



4 April 2017

Dear Shareholder

Notice to Ineligible Shareholders of Non-Renounceable Entitlement Offer

As announced on 31 March 2017, Allegiance Coal Limited (ASX: AHQ) (**Allegiance** or the **Company**) 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 1 new share (**New Share**) for every 3 shares (**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 Company released an offer document for the Entitlement Offer (**Offer Document**) to ASX on 31 March 2017.

Purpose of the Entitlement Offer

Subject to the satisfactory completion of the Offer, funds will be used to further develop the Telkwa metallurgical coal project and provide the Company with general working capital.

The Entitlement Offer is available to all Allegiance shareholders (**Shareholders**) registered on the record date on 6 April 2017 (**Record Date**) whose registered address is in Australia or New Zealand (**Eligible Shareholders**).

New Shares will rank equally with all fully paid ordinary shares in the capital of the Company (**Shares**) already on issue.

Shortfall

The Company reserves the right, subject to any restrictions imposed by the Corporations Act and the Listing Rules, to issue the shortfall shares at their sole discretion.

Effect on Capital Structure

The table below sets out the impact of the Entitlement Offer on the capital structure of the Company:

Detail	Number of Shares	Number of unquoted options
Balance at date of announcement of the Entitlement Offer	169,496,303	820,000
Maximum Number of New Shares offered under the Entitlement Offer*	56,498,768	Nil
Total at completion of the Entitlement Offer	225,995,071	820,000

*Assuming no options are exercised prior to the Record Date.

Ineligible shareholders

A Shareholder who has a registered address outside Australia and New Zealand (**Ineligible Shareholder**) will not be eligible to participate in the Entitlement Offer.

You are not eligible to participate in the Entitlement Offer and you will not be sent a copy of the Prospectus. This decision has been made pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules



after taking into consideration the costs of complying with legal and regulatory requirements in jurisdictions outside Australia and New Zealand compared with the small number of Ineligible Shareholders and the number and value of New Shares to which they would otherwise be entitled.

For all enquiries concerning the Entitlement Offer, please contact Jonathan Reynolds on +61 4 5663 9232. 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

A handwritten signature in black ink, appearing to read "M Carson", is written over the printed name.

Malcolm Carson
Chairman