



ALLEGIANCE COAL

LIMITED

ALLEGIANCE COAL LIMITED
ACN 149 490 353

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT

**The Annual General Meeting of the Company will be held at
the offices of the Company, Suite 107, 109 Pitt Street,
Sydney, NSW on Wednesday, 29 November 2017
at 10.30am (AEDT).**

The Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice

ALLEGIANCE COAL LIMITED

ACN 149 490 353

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Shareholders of Allegiance Coal Limited (**Company**) will be held at the offices of the Company, Suite 107, 109 Pitt Street, Sydney, NSW, on Wednesday, 29 November 2017 at 10.30am (AEDT) (**Meeting**).

The Explanatory Statement to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Statement and the Proxy Form comprise part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Monday, 27 November 2017 at 10.30am (AEDT).

Terms and abbreviations used in this Notice and the Explanatory Statement are defined in Schedule 1.

AGENDA

1. Annual Report

To consider the Annual Report of the Company and its controlled entities for the financial year ended 30 June 2017, which includes the Financial Report, the Directors' Report and the Auditor's Report.

The reports referred to above are included in the 2017 Annual Report sent to those Shareholders who elected to receive a hard copy. A copy of the report is also available on the Company's website at www.allegiancecoal.com.au.

2. Resolution 1 - Remuneration Report

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's Annual Report for the financial year ended 30 June 2017, on the terms and conditions in the Explanatory Statement."

Voting Prohibition

In accordance with section 250R of the Corporations Act, a vote on this Resolution must not be cast by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member.

A vote may be cast by such person as a proxy if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairman to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

3. Resolution 2 - Election of Director - Mr David Fawcett

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That Mr David Fawcett, who retires in accordance with Clause 57.2 of the Constitution and Listing Rule 14.4 and being eligible, offers himself for election, be elected as a Director."

4. Resolution 3 - Re-election of Director - Mr Jonathan Reynolds

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That Mr Jonathan Reynolds, who retires in accordance with Clause 58 of the Constitution and being eligible, offers himself for election, be elected as a Director."

5. Resolution 4 - Ratification of issue of Tranche 1 Placement Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 33,899,285 Shares at \$0.03 per Share, on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by any person who participated in the issue and any associates of those persons.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. Resolution 5 - Approval to issue Tranche 2 Placement Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 88,310,640 Shares at \$0.03 per Share, on the terms and conditions in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. Resolution 6 - Approval to issue Tranche 3 Placement Shares to Mr David Fawcett

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That pursuant to and in accordance with section 195(4) of the Corporations Act, Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 833,333 Shares at \$0.03 per Share to Mr David Fawcett (or his nominees) on the terms and conditions in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr David Fawcett (and his nominees) and any associates of those persons.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. Resolution 7 - Approval to issue Tranche 3 Placement Shares to Mr Mark Gray

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That pursuant to and in accordance with section 195(4) of the Corporations Act, Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 3,333,333 Shares at \$0.03 per Share to Mr Mark Gray (or his nominees) on the terms and conditions in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr Mark Gray (and his nominees) and any associates of those persons.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. Resolution 8 - Approval to issue Tranche 3 Placement Shares to Mr Jonathan Reynolds

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That pursuant to and in accordance with section 195(4) of the Corporations Act, Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 333,333 Shares at \$0.03 per Share to Mr Jonathan Reynolds (or his nominees) on the terms and conditions in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr Jonathan Reynolds (and his nominees) and any associates of those persons.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. Resolution 9 - Approval to issue Lead Manager Options

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 5,000,000 Options to the Lead Manager (or its nominees) on the terms and conditions in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by the Lead Manager or its nominees (and any of their respective associates), and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

11. Resolution 10 - Approval of 10% Placement Facility

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

"That in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities of up to 10% of the issued capital of the Company, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person (and any associates or nominees of such a person) who may participate in the 10% Placement Facility and a person who might obtain a benefit if this Resolution is passed, except a benefit solely in the capacity of a holder of Shares, and any associate or nominee of that person (or those persons).

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

12. Resolution 11 - Approval of Participants Securities Incentive Plan

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That pursuant to and in accordance with Exception 9(b) in Listing Rule 7.2 and for all other purposes, Shareholders approve the establishment of the "2017 Participants Securities Incentive Plan" and the issue of securities under that plan on the terms and conditions detailed in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by any Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Prohibition

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chairman; and
- (b) the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

13. Resolution 12 - Approval of potential termination benefits under the Participants Securities Incentive Plan

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That conditional on Resolution 11 being approved, for a period commencing from the date this Resolution is passed and ending upon the expiry of all securities issued or to be issued under the Participants Securities Incentive Plan, approval be given for all purposes including Part 2D.2 of the Corporations Act and Listing Rule 10.19 for the giving of benefits to any current or future person holding a managerial or executive

office of the Company or a related body corporate in connection with that person ceasing to hold such office, on the terms and conditions in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by an officer of the Company or any of its child entities who is entitled to participate in a termination benefit and their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Prohibitions

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chairman; and
- (b) the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

In accordance with section 200E(2A) of the Corporations Act, a vote on this Resolution must not be cast by any participants or potential participants in the Participants Securities Incentive Plan and their associates, otherwise the benefit of this Resolution will be lost by such a person in relation to that person's future retirement. However, a vote may be cast by such a person if:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; and
- (b) it is not cast on behalf of the person or an associate of the person.

14. Resolution 13 - Approval to issue Incentive Options to Mr Malcolm Carson

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That for the purposes of section 195(4) of the Corporations Act, Listing Rule 10.14 and for all other purposes, approval is given for the issue of 750,000 Incentive Options

to Mr Malcom Carson (or his nominees) on the terms and conditions in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by any Directors who are eligible to participate in the Participants Securities Incentive Plan and their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Prohibition

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chairman; and
- (b) the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

15. Resolution 14 - Approval to issue Incentive Options to Mr David Fawcett

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That for the purposes of section 195(4) of the Corporations Act, Listing Rule 10.14 and for all other purposes, approval is given for the issue of 750,000 Incentive Options to Mr David Fawcett (or his nominees) on the terms and conditions in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by any Directors who are eligible to participate in the Participants Securities Incentive Plan and their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Prohibition

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chairman; and
- (b) the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

16. Resolution 15 - Approval of issue of Incentive Options to Mr Mark Gray

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That for the purposes of section 195(4) of the Corporations Act, Listing Rule 10.14 and for all other purposes, approval is given for the issue of 2,000,000 Incentive Options to Mr Mark Gray (or his nominees) on the terms and conditions in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by any Directors who are eligible to participate in the Participants Securities Incentive Plan and their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Prohibition

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chairman; and
- (b) the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

17. Resolution 16 - Approval of issue of Incentive Options to Mr Jonathan Reynolds

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That for the purposes of section 195(4) of the Corporations Act, Listing Rule 10.14 and for all other purposes, approval is given for the issue of 1,250,000 Incentive Options to Mr Jonathan Reynolds (or his nominees) on the terms and conditions in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by any Directors who are eligible to participate in the Participants Securities Incentive Plan and their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Prohibition

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chairman; and
- (b) the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Jonathan Reynolds', with a stylized flourish at the end.

Jonathan Reynolds
Company Secretary

Dated: 25 October 2017

ALLEGIANCE COAL LIMITED

ACN 149 490 353

EXPLANATORY STATEMENT

1. Introduction

The Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at the offices of the Company, Suite 107, 109 Pitt Street, Sydney, NSW on Wednesday, 29 November 2017 at 10.30am (AEDT).

The Explanatory Statement forms part of the Notice which should be read in its entirety. The Explanatory Statement contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Statement includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2	Action to be taken by Shareholders
Section 3	Annual Report
Section 4	Resolution 1 - Remuneration Report
Section 5	Resolution 2 - Election of Director - Mr David Fawcett
Section 6	Resolution 3 - Re-election of Director - Mr Jonathan Reynolds
Section 7	Resolution 4 - Ratification of issue of Tranche 1 Placement Shares
Section 8	Resolution 5 - Approval to issue Tranche 2 Placement Shares
Section 9	Resolutions 6, 7 and 8 - Approval to issue Tranche 3 Placement Shares to Directors
Section 10	Resolution 9 - Approval to issue Lead Manager Options
Section 11	Resolution 10 - Approval of 10% Placement Facility
Section 12	Resolution 11 - Approval of Participants Securities Incentive Plan
Section 13	Resolution 12 - Approval of potential termination benefits under the Participants Securities Incentive Plan
Section 14	Resolutions 13 to 16 (inclusive) - Approval to issue Incentive Options to Directors
Schedule 1	Definitions
Schedule 2	Terms and Conditions of Lead Manager Options

Schedule 3	Summary of Participants Securities Incentive Plan
Schedule 4	Terms and Conditions of Incentive Options

A Proxy Form is located at the end of the Explanatory Statement.

2. Action to be taken by Shareholders

Shareholders should read the Notice including the Explanatory Statement carefully before deciding how to vote on the Resolutions.

2.1 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

2.2 Voting Prohibition by Proxy Holders (Remuneration of Key Management Personnel)

In accordance with sections 250BD and 250R of the Corporations Act, a vote on Resolutions 1 and 11-16 (inclusive) must not be cast (in any capacity) by, or on behalf of:

- (a) a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report; or
- (b) a Closely Related Party of such member.

However, a person described above may cast a vote on Resolutions 1 and 11-16 (inclusive) if the vote is not cast on behalf of a person who is excluded from voting on Resolutions 1 and 11-16 (inclusive) and:

- (c) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (d) the person is the Chair and the appointment of the Chair as proxy does not specify the way the proxy is to vote on the resolution, but expressly authorises

the Chair to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

The Chair intends to exercise all available proxies in favour of Resolutions 1 and 11-16 (inclusive).

3. Annual Report

In accordance with section 317 of the Corporations Act, Shareholders will be offered the opportunity to discuss the Annual Report, including the Financial Report, the Directors' Report and the Auditor's Report for the financial year ended 30 June 2017.

There is no requirement for Shareholders to approve the Annual Report.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available online at www.allegiancecoal.com.au;
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- (a) the preparation and content of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

4. Resolution 1 - Remuneration Report

4.1 General

In accordance with the Corporations Act, the Company must put a resolution that the Remuneration Report be adopted to the vote of Shareholders at the Meeting. However, such a resolution is advisory only and does not bind the Company or the Directors.

The Directors' Report contains the Remuneration Report which sets out the remuneration policy for the Company and the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

The Chairman will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

4.2 Voting consequences

If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

However, pursuant to the Corporations Act, if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive annual general meetings, Shareholders will have the opportunity to remove the whole Board except the managing director.

Where a resolution on the Remuneration Report receives a Strike at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the managing Director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election (**Spill Resolution**).

If more than 50% of votes are cast in favour of the Spill Resolution, the Company must convene a Shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the Directors who were in office when the Directors' Report (as included in the Company's financial report for the previous financial year) was approved, other than the managing Director, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting, those persons whose election or re-election as Directors is approved will be the Directors of the Company.

4.3 Previous voting results

The Company's Remuneration Report did not receive a Strike at the 2016 annual general meeting. If the Remuneration Report receives a Strike at this Meeting, Shareholders should be aware that if a second Strike is received at the 2018 annual general meeting, this may result in the re-election of the Board.

5. Resolution 2 - Election of Director - Mr David Fawcett

Clause 57.1 of the Constitution and Listing Rule 14.4 provide that a director of an entity (except a managing director) appointed as an addition to the Board or to fill a casual vacancy must not hold office (without election) past the next annual general meeting.

Mr David Fawcett was appointed as a Director on 9 December 2016. Accordingly, Mr Fawcett resigns as a Director at the Meeting and being eligible seeks approval to be elected as a Director.

Mr Fawcett is a mining engineer with over 40 years' experience in the coal industry, primarily in Western Canada. During his career he has had a broad range of responsibilities from early stage geology and exploration, through feasibility and regulatory processes, to operations, management and executive positions for major, intermediate and start-up companies. He was a co-founder and president of Western Canadian Coal Corp. from 1997 to 2003 which company was subsequently taken over by US based Walter Energy Inc. for C\$3.5 billion. He was chief operating officer of NEMI Northern Energy & Mining Inc. from 2003 to 2004 and senior vice president of Hillsborough Resources Limited from 2005 to 2009. He has been the recipient of several coal industry awards including the Coal Association of Canada's Award of Distinction in 2015.

The Board considers that Mr Fawcett is an independent Director.

The Board (excluding Mr Fawcett) recommends that Shareholders vote in favour of Resolution 2.

Resolution 2 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 2.

6. Resolution 3 - Re-election of Director - Mr Jonathan Reynolds

Clause 58.1(c) of the Constitution requires that one-third of the Directors must retire at each annual general meeting (rounded down to the nearest whole number), and Clause 58.5 provides that a retiring Director is eligible for re-election.

The Company currently has 4 Directors, and accordingly, one must retire.

Under Clause 58.2, the Directors to retire at any annual general meeting must be those who have served the longest in office since their last election, but, as between persons who became Directors on the same day, those to retire must be determined by lot (unless otherwise agreed upon between those Directors).

Pursuant to the above clauses of the Constitution, Mr Jonathan Reynolds and Mr Malcolm Carson have served the longest in office since their last election, having both been elected at the 2016 annual general meeting held on 23 November 2016. In accordance with Clause 58.3, which provides that Directors elected on the same day may agree among themselves or determine by lot which of them is to retire, Mr Reynolds has agreed to retire and seek re-election at this Meeting.

Mr Reynolds is a chartered accountant with more than 25 years' experience across many sectors spent mostly in financial management roles. Most recently, he has been finance director of a resource investment house, managing investments across a range of commodities, including coal. Prior to that he held the position of chief financial officer with a number of listed entities and before that was a senior manager with an international firm of chartered accountants.

Mr Reynolds is not considered to be an independent Director.

The Board (excluding Mr Reynolds) recommends that Shareholders vote in favour of Resolution 3.

Resolution 3 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 3.

7. Resolution 4 - Ratification of issue of Tranche 1 Placement Shares

7.1 General

On 24 October 2017, the Company announced a placement of up to 122,209,925 Shares at \$0.03 per Share to raise \$3,666,298 before costs (Placement).

The Placement is comprised of the following tranches:

- (a) 33,899,285 Shares at \$0.03 per Share to sophisticated and professional investors who are not related parties of the Company, within the Company's 15% placement capacity under Listing Rule 7.1 (**Tranche 1 Placement Shares**) (the subject of Resolution 4);
- (b) 88,310,640 Shares at \$0.03 per Share to sophisticated and professional investors, subject to the receipt of prior Shareholder approval (**Tranche 2 Placement Shares**) (the subject of Resolution 5); and
- (c) subject to Shareholder approval, the Directors intend to support the Placement by subscribing for up to 4,499,999 of the Tranche 2 Placement Shares at \$0.03 per Share (**Tranche 3 Placement Shares**) (the subject of Resolutions 6, 7 and 8).

The Tranche 1 Placement Shares are intended to be issued before the date of this Meeting within the 15% annual limit permitted under Listing Rule 7.1, without the need for Shareholder approval.

7.2 Listing Rule 7.1

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

7.3 Listing Rule 7.4

Listing Rule 7.4 provides an exception to Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1), those securities will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1.

The effect of Resolution 4 will be to allow the Company to retain the flexibility to issue Equity Securities in the future up to the 15% annual placement capacity provided in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

7.4 Specific information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of the Tranche 1 Placement Shares:

- (a) a total of 33,899,285 Shares were issued as Tranche 1 Placement Shares;
- (b) the Tranche 1 Placement Shares were issued at \$0.03 per Share;
- (c) the Tranche 1 Placement Shares issued were fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue;
- (d) the Tranche 1 Placement Shares were issued to selected sophisticated or professional investors who satisfied the requirements of section 708(8) or (11) of the Corporations Act. None of the participants in the issue of the Tranche 1 Placement Shares is a related party of the Company;

- (e) the proceeds from the issue of the Tranche 1 Placement Shares are intended to be used for the advancement of the Company's Telkwa Metallurgical Coal Project towards permitting, as well as for general working capital; and
- (f) a voting exclusion statement is included in the Notice.

7.5 Additional information

The Board recommends that Shareholders vote in favour of Resolution 4.

Resolution 4 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 4.

8. Resolution 5 - Approval to issue Tranche 2 Placement Shares

8.1 General

A summary of the background to the proposed issue of the Tranche 2 Placement Shares is in Section 7.1 above.

8.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is in Section 7.2 above.

The effect of Resolution 5 will be to allow the Company to issue the Tranche 2 Placement Shares during the period of three months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

8.3 Specific information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Tranche 2 Placement Shares:

- (a) the maximum number of Shares to be issued as Tranche 2 Placement Shares is 83,810,641;
- (b) the Company intends on issuing the Tranche 2 Placement Shares as soon as practicable after the date of the Meeting and in any event, no later than 3 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules);
- (c) the issue price of the Tranche 2 Placement Shares will be \$0.03 per Share;
- (d) the Tranche 2 Placement Shares are proposed to be issued to selected sophisticated or professional investors who satisfy the requirements of section 708(8) or (11) of the Corporations Act. None of the participants in the issue of the Tranche 2 Placement Shares will be a related party of the Company, except as provided for in Resolutions 6, 7 and 8;
- (e) the Tranche 2 Placement Shares will be fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing Shares on issue;

- (f) the proceeds from the issue of the Tranche 2 Placement Shares are intended to be used for the advancement of the Company's Telkwa Metallurgical Coal Project towards permitting, as well as for general working capital;
- (g) it is intended that the Tranche 2 Placement Shares will be issued on the same date, which will be as soon as practicable after the date of the Meeting; and
- (h) a voting exclusion statement is included in the Notice.

8.4 Additional information

The Board recommends that Shareholders vote in favour of Resolution 5.

Resolution 5 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 5.

9. Resolutions 6, 7 and 8 - Approval to issue Tranche 3 Placement Shares to Directors

9.1 General

A summary of the background to the proposed issue of the Tranche 3 Placement Shares is in Section 7.1 above.

9.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

Messrs David Fawcett, Mark Gray and Jonathan Reynolds are related parties of the Company by virtue of their positions as Directors.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Tranche 3 Placement Shares pursuant to Resolutions 6, 7 and 8 because the Tranche 3 Placement Shares would be issued on the same terms as other Shares issued pursuant to the Placement to non-related party participants. As such, the giving of the financial benefit is considered to be on arm's length terms.

9.3 Listing Rule 10.11

In accordance with Listing Rule 10.11, the Company must not issue Equity Securities to a related party of the Company unless it obtains Shareholder approval.

As noted above, Messrs David Fawcett, Mark Gray and Jonathan Reynolds are related parties of the Company by virtue of their positions as Directors.

The effect of passing Resolutions 6, 7 and 8 will be to allow the Company to issue the Tranche 3 Placement Shares to Messrs Fawcett, Gray and Reynolds (or their respective nominees) in accordance with Listing Rule 10.11.

As Shareholder approval is sought under Listing Rule 10.11, approval under Listing Rule 7.1 is not required.

9.4 Specific information required by Listing Rule 10.13

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to the issue of the Tranche 3 Placement Shares:

- (a) the Tranche 3 Placement Shares are proposed to be issued to Messrs David Fawcett, Mark Gray and Jonathan Reynolds (or their respective nominees);
- (b) the maximum number of Shares to be issued as Tranche 3 Placement Shares is 4,499,999, comprised of:
 - (i) 833,333 Tranche 3 Shares to David Fawcett (or his nominees);
 - (ii) 3,333,333 Tranche 3 Shares to Mark Gray (or his nominees); and
 - (iii) 333,333 Tranche 3 Shares to Jonathan Reynolds (or his nominees);
- (c) the Company intends to issue the Tranche 3 Placement Shares as soon as practicable after the date of the Meeting and in any event, no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules);
- (d) each of Messrs Fawcett, Gray and Reynolds are Directors;
- (e) the issue price of the Tranche 3 Placement Share will be \$0.03 per Share;
- (f) the Tranche 3 Placement Shares will be fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing Shares on issue;
- (g) the proceeds from the issue of the Tranche 3 Placement Shares are intended to be used for the advancement of the Company's Telkwa Metallurgical Coal Project towards permitting, as well as for general working capital; and
- (h) a voting exclusion statement is included in the Notice.

9.5 Additional information

Each of the Directors with a personal interest in Resolutions 6, 7 or 8 (being Messrs David Fawcett, Mark Gray and Jonathan Reynolds) decline to make a recommendation to Shareholders due to their interests in the Resolutions.

The remaining and non-conflicted Director, Mr Malcolm Carson, recommends Shareholders vote in favour of Resolutions 6, 7 and 8.

Resolutions 6, 7 and 8 are ordinary resolutions.

The Chairman intends to exercise all available proxies in favour of Resolutions 6, 7 and 8.

10. Resolution 9 - Approval to issue Lead Manager Options

10.1 General

The Company engaged Bell Potter Securities Limited as the Lead Manager for the Placement. As part of the Lead Manager's mandate, the Company is required to issue to the Lead Manager a total of 5,000,000 Options on successful completion of the Placement (Lead Manager Options).

10.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is in Section 7.2 above.

The effect of Resolution 9 will be to allow the Company to issue the Lead Manager Options during the period of three months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

10.3 Specific information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Lead Manager Options:

- (a) the maximum number of Options to be issued as Lead Manager Options is 5,000,000;
- (b) the Company intends on issuing the Lead Manager Options as soon as practicable after the date of the Meeting following completion of the Placement, and in any event, no later than 3 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules);
- (c) the issue price of the Lead Manager Options will be nil, as they are to be issued in consideration for services provided in connection with the Placement;
- (d) the Lead Manager Options are proposed to be issued to the Lead Manager or its nominees;
- (e) the Lead Manager Options will be exercisable at \$0.05 each on or before the date that is 3 years from the date of issue, and otherwise be on the terms and conditions in Schedule 2;
- (f) the Lead Manager Options will be issued for nil cash consideration at an issue price of nil and therefore no funds will be raised from their issue;
- (g) it is intended that the Lead Manager Options will be issued on the same date, which will be as soon as practicable after the date of the Meeting following completion of the Placement; and
- (h) a voting exclusion statement is included in the Notice.

10.4 Additional information

The Board recommends that Shareholders vote in favour of Resolution 9.

Resolution 9 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 9.

11. Resolution 10 - Approval of 10% Placement Facility

11.1 General

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. Based on the ASX closing price on 24 October 2017 and the number of Shares on issue as at the date of this Notice, the Company has a market capitalisation of approximately \$7.5 million. The Company is an eligible entity.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility. The number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 11.2(c) below).

11.2 Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the company.

The Company, as at the date of the Notice, has on issue one quoted class of Equity Securities, being Shares.

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of shares on issue 12 months before the date of issue or agreement:

(A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;

(B) plus the number of partly paid shares that became fully paid in the 12 months;

- (C) plus the number of fully paid shares issued in the 12 months with Shareholder approval under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without Shareholder approval;
- (D) less the number of fully paid shares cancelled in the 12 months.

Note that "A" has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with Shareholder approval under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 11.2(c)).

(e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of Shareholder approval of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(10% Placement Period).

11.3 Listing Rule 7.1A

The effect of Resolution 10 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

11.4 Specific information required by Listing Rule 7.3A

In accordance with Listing Rule 7.3A, information is provided as follows:

(a) **Minimum issue price**

The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(b) **Risk of economic and voting dilution**

If this Resolution is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of Options, only if the Options are converted into Shares). There is a risk that:

- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below tables show:

- (i) the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of the Notice;
- (ii) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and

- (iii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Table 1: Based on the number of Shares on issue as at the date of this Notice

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.017 50% decrease in Issue Price	\$0.033 Issue Price	\$0.066 100% increase in Issue Price
Current Variable A 225,995,235 Shares	10% Voting Dilution	22,599,524 Shares	22,599,524 Shares	22,599,524 Shares
	Funds raised	\$372,892	\$745,784	\$1,491,569
50% increase in current Variable A 338,992,853 Shares	10% Voting Dilution	33,899,285 Shares	33,899,285 Shares	33,899,285 Shares
	Funds raised	\$559,338	\$1,118,676	\$2,237,353
100% increase in current Variable A 451,990,470 Shares	10% Voting Dilution	45,199,047 Shares	45,199,047 Shares	45,199,047 Shares
	Funds raised	\$745,784	\$1,491,569	\$2,983,137

Table 2: Based on the assumption that the Tranche 1, Tranche 2 and Tranche 3 Placement Shares are issued in full

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.017 50% decrease in Issue Price	\$0.033 Issue Price	\$0.066 100% increase in Issue Price
Current Variable A 348,205,160 Shares	10% Voting Dilution	34,820,516 Shares	34,820,516 Shares	34,820,516 Shares
	Funds raised	\$574,539	\$1,149,077	\$2,298,154
50% increase in current Variable A 522,307,740 Shares	10% Voting Dilution	52,230,774 Shares	52,230,774 Shares	52,230,774 Shares
	Funds raised	\$861,808	\$1,723,616	\$3,447,231
100% increase in current Variable A 696,410,320 Shares	10% Voting Dilution	69,641,032 Shares	69,641,032 Shares	69,641,032 Shares
	Funds raised	\$1,149,077	\$2,298,154	\$4,596,308

The tables have been prepared on the following additional assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (ii) No Options or other convertible securities (including any Options or other convertible securities issued under the 10% Placement Facility) are exercised or converted into Shares before the date of the issue of the Equity Securities.

- (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (iv) The tables do not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
- (v) The tables show only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (vii) The issue price is \$0.033, being the closing price of the Shares on ASX on 24 October 2017.

(c) Final date for issue

The Company will only issue the Equity Securities during the 10% Placement Period.

(d) Purposes of issues under 10% Placement Facility

The Company may seek to issue the Equity Securities for the following purposes:

- (i) non-cash consideration for the acquisition of resources assets and investments and consideration for services provided. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
- (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of resources assets or investments (including expenses associated with such acquisition such due diligence costs and external advisors), continued exploration and development on the Company's current projects, payment of suppliers or service providers, and working capital requirements.

(e) Disclosure obligations

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

(f) Allocation policy

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;

- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of the Notice but may include existing substantial Shareholders and/or new Shareholders who are not a related party or an associate of a related party of the Company.

Further, if the Company is successful in acquiring new projects, assets or investments, it is possible that the allottees under the 10% Placement Facility will be the vendors of the new projects, assets or investments.

(g) **Previous approval**

The Company has not previously obtained Shareholder approval under Listing Rule 7.1.

(h) **Voting exclusion statement**

A voting exclusion statement is included in the Notice.

At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

11.5 **Additional information**

The Board recommends that Shareholders vote in favour of Resolution 10.

Resolution 10 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Chairman intends to exercise all available proxies in favour of Resolution 10.

12. **Resolution 11 - Approval of Participants Securities Incentive Plan**

12.1 **General**

Resolution 11 seeks Shareholders approval for the adoption of the Company's "2017 Participants Securities Incentive Plan" (**Plan**) in accordance with Listing Rule 7.2 exception 9(b).

12.2 **Listing Rule 7.1**

A summary of Listing Rule 7.1 is in Section 7.2 above.

12.3 Listing Rule 7.2, exception 9(b)

Listing Rule 7.2, exception 9(b) provides an exception to Listing Rule 7.1 such that issues of Equity Securities under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of Equity Securities under the scheme as an exception to Listing Rule 7.1.

If Resolution 11 is passed, the Company will be able to issue Equity Securities under the Plan to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

Shareholders should note that no Equity Securities have previously been issued under the Plan.

The objective of the Plan is to attract, motivate and retain key Directors, employees and consultants and it is considered by the Company that the adoption of the Plan and the future issue of Equity Securities under the Plan will provide selected participants with the opportunity to participate in the future growth of the Company.

Any future issues of Equity Securities under the Plan to a related party or a person whose relation with the Company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under Listing Rule 10.14 at the relevant time. To this extent, please refer to Resolutions 12-15 (inclusive) below.

A summary of the key terms and conditions of the Plan is in Schedule 3. In addition, a copy of the Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Plan can also be sent to Shareholders upon request to the Company Secretary. Shareholders are invited to contact the Company if they have any queries or concerns.

12.4 Additional information

The Board recommends that Shareholders vote in favour of Resolution 11.

Resolution 11 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 11.

13. Resolution 12 - Approval of potential termination benefits under the Participants Securities Incentive Plan

13.1 General

Subject to Shareholder approval of Resolution 11, Shareholder approval is also sought for all purposes including Part 2D.2 of the Corporations Act and Listing Rule 10.19 to approve the giving of benefits under the Plan to a person by the Company in connection with that person ceasing to be an officer of, or ceasing to hold a managerial or executive office in, the Company (or subsidiary of the Company) on the terms and conditions in this Explanatory Statement.

Resolution 12 is conditional on the passing of Resolution 11. If Resolution 11 is not approved at the Meeting, Resolution 12 will not be put to the Meeting.

Under the terms of the Plan and subject to the Listing Rules, the Board possesses the discretion to vary the terms or conditions of the Equity Securities granted under the Plan (**Plan Securities**). Notwithstanding the foregoing, without the consent of the participant in the Plan, no amendment may be made to the terms of any granted Plan Security which reduces the rights of the participant in respect of that Plan Security, other than an amendment introduced primarily to comply with legislation, to correct any manifest error or mistake or to take into consideration possible adverse tax implications.

As a result of the above discretion, the Board has the power to determine that some or all of a participant's Plan Securities will not lapse in the event of the participant ceasing employment or office before the vesting of their Plan Securities.

The Board's current intention is to only exercise this discretion where the person leaves employment or office without fault on their part.

The exercise of this discretion by the Board may constitute a "benefit" for the purposes of section 200B of the Corporations Act and Listing Rule 10.19. The Company is therefore seeking Shareholder approval for the exercise of the Board's discretion in respect of any current or future participant in the Plan who holds:

- (a) a managerial or executive office in, or is an officer of, the Company (or subsidiary of the Company) at the time of their leaving or at any time in the three years prior to their leaving; and
- (b) Plan Securities at the time of their leaving.

13.2 Value of the termination benefits

The value of the termination benefits that the Board may give under the Plan cannot be determined in advance. This is because various matters will or are likely to affect that value. In particular, the value of a particular benefit will depend on factors such as the Company's Share price at the time of vesting and the number of Plan Securities that will vest or otherwise be affected. The following additional factors may also affect the benefit's value:

- (a) the participant's length of service and the status of the vesting conditions attaching to the relevant Plan Securities at the time the participant's employment or office ceases; and
- (b) the number of unvested Plan Securities that the participant holds at the time they cease employment or office.

13.3 Corporations Act

Part 2D.2 of the Corporations Act restricts the benefits that can be given to persons who hold a "managerial or executive office" (as defined in the Corporations Act) on leaving their employment with the Company or any of its related bodies corporate, unless an exception applies.

Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with them ceasing to hold a managerial or executive office if the benefit is approved by shareholders or an exemption applies. Provided Shareholder approval is given, the value of the termination benefits may be disregarded when applying section 200F(2)(b) or section 200G(1)(c) of the Corporations Act (i.e. the approved benefit will not count towards the statutory cap under the legislation).

13.4 Listing Rules

Listing Rule 10.19 provides that, without the approval of ordinary shareholders, an entity must ensure that no officer of the entity or any of its child entities will be, or may be, entitled to termination benefits if the value of those benefits and the termination benefits that are or may become payable to all officers together exceed 5% of the equity interests of the entity as set out in the latest accounts given to ASX under the Listing Rules.

The Company's equity interests as set out in its latest accounts given to ASX (being the accounts for the financial year ended 30 June 2017 was \$4,144,066, 5% of which is \$207,203. Due to the uncertainty regarding the value of the benefits at the time such benefits may crystallise, the Board considers it prudent to obtain Shareholder approval for the purposes of Listing Rule 10.19. Accordingly, Shareholder approval is being sought in case the value of the termination benefits exceeds this 5% threshold.

13.5 Additional information

The Board recommends that Shareholders vote in favour of Resolution 12.

Resolution 12 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 12.

14. Resolutions 13 to 16 (inclusive) - Approval to issue Incentive Options to Directors

14.1 General

The Company is proposing, subject to obtaining Shareholder approval, to issue a total of 4,750,000 Incentive Options under the Plan in the amounts and to the Directors (or their nominees) as follows:

Director	Incentive Options
Malcolm Carson	750,000
David Fawcett	750,000
Mark Gray	2,000,000
Jonathan Reynolds	1,250,000
TOTAL	4,750,000

The Company believes it is appropriate to grant equity to Non-Executive Directors and Key Management Personnel, including Executive Directors. Smaller entities often elect to use equity instruments to remunerate key personnel in order to attract and retain high calibre individuals while minimising the cash cost of engaging those people. In addition, the issue of the Incentive Options may help to create alignment between Directors and Shareholders. In particular, the Company wishes to grant the Incentive Options to the Directors instead of other alternatives considered by the Company including increasing Directors' fees or providing other forms of cash based remuneration at a time when the Company is still in the early stages of developing the Telkwa metallurgical coal project. The Company considers the issue of the Incentive

Options to be favourable to other available alternatives because it provides a means of appropriately remunerating and incentivising Directors in a manner that preserves cash resources and also aligns the interests of the Directors with the interests of shareholders.

The Remuneration Committee, comprised of the full Board, has approved the grant of the Options to Key Management Personnel including each of the Directors. In particular the grant to Mark Gray and Jonathan Reynolds was approved to secure their tenure with the Company as part of their remuneration as Managing Director and Finance Director respectively, having regard to their roles and the current stage of the Company's development, and to provide an incentive to improve the financial performance of the Company and, in turn, Shareholder value.

14.2 Summary of material terms of Incentive Options

The Incentive Options are proposed to be issued pursuant to the Plan (the terms of which are summarised in Schedule 3) and on the terms and conditions in Schedule 4.

Each Incentive Option will be issued subject to vesting conditions, which are summarised in Schedule 4. Subject to the satisfaction of the applicable vesting condition, each Incentive Option will be exercisable at the greater of:

- (a) \$0.075; and
- (b) 150% of the closing price of Shares on the date of issue of the Incentive Option.

The Incentive Options will have an expiry date of 5:00pm (Sydney time) on the date which is 5 years from the date of issue.

14.3 Chapter 2E of the Corporations Act

A summary of Chapter 2E of the Corporations Act is in Section 9.2 above.

The grant of the Incentive Options constitutes giving a financial benefit and Messrs Carson, Fawcett, Gray and Reynolds are related parties of the Company by virtue of being Directors.

The Board has considered the application of Chapter 2E of the Corporations Act and has resolved that the reasonable remuneration exception provided by section 211 of the Corporations Act is relevant in the circumstances and accordingly, the Company will not seek approval for the issue of the Incentive Options pursuant to section 208 of the Corporations Act.

14.4 Listing Rule 10.14

Listing Rule 10.14 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

Resolutions 13 to 16 (inclusive) are being put to Shareholders to seek approval for the issue of the Incentive Options to Messrs Carson, Fawcett, Gray and Reynolds under the Plan pursuant to Listing Rule 10.14.

As Shareholder approval is sought under Listing Rule 10.14, approval under Listing Rule 7.1 or 10.11 is not required.

14.5 Specific information required by Listing Rule 10.15

Pursuant to and in accordance with the requirements of Listing Rule 10.15, the following information is provided in relation to the proposed issue of the Incentive Options to the Directors:

- (a) the Directors are Messrs Malcolm Carson, David Fawcett, Mark Gray and Jonathan Reynolds;
- (b) the maximum number of Incentive Options to be issued to the Directors (or their nominees) is 4,750,000 in the proportions as set out in Section 14.1 above;
- (c) the Incentive Options are being issued to the Directors under the Plan for nil cash consideration at an issue price of nil and otherwise on the terms and conditions set out in Schedule 4;
- (d) no Incentive Options have previously been issued under the Plan nor has the Plan previously been adopted by Shareholders;
- (e) the persons referred to in Listing Rule 10.14 entitled to participate in the Plan are all of the Directors (currently Messrs Malcolm Carson, David Fawcett, Mark Gray and Jonathan Reynolds);
- (f) no loans will be made in relation to the issue of the Incentive Options;
- (g) the Incentive Options will be issued to the Directors no later than 12 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated the Incentive Options will be issued on one date and as soon as practicable after the Meeting; and
- (h) a voting exclusion statement is included in the Notice.

14.6 Additional information

The Board declines to make a recommendation to Shareholders due to their personal interest in Resolutions 13 to 16 (inclusive).

Resolutions 13 to 16 (inclusive) are ordinary resolutions.

The Chairman intends to exercise all available proxies in favour of Resolutions 13 to 16 (inclusive).

Schedule 1 - Definitions

In the Notice, words importing the singular include the plural and vice versa.

\$ means Australian Dollars.

10% Placement Facility has the meaning given in Section 11.1.

10% Placement Period has the meaning given in Section 11.2(f).

AEDT means Australian Eastern Daylight Time, being the time in Sydney, New South Wales.

Annual Report means the Directors' Report, the Financial Report, and Auditor's Report, in respect to the year ended 30 June 2017.

ASX means the ASX Limited ABN 98 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

Auditor's Report means the auditor's report on the Financial Report.

Board means the board of Directors of the Company.

Chairman means the person appointed to chair the Meeting of the Company convened by the Notice.

Clause means a clause of the Constitution.

Closely Related Party means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

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

Constitution means the constitution of the Company as at the date of the Meeting.

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

Director means a director of the Company.

Directors' Report means the annual directors' report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

Equity Security has the same meaning as in the Listing Rules.

Explanatory Statement means the explanatory memorandum which forms part of the Notice.

Financial Report means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

Incentive Option means an Option issued on the terms and conditions in Schedule 4.

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Lead Manager means Bell Potter Securities Limited.

Lead Manager Options has the meaning given in Section 10.1.

Listing Rules means the listing rules of ASX.

Meeting has the meaning given in the introductory paragraph of the Notice.

Notice means this notice of annual general meeting.

Option means an option which entitles the holder to subscribe for one Share.

Participants Securities Incentive Plan or **Plan** means the proposed employee incentive scheme for the Company the subject of Resolution 11, as summarised in Schedule 3.

Placement has the meaning given in Section 7.1.

Proxy Form means the proxy form attached to the Notice.

Remuneration Report means the remuneration report of the Company contained in the Directors' Report.

Resolution means a resolution referred to in the Notice.

Schedule means a schedule to the Notice.

Section means a section of the Explanatory Statement.

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

Shareholder means a shareholder of the Company.

Spill Meeting has the meaning given in Section 4.2.

Spill Resolution has the meaning given in Section 4.2.

Strike means a 'no' vote of 25% or more on the resolution approving the Remuneration Report.

Trading Day has the same meaning as in the Listing Rules.

Tranche 1 Placement Shares has the meaning given in Section 7.1(a).

Tranche 2 Placement Shares has the meaning given in Section 7.1(b).

Tranche 3 Placement Shares has the meaning given in Section 7.1(c).

VWAP means volume weighted average price.

Schedule 2 - Terms and Conditions of Lead Manager Options

1. Entitlement

Each Lead Manager Option (**Option**) entitles the holder to subscribe for one Share upon exercise of the Option.

2. Exercise Price

Subject to paragraph 10, the amount payable upon exercise of each Option will be \$0.05 (**Exercise Price**).

3. Expiry Date

Each Option will expire at 5.00pm (Sydney time) on a date that is 3 years from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

4. Exercise Period

The Options are exercisable at any time on or before the Expiry Date (**Exercise Period**).

5. Notice of Exercise

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

6. Exercise Date

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

7. Quotation

Unless determined otherwise by the Board in its absolute discretion, the Options will not be quoted on the ASX or any other recognised exchange.

8. Issue of Shares on exercise

Within 15 business days after the Exercise Date, the Company will:

- (a) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (b) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

- (c) if admitted to the official list of ASX at the time, subject to any restriction or escrow arrangements imposed by ASX or under the Plan, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under paragraph 8(a) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 business days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

9. Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

10. Reconstruction of capital

In the event of any reconstruction (including consolidation, subdivision, reduction or return of capital) of the issued capital of the Company prior to the expiry date of the Options, all rights of the Option holder will be varied in accordance with the Listing Rules.

11. Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options. However, the Company will give the holders of Options notice of the proposed issue prior to the date for determining entitlements to participate in any such issue.

12. Change in exercise price

There will be no change to the exercise price of the Options or the number of Shares over which the Options are exercisable in the event of the Company making a pro rata issue of Shares or other securities to the holders of Shares in the Company (other than a bonus issue).

13. Adjustment for bonus issues

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the holder would have received if the holder of the Options had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Option exercise price.

14. Transferability

The Options are not transferable unless the prior written consent of the Board is obtained.

Schedule 3 - Summary of Participants Securities Incentive Plan

The full terms of the Plan may be inspected at the registered office of the Company during normal business hours. A copy of the Plan can also be sent to Shareholders upon request to the Company Secretary.

A summary of the terms of the Plan is set out below.

1. Eligible Participant

Eligible Participant means a person that:

- (a) is an "eligible participant" (as that term is defined in ASIC Class Order 14/1000) in relation to the Company or an Associated Body Corporate (as that term is defined in ASIC Class Order 14/1000); and
- (b) has been determined by the Board to be eligible to participate in the Plan from time to time.

2. Purpose

The purpose of the Plan is to:

- (a) assist in the reward, retention and motivation of Eligible Participants;
- (b) link the reward of Eligible Participants to Shareholder value creation; and
- (c) align the interests of Eligible Participants with shareholders of the Group (being the Company and each of its Associated Bodies Corporate), by providing an opportunity to Eligible Participants to receive an equity interest in the Company in the form of Securities.

3. Plan administration

The Plan will be administered by the Board. The Board may exercise any power or discretion conferred on it by the Plan rules in its sole and absolute discretion. The Board may delegate its powers and discretion.

4. Eligibility, invitation and application

- (a) The Board may from time to time determine that an Eligible Participant may participate in the Plan and make an invitation to that Eligible Participant to apply for Securities on such terms and conditions as the Board decides.
- (b) On receipt of an invitation, an Eligible Participant may apply for the Securities the subject of the invitation by sending a completed application form to the Company. The Board may accept an application from an Eligible Participant in whole or in part.
- (c) If an Eligible Participant is permitted in the invitation, the Eligible Participant may, by notice in writing to the Board, nominate a party in whose favour the Eligible Participant wishes to renounce the invitation.

5. Grant of Securities

The Company will, to the extent that it has accepted a duly completed application, grant the Participant the relevant number of Securities, subject to the terms and

conditions set out in the invitation, the Plan rules and any ancillary documentation required.

6. Terms of Convertible Securities

- (a) Each 'Convertible Security' represents a right to acquire one or more Shares (for example, under an option or performance right), subject to the terms and conditions of the Plan.
- (b) Prior to a Convertible Security being exercised a Participant does not have any interest (legal, equitable or otherwise) in any Share the subject of the Convertible Security by virtue of holding the Convertible Security. A Participant may not sell, assign, transfer, grant a security interest over or otherwise deal with a Convertible Security that has been granted to them. A Participant must not enter into any arrangement for the purpose of hedging their economic exposure to a Convertible Security that has been granted to them.

7. Vesting of Convertible Securities

- (a) Any vesting conditions applicable to the grant of Convertible Securities will be described in the invitation.
- (b) A vesting condition may, subject to applicable laws, be waived by the Board on such terms and conditions determined by the Board.
- (c) If all the vesting conditions are satisfied and/or otherwise waived by the Board, a vesting notice will be sent to the Participant by the Company informing them that the relevant Convertible Securities have vested. Unless and until the vesting notice is issued by the Company, the Convertible Securities will not be considered to have vested. If the vesting conditions relevant to a Convertible Security are not satisfied and/or otherwise waived by the Board, that Convertible Security will lapse.

8. Exercise of Convertible Securities and cashless exercise

- (a) To exercise a Convertible Security, the Participant must deliver a signed notice of exercise and, subject to a cashless exercise of Convertible Securities (see below), pay the exercise price (if any) to or as directed by the Company, at any time prior to the earlier of any date specified in the vesting notice and the expiry date as set out in the invitation.
- (b) An invitation may specify that at the time of exercise of the Convertible Securities, the Participant may elect not to be required to provide payment of the exercise price for the number of Convertible Securities specified in a notice of exercise, but that on exercise of those Convertible Securities the Company will transfer or issue to the Participant that number of Shares equal in value to the positive difference between the "Market Value" of the Shares at the time of exercise and the exercise price that would otherwise be payable to exercise those Convertible Securities. "Market Value" means, at any given date, the volume weighted average price per Share traded on the ASX over the 5 Trading Days immediately preceding that given date, unless otherwise specified in an invitation.
- (c) A Convertible Security may not be exercised unless and until that Convertible Security has vested in accordance with the Plan rules, or such earlier date as set out in the Plan rules.

9. Delivery of Shares on exercise of Convertible Securities

As soon as practicable after the valid exercise of a Convertible Security by a Participant, the Company will issue or cause to be transferred to that Participant the number of Shares to which the Participant is entitled under the Plan rules and issue a substitute certificate for any remaining unexercised Convertible Securities held by that Participant.

10. Forfeiture of Convertible Securities

Where a Participant who holds Convertible Securities ceases to be an Eligible Participant or becomes insolvent, all unvested Convertible Securities will automatically be forfeited by the Participant, unless the Board otherwise determines in its discretion to permit some or all of the Convertible Securities to vest.

Where the Board determines that a Participant has acted fraudulently or dishonestly, or wilfully breached his or her duties to the Group, the Board may in its discretion deem all unvested Convertible Securities held by that Participant to have been forfeited.

Unless the Board otherwise determines, or as otherwise set out in the Plan rules:

- (a) any Convertible Securities which have not yet vested will be forfeited immediately on the date that the Board determines (acting reasonably and in good faith) that any applicable vesting conditions have not been met or cannot be met by the relevant date; and
- (b) any Convertible Securities which have not yet vested will be automatically forfeited on the expiry date specified in the invitation.

11. Change of control

If a change of control event occurs in relation to the Company, or the Board determines that such an event is likely to occur, the Board may in its discretion determine the manner in which any or all of the Participant's Convertible Securities will be dealt with, including, without limitation, in a manner that allows the Participant to participate in and/or benefit from any transaction arising from or in connection with the change of control event.

12. Rights attaching to Plan Shares

All Shares issued under the Plan, or issued or transferred to a Participant upon the valid exercise of a Convertible Security, (**Plan Shares**) will rank pari passu in all respects with the Shares of the same class. A Participant will be entitled to any dividends declared and distributed by the Company on the Plan Shares and may participate in any dividend reinvestment plan operated by the Company in respect of Plan Shares. A Participant may exercise any voting rights attaching to Plan Shares.

13. Disposal restrictions on Plan Shares

If the invitation provides that any Plan Shares are subject to any restrictions as to the disposal or other dealing by a Participant for a period, the Board may implement any procedure it deems appropriate to ensure the compliance by the Participant with this restriction.

For so long as a Plan Share is subject to any disposal restrictions under the Plan, the Participant will not:

- (a) transfer, encumber or otherwise dispose of, or have a security interest granted over that Plan Share; or
- (b) take any action or permit another person to take any action to remove or circumvent the disposal restrictions without the express written consent of the Company.

14. Adjustment of Convertible Securities

If there is a reorganisation of the issued share capital of the Company (including any subdivision, consolidation, reduction, return or cancellation of such issued capital of the Company), the rights of each Participant holding Convertible Securities will be changed to the extent necessary to comply with the Listing Rules applicable to a reorganisation of capital at the time of the reorganisation.

If Shares are issued by the Company by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the holder of Convertible Securities is entitled, upon exercise of the Convertible Securities, to receive an allotment of as many additional Shares as would have been issued to the holder if the holder held Shares equal in number to the Shares in respect of which the Convertible Securities are exercised.

Unless otherwise determined by the Board, a holder of Convertible Securities does not have the right to participate in a pro rata issue of Shares made by the Company or sell renounceable rights.

15. Participation in new issues

There are no participation rights or entitlements inherent in the Convertible Securities and holders are not entitled to participate in any new issue of Shares of the Company during the currency of the Convertible Securities without exercising the Convertible Securities.

16. Amendment of Plan

Subject to the following paragraph, the Board may at any time amend any provisions of the Plan rules, including (without limitation) the terms and conditions upon which any Securities have been granted under the Plan and determine that any amendments to the Plan rules be given retrospective, immediate or future effect.

No amendment to any provision of the Plan rules may be made if the amendment materially reduces the rights of any Participant as they existed before the date of the amendment, other than an amendment introduced primarily for the purpose of complying with legislation or to correct manifest error or mistake, amongst other things, or is agreed to in writing by all Participants.

17. Plan duration

The Plan continues until the Board decides to end it. The Board may suspend the operation of the Plan for a fixed period or indefinitely, and may end any suspension. If the Plan is terminated or suspended for any reason, that termination or suspension must not prejudice the accrued rights of the Participants.

Schedule 4 - Terms and Conditions of Incentive Options

1. Entitlement

Each Incentive Option (**Option**) entitles the holder to subscribe for one Share upon exercise of the Option.

2. Exercise Price

Subject to paragraph 11, the amount payable upon exercise of each Option will be the greater of:

- (a) \$0.075; and
- (b) 150% of the closing price of Shares on the date of issue

(Exercise Price).

3. Vesting Conditions

The exercise of the Options are subject to and conditional on the satisfaction of the relevant vesting condition summarised below:

Director	No. Incentive Options subject to each Vesting Condition					Total Incentive Options
	Condition A	Condition B	Condition C	Condition D	Condition E	
Malcolm Carson	250,000	-	-	250,000	250,000	750,000
David Fawcett	250,000	-	-	250,000	250,000	750,000
Mark Gray	-	500,000	500,000	500,000	500,000	2,000,000
Jonathan Reynolds	-	312,500	312,500	312,500	312,500	1,250,000
TOTAL	500,000	812,500	812,500	1,312,500	1,312,500	4,750,000

Each of the Options will vest upon the satisfaction of the conditions described below, subject to the relevant Director remaining engaged by the Company at all times up until the relevant condition is satisfied:

Vesting Condition A: The 12 month anniversary of the date of issue of the Options.

Vesting Condition B: The announcement of the Company on ASX of the filing of the Telkwa small mine permit applications.

Vesting Condition C: The announcement of the Company on ASX of the receipt of the Telkwa small mine permit.

Vesting Condition D: The 24 month anniversary of the date of issue of the Options.

Vesting Condition E: The 36 month anniversary of the date of issue of the Options.

4. Expiry Date

Each Option will expire at 5.00pm (Sydney time) on a date that is 5 years from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

5. Exercise Period

The Options are exercisable if both the following conditions are satisfied:

- (a) the Option has vested in accordance with clause 3; and
- (b) the option is exercised on or before the Expiry Date

(**Exercise Period**).

6. Notice of Exercise

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

7. Exercise Date

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

8. Quotation

Unless determined otherwise by the Board in its absolute discretion, the Options will not be quoted on the ASX or any other recognised exchange.

9. Issue of Shares on exercise

Within 15 business days after the Exercise Date, the Company will:

- (a) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (b) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (c) if admitted to the official list of ASX at the time, subject to any restriction or escrow arrangements imposed by ASX or under the Plan, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under paragraph 9(a) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 business days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations

Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

10. Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

11. Reconstruction of capital

In the event of any reconstruction (including consolidation, subdivision, reduction or return of capital) of the issued capital of the Company prior to the expiry date of the Options, all rights of the Option holder will be varied in accordance with the Listing Rules.

12. Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options. However, the Company will give the holders of Options notice of the proposed issue prior to the date for determining entitlements to participate in any such issue.

13. Change in exercise price

There will be no change to the exercise price of the Options or the number of Shares over which the Options are exercisable in the event of the Company making a pro rata issue of Shares or other securities to the holders of Shares in the Company (other than a bonus issue).

14. Adjustment for bonus issues

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the holder would have received if the holder of the Options had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Option exercise price.

15. Transferability

The Options are not transferable except as permitted pursuant to the terms of the Company's Participants Securities Incentive Plan.

16. Participants Securities Incentive Plan

The Options are issued pursuant to and are subject to the Company's Participants Securities Incentive Plan. In the event of conflict between a provision of these terms and conditions and the Plan, these terms and conditions prevail to the extent of that conflict.



ABN 47 149 490 353

Lodge your vote:

By Mail:

GPO Box 2703
Sydney NSW 2001 Australia

Alternatively you can fax your form to:
+61 2 9233 1349

For all enquiries call:

+61 2 9233 5575

Proxy Form

For your vote to be effective it must be received by 10:30am (AEDT) on Monday, 27 November 2017.

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form



ALLEGIANCE COAL
LIMITED

ABN 47 149 490 353

Proxy Form

I/We _____

of _____

being the holder of _____ ordinary shares of Allegiance Coal Limited hereby appoint

the Chairman OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Allegiance Coal Limited to be held at Suite 107, 109 Pitt Street, Sydney, NSW 2000 on Wednesday, 29 November 2017 at 10:30am (AEDT) and at any adjournment of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 1 and 11-16 (inclusive) (except where I/we have indicated a different voting intention below) even though Items 1 and 11-16 (inclusive) are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

Ordinary Resolutions

	For	Against	Abstain
1. Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Election of D Fawcett as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-election of J Reynolds as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Ratification of issue of Tranche 1 Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Approval to issue Tranche 2 Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Approval to issue Tranche 3 Placement Shares to David Fawcett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Approval to issue Tranche 3 Placement Shares to Mark Gray	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Approval to issue Tranche 3 Placement Shares to Jonathan Reynolds	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	For	Against	Abstain
9. Approval to issue Lead Manager Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Special Resolution

10. Approval of 10% placement facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Ordinary Resolutions

11. Approval of Participants Securities Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Approval of potential termination benefits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Approval to issue incentive options to Malcolm Carson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Approval to issue incentive options to David Fawcett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Approval to issue incentive options to Mark Gray	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. Approval to issue incentive options to Jonathan Reynolds	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Contact Name _____

SRN/HIN _____

Securityholder 2

Director

Contact Daytime Telephone _____

Securityholder 3

Director/Company Secretary

Date ____/____/____