

ALLEGIANCE COAL LIMITED

ACN 149 490 353

Notice of Annual General Meeting and Explanatory Memorandum

Date of Meeting

Thursday, 27 November 2014

Time of Meeting

10.00 A.M. EDST

Place of Meeting

The Occidental
Level 2
43 York Street
SYDNEY NSW 2000

This Notice of Annual General Meeting and Explanatory Memorandum 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 without delay.

ALLEGIANCE COAL LIMITED

ACN 149 490 353

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given of the Annual General Meeting of Allegiance Coal Limited ("**Company**" or "**Allegiance**") to be held at The Occidental, Level 2, 43 York Street, Sydney NSW 2000 on Thursday, 27 November 2014 at 10.00 a.m. EDST, for the purpose of transacting the following business referred to in this Notice of Annual General Meeting.

An Explanatory Memorandum containing information in relation to the following Resolutions accompanies and forms part of this Notice of Annual General Meeting.

AGENDA

Accounts and Reports

To receive and consider the annual financial report of the Company for the year ended 30 June 2014 and accompanying reports of the Directors and auditor of the Company.

Resolution 1 – Adoption of Remuneration Report

To consider and put to a non-binding vote the following resolution as an **ordinary resolution**:

"That the Remuneration Report required by section 300A of the Corporations Act, as disclosed in the report of the Directors for the year ended 30 June 2014, be adopted."

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

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

However, a person (the **Voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the Voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

Resolution 2 – Re-election of Mr Anthony Howland-Rose as a Director

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

"That Mr Anthony Howland-Rose, who retires in accordance with the Constitution and who offers himself for re-election and is eligible for re-election, be re-elected as a Director."

Resolution 3 – Removal of Auditor

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

"That Deloitte Touche Tohmatsu, the current auditor of the Company, be removed as the auditor of the Company effective from the date of the Meeting."

Resolution 4 – Appointment of Auditor

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

"That, subject to the passing of Resolution 3, Superannuation & Corporate Services Pty Ltd, being qualified to act as auditor of the Company and having consented to act as auditor of the Company, be appointed as the auditor of the Company effective from the date of the Meeting and the Directors be authorised to agree the remuneration."

OTHER BUSINESS

To deal with any other business which may be lawfully brought forward.

By Order of the Board of Directors



Anthony Howland-Rose
Chairman

Dated 16 October 2014

PROXIES

- Votes at the Annual General Meeting may be given personally or by proxy, attorney or representative.
- A Shareholder who is entitled to attend and vote at the Meeting has a right to appoint a proxy to attend and vote instead of the Shareholder. A proxy need not be (but may be) a Shareholder and can be either an individual or a body corporate. If a Shareholder appoints a body corporate as a proxy that body corporate will need to ensure that it:
 - appoints an individual as its corporate representative to exercise its powers at the Meeting, in accordance with section 250D of the Corporations Act; and
 - provides the Company with satisfactory evidence of the appointment of its corporate representative prior to commencement of the Meeting.
- If such evidence is not received before the Meeting, then the body corporate (through its representative) will not be permitted to act as proxy.
- Proxies given by corporate Shareholders must be executed in accordance with their constitutions, or signed by a duly authorised attorney. A proxy may decide whether to vote on any motion, except where the proxy is required by law or the Constitution to vote, or abstain from voting, in their capacity as proxy.
- A Shareholder entitled to cast 2 or more votes at the Meeting may appoint not more than two proxies to attend and vote at this Meeting. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If no proportion or number is specified, each proxy may exercise half of the Shareholder's votes. Fractions will be disregarded.
- A proxy may, but need not be, a Shareholder.
- The instrument appointing the proxy must be in writing, executed by the appointor or his attorney duly authorised in writing or, if such appointor is a corporation, either under seal or under hand of an officer(s) or his attorney duly authorised.
- The instrument of proxy (and the power of attorney or other authority, if any, under which it is signed or certified copy of the same) must be lodged by person, post, courier or facsimile and reach the Registered Office of the Company at least 48 hours prior to the Meeting.
- Proxies appointing the Chair which do not specify the way in which the proxy is to vote on a particular Resolution will be recorded as voting in favour of the Resolutions (subject to the other provisions of these notes on Proxies and any required voting exclusions including those in the Notice) as this is the Chair's voting intention. If the Chair is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote by ticking either the 'for', 'against' or 'abstain' box in relation to Resolution 1, you will be authorising the Chair to vote in accordance with the Chair's voting intentions on Resolution 1 even if Resolution 1 is connected directly or indirectly with the remuneration of the Chair and other Key Management Personnel. The Chair intends to vote all available proxies in favour of Resolution 1.
- A proxy form accompanies this Notice and to be effective the proxy form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by the Company no later than 48 hours before the commencement of the Meeting, at:
 - the Company's registered office, Level 2, 49 – 51 York Street, Sydney, New South Wales; or
 - by facsimile to the Company on facsimile number (02) 9397 7575; or
 - by post to Allegiance Coal Limited, GPO Box 2703, Sydney NSW 2001

Any proxy form received after that time will not be valid for the Meeting.

The **enclosed** proxy form provides further details on appointing proxies and lodging proxy forms.

Corporations

A corporation may elect to appoint a representative in accordance with the Corporations Act in which case the Company will require written proof of the representative's appointment which must be lodged with, or presented to the Company before the commencement of the Meeting.

NOTES

For the purpose of regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the Directors have determined that Shares held at 10.00 a.m. EDST on 25 November 2014 will be taken, for the purposes of the Annual General Meeting, to be held by the persons who held them at that time. The entitlement of Shareholders to vote at the Meeting will be determined by reference to that time.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting.

The Directors recommend Shareholders read this Explanatory Memorandum in conjunction with the Notice of Meeting (of which this Explanatory Memorandum forms a part) in full before making any decision in relation to the Resolutions.

ORDINARY BUSINESS

ANNUAL REPORT

As required under section 317 of the Corporations Act, the Annual Report (which includes the financial report, Directors' report and auditor's report) will be laid before the Annual General Meeting.

Shareholders at the Meeting will be given a reasonable opportunity to ask questions and make comments about the Annual Report or the Company generally, but there will be no formal resolution submitted to the Meeting.

Reasonable opportunity will also be given to Shareholders at the Meeting to ask the Company's auditor questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT (Non-binding vote)

Requirements of Corporations Act

Section 298 of the Corporations Act requires that the annual Directors' Report contain a Remuneration Report prepared in accordance with section 300A of the Corporations Act.

By way of summary, the Remuneration Report:

- (a) discusses the Company's policy and the process for determining the remuneration of its executive officers (there are no executives other than the Directors); and
- (b) sets out remuneration details for each Director named in the Remuneration Report for the financial year ended 30 June 2014.

Section 250R(2) of the Corporations Act requires companies to put a resolution to their members that the Remuneration Report be adopted. Pursuant to section 250R(3) of the Corporations Act, the vote on this resolution is advisory only and does not bind the Board or the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting.

Voting consequences

Under changes to the Corporations Act that came into effect on 1 July 2011, if at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report in two consecutive annual general meetings, a company will be required to put to its shareholders a resolution proposing the calling of a general meeting to consider the appointment of directors of the company (**Spill Resolution**) at the second annual general meeting.

If more than 50% of shareholders vote in favour of the Spill Resolution, the company must convene the general meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the financial year ended immediately before the second annual general meeting) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for election or 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.

At the Company's previous annual general meeting, less than 25% of votes were cast against the remuneration report at that meeting. Accordingly the Spill Resolution is not relevant for this Annual General Meeting.

Directors' Recommendation

The Board unanimously recommends that Shareholders adopt the Remuneration Report.

RESOLUTION 2 – RE-ELECTION OF MR ANTHONY HOWLAND-ROSE AS A DIRECTOR

Resolution 2 seeks approval for the re-election of Mr Anthony Howland-Rose as a Director with effect from the end of the Meeting.

The Constitution provides that at each annual general meeting of the Company one-third of the Directors or, if their number is not a multiple of three, then such number as is appropriate to ensure that no Director holds office for more than 3 years, shall retire from office.

Mr Howland-Rose retires from office in accordance with this requirement, being eligible, and submits himself for re-election. His profile is contained in the Annual Report.

Directors' Recommendation

The Directors (other than Mr Anthony Howland-Rose) recommend the re-election of Mr Anthony Howland-Rose.

RESOLUTION 3 – REMOVAL OF AUDITOR

Under section 329 of the Corporations Act, an auditor of a company may be removed from office by resolution at a general meeting of which 2 months' notice of intention to move the resolution has been given.

It should be noted that under this section, if a company calls a meeting after the notice of intention has been given, the meeting may pass the resolution even though the meeting is held less than 2 months after the notice of intention was given.

Under section 327D of the Corporations Act, the Company in general meeting may appoint an auditor to replace an auditor removed under section 329 of the Corporations Act.

Resolution 3 is an ordinary resolution seeking the removal of Deloitte Touche Tohmatsu as auditor of the Company, following receipt of a notice of intention from a Shareholder. The Company has sent a copy of the notice of intention to Deloitte Touche Tohmatsu and ASIC.

Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 3.

RESOLUTION 4 – APPOINTMENT OF AUDITOR

If Deloitte Touche Tohmatsu is removed under Resolution 3, the Directors propose that Superannuation & Corporate Services Pty Ltd be appointed as the Company's auditor effective from the end of the Meeting.

Resolution 4 is a special resolution seeking the appointment of Superannuation & Corporate Services Pty Ltd as the new auditor of the Company. As required by the Corporations Act, a nomination for Superannuation & Corporate Services Pty Ltd to be appointed as the auditor of the Company has been received from a Shareholder. A copy of the nomination notice of Superannuation & Corporate Services Pty Ltd is contained in Annexure A.

Superannuation & Corporate Services Pty Ltd has given written consent to act as the Company's auditor in accordance with section 328A(1) of the Corporations Act.

If Resolutions 3 and 4 are passed, the appointment of Superannuation & Corporate Services Pty Ltd as the Company's auditor will take effect at the close of the Meeting. Resolution 4 is subject to the passing of Resolution 3.

Directors' Recommendation

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

GLOSSARY

In the Notice of Meeting and the proxy form which accompanies this Notice of Meeting, the following terms have the following meanings unless the context otherwise requires:

Annual Report	means the Company's annual report including the reports of the Directors and auditor of the Company and the financial statement of the Company for the year ended 30 June 2014.
ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited (ACN 008 624 691) and the market operated by it, as the context requires.
Board	means the board of Directors.
Chair	means the chairperson of the Meeting.
Closely Related Party	is defined in respect of a member of Key Management Personnel as: <ul style="list-style-type: none">▪ a spouse or child of the member;▪ a child of the member's spouse;▪ a dependent of the member or the member's spouse;▪ anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company;▪ a company the member controls; or▪ a person prescribed by the <i>Corporations Regulations 2001</i> (Cth) that may be made for this purpose.
Company or Allegiance	means Allegiance Coal Limited (ACN 149 490 353).
Constitution	means the constitution of the Company.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Director	means a director of the Company.
EDST	means Eastern Daylight Savings Time.
Key Management Personnel	has the meaning given in the accounting standards and broadly means those persons with the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes any Director (whether executive or otherwise).
Listing Rules	means the Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the official list of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.
Meeting or Annual General Meeting	means the annual general meeting of the Company to be held on Thursday 27 November 2014 at 10.00 a.m. (EDST), convened by this Notice.
Notice of Meeting or Notice	means the notice of annual general meeting which accompanies and includes this Explanatory Memorandum.
Option	means an option to acquire a Share on the terms and conditions set out in Annexure A to this Explanatory Memorandum.
Remuneration Report	means that section of the Directors' report under the heading "Remuneration Report" set out in the Annual Report.
Share	means a fully paid ordinary share in the capital of the Company.

ANNEXURE A – NOMINATION OF NEW AUDITOR

25 September, 2014

The Board of Directors
Allegiance Coal Limited
Level 2
49 – 51 York Street
SYDNEY NSW 2000

Dear Sirs

C. Randall & Associates Pty Ltd, being a shareholder of Allegiance Coal Limited (**Company**), hereby nominate SCS Audit & Corporate Services Pty Ltd of Suite 1102, Level 11, 309 Pitt Street, Sydney NSW 2000, for appointment as auditor of the Company at the Annual General Meeting of the Company convened for 10.00 a.m. EDST on Thursday 27 November 2014 pursuant to section 328B of the *Corporations Act 2001* (Cth).

Yours faithfully



Colin Randall
Director

ALLEGIANCE COAL LIMITED

ACN 149 490 353

PROXY FORM

The Company Secretary

Allegiance Coal Limited

Registered Office Address:

Level 2, 49-51 York Street, SYDNEY NSW 2000

Postal Address:

GPO Box 2703, SYDNEY NSW 2001

Facsimile:

(02) 9397 7575

I/We (name of shareholder)

of (address)

being a member/members of Allegiance Coal Limited entitled to attend and vote at the Annual General Meeting to be held on Thursday, 27 November 2014 at 10.00 a.m. EDST at The Occidental, Level 2, 43 York Street, Sydney NSW HEREBY APPOINT

(name of proxy)

of (address)

and/or failing him (name)

of (address)

I/We acknowledge that the Chair intends to vote all undirected proxies in favour of each of Resolutions 1 to 4 (inclusive).

I/We direct my/our Proxy to vote in the following manner:

	For	Against	Abstain*
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-Election of Mr Anthony Howland-Rose as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Removal of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Where I/we have appointed the Chair as my/our proxy or the Chair becomes my/our proxy by default, I/we expressly authorise the Chair to exercise my/our proxy in respect of Resolution 1 (except where I/we have indicated a different voting intention above) and acknowledge that the Chair may exercise my/our proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

If the Chair is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of Resolution 1 please place a mark this box. By marking this box, you acknowledge that the Chair may exercise your proxy even if he has an interest in the outcome of Resolution 1 and that votes cast by the Chair for Resolution 1 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolution 1 and your votes will not be counted in calculating the required majority if a poll is called on Resolution 1.

***This Proxy is appointed to represent ____% of my voting right (or 100% if no percentage is specified), or if 2 proxies are appointed Proxy 1 represents ____% and Proxy 2 represents ____% of my total votes
My total voting right is _____ shares***

If the shareholder(s) is an individual:

Name: _____

If the shareholder is a company:

Affix common seal (if required by Constitution)

Director/Sole Director and Secretary

Director/Secretary

Dated:

In addition to signing the Proxy Form above please provide the information below in case we need to contact you.

Contact Name

Contact Daytime Telephone

INSTRUCTIONS FOR APPOINTMENT OF PROXY

1. A shareholder entitled to attend and vote is entitled to appoint a proxy to attend and vote at this Annual General Meeting as the shareholder's proxy. A proxy need not be a shareholder of the Company.
2. A shareholder entitled to attend and cast 2 or more votes at this Annual General Meeting is entitled to appoint not more than 2 proxies to attend and vote at this Annual General Meeting. Where more than one proxy is appointed, each proxy must be appointed to represent a specific proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. Fractions shall be disregarded. If you wish to appoint a second proxy, an additional proxy form may be obtained by telephoning the Company's share registry or you may copy this form.
3. The proxy form must be signed personally by the shareholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed under either the common seal of the corporation or under the hand of an officer, or officers of the company (as the case may be) or its duly authorised attorney. Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In the case of joint shareholders, this proxy must be signed by at least one of the joint shareholders, personally or by a duly authorised attorney.
4. If a proxy is executed by an attorney of a shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by the Company, must accompany the proxy form.
5. To be effective, forms to appoint proxies must be received by the Company no later than 48 hours before the time appointed for the holding of this Annual General Meeting, by person, post, courier or facsimile to the respective addresses stipulated in this proxy form.
6. A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
7. If the proxy form specifies a way in which the proxy is to vote on any of the resolutions stated above, then the following applies:
 - (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way;
 - (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands;
 - (c) if the proxy is Chairperson, the proxy must vote on a poll and must vote that way; and
 - (d) if the proxy is not the Chairperson, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.

If a proxy is also a shareholder, the proxy can cast any votes the proxy holds as a shareholder in any way that the proxy sees fit.

8. Sections 250BB and 250BC of the Corporations Act broadly provide that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the Chair – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the Chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

If a proxy is also a Shareholder, the proxy can cast any votes the proxy holds as a Shareholder in any way that the proxy sees fit.

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

9. Completion of a Proxy Form will not prevent individual members from attending the Annual General Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the Shareholder is present at the Annual General Meeting.

- A proxy form accompanies this Notice and to be effective the proxy form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by the Company no later than 48 hours before the commencement of the Annual General Meeting, at:
 - the Company's registered office, Level 2, 49 – 51 York Street, Sydney, NSW 2000; or
 - by facsimile to Gullewa Limited on facsimile number (02) 9397 7575; or
 - by post to Allegiance Coal Limited, GPO Box 2703, Sydney NSW 2001.

Any proxy form received after that time will not be valid for the Annual General Meeting.