



# ALLEGIANCE COAL LIMITED

28 October 2016

**RE: Allegiance Coal Limited (ASX: AHQ)  
Quarterly Activities Report  
For quarter ended 30 September 2016**

## **Kilmain and Back Creek Projects**

Both the Kilmain and Back Creek Projects are under review. There were no activities of note during the quarter ended 30 September 2016.

## **Corporate**

### ***Telkwa Coal Project***

The Company's main activity during the quarter been identifying and evaluating new investment opportunities and in particular securing and progressing the acquisition of Telkwa Coal Ltd (TCL).

As advised to ASX on 16 September 2016, the Company entered into a conditional binding agreement (Sale Agreement) to acquire the entire issued share capital of TCL. TCL is a private company incorporated in British Columbia, Canada, whose sole asset is a Farm-in Agreement over an advanced coking coal exploration project (Farm-in Agreement) located in the mid-west of British Columbia, in the Telkwa Coalfield (Telkwa Project).

The Telkwa Project is located within the southern reaches of the Bowser Basin immediately adjacent to Canadian National Rail's mainline that runs a relatively short 390km direct to the Ridley Island Coal Terminal, located at Prince Rupert.

In 2015, TCL commissioned an independent Canadian National Instrument 43-101 Compliant Technical Report which confirmed 165Mt categorised as Measured, Indicated and Inferred Coal Resources were exactly the same in both NI43-101 and JORC 2012. Furthermore, of the 165Mt, 89Mt (54%) were classified in the Measured Resource category, to which mining and commercial parameters may be applied to define Proven and Probable Coal Reserves.

The following table summarises the JORC Compliant Telkwa Coal Resources:

<b>Pit Areas</b>	<b>Measured</b>	<b>Indicated</b>	<b>Inferred</b>	<b>TOTAL</b>
Tenas	40,329,000	0	0	40,329,000
Goathorn	35,505,000	26,394,000	27,067,000	88,966,000
Telkwa North	13,279,000	15,643,000	6,345,000	35,267,000
<b>TOTAL</b>	<b>89,113,000</b>	<b>42,037,000</b>	<b>33,412,000</b>	<b>165,562,000</b>

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TCL also commissioned a report to assess coal quality and coal market options in July 2015. Results of that report position coal from the Telkwa Project as a semi-soft coking coal competing alongside Queensland and New South Wales semi-soft coking coals.

In September 2014, TCL acquired farm-in rights to the Telkwa Project from Carbon Development Corporation, a corporation incorporated in the province of Ontario, Canada (CDC). CDC is a subsidiary of Altius Minerals Corporation, a TSX listed investment fund that acquired the Telkwa Project as part of the acquisition of producing mines from Sherritt Corporation in April 2013. TCL has the right to earn up to 90% ownership of the Telkwa Project.

The Sale Agreement provides for the Company to acquire all of the shares in TCL in consideration for (on a post Consolidation basis) 50 million ordinary shares in the Company. The issue of the Vendor Shares is subject to the approval of shareholders at a meeting called for 8 November 2016.

The acquisition is conditional upon the following first occurring by 30 November 2016:

1. Allegiance completing due diligence on TCL and the Telkwa Project by 30 September 2016, which condition has now been satisfied;
2. Allegiance raising at least \$1 million by way of placement, which condition has now essentially been satisfied through a placement of \$2.5 million with sophisticated and professional investors, subject to shareholder approval and allotment of the shares, (refer ASX announcement dated 19 October 2016);
3. Allegiance's shareholders passing all necessary resolutions to enable the acquisition to proceed;
4. Consolidation of the Company's capital on a 1 for 5 basis; and
5. Allegiance satisfying whatever requirements ASX imposes on the Company to complete the Acquisition.

### ***Interim Capital Raising***

To fund its immediate working capital requirements, on 16 September 2016, the Directors completed a placement of 26,400,000 ordinary shares in the Company with sophisticated and professional investors. The placement was done at an issue price of \$0.005 per share raising \$132,000 before the costs of the raising.

**Loan Repayments**

C. Randall & Associates Pty Ltd was paid \$220,000 on 14 July 2016 in full discharge of its loan of \$370,535.

Gullewa Ltd was paid \$1,104,000 on 4 August 2016 in partial satisfaction of the amount owed to it. The balance outstanding of \$659,000 may be satisfied by the issue and allotment of shares in the Company at a price of \$0.005 per share (subject to any share reconstruction and shareholders' approval) or by repayment in cash, subject to Gullewa's agreement. The loan will be interest free for a period of three years, after which interest will accrue on any unpaid balance. The loan must be repaid in full, whether in cash or by the issue and allotment of shares in accordance with the agreement reached between the parties, within five years.

Yours faithfully  
Allegiance Coal Limited



David Deitz  
Company Secretary

The information regarding the mineral resources of the Telkwa Project in this announcement was first reported in the Company's announcement of 16 September 2016. The Company is not aware of any new information or data that materially affects the information included in the previous announcement, and all material assumptions and technical parameters underpinning the estimates in the previous announcement continue to apply and have not materially changed.