



12 February 2018

DRILL PROGRAMME COMMENCES; STRONG DEMAND FROM STEEL MILLS FOR CORE

HIGHLIGHTS

- The 2018 drill programme driven primarily for the need to acquire environmental and geotechnical data has commenced on schedule.
 - Strong demand has been received from north Asian steel mills for samples of Telkwa metallurgical coal for coke oven testing.
-

Allegiance Coal Limited (**Company**) is pleased to announce that its planned drill programme at its Telkwa Metallurgical Coal Project (**Project**) has commenced on schedule.

The programme originally provided for:

- Six, 3.25 inch diameter diamond drill holes down to 100 metres each; and
- Eighteen, 4.75 inch diameter sonic drill holes down to 10 metres each.

The primary objectives of the drilling are:

- To gather rock and soil for geochemical test work in relation to the Company's waste rock management plans;
- To gather rock and soil for geotechnical analysis in relation to pit wall and waste rock dump stability;
- To install three further ground water wells for water monitoring;
- To gather coal core for the Company's coke oven tests; and
- To supply coal core to enable steel mills to conduct their own coke oven tests.

Following strong demand from north Asian steel mills for coal samples, the Company has increased the number of diamond core drill holes from six to 16, and increased the drill diameter from 3.25 inch to 6 inch in order to gather a sufficient quantity of ore to meet the demand.

Mr Malcolm Carson, Non Executive Chairman, commented:

"The level of enquiry from the north Asian Steel Mills is fantastic. They have reviewed our indicative coal specifications and are clearly comfortable with what the Project has to offer as a blending coal in the mix of their coke oven coals. My Board is extremely excited by the level of interest shown, in the capacity as both potential end-users and also possible joint venture investors, and we are doing all that we can to accommodate their requests for bulk samples of metallurgical coal."



The Company anticipates that it will deliver metallurgical coal samples to the relevant steel mills during March 2018, and will complete its own coke oven tests by April 2018, following which it will release results to the market.

For more information, please contact:

Mr Malcolm Carson

Chairman, Allegiance Coal Limited

Mobile: +61 417 692 849

Email: mcarson@allegiancecoal.com.au

Mr Mark Gray

Managing Director, Allegiance Coal Limited

Mobile: +61 412 899979

Email: mgray@allegiancecoal.com.au

About Allegiance Coal

Allegiance Coal is a publicly listed (ASX:AHQ) Australian company fast tracking a metallurgical coal mine into production in British Columbia, Canada. The Telkwa metallurgical coal project (**Project**) is the Company's flagship project comprising 148Mt of JORC compliant coal resource of which 134Mt is in the Measured Category. The Project and has been the subject of extensive historical exploration and most recently of a pre-feasibility study declaring 43Mt of proven and probable reserves, and positioning the Project in the lowest five percentile of the global seaborne metallurgical coal cost curve.
