



14 November 2018

SECTION 10 ORDER RECEIVED

- The Environmental Assessment Office of the Provincial Government of British Columbia (**EAO**) has issued a section 10 order in relation to the Tenas Metallurgical Coal Project formally commencing the permitting process.
 - This gives rise to two important events:
 - The Tenas Project is deemed 'ready' by the EAO for environmental assessment and permitting processes; and
 - The first milestone is satisfied under the 'Telkwa Met Coal Joint Venture' requiring Itochu Corporation to make the first of three Stage 1 investment payments and to subscribe for their first tranche of shares in Telkwa Coal Limited.
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Allegiance Coal Limited (**Allegiance**) is pleased to announce satisfaction of the first milestone under the Telkwa Met Coal Joint Venture (**Joint Venture**), established between Itochu Corporation (**Itochu**) and Allegiance to permit, develop and operate the Tenas Metallurgical Coal Project (**Tenas Project**).

Section 10 Order

A section 10 order issued under the Environmental Assessment Act of British Columbia (**Act**) is an important milestone for the Joint Venture. It follows the successful review by the Environmental Assessment Office (**EAO**) of the comprehensive 'Project Description' document lodged with the EAO in October 2018.

The section 10 order deems the Tenas Project ready for environmental assessment, formally commencing the permitting process. The EAO has placed increased emphasis and importance on proponents to be properly prepared for this process before seeking a section 10 order. It is encouraging to the Joint Venture that the order was issued so promptly after lodging the Project Description.

Itochu to make first payment of C\$1.5M

Following the section 10 order, Itochu, in consideration for payment of the first tranche of C\$1.5M, will be allotted shares in TCL equal to 5.3% of Telkwa Coal Limited's (**TCL**) share capital.

As previously announced, the next Itochu investment tranches are due as follows:

- C\$1.5M following completion of a positive Tenas DFS, targeted for completion in Q1 2019, where Itochu's shareholding in TCL will increase to 10.1%; and
- C\$3.6M following lodgement of an application for an Environmental Assessment Certificate, targeted for Q3 2019, where Itochu's shareholding in TCL will increase to 20%.



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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 125.8Mt of JORC compliant coal resource of which 102.3Mt is in the Measured Category; 22.3Mt is in the Indicated Category; and 1.2Mt is in the Inferred Category. In 2017 the Company completed a pre-feasibility study declaring 42.5Mt 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 definitive 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 & Reserves

The coal resources referred to in this announcement (unless otherwise stated in this announcement) were first reported in the Company's release of its updated geological model on 18 June 2018, supplemented by its 26 June 2018 announcement (together the **18 June Announcement**). The coal 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 (**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 18 June Announcement or the 3 July Announcement and that all material assumptions and technical parameters underpinning the estimates in the 18 June Announcement and the 3 July Announcement continue to apply and have not materially changed.
