANCE COAL
LIMITED

AGM Presentation

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Bitter Sweet Year for Allegiance Coal



- Negotiated \$3 million Joint Venture with JOGMEC on Kilmain Project
- Commenced work on Kilmain with seismic surveys in September 2014.
- New R&D Project Ramcar for Kilmain tenement
- Active tenements - Kilmain, Back Creek, Calen and Townsville
- Repayment of \$1.2 million in share holder loans in July 2014
- Connemarra - Drilled hole to 620m but found no economic coal
- R&D cash tax refund of \$127,330
- Relinquishment of 10 tenements
- Further reductions in operating costs
- Conservation of cash
- Increasing knowledge of Kilmain deposit through acquisition of historical data

Coal – Australia's unloved industry ?



- Thermal coal spot prices drop to USD \$63 FOB
- Coking coal prices drop to USD \$110 FOB
- The bottom of the cycle?
- Demonisation of the coal industry by sections of the media
- Coal industry reduces operating cost and improves productivity with whole scale retrenchments
- Mines being placed on “Care and Maintenance”
- Meanwhile increased coal production and exports with coal second largest export earner after iron ore
- Bandanna Energy calls in administrator over Springsure Creek
- Coal exploration in Queensland funded by Chinese and Japanese

- Japan Oil, Gas and Metals National Corporation (JOGMEC) - Japanese Government funded organisation
- September 2013 - Signed MOU with State of Queensland for exploration of resources within Queensland
- 8th December 2013 - Approached Allegiance Coal regarding Kilmain project
- 24th December 2013 Provided with detailed exploration plan for Kilmain
- Concluded Joint Exploration Agreements (JEA) with three companies :- Stanmore Coal (Clifford Project- \$4.5m)Allegiance Coal (Kilmain - \$3.0 m) and Cockatoo Coal (Dingo West - \$3.5 m)
- 14th July 2014 - concluded JEA with AHQ
- 29th August 2014 - FIRB granted approval for JEA with AHQ
- Can earn a 40% share in Kilmain for expenditure of \$3m over 3 years
- To call tenders in Japan for Japanese company to take over the 40%

JOGMEC funded works to date



- Ground magnetometer surveys over 12km identifies basalt flow
- Seismic surveys - 11.25km completed
- Drilling of three holes which intersect Rangal Coal Measures
- Assessment of seismic, ground magnetometer surveys and drilling underway with results expected late December 2014.
- Coal cores have been sent to the laboratory for detailed analyses. Results expected until late January 2015.

Allegiance Coal's future is Japan?



- Japan increasing coal's share in electricity generation from 27% to 35%
- Japan needs up to 25 Mtpa of thermal coal by 2025 to fuel new coal fired power stations
- Advanced Ultra Supercritical coal fired boilers require low ash high energy thermal coal.
- First coal required in 2020 by new coal fired power stations suits the development to bring Kilmain into operation with a lead time of some 6 years from now.
- Allegiance Coal's future could lie with its low ash coals finding a place within the purchasing mix of the Japanese power utilities and/or Japanese Steel Mills

Project Ramcar



R&D Project Ramcar has as its hypothesis

“That through automation of the transport from the continuous miner to the conveyor belt, automatic cutting cycles on the continuous miner as well automatic drillable roof bolts, that a bord and pillar non-subsidence mining method can permit the economic mining of underground thermal coal when mining within selected working sections within coal seams as thin as 1m thick.”

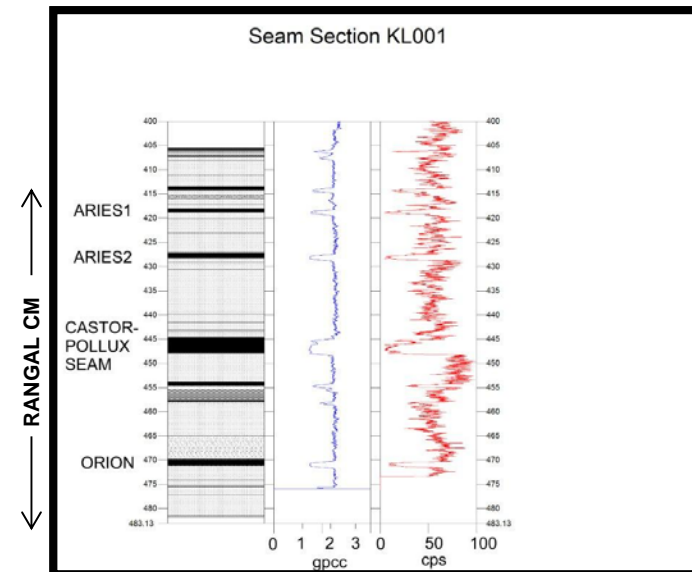
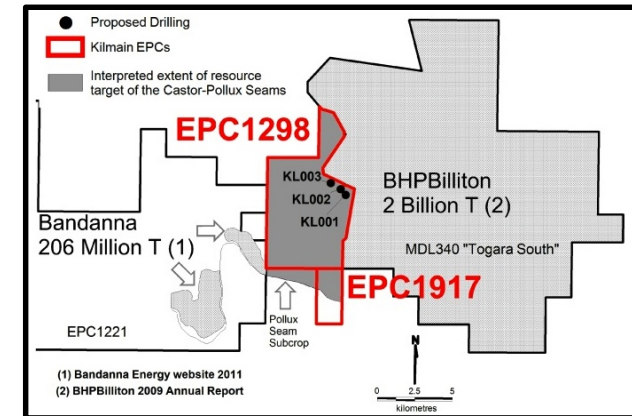
The elements being studied within Project Ramcar include:-

- Detailed ply by ply analyses of seams thicker than 1m to enable operation and optimisation of the "autocut" function on the continuous miner.
- Detailed analyses of roof strata above the seams to establish utilisation parameters and enable operation and optimisation of drillable roof bolts.
- Establishing the ground stress fields surrounding a 5.2m wide bord to establish whether rib support and thus rib bolting/meshing is not required.
- Floor conditions within the seams to permit high capacity (up to 20 tonnes) ramcars to operate autonomously at high speed (up to 30km per hour).

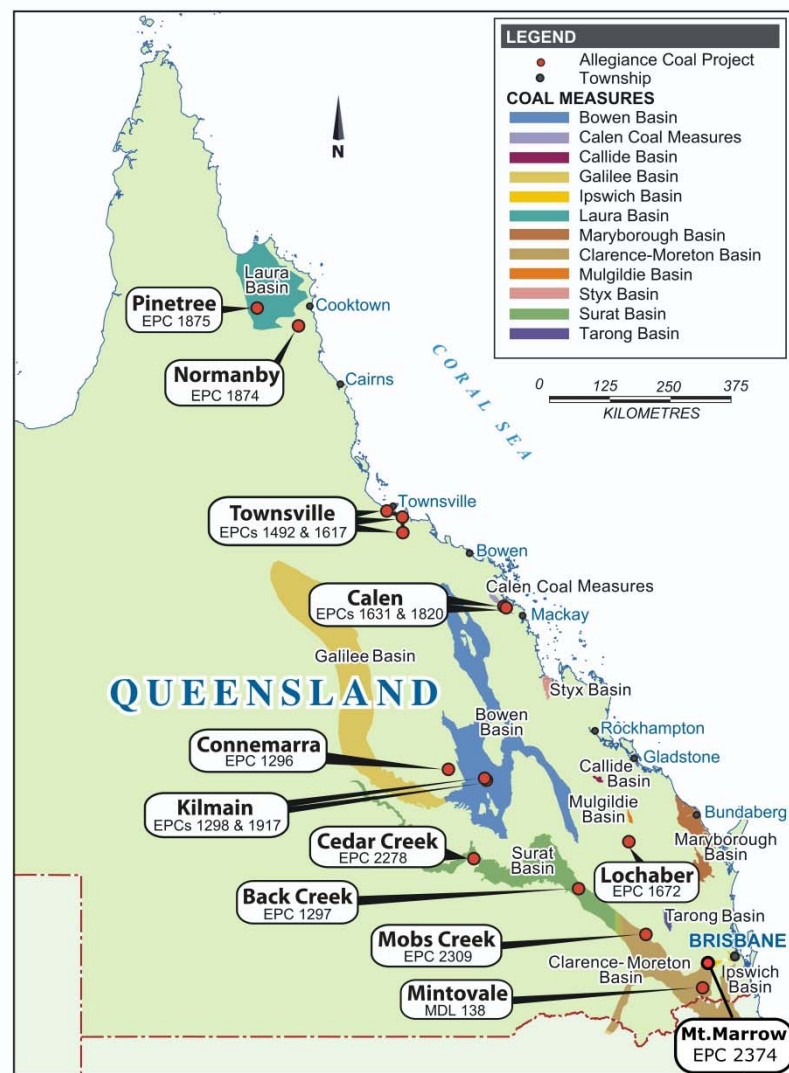
Kilmain – Project Ramcar

High productivity underground mining method

- R&D Project to prove that by utilising innovative technology that a high productivity bord and pillar operation can produce economically viable run-of-mine thermal coal under current market conditions from seams within the Rangal Coal Measures.
- Rangal Coal incl. Aries, Castor, Pollux and Orion Seams
- The utilisation of continuous miners with autocut and drillable bolts matched with automated ramcars can meet the R&D criteria of 30,000 tonnes ROM /man/year
- ROM specification of 9% ash thermal
- Alternatively washed coal with yield 90% and three fractions i.e. 5% ash coking, 9% Ash PCI, 15% ash thermal
- Bord and Pillar with nil surface subsidence with no impact on high value Strategic Cropping Land, aquifers and/or streams or Comet River



Exploration Tenements



Project & Tenement Details



Project Name	Basin	Tenement Number	Number of Sub Blocks	Surface Area km ²	Grant Date	Coal Type	Tenement Status
Back Creek	Surat	EPC 1297	20	68	22 Mar 2010	Thermal	Current
Kilmain	Bowen	EPC 1298	16	50	7 Apr 2009	Coking/PCI/thermal	Current
		EPC 1917	2	6	22 Mar 2010		Current
Connemarra	Bowen	EPC 1296	32	110	7 Apr 2009	Coking/PCI/thermal	To be relinquished
Calen	Calen	EPC 1631	27	84	5 Nov 2009	PCI	Current
		EPC 1820	17	53	19 Feb 2010	PCI	To be relinquished
Mt Marrow	Moreton	EPC 2374	30	91	14 January 2013	Thermal	To be relinquished
Townsville	Northern Bowen	EPC 1492	120	494	21 May 2010	Coking/thermal	Current
		EPC 1617	42	131	6 Aug 2009	Coking/thermal	To be relinquished
Lochaber	Mulgildie	EPC 1672	47	146	18 Dec 2009	Thermal	To be relinquished
Normanby	Hodgkinson	EPC 1874	86	267	19 Apr 2011	Anthracite	To be relinquished
Mintovale	Moreton	MDL 138	n/a	2.44	22 Mar 2010	Thermal	To be relinquished
Pinetree	Laura	EPC 1875	217	670	19 Apr 2011	Low vol PCI/thermal	To be relinquished
Cedar Creek	Surat	EPC 2278	12	36	31 May 2011	Thermal	To be relinquished
Mobs Creek	Surat	EPC 2309	23	96	27 July 2011	Thermal	To be relinquished
Total to be retained			185	702			

The Year Ahead



- Kilmain – JV with JOGMEC
- Back Creek - Expenditure of \$50,000 p.a. to maintain the tenement
- Townsville - Seek JV partner otherwise relinquish the tenement
- Further reduction in overheads e.g. reduction in salary of MD to \$62,500 p.a. (down from \$100,000 p.a.); senior geologist on monthly retainer of \$2,000; reduction in audit and accountant fees
- Progress/complete relinquishment of Cedar Creek, Mobs Creek, Lochaber, Pinetree, Normanby, Boldon, Mintovale, Mount Marrow, Townsville Extended and Connemarra

Finance



- Cash as at 21st November 2014 \$1.83 Million
- Received this year \$127,000 cash back tax rebates for approved R&D projects.

Loans



- **Mineral and Coal Investments Pty. Limited ('MCI') is a fully owned subsidiary of Allegiance Coal Limited ('Allegiance Coal'). MCI had loans to a value of \$3,086,164 (as at 30 June 2014) owing to Gullewa Limited and C. Randall & Associates Pty. Ltd, which were due for repayment on 30 June 2014, either in full or in part depending on certain conditions.**
- **Allegiance Coal negotiated the partial repayment of those loans by the repayment to Gullewa Limited of \$1,000,000 and the repayment to C. Randall & Associates Pty Ltd of \$200,000 in July 2014.**
- **Allegiance Coal has also negotiated an extension of the repayment dates of the balance of the loans to 30 September 2015, subject to certain conditions.**
- **These include that if MCI does not have sufficient cash to cover its 12 month operating budget at the repayment date, then the repayment date will be extended by a further 90 days. The repayment date can continue to be extended by 90 day periods in this manner if that condition cannot be met, until a sunset repayment date of 30 June 2017, at which time all of the debts must be repaid in full.**
- **Interest is charged on the loans calculated on the 90 day bank bill swap rate plus 4%.**
- **Current loan balances as at 21st November 2014**
 - Gullewa Limited - \$1,583,611**
 - C.Randall & Associates Pty Ltd - \$342,411**

Shareholding



- Current Shareholdings

Gullewa Limited	57.8%	102 million shares
C. Randall and Associates	14.2%	25 million shares
Other shareholders	28.1%	49 million shares
Total	100.0%	177 million shares

Current Share Price
Market Capitalisation

\$0.023 as at 21st November 2014
\$4.071 million