

20 March 2018

DRILLING AND BULK SAMPLING PROGRAMME SUCCESSFULLY COMPLETED FOR TELKWA METALLURGICAL COAL PROJECT

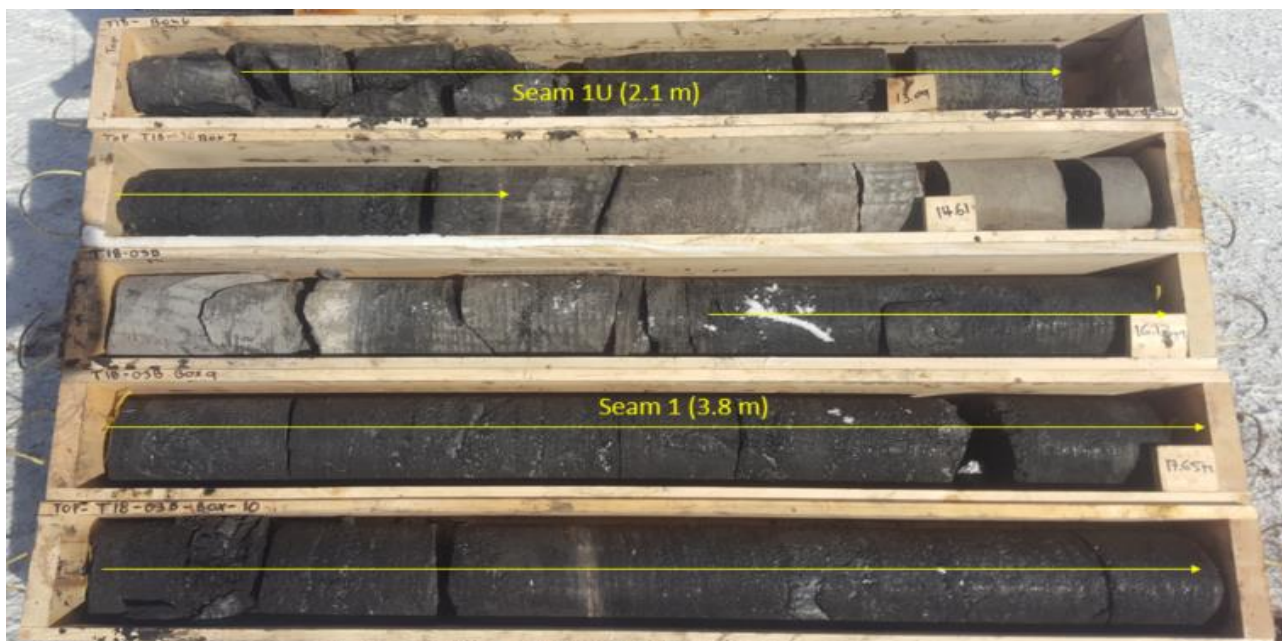
HIGHLIGHTS

- The programme was executed without any reported safety or environmental incidents.
 - 1,400kg of coal was recovered to be used by the Company and north-Asian steel mills for coke oven tests.
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Allegiance Coal Limited (**the Company**) is pleased to announce the successful completion of its drilling and bulk sampling programme for its Telkwa Metallurgical Coal Project (**the Project**) with no reported safety or environmental incidents.

The drilling took place in the Tenas resource area which contains 59Mt of JORC compliant resource from three coal seams, all in the measured category, and of which 21Mt has been converted into saleable coal reserves at a strip ratio of 5.8:1 BCM/ROMt. In total:

- Eight PQ diamond core holes were completed: three for the installation of water monitoring wells and five for rock samples to support geochemistry studies.
- 12 sonic geotechnical holes were completed to support the recently announced feasibility study.
- 14, 150mm core drill holes were completed, recovering 1,400 kilograms of coal sample from the three coal seams.





Coal seam continuity was consistent and, on average, seam thicknesses were: C seam – 1.6m; 1U seam – 2.0m and; 1 seam – 3.6m.

Sample coal has been sent for analysis to Birtley Coal & Minerals Testing in Calgary, Alberta. Full washability, size, and coal quality analyses including dilatation, Gieseler fluidity, ultimate analysis and proximate analysis will be completed on the samples. Results are expected by the end of April 2018.

In addition, approximately 1,400 kilograms of coal from the core holes has been transported to SGS Mineral Testing in Lakefield, Ontario, to undergo a pilot wash to generate product coal samples. Further samples will be shipped to two steel mills in Japan and one steel mill in South Korea to undergo coke oven tests in their facilities.

Approximately 433 kilograms of clean coal will be retained by the Company, with 400 kilograms to be transported to Canmet in Ottawa to conduct a full scale pilot oven test to determine coke quality, including CSR. A smaller 30 kilogram sample will be transported to SGS's coke oven in Beckley, West Virginia, to again determine CSR and provide another CSR reference point. CSR or 'coke strength after reaction' helps determine the performance of the coke in a blast furnace and is one of the key elements in assessing coking coal quality and whether it is categorised a hard coking coal, a semi-hard coking coal, or a semi-soft coking coal.

The Company's pre-feasibility studies to date have assumed Telkwa metallurgical coal is a semi-soft coking coal.

CSR results are expected by the end of April 2018.

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About Allegiance Coal Limited

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 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.

Coal Resources and Reserves

The coal resources and reserves referred to in this announcement (unless otherwise stated in this announcement) were first reported in the 3 July 2017 Market Release. The Company confirms that it is not aware of any new information or data that materially affects the information included in the 3 July Market Release and that all material assumptions and technical parameters underpinning the estimates in the 3 July Market Release continue to apply and have not materially changed.