



ALLEGIANCE COAL LIMITED

ALLEGIANCE COAL LIMITED
ACN 149 490 353

NOTICE OF GENERAL MEETING

The General Meeting of the Company will be held at Suite 107, 109 Pitt Street, Sydney, NSW, on Tuesday 8 November 2016 at 10.30am AEDT.

The Notice of 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.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on (02) 9397 7555.

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 GENERAL MEETING

Notice is hereby given that the General Meeting of Shareholders of Allegiance Coal Limited (**Company**) will be held at Suite 107, 109 Pitt Street, Sydney, NSW, on Tuesday 8 November 2016 at 10.30am AEDT (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form 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 6 November 2016 at 10.30am AEDT.

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

AGENDA

Special business: Acquisition of Telkwa Coal Limited

1. Resolution 1 - Approval to change in scale of activities

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

“That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 11.1.2 and for all other purposes, Shareholders approve the significant change in the scale of the Company's activities resulting from the Acquisition and the Capital Raising, on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who might receive 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.

However, 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.

2. Resolution 2 - Approval to issue Consideration Shares

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

“That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 50,000,000 Shares (on a post-Consolidation basis) (Consideration Shares) to the Telkwa Vendors (or their respective nominees) on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast on this Resolution by the Telkwa Vendors (or their respective nominees) and any person who might obtain a benefit, except a benefit solely in the capacity as 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.

3. Resolution 3 - Approval to issue Capital Raising Shares

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

“That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 66,666,667 Shares (on a post-Consolidation basis) at \$0.0375 each on the terms and conditions in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue 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.

4. Resolution 4 - Approval to issue CDC Shares

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

"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 10,956,282 Shares (on a post-Consolidation basis) to CDC (or its nominees) in satisfaction of the CDC Debt on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by CDC (or its nominees) 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.

5. Resolution 5 - Approval to issue CSC Shares

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

"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 1,260,000 Shares (on a post-Consolidation basis) to CSC (or its nominees) in satisfaction of the CSC Debt on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by CSC (or its nominees) 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.

6. Resolution 6 - Consolidation of capital

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

“That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated with immediate effect on the basis that:

- (a) every five Shares be consolidated into one Share; and*
- (b) all Options on issue be adjusted in accordance with Listing Rule 7.22,*

and where this consolidation results in a fraction of a security being held by a security holder, the Directors be authorised to round that fraction up to the nearest whole Share or Option.”

7. Resolution 7 - Ratification of previous issue of 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 26,400,000 Shares at \$0.005 each on the terms and conditions set out in the Explanatory Memorandum.”

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.

BY ORDER OF THE BOARD



David Deitz
Company Secretary

Dated: 7 October 2016

ALLEGIANCE COAL LIMITED

ACN 149 490 353

EXPLANATORY MEMORANDUM

1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Suite 107, 109 Pitt Street, Sydney, NSW, on Friday 8 November 2016 at 10.30am AEDT.

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

The Explanatory Memorandum 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	Acquisition of Telkwa Coal Limited
Section 4	Resolution 1 - Approval to change in scale of activities
Section 5	Resolution 2 - Approval to issue Consideration Shares
Section 6	Resolution 3 - Approval to issue Capital Raising Shares
Section 7	Resolution 4 - Approval to issue CDC Shares
Section 8	Resolution 5 - Approval to issue CSC Shares
Section 9	Resolution 6 - Consolidation of capital
Section 10	Resolution 7 - Ratification of previous issue of Shares
Schedule 1	Definitions

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

2. Action to be taken by Shareholders

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

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.

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

3. Acquisition of Telkwa Coal Limited

3.1 Conditional Acquisition Resolutions

The Acquisition Resolutions (Resolutions 1 to 6, inclusive) are inter-conditional, meaning that each of them will only take effect if all of them are approved by the requisite majority of Shareholders' votes at the Meeting. If any of the Acquisition Resolutions are not approved at the Meeting, none of the Acquisition Resolutions will take effect and the Acquisition Agreement and other matters contemplated by the Acquisition Resolutions will not be completed.

3.2 Existing activities of the Company

The Company is a mineral explorer, with a current focus on coal exploration. The Company has a 100% interest in two projects - the Kilmain Project within the Bowen Basin (comprised of tenements EPC 1298 and EPC 1917) and the Back Creek Project within the Surat Basin (comprised of tenements EPC 1297).

As previously announced, the Company had signed a Joint Exploration Agreement with Japan Oil, Gas and Metals National Corporation (**JOGMEC**), which provided for JOGMEC to earn 30 percent of the project in the event that they spent at least \$3 million of exploration expenditure. JOGMEC spent approximately \$2 million before withdrawing from the joint venture and therefore earned no project equity. The Kilmain Project is under review by the Company.

In addition, as previously announced, due to the current market condition the potential rate of development of the required infrastructure for the Back Creek Project is unknown and the Back Creek Project is also therefore under review by the Company.

The Company has been identifying and evaluating new investment opportunities. This has resulted in the Acquisition. The Company will continue to investigate and review complementary acquisitions following completion of the Acquisition.

3.3 Change in the scale of the Company's activities

As announced on 16 September 2016, the Company has entered into a conditional binding agreement with Telkwa Coal Limited (**Telkwa**) to acquire 100% of the issued share capital of Telkwa (**Acquisition**).

Telkwa is a private company incorporated in British Columbia, Canada. Telkwa is a party to a farm-in agreement over an advanced coking coal exploration project located in the mid-west of British Columbia, in the Telkwa Coalfield (**Telkwa Project**). The farm-in agreement is Telkwa's sole asset.

Further detail regarding the Telkwa Project and the Farm-in Agreement is contained in Sections 3.5 and 3.6, respectively.

As the Acquisition comprises a significant change in the scale of the Company's activities, Resolution 1 seeks Shareholder approval for a change in the scale of the activities of the Company.

The Company proposes to, subject to the receipt of Shareholders' approval of the Acquisition Resolutions and the terms of the Acquisition Agreement (all on a post-Consolidation basis):

- (a) proceed to completion of the Acquisition, pursuant to which the Company will issue 50,000,000 Shares to the Telkwa Vendors (or their respective nominees) in consideration for 100% of the issued shares of Telkwa (Resolution 2);
- (b) raise a minimum of \$1,500,000 and a maximum of \$2,500,000 by an issue of up to 66,666,667 Shares at an issue price of \$0.0375 per Share (Resolution 3);
- (c) issue 10,956,282 Shares to CDC (or its nominees) in satisfaction of the CDC Debt (Resolution 4); and

- (d) issue 1,260,000 Shares to CSC (or its nominees) in satisfaction of the CSC Debt (Resolution 5); and
- (e) complete the Consolidation (Resolution 6).

References to numbers of Securities in the Notice are on a post-Consolidation basis unless expressly stated otherwise, and is therefore subject to rounding effects of the Consolidation.

Other information considered material to Shareholders' decision on whether to pass the Acquisition Resolutions is set out in this Explanatory Memorandum, and Shareholders are advised to read this information carefully.

3.4 Key terms of the Acquisition

The key terms of the Acquisition are as follows:

(a) Conditions Precedent

Completion of the Acquisition remains subject to:

- (i) Shareholders providing the necessary approvals for the Acquisition, as being sought at this Meeting; and
- (ii) completion of the Minimum Capital Raising.

(b) Consideration

In exchange for the Company acquiring Telkwa, the Company will issue 50,000,000 Shares (on a post-Consolidation basis) to the Telkwa Vendors.

Approval for the issue of the Consideration Shares is the subject of Resolution 2.

3.5 Telkwa Project

(a) Background

The Telkwa Project is located in the mid-west of British Columbia, in the Telkwa Coalfield, located within the southern reaches of the Bowser Basin.

The Telkwa Project location is illustrated in the following diagram:

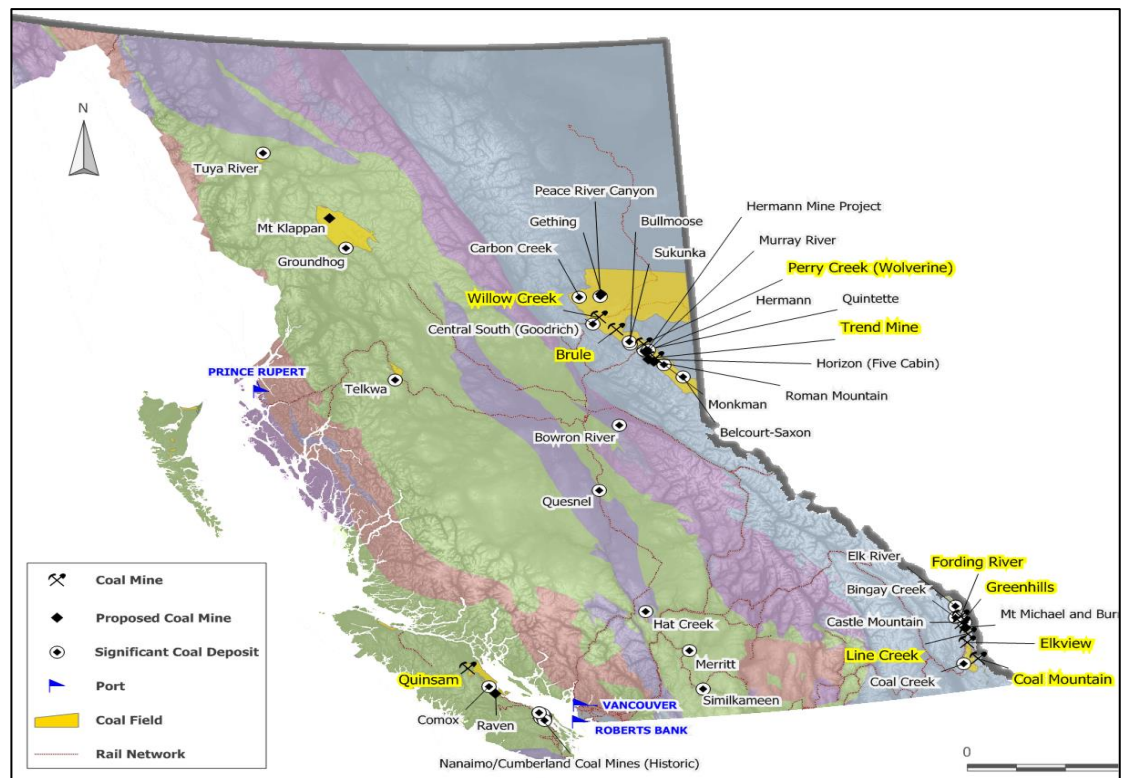


Figure 1: Telkwa Project Location (Source: Ministry of Energy and Mines British Columbia Coal Overview 2015)

The Telkwa Project is located immediately adjacent to Canadian National Rail's (CNR) mainline that runs direct to the deepwater Port of Prince Rupert. It is a relatively short 390km rail haul from Telkwa Project's planned siding direct to Ridley Island Coal Terminal (RICT), located at Prince Rupert. RICT states that it currently has 18Mtpa installed and operating capacity that can be expanded to 25Mtpa within 24 months. The Directors believe current annual coal exports from RICT are around 3.5Mtpa which means there is more than sufficient port capacity for the foreseeable future.

Historical reports indicate coal mining commenced in the Telkwa area in the 1920s and continued up until the early 1970s supporting domestic industrial demand. In addition, the Telkwa Project area has been explored extensively from the 1950s to the end of the 1990s. Exploration included 825 drill holes, of which 321 were cored for coal sampling and analysis, along with two major bulk samples and extensive trenching.

The Telkwa Project was the subject of a feasibility study completed in 1996 and an environmental impact assessment in 1997, designed to support a mining permit application for a 1.5Mtpa clean PCI/thermal open pit coal mine. At the time, PCI and thermal coal prices did not support the capital investment to build a mine and since then, the Telkwa Project has stood dormant.

(b) **Geological information**

Telkwa commissioned a Canadian National Instrument 43-101 JORC Compliant Technical Report in February 2015, which confirmed that of a 165Mt coal Resource, 89Mt was in the Measured Resource category, as defined by the JORC Code. The Telkwa Project includes three open pit areas all within close proximity. The coal resource is summarised in the following table.

Pit Areas	Measured	Indicated	Inferred	TOTAL
Tenas	40,329,000	0	0	40,329,000
Goathorn	35,505,000	26,394,000	27,067,000	88,966,000
Telkwa North	13,279,000	15,643,000	6,345,000	35,267,000
TOTAL	89,113,000	42,037,000	33,412,000	165,562,000

Telkwa also commissioned a report to assess coal quality and coal market options in July 2015. Results of that report position coal from the Telkwa Project as a semi-soft coking coal competing alongside Queensland and New South Wales semi-soft coking coals as summarised below.

Air Dried	Telkwa Low Ash Product	Telkwa High Ash Product	NSW SSCC	QLD SSCC
% Moisture	1.12	1.12	7-11	9-10
% VM	24.6	24.6	33-37	25-26
% Ash	7.4	10.4	6.5-10.5	9-10
% Sulphur	0.90	1.20	0.45-1.05	0.50-0.55
% FC	66.9	63.9	50-60	64-66
FSI	3-5	1-3	3-6	3-4
Max Fluidity	2-17	2-17	100-500	15-50
Rank	0.88	0.79	0.80	1.05
CSR	41-47	32-38	25-30	32-35

The Telkwa Coalfield developed along the northern flank of the Skeena Arch near the southern limit of sedimentary rocks in the Bowser Basin. More than 500 metres of coal-bearing strata, referred to as the Lower Cretaceous Skeena Group are present in this area. The Tenas area includes up to 13 coal seams with a cumulative coal thickness of 11.6 meters over an interval of about 55 meters. In the Goathorn and Telkwa North areas there are up to 17 coal seams with an average cumulative thickness of 20.5 meters. The deposit type for the Tenas area is described in the report commissioned by

Telkwa as “Moderate”, and for the Telkwa North and Goathorn areas, as “Complex”.

A total of 828 holes have been drilled from 1979 to 1998, of which 507 were rotary and 321 were core. Coal samples were gathered from all coal seam intersections recovered from core drilling, and two bulk samples (219 ton in 1983 and 80 ton in 1996). Coal samples were sent to several laboratories for testing and analysis during this period. Analytical testing included individual seam analysis, product testing, complete washability analysis, and burn tests.

The information regarding the mineral resources of the Telkwa Project in this Notice was first reported in the Company’s announcement of 16 September 2016. The Company is not aware of any new information or data that materially affects the information included in the previous announcement, and all material assumptions and technical parameters underpinning the estimates in the previous announcement continue to apply and have not materially changed.

(c) **Strategy**

In 2015 and the first half of 2016, Telkwa completed two internal scoping studies. One study focused on updating the work undertaken in the 1996 Feasibility Study assuming the same rate of production, while the other focused on a staged approach commencing with a ‘small mine’ initially, gradually transitioning to a ‘major mine’.

Both studies focused on producing a low ash semi-soft coking coal at a yield of around 70% for export to the Asian steel markets. Both studies concluded favourable economics based on coking coal prices publically announced in the last quarter of 2015.

Under British Columbia mining legislation, a ‘small mine’, in relation to coal, is defined as a mine producing up to 250Ktpa of clean coal, and a ‘major mine’ is a mine producing in excess of that amount. British Columbia mining legislation provides for a more defined process for the granting of small mine permits. The environmental data captured during the operation of a small mine is likely to mitigate concerns that emerge in the permitting process for a ‘major mine’, and generally provide for a more certain and timely permitting process.

In order to obtain a small mine permit, Telkwa must, amongst other things, complete its environmental impact study, where the Directors believe Telkwa can rely on much of the environmental data collected in 1996 and 1997, and update the feasibility work already undertaken, to support the scale of operation planned.

3.6 Farm-in Agreement

In September 2014, Telkwa acquired farm-in rights to the Telkwa Project from Carbon Development Corporation, a corporation incorporated in the province of Ontario, Canada (CDC).

CDC is a subsidiary of Altius Minerals Corporation, a TSX listed investment fund that acquired the Telkwa Project as part of the acquisition of producing mines from Sherritt Corporation in April 2013.

Telkwa has the right to earn up to 90% ownership of the Telkwa Project. CDC has a free carry on its remaining 10% Project equity in relation to a small mine only. CDC will be required to contribute its pro-rata share of the costs of a major mine. The farm-in obligations and payments are summarised in the table below.

Milestone		Completion	Milestone Completions
1	Deliver NI 43-101 JORC compliant report	20 Mar 2015	Completed
	Complete internal scoping studies	20 Mar 2016	Completed
	Upgrade geological model to a PFS standard	20 Mar 2016	Completed
	Incur C\$1M of expenditure	No time limit	Pay C\$200k for 20% project equity
2	Complete baseline studies necessary to support an application for a small scale mining permit	20 Sept 2017	
	Complete affected party agreements necessary to support an application for a small scale mining permit	20 Sept 2017	
	File small mine permit applications	20 Sept 2017	Pay C\$300k for further 30% project equity
3	Grant of small mine permits	No time limit	Pay C\$500k for further 40% project equity
4	Sale of 100k tonnes from a small mine	No time limit	Pay C\$2M
5	Grant of major mine permits	No time limit	Pay C\$2M
6	Sale of 500k tonnes from a major mine	No time limit	Pay C\$5M

In addition to the above, CDC will receive a 3% gross sales royalty on coal sold where the benchmark coal price is less than US\$100 per tonne; 3.5% where the benchmark coal price is US\$100-US\$109.99 per tonne; 4% where the benchmark coal price is US\$110-US\$119.99 per tonne; and 4.5% where the benchmark coal price is greater than US\$120 per tonne.

3.7 CDC Debt

As at 31 December 2016, Telkwa will owe a sum of C\$410,860.58 to CDC as follows:

- (a) reimbursement to CDC by Telkwa of licence rental and land management costs paid and payable for the calendar year 2016 totalling C\$210,860.58; and

- (b) payment of Milestone One Payment to CDC by Telkwa totalling C\$200,000.

The Company has entered into an agreement with CDC pursuant to which the above sum will be settled by the issue of 10,956,282 Shares (on a post-Consolidation basis) to CDC for nil cash consideration.

3.8 CSC Debt

As at the date of this Notice, CoalSense Consulting Inc (CSC) the project manager of the Telkwa Project, was owed \$47,250 of outstanding invoices (CSC Debt).

The Company has entered into an agreement with CSC pursuant to which the above sum will be settled by the issue of 1,260,000 Shares (on a post-Consolidation basis) to CSC for nil cash consideration.

3.9 Pro forma balance sheet

Set out below is the consolidated balance sheet (statement of financial position) of the Company ("A") as at 30 June 2016 and Telkwa as at 30 September 2016 ("B") and a pro-forma consolidated balance sheet ("C") assuming the following:

- (a) the issue of 66,666,667 Capital Raising Shares at an issue price of \$0.0375 each to raise \$2,500,000;
- (b) the acquisition of 100% of the shares on issue in Telkwa by way of an issue of 50,000,000 Consideration Shares for a total representative value of approximately \$1,250,000;
- (c) the issue of 10,956,282 Shares (on a post-Consolidation basis) at a deemed issue price of \$0.0375 each in satisfaction of the CDC Debt for nil cash consideration; and
- (d) the issue of 1,260,000 Shares (on a post-Consolidation basis) at a deemed issue price of \$0.0375 each in satisfaction of the CSC Debt for nil cash consideration;
- (e) costs of the Capital Raising and Acquisition of \$220,000.

	Company 30 June 2016 \$ "A"	Telkwa 30 September 2016 \$ "B"	Pro-forma Consolidated \$ "C"
Current Assets			
Cash assets	1,418,192	-	3,698,192
Trade and other receivables	10,909	931	370,495
Total Current Assets	1,429,101	931	4,068,687
Non-current Assets			
Exploration and evaluation	250,000	930,873	2,159,131
Total Non-current Assets	250,000	930,873	2,159,131
Total Assets	1,679,101	931,804	6,227,818
Current Liabilities			
Trade and other payables	68,384	149,203	118,131
Borrowings	1,994,631	100,000	2,094,631
Total Current Liabilities	2,063,015	249,203	2,212,762
Total Liabilities	2,063,015	249,203	2,212,762
Net Assets (Liabilities)	(383,914)	682,601	4,015,056
Equity			
Issued Capital	9,137,801	1,302,509	13,536,772
Reserves	376,786	-	376,786
Accumulated Losses	(9,898,502)	(619,908)	(9,898,502)
Total Equity (Deficiency)	(383,914)	682,601	4,015,056

3.10 Pro forma capital structure

The pro forma capital structure of the Company following completion of the Acquisition and the Capital Raising, on a post-Consolidation basis, is set out below:

	Shares	Options
Current issued capital	40,613,335	820,000 ¹
Consideration Shares (Resolution 2)	50,000,000	Nil
Capital Raising Shares (Resolution 3)	66,666,667 ²	Nil
CDC Shares	10,956,282	Nil
CSC Shares	1,260,000	Nil
TOTAL	169,496,284	820,000

Notes:

1. Unquoted Options exercisable at \$0.2475 each on or before 27 November 2018.
2. Assumes the Maximum Capital Raising is fully subscribed.

The above table is a statement of current intentions as at the date of this Notice and is subject to change.

3.11 Voting Power of Telkwa Vendors

The Telkwa Vendors currently do not have any voting power in the Company and have confirmed to the Company that they are not associates of each other, or related parties of the Company. The Telkwa Vendors will have the following voting power in the Company on completion of the Acquisition, assuming the Maximum Capital Raising is fully subscribed:

Vendor	No. Shares in Telkwa	No. of Consideration Shares	Voting Power	
			Minimum Capital Raising	Maximum Capital Raising
Mark Gray	8,000	25,000,000	17.5%	14.75%
Salisbury Holdings Australia Pty Ltd as trustee for Natasa Mining Ltd	8,000	25,000,000	17.5%	14.75%
TOTAL	16,000	50,000,000	35.0%	29.50%

ASX has advised the Company that item 6 of Appendix 9B of the Listing Rules will apply such that the Consideration Shares will be subject to escrow until 12 months after their issue.

Mr Jonathan Reynolds, a Director, is the finance director of Natasa Mining Ltd (**Natasa**), one of the beneficial shareholders of Telkwa. Mr Reynolds does not hold any shares in Natasa and is not considered to control Natasa. Consequently, Natasa is not considered to be a related party of the Company.

3.12 Use of funds

The Company intends to use the funds raised under the Capital Raising, together with the Company's existing cash reserves post-Acquisition, in the 8 months following the completion of the Acquisition as follows:

Funds available	Amount	
Existing cash reserves of the Company ¹	\$90,000	
Funds raised from the Minimum Capital Raising	\$1,500,000	
Funds raised from the Maximum Capital Raising	\$2,500,000	
Allocation of funds	Amount (\$)	
	Minimum Capital Raising	Maximum Capital Raising
Expenses of the Acquisition (including Capital Raising fees)	\$160,000	\$220,000
Expenditure on existing projects ²	\$12,000	\$12,000
Expenditure on Telkwa Project ³	\$1,020,000	\$1,820,000
General working capital, including corporate and administrative costs ⁴	\$308,000	\$448,000
Total	\$1,500,000	\$2,500,000

Notes:

1. These funds represent existing cash held by the Company at or around the date of this Notice. The Company expects to incur costs within the ordinary course of its business, which will diminish this amount prior to completion of the Acquisition.
2. This expenditure is intended to be committed to exploration licence rental payments and related costs.
3. This expenditure is intended to be committed as follows:
 - a. engagement and consultation with Canadian First Nations in relation to the Telkwa Project before the end of 2016;
 - b. the commencement of baseline studies for the Telkwa Project in 2017; and
 - c. a feasibility study to support the applications for a small mine permit for the Telkwa Project.
4. General working capital will be utilised by the Company to pay for the corporate and administration costs of the Company generally and cost overruns in forecast expenditures (if any).

It is intended that the Minimum Capital Raising will fund the Company through to the latter half of 2017, by which time an additional capital raising or other funding options will be required in order to complete all studies to file for, and negotiate the granting of, a small mine permit.

The above table is a statement of current intentions as at the date of this Notice. Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments and market and general economic conditions. In light of this, the Board reserves the right to alter the way the funds are applied.

The use of further equity funding or Share placements will be considered by the Board where it is appropriate to accelerate a specific project.

It is possible that future acquisitions that may be contemplated may exceed the current or projected financial resources of the Company and it is expected that these acquisitions would be funded by project finance and/or equity issues (subject to any required Shareholder approvals).

3.13 Key Dates

Event	Key Dates
Execution of Acquisition Agreement	16 September 2016
Announcement of Acquisition	16 September 2016
Shareholder Meeting ASX notified whether Shareholders' approval has been granted for the Resolutions	8 November 2016
Last day for trading in pre-Consolidated Shares	9 November 2016
Trading in Consolidated Shares on a deferred settlement basis commences	10 November 2016
Last day to register transfers on a pre-Consolidation basis	11 November 2016
Registration of Securities on a post-Consolidation basis	14 November 2016
Issue of new holding statements Deferred settlement trading ends	18 November 2016
Normal trading starts on a post-Consolidation basis	21 November 2016
Completion of Acquisition and issue of Capital Raising Shares	23 November 2016

3.14 Board intentions if the Acquisition Resolutions are passed

If the Acquisition Resolutions are passed and the Acquisition completes, it is the Board's intention to focus on the following activities:

- (a) commence exploration activities and desktop reviews of the Telkwa Project;
- (b) maintain the Company's existing projects and continue review of options to extract value; and
- (c) continue to investigate complementary acquisitions.

3.15 Plans for the Company if the Acquisition Resolutions are not passed

If the Acquisition Resolutions are not passed and the Acquisition is not completed, the Company will continue to look for potential projects in order to continue to take the Company forward.

3.16 Advantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on each Acquisition Resolution:

- (a) British Columbia is a favourable region for coal exploration as it boasts an abundance of high quality coals, well-developed rail and port infrastructure with excess capacity, access to deep sea ports, competitive shipping distance to Asia, and a generally positive government stance on mining.
- (b) the Acquisition represents a significant opportunity for the Company to increase the scale of its activities which should increase the number and size of the investor pool that may invest in the Company's Shares; and
- (c) the Acquisition provides the Company with the opportunity to increase the value of the Company.

3.17 Disadvantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on each Acquisition Resolution:

- (a) upon completion of the Acquisition, the Company will have a substantial area of focus on coal exploration in British Columbia, which may not be consistent with the objectives of all Shareholders;
- (b) the Telkwa Project may not turn out to be commercially viable and thus losses may be incurred. In general terms, investments in listed exploration companies should be considered highly speculative; and
- (c) the Acquisition and the Capital Raising will result in the issue of Shares to the Telkwa Vendors and new investors, which will have a dilutionary effect on the holdings of Shareholders.

3.18 Risks associated with the Acquisition

Shareholders should be aware that if the Acquisition is approved and completed, the Company will be changing the scale of its activities and may be subject to additional or increased risks.

The risks and uncertainties described below are not intended to be exhaustive. There may be additional risks and uncertainties that the Company is unaware of or that the Company currently considers to be immaterial, which may affect the Company.

(a) Specific risks relating to the Company

(i) Farm-in agreement risk

The Company's interest in the Telkwa Project will be held through the farm-in agreement with Altius Minerals Corporation. There is a

risk that the financial failure or default of Altius may adversely affect the operations and performance of the Company.

(ii) **Additional requirements for capital**

It is considered that the funds raised by the Capital Raising will be sufficient to meet the immediate objectives of the Company following completion of the Acquisition.

However, the Company will require additional capital to fund further exploration or development of its existing or new projects, including the Telkwa Project.

The Company may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in the delay and indefinite postponement of exploration, development or production on the Telkwa Project or even loss of a property interest.

There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

(iii) **Exploration and development**

Mineral exploration and project development are high risk undertakings.

There can be no assurance that exploration of the Telkwa Project (or any of the Company's existing or future projects) will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited. Until the Company is able to realise value from its mineral projects, it is likely to incur ongoing operating losses.

(iv) **Drilling and exploration programmes**

There are operational risks associated with the Company's planned drilling and exploration programs for the Telkwa Project. The planned surface sampling, drilling and exploration programs may be affected by a range of factors, including (but not limited to): geological and ground access conditions; unanticipated operational and technical difficulties encountered in sampling and drilling activities; adverse weather conditions, environmental accidents, and unexpected shortages or increases in the costs of consumables, spare parts, and labour; mechanical failure of operating plant and equipment; prevention of access by reason of political or civil unrest, outbreak of hostilities, outbreak of disease, inability to obtain regulatory consents or approvals; terms imposed by government on development of mining projects including conditions such as equity participation, royalty rates and taxes; and risks of default or non-performance by third parties providing essential services.

No assurance can be given that planned and future exploration will be successful or that a commercial mining operation will eventuate at the Telkwa Project, or any of the Company's existing mineral projects.

(v) **Title**

The claims comprising the Telkwa Project are governed by legislation relating to grant, renewal and forfeiture. There is no guarantee that current or future applications, conversions or renewals of tenure will be approved, including any small or major permit applications.

The claims will be subject to a number of specific legislative conditions including payment of rent and meeting minimum annual expenditure commitments. The inability to meet these conditions in relation to the coal licenses could affect the standing of these coal licenses or restrict their ability to be renewed, adversely affecting the operations, financial position and performance of the Company.

(vi) **First Nations risk**

The ability of the Company to progress from the exploration phase to the development and mining phases of operations will require successful negotiations with the relevant First Nation interest groups which cannot be guaranteed. First Nations interests may adversely affect the Company's operations and its ability to explore or develop tenements in a timely manner.

(vii) **Sovereign and political risk**

The activities related to the Telkwa Project will be governed by Canadian law.

The Directors consider that the Canadian government supports the development of natural resources by foreign investors. However, there is no assurance that future political and economic conditions in Canada will not result in the Canadian government adopting different policies regarding foreign development and ownership of mineral resources. Any changes in policy may result in legislative changes affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return on capital, all of which may affect the Company's ability to develop the coal claims.

Any potential future Canadian operations of the Company are subject to a number of risks, including: potential difficulties in enforcing agreements and collecting receivables through foreign local systems, potential difficulties in protecting rights and interests in assets, increases in costs for transportation and shipping, and restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes.

Any of these factors could materially and adversely affect the Company's business, results of operations and financial condition.

(viii) **Environment**

The Telkwa Project is subject to laws and regulations regarding environmental matters and the Company will require approvals from and compliance with all relevant authorities.

The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

(ix) **No market sector diversification**

As the Company will be entirely exposed to the mining, and in particular the coal mining, sector, its business performance may be affected should this sector perform poorly.

(b) **General risks relating to the Company**

(i) **Economic risks**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's business activities and potential exploration and development programs, as well as on its ability to fund those activities.

(ii) **Force majeure**

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(iii) **Market conditions**

Share market conditions may affect the value of the Company's Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (A) general economic outlook;
- (B) introduction of tax reform or other new legislation;
- (C) interest rates and inflation rates;
- (D) changes in investor sentiment toward particular market sectors;
- (E) the demand for, and supply of, capital; and
- (F) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resources stocks in particular. Neither the

Company nor the Directors warrant the future performance of the Company or any return to Shareholders arising from the transactions the subject of this Notice or otherwise.

3.19 Directors' interests in the Acquisition

None of the Company's Directors have any interest in the Acquisition other than as disclosed in this Notice.

4. Resolution 1 - Approval to change in scale of activities

4.1 General

Resolution 1 seeks the approval of Shareholders for a change in the scale of the Company's activities via the acquisition of 100% of the issued share capital of Telkwa.

A detailed description of the proposed Acquisition is outlined in Section 3.4 above.

4.2 Listing Rule 11.1

Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the Listing Rules as if the company were applying for admission to the official list of ASX.

ASX has confirmed to the Company that given the significant change in the scale of the Company upon completion of the Acquisition, it requires the Company to obtain the approval of its Shareholders for the Acquisition. ASX has confirmed that it will not require the Company to re-comply with the admission requirements set out in Chapters 1 and 2 of the Listing Rules.

For this reason, the Company is seeking Shareholder approval for the Company to change the scale of its activities under Listing Rule 11.1.2.

Details of the assets to be acquired by the Company and the proposed changes to the structure and operations of the Company are provided throughout this Explanatory Memorandum.

4.3 Board recommendation

The Board recommends that Shareholders vote in favour of Resolution 1.

Resolution 1 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 1.

5. Resolution 2 - Approval to issue Consideration Shares

5.1 General

Resolution 2 seeks Shareholder approval for the issue of the Consideration Shares.

5.2 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.

The effect of Resolution 2 will be to allow the Company to issue the Consideration 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.

5.3 Technical 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 Consideration Shares:

- (a) 50,000,000 Shares are to be issued as Consideration Shares (on a post-Consolidation basis);
- (b) the Consideration Shares will be issued 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 Consideration Shares are issued in consideration for the Telkwa Vendors' shares in Telkwa and will therefore be issued at an issue price of nil;
- (d) the Consideration Shares will be issued to the Telkwa Vendors (or their respective nominees);
- (e) the Consideration Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares (subject to the 12 month escrow period applied by ASX);
- (f) no funds will be raised from the issue of the Consideration Shares as they are to be issued in consideration for the Vendors' shares in Telkwa;
- (g) it is intended that the Consideration Shares will be issued on the same date, being the date of completion of the Acquisition; and
- (h) a voting exclusion statement is included in the Notice.

5.4 Board recommendation

The Board 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 - Approval to issue Capital Raising Shares

6.1 General

Resolution 3 seeks Shareholder approval for the issue of the Capital Raising Shares.

6.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is contained in Section 5.2 above.

The effect of Resolution 3 will be to allow the Company to issue the Capital Raising Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

6.3 Technical 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 Capital Raising:

- (a) the maximum number of Shares to be issued as Capital Raising Shares is 66,666,667 (on a post-Consolidation basis);
- (b) the Capital Raising Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (c) the issue price of the Capital Raising Shares will be \$0.0375 per Share;
- (d) the Capital Raising Shares are to be issued to sophisticated or professional investors who are not related parties of the Company;
- (e) the Capital Raising Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the Company's intended use of the funds raised from the Capital Raising is set out in Section 3.12 above;
- (g) it is intended that the Capital Raising Shares will be issued on the same date, being the date of completion of the Capital Raising; and
- (h) a voting exclusion statement is included in the Notice.

6.4 Board recommendation

The Board 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 - Approval to issue CDC Shares

7.1 General

Resolution 4 seeks Shareholder approval for the issue of the CDC Shares.

7.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is contained in Section 5.2 above.

The effect of Resolution 4 will be to allow the Company to issue the CDC Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

7.3 Technical 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 CDC Shares:

- (a) the maximum number of Shares to be issued as CDC Shares is 10,956,282 (on a post-Consolidation basis);
- (b) the CDC Shares will be issued 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 CDC Shares are issued in satisfaction of the CDC Debt and will therefore be issued at an issue price of nil;
- (d) the CDC Shares will be issued to CDC (or its nominees);
- (e) the CDC Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) no funds will be raised from the issue of the CDC Shares as they are to be issued in settlement of the CDC Debt;
- (g) it is intended that the CDC Shares will be issued on the same date, being the date of completion of the Acquisition; and
- (h) a voting exclusion statement is included in the Notice.

7.4 Board recommendation

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 CSC Shares

8.1 General

Resolution 5 seeks Shareholder approval for the issue of the CSC Shares.

8.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is contained in Section 5.2 above.

The effect of Resolution 5 will be to allow the Company to issue the CSC Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

8.3 Technical 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 CSC Shares:

- (a) the maximum number of Shares to be issued as CSC Shares is 1,260,000 (on a post-Consolidation basis);
- (b) the CSC Shares will be issued 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 CSC Shares are issued in satisfaction of the CSC Debt and will therefore be issued at an issue price of nil;
- (d) the CSC Shares will be issued to CSC (or its nominees);
- (e) the CSC Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) no funds will be raised from the issue of the CSC Shares as they are to be issued in settlement of the CSC Debt;
- (g) it is intended that the CSC Shares will be issued on the same date, being the date of completion of the Acquisition; and
- (h) a voting exclusion statement is included in the Notice.

8.4 Board recommendation

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. Resolution 6 - Consolidation of capital

9.1 General

Resolution 6 seeks Shareholder approval for the Company to undertake a consolidation of its capital on a one for five basis (**Consolidation**).

9.2 Legal requirements

Section 254H(1) of the Corporations Act provides that a company may, by a resolution passed in a general meeting of shareholders, convert all or any of its shares into a larger or smaller number of shares.

Listing Rule 7.22.1 also requires that when a listed entity undertakes a consolidation of capital, the number of its options must be consolidated in the same ratio as the ordinary capital and the exercise price must be amended in inverse proportion to that ratio.

9.3 Fractional entitlements

Not all Shareholders and Optionholders will hold that number of Shares and Options which can be evenly divided by 5.

Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Share or Option.

9.4 Effect on capital structure

The effect of the Consolidation on the capital structure of the Company, as illustrated in the tables below, is that each holding of Shares or Options will be reduced by 1/5 of its current level (subject to rounding).

In addition, the exercise price of the Options will be increased by 5 times its current level.

However, each Shareholder's proportional interest in the Company's capital will remain unchanged as a result of the Consolidation (prior to the issue of the Consideration Shares, Capital Raising Shares, CDC Shares and CSC Shares).

Shares	Pre-Consolidation	Post-Consolidation
On issue as at date of Notice	203,066,674	40,613,335

Options	Pre-Consolidation		Post-Consolidation	
	Number	Exercise Price	Number	Exercise Price
Unquoted Options expiring 27 November 2018	4,100,000	\$0.0495	820,000	\$0.2475

9.5 Holding statements and certificates

From the date the Consolidation is approved by Shareholders all holding statements for Shares and Options will cease to have any effect, except as evidence of entitlement to a certain number of Shares or Options as the context requires on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Shares and Options to be issued to Shareholders and Optionholders respectively.

It is the responsibility of each Shareholder and Optionholder to check the number of Shares or Options held prior to disposal or exercise (as the case may be).

9.6 Timetable

If Resolution 6 is passed, the Consolidation will take effect in accordance with the timetable set out in Section 3.13, as required by Appendix 7A (paragraph 5) of the Listing Rules. That timetable is a proposed indicative timetable and the Board reserves the right to vary the dates in accordance with the Listing Rules.

9.7 Board recommendation

The Board recommends that Shareholders vote in favour of Resolution 6.

Resolution 6 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 6.

Ordinary business

10. Resolution 7 - Ratification of previous issue of Shares

10.1 Background

On 16 September 2016, the Company announced that it had agreed to issue 26,400,000 Shares at \$0.005 per Share to sophisticated and professional investors who are not related parties of the Company. The issue of these Shares raised approximately \$132,000 (before costs).

10.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is contained in Section 5.2 above.

10.3 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 7 will be to allow the Company to retain the flexibility to issue Equity Securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

10.4 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 Shares:

- (a) a total of 26,400,000 Shares were issued;
- (b) the Shares were issued at \$0.005 per Share;
- (c) the 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 Shares were issued to sophisticated or professional investors, none of whom are a related party of the Company;
- (e) the proceeds from the issue of the Shares will be used primarily towards transaction costs in connection with the Acquisition; and
- (f) a voting exclusion statement is included in the Notice.

10.5 Board recommendations

The Board recommends that Shareholders vote in favour of Resolution 7.

Resolution 7 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 7.

Schedule 1 - Definitions

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

\$ means Australian Dollars.

Acquisition Agreement means the agreement between the Company and Telkwa for the acquisition of Telkwa by the Company, dated 16 September 2016.

Acquisition means the acquisition of Telkwa in accordance with the Acquisition Agreement.

Acquisition Resolutions means Resolutions 1 to 6 (inclusive).

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

Board means the board of Directors of the Company.

C\$ means Canadian Dollars.

Capital Raising means the issue of at least 40,000,000 Shares (on a post-Consolidation basis) at an issue price of \$0.0375 each to raise at least \$1,500,000.

Capital Raising Shares means the Shares proposed to be issued pursuant to the Capital Raising.

CDC Debt means the monies owing and due and payable from Telkwa to CDC up to 31 December 2016 as are discussed in more detail in Section 3.7.

CDC means the Carbon Development Corporation a corporation incorporated in the province of Ontario, Canada.

CDC Shares means the Shares proposed to be issued to CDC pursuant to Resolution 4.

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

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

Consideration Shares has the meaning given in Resolution 2.

Consolidation means the consolidation of the Company's Securities as described in Resolution 4.

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

CSC Debt means the monies owing and due and payable from Telkwa to CSC up to the date of this Notice as are discussed in more detail in Section 3.8.

CSC means CoalSense Consulting Inc.

CSC Shares means the Shares proposed to be issued to CSC pursuant to Resolution 5.

Director means a director of the Company.

Equity Security has the same meaning as in the Listing Rules and **Equity Securities** has the corresponding meaning.

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

General Meeting or **Meeting** has the meaning given in the introductory paragraph of the Notice.

Listing Rules means the listing rules of ASX.

Maximum Capital Raising means the issue of 66,666,667 Shares (on a post-Consolidation basis) at an issue price of \$0.0375 each to raise \$2,500,000.

Milestone One Payment is the payment of C\$200,000 referred to in the table appearing in section 3.6 of this Notice, in the fourth row of the third column, which then entitles Telkwa to earn its first 20 per-cent of Telkwa Project.

Minimum Capital Raising means the issue of 40,000,000 Shares (on a post-Consolidation basis) at an issue price of \$0.0375 each to raise \$1,500,000.

Notice means this notice of General Meeting.

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

Optionholder means an optionholder of the Company.

Proxy Form means the proxy form attached to the Notice.

Resolutions means the resolutions referred to in the Notice or any one of them, as the context requires.

Schedule means a schedule to the Notice.

Section means a section of the Explanatory Memorandum.

Securities means all Equity Securities of the Company, including a Share and an Option.

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

Shareholder means a shareholder of the Company.

Telkwa means Telkwa Coal Limited, a private company incorporated in British Columbia, Canada.

Telkwa Vendors means the shareholders of Telkwa.

US\$ means United States Dollars.



ABN 47 149 490 353

Lodge your vote:

By Mail:

Suite 1, Level 2, 49-51 York Street
Sydney NSW 2000 Australia

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

For all enquiries call:

+61 2 9397 7555

Proxy Form

For your vote to be effective it must be received by 10:30am (AEDT) on Sunday, 6 November 2016.

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 Tuesday, 8 November 2016 at 10:30am (AEDT) and at any adjournment of that meeting.

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. Approval to change in scale of activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Approval to issue Consideration Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Approval to issue Capital Raising Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Approval to issue CDC Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Approval to issue CSC Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Consolidation of capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Ratification of previous issue of Shares	<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 ____/____/____