



28 October 2019

ACTIVITIES REPORT FOR THE QUARTER ENDING 30 SEPTEMBER 2019

HIGHLIGHTS

- Allegiance moves towards completion of the acquisition of the New Elk hard coking coal mine located in southeast Colorado, US (**New Elk Mine**).
 - Allegiance continues to advance the permitting process in relation to the Tenas Metallurgical Coal Project (**Tenas Project**).
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Allegiance Coal Limited (**Allegiance** or the **Company**) is pleased to provide its Quarterly Activities Report for the period ending 30 September 2019.

Acquisition of the New Elk hard coking coal mine

As was announced previously on 15 July 2019 followed by an update announcement on 27 August 2019, the Company is advancing towards the successful acquisition of all the shares in the New Elk Coal Company, LLC, (**NECC**) for US\$1, which company owns the New Elk hard coking coal project located in southeast Colorado. The mine is fully permitted, fully constructed, and comprises 656Mt of hard coking coal.

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.

In relation to the acquisition, the key conditions to Completion follow.

- Undertake legal and financial due diligence by 14 September 2019.
Completed.
- Review the geological model to the Mine by 14 October 2019.
Completed.
- Undertake a feasibility study (**Feasibility Study**) to develop a mine plan for production by 14 April 2020.



The draft mine plan is well advanced. It has been developed with regular direct input from the Company's New Elk Management Team. The draft mine plan is due to be submitted by Stantec to the Company in early November 2019. The draft mine plan will include start-up and sustaining capital expenditure, along with cash operating costs. Details will be advised to the ASX once the plan is approved by the Company and signed off by the Competent Person as set out below.

In addition to the draft mine plan, other important aspects of the Feasibility Study have either been completed or are also well advanced. These include:

- Budget to refurbish the mine equipment on site is completed. The refurbishment is budgeted to cost approximately US\$4M and will deliver three independent production units at the commencement of production, with each production unit having two continuous miners and operating as a 'walk through super-section';
- Budget to refurbish the coal handling and preparation plant (**CHPP**) is completed. The Company plans to install a third circuit for fine coal recovery in the CHPP to improve plant performance and improve clean coal yield;
- Guidance pricing on port charges in relation to the Pasadena Deep Water Terminal (**Coal Terminal**) has been provided by Kinder Morgan to the Company – no security bonds are required to secure Port allocation as there is ample capacity totalling up to 12Mtpa with current usage at just slightly more than 4Mtpa;
- Guidance pricing for rail haulage has been received from BNSF Railway while the Company is waiting for pricing from Union Pacific Railway. It is fortuitous and quite rare, that the New Elk Mine has two railway companies operating on the line from Mine to the Coal Terminal providing competitive tendering;
- The general start-up plan including start-up capital expenditure will be completed by early November 2019; and
- Coal off-take discussions have commenced with several trading houses, and meetings with steel mills are planned for November 2019.

Given the extent to which the Company's Management Team have contributed to the development of the draft mine plan, and the state of all other key action items, it is anticipated the results of the Feasibility Study will be announced to the ASX during the December 2019 quarter.

- Raise the capital for the payments on completion and the start-up working capital (which will be announced with the release of the Feasibility Study results) being:
 - US\$5M to replace the Colorado State Mine reclamation bond;
 - US\$3M to meet the cash payment part of Debt;
 - Start-up working capital.



Discussions have commenced with a number of resource investment funds and private equity groups in relation to the completion and start-up working capital requirements. Key to closing funding will be the completion of the Feasibility Study.

- Obtain shareholder approval to the purchase.

Resolutions in connection with the acquisition that require shareholder approval will be included in the notice of meeting for Allegiance’s annual general meeting which will be posted shortly to shareholders.

- Enter into formal transaction documentation.

A draft purchase agreement has been prepared by Allegiance’s lawyers awaiting comments from the vendor’s lawyers – the target date for completion remains mid-December 2019.

Tenas Project EA process and permitting

During the quarter the Company completed the Value Components with the Environmental Assessment Office (EAO) and has submitted the draft Application Information Requirements to the EAO (AIR Document). Under the current timetable the AIR Document will be published for public comment at the beginning of Q2 2020 (calendar).

	2016	2017	2018	2019	2020	2021
Telkwa Coal Planning Process, Engagement, and Proposed Project Phases¹						
TCL Planning Studies		Pre-feasibility Study	Feasibility Study			
Tenas Project Phases		Baseline and Regulatory				
Wet'suwet'en Engagement and Community Dialogue						
Community Open Houses			1	2	3	4 5 6
Current Baseline Programs / Ongoing Monitoring						
Meteorology, Air Quality, Noise, Groundwater, Surface Water Quality, Sediment Quality, Aquatic Resources, Fish and Fish Habitat,		Baseline Program			Monitoring	
Regulatory Process (Environmental Assessment and Permitting)¹						
Application Development (Pre-Application Phase)						
Project Description submitted to BC EAO						
BC EAO issues Section 10 Order (determining Project is reviewable)						
BC EAO issues Section 11 Order (setting the scope and process for the review)						
Valued Components (Final draft)						
BC EAO publishes draft Application Information Requirements						
BC EAO holds public comment period on Application Information Requirements						
Application Submission and Review (Application Phase)						
Applications for EA Certificate and Mines Act Permit submitted to BC EAO						
BC EAO evaluates, accepts, and reviews EA Certificate Application						
BC EAO holds public comment period of EA Certificate Application						
BC EAO makes EA Certificate decision and issues EA Certificate						
Mine Permit and Environmental Management Act Permit decision						

Originally the Company was targeting Q3/Q4 this year to lodge the EA Certificate and Mine Permits applications. That has slipped to the middle of next year due to several factors including some environmental consultants taking longer to complete their effects assessment reports, and a lack of human and financial resources of the local First Nations group to properly review and contribute to the EA process.

Kilmain and Back Creek Projects

The Kilmain and Back Creek projects remain under review.



Corporate

During the quarter:

- The Company successfully raised A\$3.08M at A\$0.14 per share by way of a private placement with institutional and sophisticated investors; and
- Following on from that placement, the Company successfully closed a share purchase plan raising an additional A\$0.6M at the same placement price of A\$0.14 per share.

In July 2019, the Company welcomed Mr Larry Cook as a director, with specific focus on directing the Feasibility Study and the recommissioning and operation of the New Elk Mine. Mr Cook is a coal mining engineer with almost 50 years' experience mining coal in the US and Australia, and in particular, US underground coal.

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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.



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Cautionary Statement

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Tenement Summary

Tenure Number	Owner	Project	Tenure Type	Area (ha)
British Columbia				
DL 230; PID - 014-958-724	Telkwa Coal Ltd	Telkwa	Freehold	259
DL 237; PID - 014-958-732	Telkwa Coal Ltd	Telkwa	Freehold	259
DL 389; PID - 014-965-666	Telkwa Coal Ltd	Telkwa	Freehold	262
DL 391; PID - 014-965-674	Telkwa Coal Ltd	Telkwa	Freehold	262
DL 401; PID - 014-965-682	Telkwa Coal Ltd	Telkwa	Freehold	259
353440	Telkwa Coal Ltd	Telkwa	Coal License	259
334059	Telkwa Coal Ltd	Telkwa	Coal License	269
327972	Telkwa Coal Ltd	Telkwa	Coal License	259
327836	Buckley Valley Coal Ltd	Telkwa	Coal License	259
327837	Buckley Valley Coal Ltd	Telkwa	Coal License	259
327838	Buckley Valley Coal Ltd	Telkwa	Coal License	259
327839	Buckley Valley Coal Ltd	Telkwa	Coal License	259
327845	Buckley Valley Coal Ltd	Telkwa	Coal License	259
328672	Buckley Valley Coal Ltd	Telkwa	Coal License	259
327834	Telkwa Coal Ltd	Telkwa	Coal License	130
327840	Telkwa Coal Ltd	Telkwa	Coal License	259
327865	Telkwa Coal Ltd	Telkwa	Coal License	259
327866	Telkwa Coal Ltd	Telkwa	Coal License	259
327936	Telkwa Coal Ltd	Telkwa	Coal License	259
327944	Telkwa Coal Ltd	Telkwa	Coal License	259
327951	Telkwa Coal Ltd	Telkwa	Coal License	259
327952	Telkwa Coal Ltd	Telkwa	Coal License	259
327953	Telkwa Coal Ltd	Telkwa	Coal License	259
327954	Telkwa Coal Ltd	Telkwa	Coal License	259
327964	Telkwa Coal Ltd	Telkwa	Coal License	259
327965	Telkwa Coal Ltd	Telkwa	Coal License	259
Australia				
1279	Mineral & Coal Investments PL	Back Creek	Exploration Permit	6200
1298	Mineral & Coal Investments PL	Kilmain	Exploration Permit	2800
1917	Mineral & Coal Investments PL	Kilmain	Exploration Permit	2800