

13 June 2018

TENAS FEASIBILITY STUDY UPDATE: GEOLOGICAL MODEL INDICATES MATERIAL DECREASE IN PREDICTED STRIP RATIO

HIGHLIGHTS

- Following the February 2018 drill programme, and in preparation for the Tenas Metallurgical Coal Project (**Tenas Project**) feasibility study, Allegiance completed a comprehensive update of the geological model resulting in a material decrease in the predicted strip ratio of waste rock to raw coal.
 - This led to a change in deposit modelling from a stratigraphic interpretation to a fault-based interpretation resulting in:
 - Elimination of seam thinning and pinching out, thereby significantly increasing average seam thickness over large areas; and
 - Recognition of uplift of parts of fault blocks, thereby reducing waste rock and overburden volumes; with
 - A cumulative effect of reduction in strip ratio.
 - A reduction in the strip ratio of waste rock to raw coal will cause a reduction in waste removal costs, typically the largest cost in open pit mining, which in turn will contribute to a reduction in overall operating costs.
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Allegiance Coal Limited (**Allegiance** or the **Company**) is pleased to announce the receipt of positive results, following a comprehensive update of the Tenas Project geological model in preparation for the feasibility study.

Triggered in part by findings in a hole from the February 2018 drill programme showing faulting, the geophysical logs for all holes were reassessed in detail, with the result that thickness anomalies could be mostly attributed to faulting versus stratigraphic change. Of note, this interpretation is also consistent with the interpretation and models for the nearby Goathorn and Telkwa North deposits.

Mr David Fawcett, Non Executive Chairman, commented:

“This is good news. Whilst we have come to the conclusion that there is more widespread faulting in this deposit, it has made a substantial improvement to interpretation of seam thickness. The combined effect of verification of coal seam continuity, and uplifting of coal blocks, has materially reduced the ratio of waste rock



to coal and it follows, the predicted strip ratio. This has the potential to improve Tenas Project economics, significantly.”

Allegiance is currently updating its coal resources for the Tenas deposit to comply with the JORC Code 2012 Edition and will release a new resource statement in the coming days.

In addition, SRK (Canada) Inc are currently re-running the pit optimization model for the Tenas deposit based on the new geological model to highlight raw coal tonnes at multiple strip ratios, from which Allegiance will select a pit shell for the purposes of the Tenas Project feasibility study. This analysis will also be released in the coming days.

For more information, please contact:

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About Allegiance Coal

Allegiance Coal is a publicly listed (ASX:AHQ) Australian company advancing a metallurgical coal mine into production in British Columbia, Canada. The Telkwa metallurgical coal project (**Project**) includes three pit areas comprising 148Mt of JORC compliant coal resource of which 134Mt is in the Measured Category; 12.9Mt is in the Indicated Category; and 1.2Mt is in the Inferred Category. In 2017 the Company completed a pre-feasibility study declaring 43Mt of saleable coal reserves, and positioning the Project in the lowest five percentile of the global seaborne metallurgical coal cost curve. The Company is now undertaking a full feasibility study of the Tenas Pit (**Tenas Project**) which represents 21Mt of those saleable coal reserves and is advancing the Tenas Project towards permitting and production.

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 Company’s release of its Staged Production PFS results on 3 July 2017 Announcement (**3 July Announcement**). The Company confirms that it is not aware of any new information or data that materially affects the information included in the 3 July Announcement and that all material assumptions and technical parameters underpinning the estimates in the 3 July Announcement continue to apply and have not materially changed.

Competent Person Statement

The information in this ASX Announcement that relates to Mineral Resources and Reserves is based on information reviewed and compiled by Mr Dan Farmer, a registered professional engineer with the Association of Professional Engineers and Geoscientists of British Columbia. Mr Farmer is engaged by the Company on a full-time basis and has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012 Edition of the “Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”). Mr Farmer, as competent person for this announcement, has consented to the inclusion of the information in the form and context in which it appears herein.