

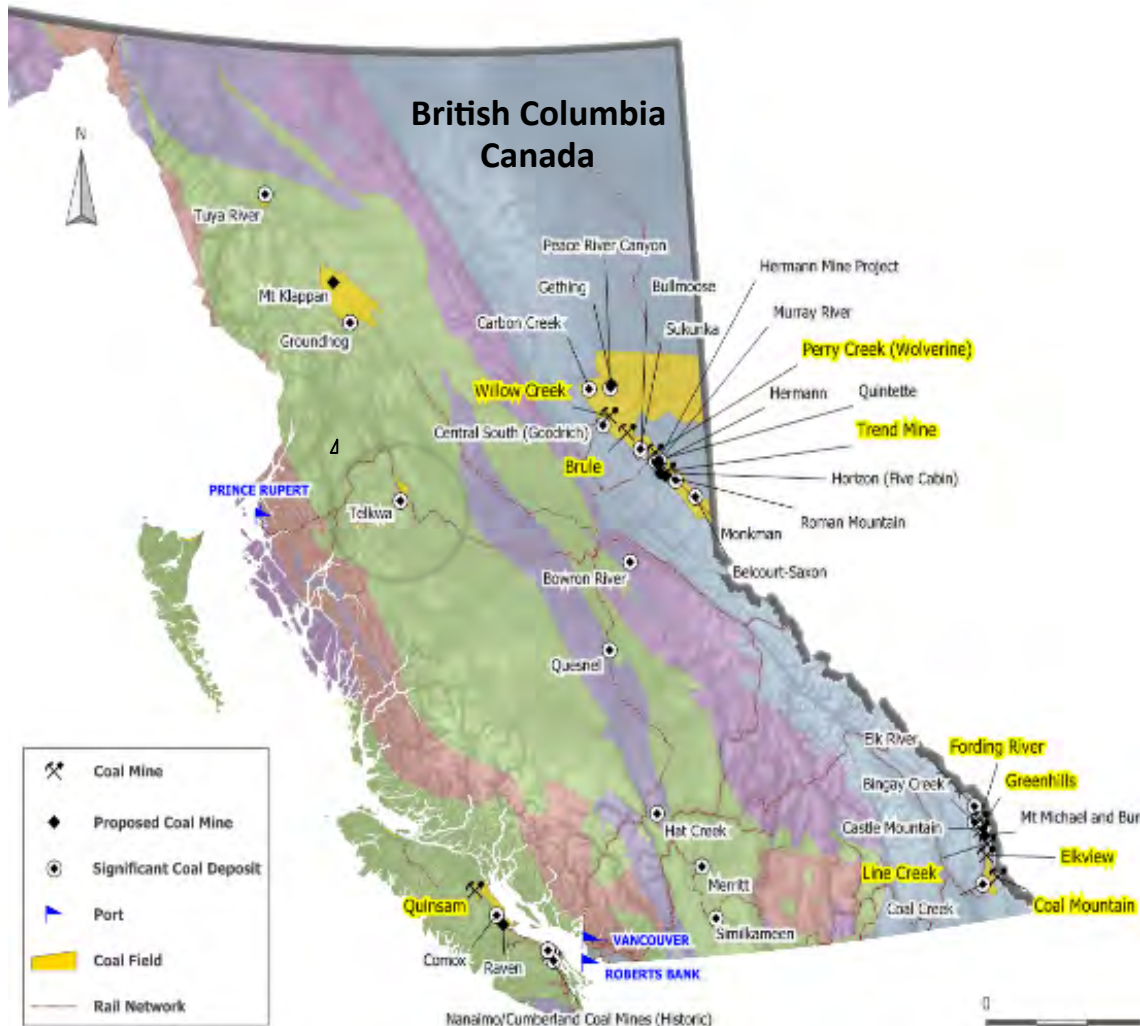
## Investor Presentation Acquisition of Telkwa Coal Limited

October 2016

# Purpose of the Acquisition

- As was announced by Allegiance Coal Limited to the market on 16 September 2016, Allegiance proposes to acquire, subject to shareholder approval, all of the shares in Telkwa Coal Limited (**TCL**).
- TCL's sole asset is a farm-in agreement to the Telkwa Coking Coal Project (**Project**) located in the mid west region of British Columbia, Canada.
- TCL is beneficially owned by two shareholders, the family interests of Mark Gray, a resident of Sydney NSW, and Natasa Mining Ltd, a private resource investment company incorporated in the Cayman Islands. Mark Gray sourced the Project and negotiated the farm-in rights in April 2014.
- As at the completion of the acquisition, TCL will have earned 20% of the Project equity, with the right to earn up to 90%. Details of the farm-in rights are set out in the 16 September 2016 announcement.
- The Directors of Allegiance believe it is an opportune time to invest in coking coal projects, and in particular, advanced projects where the exploration risk has largely been mitigated, there is a relatively short time line to production, and projects that are likely to be in the lowest cost quartile for producing coking coal mines. The Directors believe the Project satisfies those requirements.

# Project Location



The Telkwa coking coal project is located in the mid west of British Columbia, immediately adjacent to Canadian National Rail's main line to the Port of Prince Rupert and Ridley Island Coal Terminal, 380km from the Project.

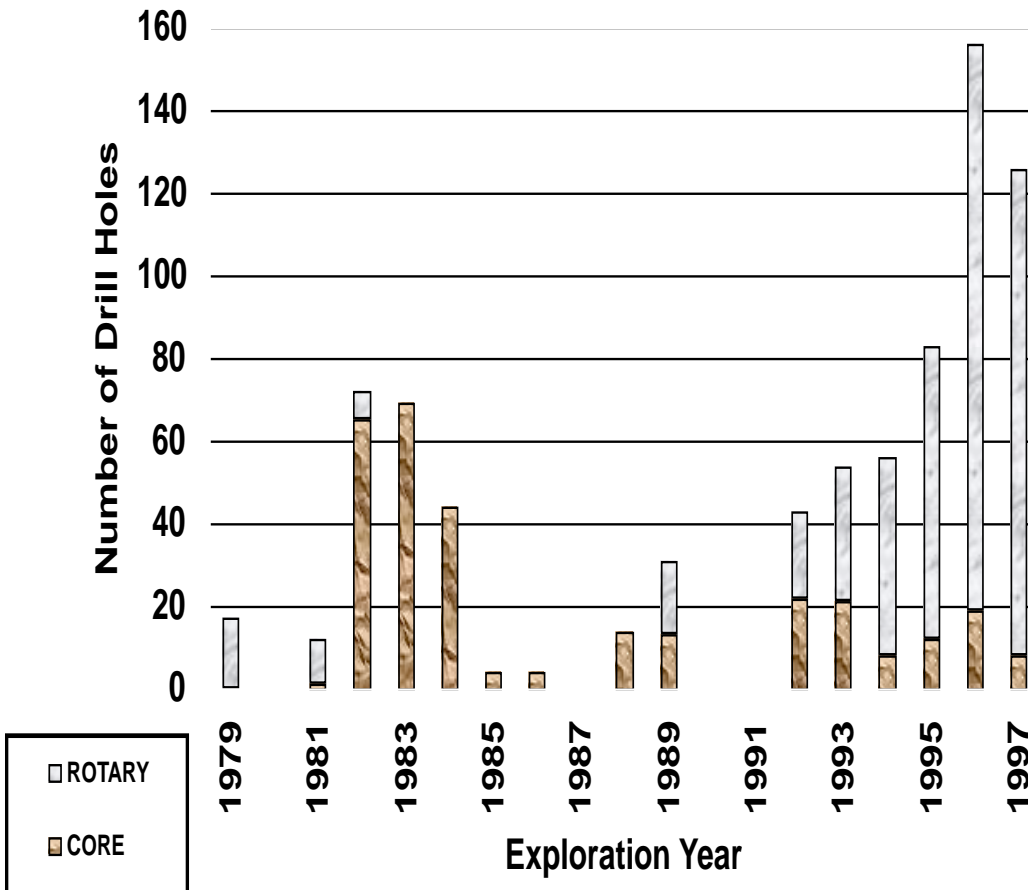
The relative simplicity of its logistics, shallow coal with favorable mining conditions, offers significant cost advantages to its producing neighbors to the north and south east of British Columbia.

Telkwa has been the subject of an enormous amount of exploration yet remarkably, the Project has sat dormant for 20 years.

# Project History

- 1918** From 1918 to 1970, coal mining took place in the Telkwa Coalfield producing a very high quality thermal coal that was used for domestic and industrial consumption.
- 1979** Canadian Natural Resources Ltd commenced exploration in the Telkwa North and Goathorn pit areas. CNRL is today a major oil and gas producer with revenues in excess of C\$13 billion in 2015.
- 1992** CRNL drops the project and Manalta Coal Limited picks it up. Manalta at the time was one of Canada's major coal producers with 7 active mining operations in British Columbia, Alberta and Saskatchewan, most of which were mine mouth to power station operations. Manalta continued exploration work, discovers and then focuses on the Tenas pit.
- 1997** Manalta undertakes several feasibility studies the last of which is in 1997 planning a 1.5Mtpa clean coal mining operation producing a PCI and thermal coal both for export.
- 1997** Manalta files for a mining permit and completes an environmental study.
- 1998** Manalta is acquired by its competitor, Luscar Coal Limited, and Luscar creates Canada's largest coal mining company. Luscar does not proceed with the mining permit application, having concluded that the coal prices in 1998 did not justify the capital expenditure.
- 2003** Sherritt International Limited (a large diversified mining house) and the Ontario Teachers Pension Fund acquire Manalta via the Carbon Development Partnership. Sherritt reviews Telkwa again but does nothing until 2012 when it recommences project planning to apply for a mining permit.
- 2014** Sherritt decides to exit coal and sells CDP to Altius Minerals Corporation and in the same year Altius grants farm-in rights to Telkwa Coal Limited (TCL).

# Extensive Historical Exploration & Data

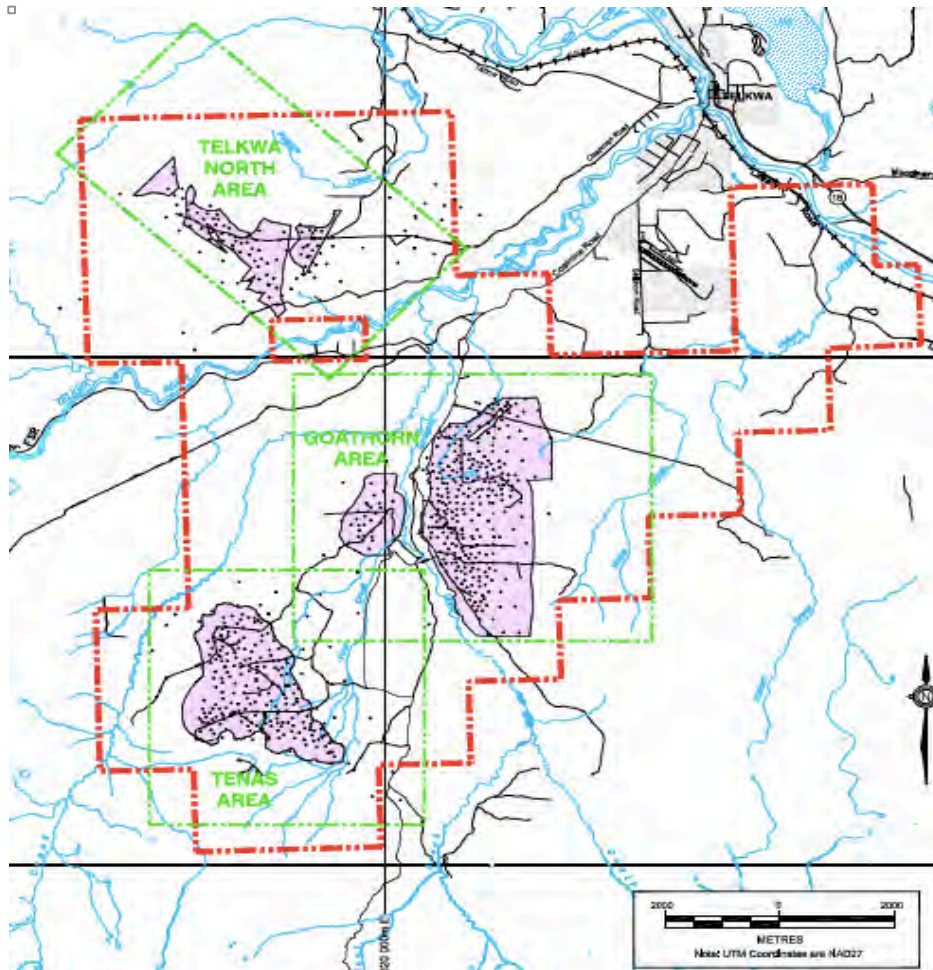


The database of information is extensive and requires no further exploration work by TCL:

- **91,475m of drilling**
- **828 drill holes**
- 507 rotary
- 321 core all sampled
- 219 ton bulk sample
- **80 ton bulk sample**
- **88 trenches all sampled**
- **46.4km of surface geophysics**

Some drilling (~4 holes) will be required for water table testing as part of the baseline studies, and TCL will take core to update coal sampling and analysis.

# 3 Open Pit Resource Areas Defined



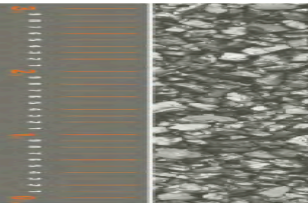
The drilling defined three open pit areas all within close proximity of each other allowing for the centralized location of the CHPP:

- Tenas;
- Goathorn; and
- Telkwa North,

The red line marks the tenement boundaries and the green lines mark the three defined mining areas. Additional potential mining areas were also identified within the tenement block.

Canadian National Rail's main line to Prince Rupert traverses the top right corner of the tenement block, and the main highway tracks the railroad.

# 165Mt JORC Compliant Resource

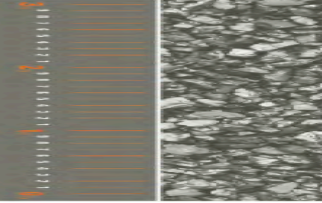


In February 2015, TCL commissioned an internationally recognized consulting firm in the mining and resources sector to complete and deliver a maiden NI 43-101 JORC Compliant Report which confirmed a 165Mt coal resource down to a strip ratio of 20:1 BCM/ROMt. This cut off point is typically applied for the reporting of coal resources in British Columbia.

Almost 90Mt, more than half of the resource, is in the measured category and almost half of that is in the Tenas Pit area, which is the area intended to be mined first by TCL. Therefore, TCL concluded there is no immediate need for drilling and resource upgrading.

<b>3 PIT AREAS</b>	<b>MEASURED</b>	<b>INDICATED</b>	<b>INFERRED</b>	<b>TOTALS</b>
<b>TENAS</b>	40,329,000	0	0	40,329,000
<b>GOATHORN</b>	35,505,000	26,394,000	27,067,000	88,966,000
<b>TELKWA NORTH</b>	13,279,000	15,643,000	6,345,000	35,267,000
<b>TOTAL</b>	<b>89,113,000</b>	<b>42,037,000</b>	<b>33,412,000</b>	<b>165,562,000</b>

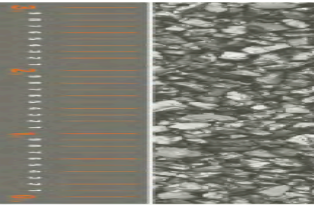
# Coal Seam Thickness



<b>TENAS SEAMS</b>	<b>MIN THICKNESS (m)</b>	<b>MAX THICKNESS (m)</b>	<b>AVG THICKNESS (m)</b>
Seam C	0.80 cut off	2.98	1.45
Seam Upper 1	0.80 cut off	4.11	1.10
Seam 1	0.80 cut off	13.56	5.75
<b>GOATHORN SEAMS</b>	<b>MIN THICKNESS (m)</b>	<b>MAX THICKNESS (m)</b>	<b>AVG THICKNESS (m)</b>
Seam 1	1.20	4.08	2.15
Seam 2	1.69	4.17	2.34
Seam 3	0.96	3.36	1.99
Seam 4	1.49	2.56	1.89
Seam 5	1.52	3.61	2.47
Seam 6	1.09	2.50	2.03
Seam 7	0.95	1.56	1.26
Seam 8	1.83	2.93	2.30
Seam 9	0.97	2.11	1.28
Seam 10	0.98	1.09	1.07



# Coal Quality & Market Assessment

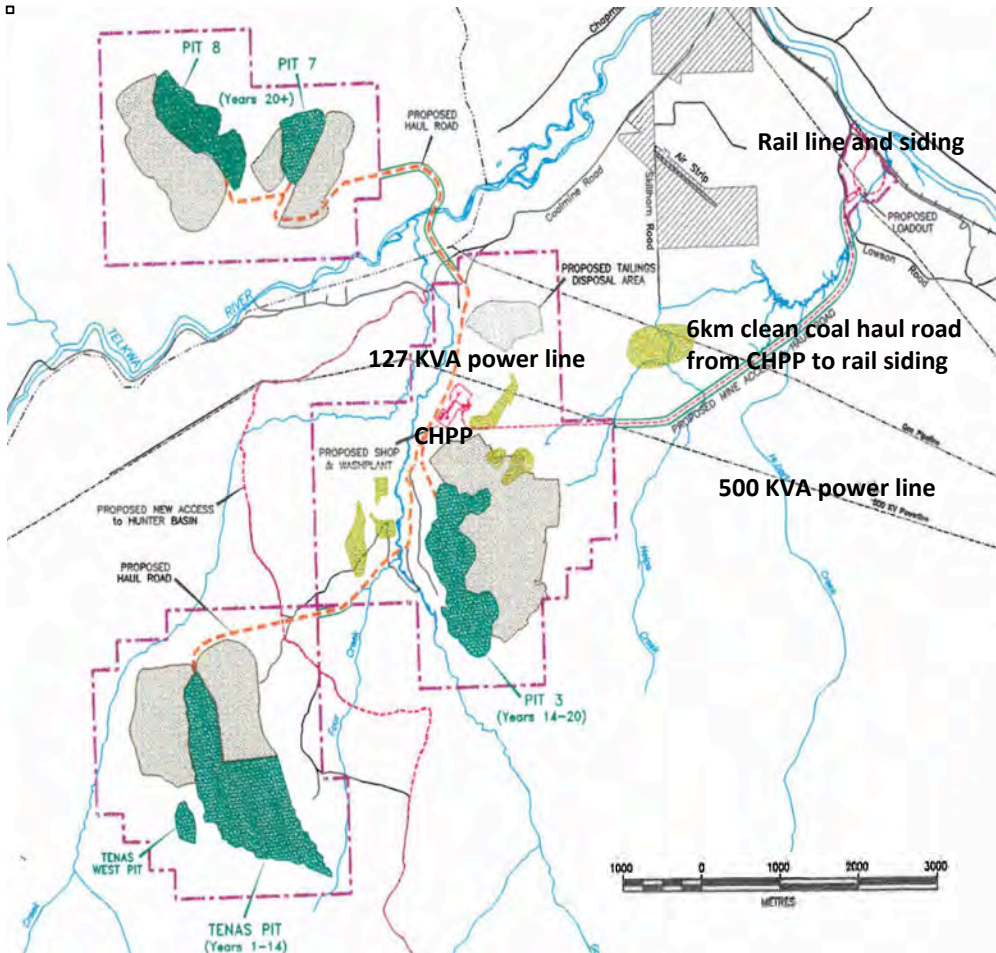


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<b>AIR DRIED</b>	<b>TELKWA LOW ASH</b>	<b>TELKWA HIGH ASH</b>	<b>NSW SSCC</b>	<b>QLD SSCC</b>
% Inherent Moisture	1.12	1.12	7-11	9-10
% Volatile Matter	24.6	24.6	33-37	25-26
% Ash Content	7.4	10.4	6.5-10.5	9-10
% Sulphur	0.90	1.20	0.45-1.05	0.50-0.55
% Fixed Carbon	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
Reflectance	0.88	0.79	0.80	1.05
CSR Calculated	41-47	32-38	25-30	32-35

Data source: TCL commissioned independent report

# The Manalta 1997 Feasibility Study



The 1997 Study by Manalta concluded:

- 1.5Mtpa clean coal operation mining Tenas and Goathorn only, for 18 year LOM.
- Ability to extend LOM by moving to Telkwa North.
- LOM strip ratio 5.7:1 BCM/ROMt.
- The mine would produce a 50:50 PCI and thermal coal product.
- Conventional truck and shovel.
- Phased development of pits to maximize backfill opportunities and minimize haulage cost.
- Plant yield of 70% for Tenas and 65% for Goathorn.
- Project did not proceed as prices did not justify capital expenditure to its owners at the time.

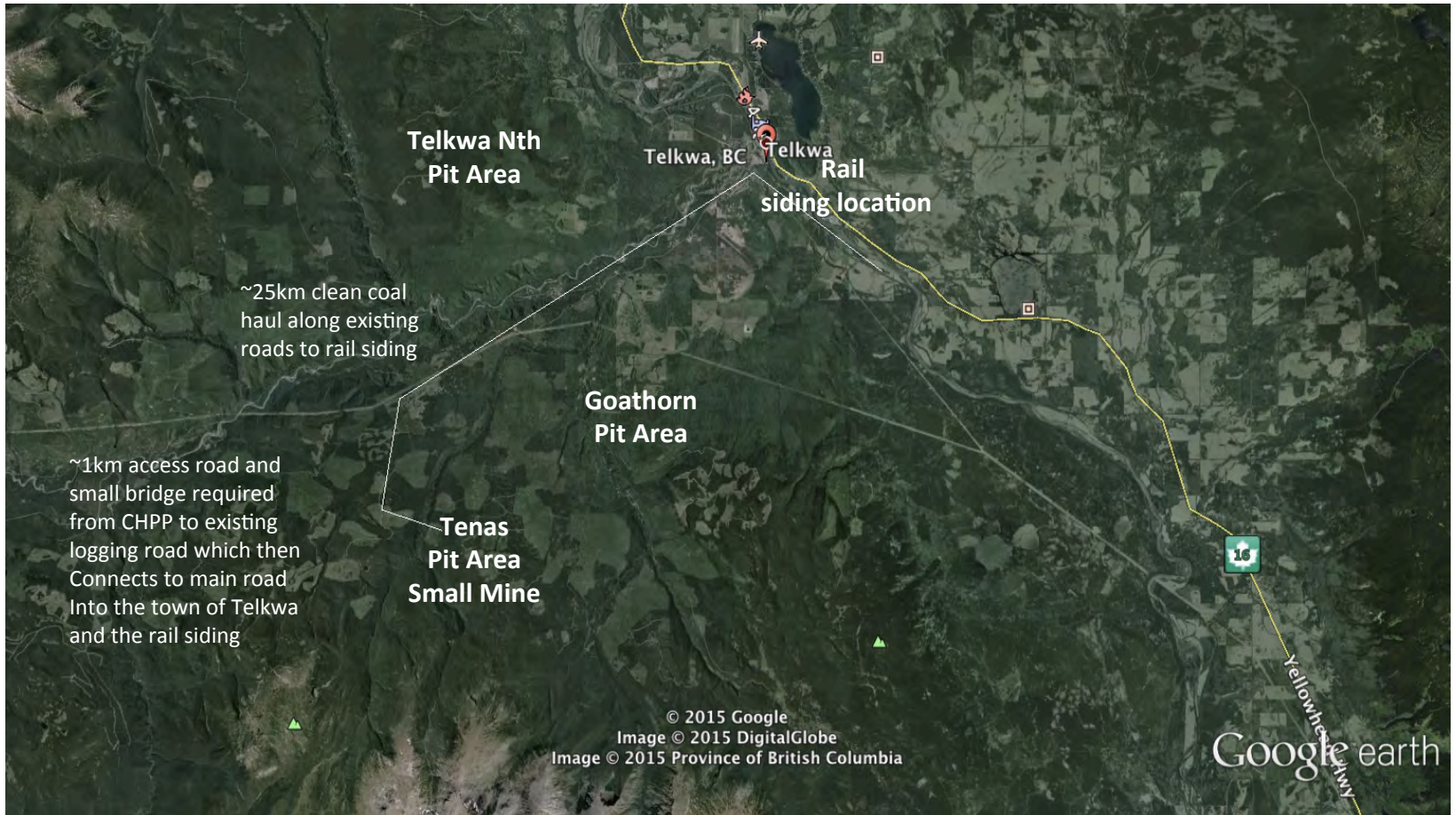
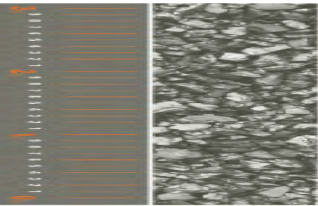
# December 2015 Internal Scoping Studies

- In December 2015, TCL completed internal scoping studies for a Major Mine gradually mining all three pit areas, and a Small Mine mining just the Tenas Pit. In British Columbia, a Small Mine is approved to produce up to 250Ktpa of clean coal and a Major Mine is in excess of that number.
- Permitting of a Small Mine is managed by the Ministry of Mines & Energy, whereas permitting of a Major Mine is managed by the BC Environmental Assessment Office through a Technical Working Group comprising Provincial and Regional Government agencies and a wide net of stakeholders including most importantly, First Nations.
- The studies relied heavily on the Manalta 1997 Feasibility Study, upgrading the geological model in the process, updating the operating costs and capital expenditure, and reassessing the product and market.
- Key results from the studies included:
  - The mine could produce a good quality semi-soft coking coal that would be comparable to NSW and QLD semi-soft coking coals, and have appeal in the Asian steel markets as a blending coal with relatively short shipping distances from Prince Rupert;
  - With relatively simple logistics and a low strip ratio of waste to coal, both mine options would likely sit comfortably in the lowest cost quartile of coking coal producers;
  - Both mine options showed favorable economics based on the prices for semi-soft coking coal as at the end of December 2015;
  - With a lower capital cost to production, the Small Mine option proved the most favoured by TCL;
  - On that basis, coupled with the more defined permitting process, it was decided by TCL to proceed in the first instance towards the application and granting of a Small Mine permit.

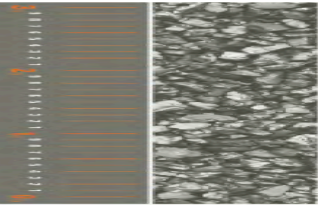
# Small Mine Strategy

- Commence mining of the Tenas Pit at an exceptionally low strip ratio.
- In all likelihood, transition to a Major Mine once a Major Mine permit is obtained.
- Minimize upfront capital expenditure by:
  - Commencing with a 100tph wash plant for a Small Mine that can be scaled to 200tph to support a Major Mine;
  - Utilize existing logging roads connecting to the town road of Telkwa to haul clean coal from the CHPP to the rail siding, approximately 25km;
  - Operate a simple production schedule of one day crew only, all living locally, 4 days on, 3 days off for mining operations and the CHPP, and 24 hour coal haulage from the CHPP to the rail siding during the week.
- Main capital expenditure items:
  - 100tph portable wash plant;
  - 11 x 40t dump trucks, 1 excavator, 2 loaders, 3 dozers, 2 graders, 2 water trucks, 3 x 50t side tippers and 1 drill rig;
  - 1km road and small bridge to connect to an existing logging road with some upgrade of the road;
  - Dirty water settling pond;
  - Extend existing 400m of rail siding in the town of Telkwa to 1km and build a simple loader operated loadout.
- Designated 30 x 106t wagons owned and operated by Canadian National Rail, with 3 days load and 2 days travel, making 6 trips to Prince Rupert per month for ~20Ktpm of export product.

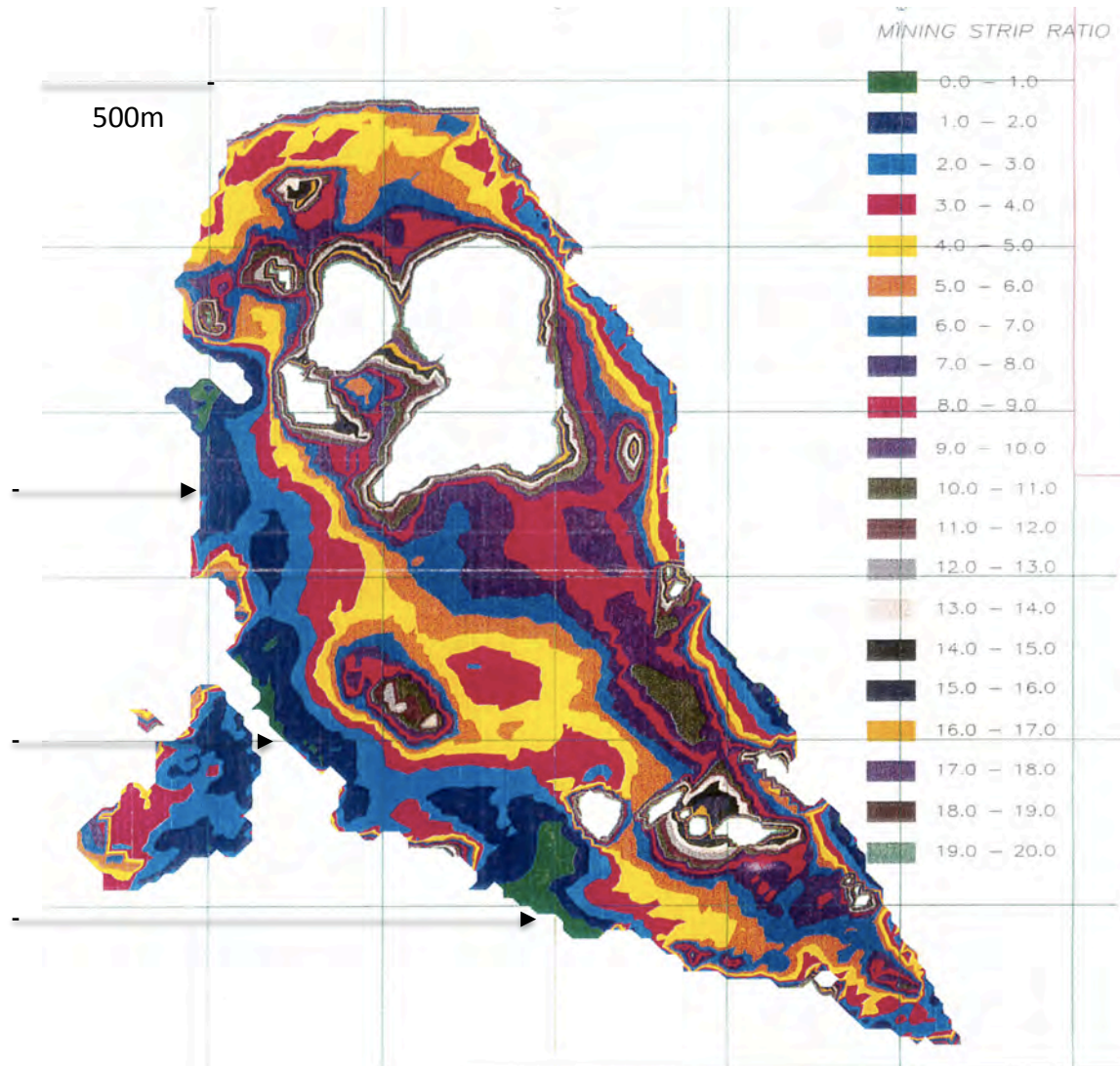
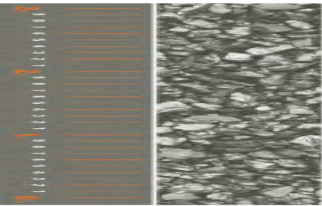
# Small Mine Overview



# View of the Rail Siding in Telkwa

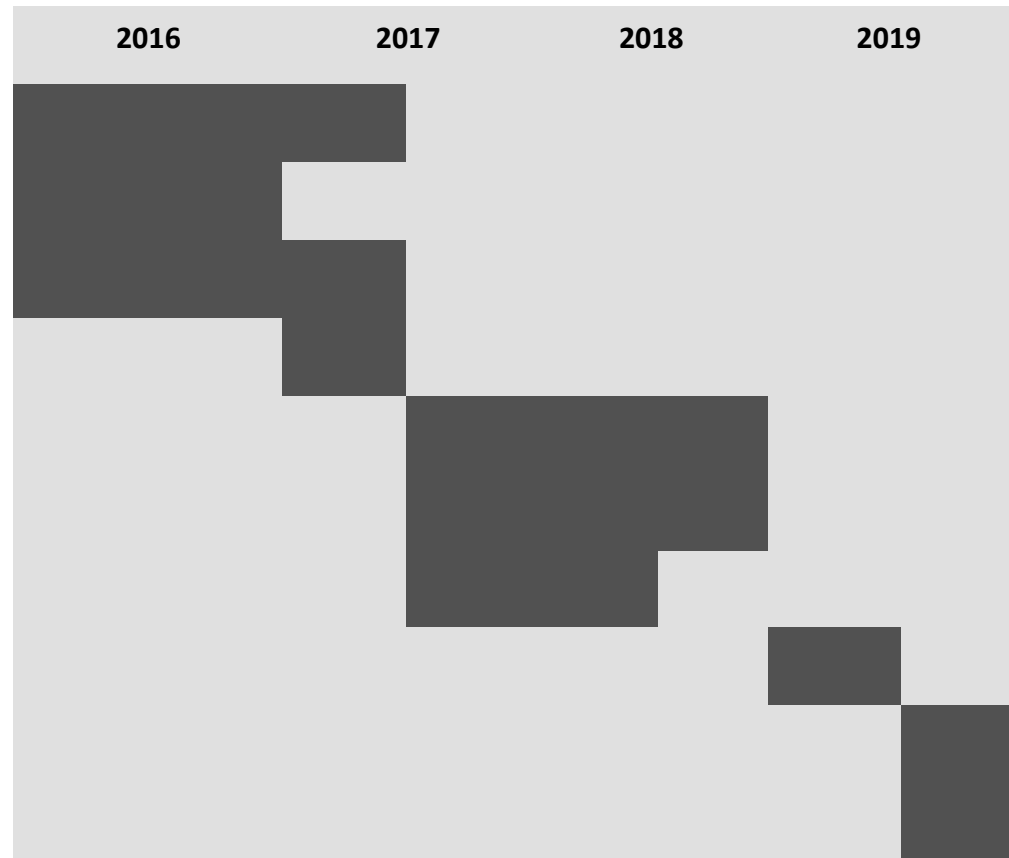


# Tenas Pit Strip Ratio Analysis



Targeted mining areas of exceptionally low strip ratio coal for the Small Mine

# Small Mine Process & Timeline





# Capital Structure post Acquisition

	Price \$	Value \$	Shares	%
Shares on issue as at 6 October 2016			203,066,674	
Consolidation of share capital on a 1 for 5 basis			40,613,335	24
Issue of shares to Telkwa shareholders	^0.0250	^1,250,000	50,000,000	30
Issue of shares to Telkwa creditors	0.0375	458,111	12,216,282	7
Issue of shares pursuant to the maximum capital raising	0.0375	2,500,000	66,666,667	39
<b>Fully diluted share capital *</b>			<b>169,469,284</b>	<b>100.0</b>
<b>Market capitalisation</b>	<b>0.0375</b>	<b>6,355,098</b>		
<b>Enterprise value</b>	<b>0.0375</b>	<b>3,855,098</b>		

^ Notional figure based on VWAP share price at time share purchase agreement was executed

\* Note : excludes 820,000 options expiring November 2018, exercisable at \$0.2475 (post consolidation)

# Allocation of \$2.5M Capital Raising

	AU\$
Exploration license rental payments for 10 months	50,000
Engagement and consultation with First Nations and other affected interests	70,000
Project Management Team: Project Manager/Engineer/Environmental/First Nations	350,000
Commencement of baseline studies for 10 months	900,000
Commencement of feasibility study and related technical work for 10 months	150,000
Corporate costs	500,000
Milestone 2 payment to move to 50% project ownership (30 September 2017)	300,000
Capital raising fees	150,000
<b>Total Costs</b>	<b>2,470,000</b>

# Management Team

**Mark Gray (LLB):** Mark is a corporate lawyer with 30 years transactional experience gained in major law firms and investment banks in London, New Zealand and Australia. For the last 10 years he has worked almost exclusively in the resources and mining sector as an advisor and a chief executive of several listed and unlisted companies across coal, diamonds and uranium in Australia, New Zealand and Africa. Mark was responsible for sourcing and negotiating the earn-in rights to the Project in April 2014, and as Managing Director of TCL, has managed the Project from its inception, and will remain in that role as a consultant to Allegiance.

**Dan Farmer (B.App.Sc Mining and Mineral Processing):** Dan is a Mining Engineer with 20 years continuous experience in all levels of coal production in British Columbia and Alberta. Dan has worked for several Canadian and international resource companies rising to Operations Manager for Anglo American in 2009. Dan has an intimate knowledge of Canadian coal, mining and infrastructure and will remain the Project Manager and Chief Mining Engineer of TCL.

**Charlotte Mougéot (M.Sc Geology):** Charlotte is an environmental project manager, and regulatory and stakeholder affairs specialist. She has more than 35 years experience in environmental management working for both Government and the private sector, where her last role before setting up her own advisory business was as the Environmental Project Manager for Worley Parsons, Canada based in British Columbia.

**Malcolm Carson (M.Sc Natural Resource Management):** Malcolm as Allegiance's Chairman and an experienced geologist across many commodities including coal will also consult from time to time on the Project

# Contact Details

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The mineral resources referred to in this presentation were first reported in the Company's announcement of 16 September 2016 (**Previous Announcement**). The Company confirms that it is not aware of any new information or data that materially affects the information included in the Previous Announcement and that all material assumptions and technical parameters underpinning the estimates in the Previous Announcement continue to apply and have not materially changed.

# Forward Looking Statements

This Presentation contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this presentation, are considered reasonable.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Allegiance, its Directors (**Directors**) and management.

The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this presentation will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Directors have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this presentation , except where required by law.

These forward looking statements are subject to various risk factors that could cause Allegiance's actual results to differ materially from the results expressed or anticipated in these statements.