



31 March 2017

Dear Optionholder

Notice to Optionholders of Non-Renounceable Entitlement Offer

We write to you as the registered holder of Allegiance Coal Limited (ASX: AHQ) (**Allegiance** or the **Company**) options as at today's date. As advised in the Company's ASX announcement dated 31 March 2017, Allegiance is undertaking a non-renounceable pro-rata entitlement offer to eligible shareholders of ordinary fully paid shares in the Company at an issue price of \$0.025 per share and on the basis of 1 new share (**New Share**) for every 3 shares held at the record date on 6 April 2017 (**Record Date**) (**Entitlement Offer**). Pursuant to the Entitlement Offer, the Company will issue up to 56,498,768 New Shares to raise up to \$1,412,469 before costs.

The Entitlement Offer will be available to all Allegiance shareholders registered on the Record Date whose registered address is in Australia or New Zealand (**Eligible Shareholders**).

A prospectus in relation to the Entitlement Offer was lodged with ASIC today and will be sent to Eligible Shareholders in due course.

Under the terms of the options you currently hold, there is no entitlement to participate in the Entitlement Offer unless you exercise your options, and are entered onto the register as a shareholder of the Company by 5pm (AEST) on the Record Date.

If you wish to participate in the Entitlement Offer, a notice of options exercise and payment of the options exercise price should be lodged with the Company's share registry, Computershare Investor Services Pty Limited, with sufficient time to ensure that you are registered as a shareholder of the Company by the Record Date.

If you do not wish to participate in the Entitlement Offer, no action is required.

If you require clarification on any of the above matters, please contact the Company Secretary, Jonathan Reynolds on +61 4 5663 9232 and for all general shareholder enquiries, please contact Computershare Investor Services Pty Limited on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

Yours sincerely



Malcolm Carson
Chairman