



21 August 2017

TELKWA METALLURGICAL COAL PROJECT STAGE 1 PRE-FEASIBILITY STUDY UPDATE

HIGHLIGHTS

- Staged Production PFS review complete with a material reduction in start-up capital expenditure achieved.
 - Stage 1 PFS incorporating the start-up capital reductions will be completed with results released to the market on or before 30 September 2017.
 - The branded hard coking coal price has currently settled at US\$196 per tonne, significantly higher than the range of benchmark prices assumed by SRK Consulting (Canada) Inc. in the Staged Production PFS.
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Allegiance Coal Limited (**Allegiance** or the **Company**) is pleased to provide an update to the market on progress relating to its review of the Staged Production Pre-feasibility Study (**Staged Production PFS**) the results of which were released to the market on 3 July 2017 (**PFS Release**), and on completion and delivery of results to the market of the Stage 1 Pre-feasibility Study (**Stage 1 PFS**).

As was noted in the PFS Release, the Board's immediate focus thereafter was:

- To undertake a review of the Staged Production PFS with particular focus on the reduction of up-front capital; and
- To complete and deliver the Stage 1 PFS, being a pre-feasibility study focused solely on a 250,000tpa saleable coal operation to support an application for a Sub-EA permitting process, for completion in Q1 2018.

As advised in the PFS Release the relevance of 250,000tpa in Stage 1 derives from British Columbia mining and environmental legislation. A coal mine producing less than 250,000tpa of saleable coal does not trigger a review under the British Columbia Environmental Assessment Act (Sub-EA) and does not trigger a Federal Government review under the Canadian Environmental Assessment Act potentially leading to a less complex and quicker permitting process and shorter timeline to production.

Staged Production PFS Review

The Company is pleased to announce that the Staged Production PFS review is complete, and the Company believes it has achieved a material reduction in the Stage 1 start-up capital, originally estimated at US\$51M, currently estimated at US\$36M.

SRK Consulting (Canada) Inc (**SRK**), who prepared the Staged Production PFS, have again been retained to prepare the Stage 1 PFS for the Company. SRK are incorporating the reduced capital expenditure into the



Stage 1 PFS, and the Company will quantify and explain the reductions in its market release of the Stage 1 PFS results.

The capital reductions do not relate to financing or leasing of the mining equipment or the coal washplant, which remain 100% equity funded in the Stage 1 PFS.

Stage 1 Pre-feasibility Study

The Stage 1 PFS is the blueprint for the commencement of development of the Project, and will form the basis of the Company's project description to the Ministry of Energy & Mines, in its Sub-EA permit applications, in its engagement with First Nations, and in its consultation with other key stakeholders.

Given the ease and speed at which the Company was able to complete the Staged Production PFS review, the Company can now expedite completion and delivery of the Stage 1 PFS. Previously the Company had announced to the market that the Stage 1 PFS would be completed and delivered in Q1 2018.

The Directors are very pleased to announce that the results of the Stage 1 PFS will be completed and delivered to the market on or before 30 September 2017.

Metallurgical Coal Market Update

The Queensland prime hard coking price has enjoyed a solid start to August. After a period of support at or around US\$175/t FOB prices moved up to US\$200/t FOB in early August. Since then the globalCOAL Met Coal curve has settled back to US\$196 for branded hard coking coal for August and September delivery.

For the purposes of the Staged Production PFS, SRK had assumed a benchmark hard coking coal price range of US\$170 to US\$130.

The strength of the market for prime hard coking coal would appear to be from a tightening of supply. Disruption to the logistics chain and to operational issues in Queensland mines have contributed to this tightness. In addition, analysts advise that Chinese demand remains stable as the larger coastal integrated steel plants look to improve productivity due to strong steel prices.

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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 131Mt 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 Company's ASX announcement of 3 July 2017 (**Previous Announcement**). The Company confirms that it is not aware of any new information or data that materially affects the information included in the Previous Announcement and that all material assumptions and technical parameters underpinning the estimates in the Previous Announcement continue to apply and have not materially changed.
