



23 July 2019

ALLEGIANCE ENGAGES AN EXPERIENCED TEAM WITH 126 YEARS COMBINED EXPERIENCE IN US UNDERGROUND COAL TO MANAGE THE ACQUISITION AND RECOMMISSIONING OF THE NEW ELK HARD COKING COAL MINE

HIGHLIGHTS

- Mr Larry Cook, a coal mining engineer with almost 50 years experience mining coal in the US and Australia, and in particular, US underground coal, has joined the Board of Directors of Allegiance effective from 23 July 2019.
 - Mr Amon Mahon, a coal mining engineer with 36 years experience mining coal in the US and Australia, has been appointed Joint Project Manager for the acquisition and recommissioning of the New Elk Coal Mine.
 - Mr Bernie Mason, a geologist with 40 years experience in coal exploration, mine development and production predominantly in the US, has been appointed Joint Project Manager for the acquisition and recommissioning of the New Elk Coal Mine.
-

Allegiance Coal Limited (**Allegiance** or the **Company**) is pleased to announce the appointment of Mr Larry Cook as a Director of Allegiance, and Mr Amon Mahon and Mr Bernie Mason as Joint Project Managers to the acquisition and recommissioning of the New Elk Coal Mine (**Mine**), referred to in Allegiance's prior announcement dated 15 July 2019.

Mr. Larry Cook

Mr Cook obtained a degree in mine engineering from West Virginia University in 1972. For the first 20 years of his career he worked in various underground roles in coal mines primarily in West Virginia in seam heights ranging from 1.0 to 1.8 metres, similar to what Allegiance will experience in the New Elk Coal Mine. He is highly regarded in both the US and Australia as an extremely capable underground coal mining engineer. His production history in US mines is impressive. Examples include:

- Vice President of Operations at Mid-Vol Mining, Madison WV, producing 90,000 raw tonnes per month (1.1Mtpa) with a single continuous miner in seam height of 1.5 to 1.7 metres;
- General Superintendent at Mystic Energy Inc, Beckley WV, producing 70,000 raw tonnes per month (850ktpa) with a single continuous miner in seam height of 1.1 metre in a Peabody Energy owned mine;
- Mine Manager of five underground coal mines owned by Eastern Associated Coal Corporation in Wharton WV, comprising 675 employees and producing 2.6Mtpa in seam height of 1.6 metres.

In 2001, Mr Cook moved to Australia and introduced the mining of sub-two metre coal seams to coal mines in New South Wales and Queensland. Previously, coal less than two metres in seam height was typically not mined by Australian mine owners deeming it to be uneconomic. Mr Cook proved the industry wrong. In 2004



he was a founding shareholder and director of Bounty Industries Ltd and commenced contract mining of a 1.8 metre coal seam at Ivanhoe Colliery, NSW, for Centennial Coal, and in 2005, in a 1.6 metre coal seam in German Creek Colliery, Central QLD, for Anglo Coal. At Ivanhoe Colliery, he achieved an average production rate of 70 metres per shift equating to 70,000 raw tonnes per month (850ktpa) with a single continuous miner. Most recently, Mr Cook recommissioned the Donkin underground coal mine located in Nova Scotia, Canada.

Mr Cook will be paid a director's fee of A\$3,000 per month, and a A\$7,000 per month retainer to direct the feasibility study, and the recommissioning and operation of the Mine. In addition, subject to receipt of prior shareholder approval, Mr Cook will be issued the following performance rights (**Rights**):

- 1.25M Rights vesting on completion of the acquisition of the shares in New Elk Coal, LLC;
- 1.25M Rights vesting on completion of Mine commissioning and commencement of production;
- 1.25M Rights vesting on the sale of the first 500,000 metric tonnes of coal from the Mine; and
- 1.25M Rights vesting on the sale of the second 500,000 metric tonnes of coal from the Mine.

Mr. Mahon and Mr. Mason

Mr Mahon obtained a degree in Mining Engineering from the West Virginia Institute of Technology in 1984 and has worked in coal mining in both the US and Australia for 36 years. For most of his career he has owned and operated both surface and underground coal mines in West Virginia, Kentucky and Alabama. In 2004, he joined Mr Cook in establishing Bounty Industries Ltd and was responsible for managing the contract with Anglo Coal at German Creek Colliery in the Bowen Basin, Central Queensland. He mined a 1.6 metre coal seam during which time he set a production record being the first bord and pillar mine in Australia to advance more than 100 metres in a single 12 hour shift.

Mr Mason obtained a degree in Geology from Morehead State University, Kentucky, and has worked across many minerals although predominantly coal for 40 years. In more recent years he has been involved in executive operations including:

- President and CEO of Xinerly Ltd producing up to 3Mtpa of coking and thermal coals;
- Chief Operating Officer of Appalachian Fuels, LLC, comprising 600 employees and producing 8Mtpa of coking and thermal coal from five surface mines and three underground mines; and
- Vice President of Technical Services and Business Development at AEI Resources, Inc. which operated 54 individual surface and underground coal mines producing in excess of 54Mtpa.

Both Mr Mahon and Mr Mason sourced the Mine and introduced it to Allegiance, assisted with the high level due diligence, brokered the terms sheet with Cline Mining Corporation (the Mine owner), and will provide leadership and supervisory roles to Allegiance during the Mine feasibility study, recommissioning of the Mine, and its ongoing production. They will each be paid monthly retainers of A\$10,000, and subject to the receipt of prior shareholder approval, each of Mr Mahon and Mr Mason will be issued the following Rights:

- 1.25M Rights vesting on receipt of shareholder approval;
- 1.25M Rights vesting on completion of the acquisition of the shares in New Elk Coal, LLC;
- 1.25M Rights vesting on the sale of the first 500,000 metric tonnes of coal from the Mine; and
- 1.25M Rights vesting on the sale of the second 500,000 metric tonnes of coal from the Mine.

Further details regarding the terms and conditions of the Rights set out in this announcement, will be included in a notice of general meeting to be dispatched to shareholders in due course.

For more information, please contact:

Mr Mark Gray

Chairman & Managing Director

Mobile : +61 412 899979

Email : mgray@allegiancecoal.com.au

Mr Jonathan Reynolds

Finance Director

Mobile : +61 408 229 953

Email: jreynolds@allegiancecoal.com.au

About Allegiance Coal

Allegiance Coal is a publicly listed (ASX:AHQ) Australian company advancing a metallurgical coal mine to permitting and production in British Columbia, Canada, and a permitted hard coking coal mine to production in southeast Colorado, USA. The Telkwa metallurgical coal complex includes three pits comprising 125.8Mt of JORC compliant coal resource of which 102.3Mt is in the Measured Category (**Telkwa**). In July 2017 the Company completed a pre-feasibility study declaring 42.5Mt of saleable coal reserves across all three pits (**Tenas PFS**); in March 2019 a definitive feasibility study of the Tenas Pit (**Tenas Project**) in relation to 16.5Mt of those saleable coal reserves (**Tenas DFS**); and is now advancing the Tenas Project towards permitting and production. On 15 July 2019, the Company announced the planned acquisition of the New Elk hard coking coal mine located in southeast Colorado, US (**New Elk**). New Elk is fully permitted, fully built, and comprises 656Mt of NI 43-101 compliant hard coking coal. The Company is undertaking a feasibility study to develop a new mine plan to return New Elk to production, and complete the acquisition of New Elk before 14 July 2020.

Coal Resources & Reserves

The coal resources referred to in this announcement relating to Telkwa (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 **June 2018 Announcement**). The coal reserves referred to in this announcement relating to Telkwa (unless otherwise stated in this announcement) were first reported in the Company's release of its Telkwa PFS results on 3 July 2017 (**July 2017 Announcement**), updated in the Tenas DFS on 18 March 2019 (**March 2019 Announcement**). The coal resources referred to in this announcement relating to New Elk (unless otherwise stated in this announcement) were first reported in the Company's announcement of its planned acquisition of New Elk Coal Company, LLC, on 15 July 2019 (**July 2019 Announcement**). The Company confirms that it is not aware of any new information or data that materially affects the information included in the July 2017 Announcement, the June 2018 Announcement, the March 2019 Announcement or the July 2019 Announcement (together the **Announcements**), and that all material assumptions and technical parameters underpinning the estimates in the Announcements continue to apply and have not materially changed.

Cautionary Statement

Investors should note that the mineral resource estimates for New Elk in this announcement are foreign estimates under ASX Listing Rule 5.12 and are not reported in accordance with JORC Code (2012 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves") (**JORC Code**). A competent person has not done sufficient work to classify the foreign estimates as a mineral resource under the JORC Code and it is uncertain that following further exploration or evaluation work that this foreign estimate will be able to be reported as a mineral resource in accordance with the JORC Code. The Company further cautions investors that, other than exclusivity to the planned acquisition to 14 July 2020, the material provisions in relation to the potential acquisition of New Elk are and remain non-binding and that an investment decision should not be made on the basis of this information. There can be no certainty that any binding agreements will be reached, or that any concluding transaction will eventuate.
