



12 November 2018

ITOCHU CORPORATION INVESTMENT VALUATIONS

Allegiance Coal Limited (**Allegiance**) refers to its announcement on 5 November 2018 (**5 November Announcement**) in relation to the investment in Telkwa Coal Limited (**TCL**) by Itochu Corporation of Japan (**Itochu**). Allegiance has received a number of inbound investor enquiries in relation to the valuation of TCL for the purposes of Stage 1 investment, and Stage 2 investment, by Itochu.

Stage 1 Investment

As announced on 5 November 2018, Itochu has agreed to invest C\$6.6M (A\$6.9M) into the Telkwa Met Coal Joint Venture by way of a subscription for shares in Telkwa Coal Limited (**TCL**) up to an initial 20 percent of the shares in TCL.

This is Stage 1 investment, and on the basis of TCL's current operating budget, and TCL's current cash at bank of C\$1.5M, will fund the Tenas Metallurgical Coal Project (**Tenas Project**) through to the completion of permitting.

Stage 1 investment was agreed between Allegiance and Itochu on a value for TCL of C\$33M (A\$35M), against a market capitalisation for Allegiance of A\$25M, at the time the agreement was concluded and released in the 5 November Announcement.

Stage 1 investment equates to 6.8 cents per Allegiance share, a premium of 36% to Allegiance's share price of 5 cents, at the time of the 5 November Announcement.

Stage 2 Investment

Stage 2 investment by Itochu arises after completion of the Tenas Project definitive feasibility study and all permits to mine the Tenas Project are granted. Itochu has the right to subscribe for additional shares in TCL up to a maximum of 50% of TCL's share capital.

The valuation of TCL for the purposes of Stage 2 investment is to be agreed between Allegiance and Itochu, or failing agreement, by an independent valuation of the Tenas Project assuming all permits to mine have been granted, as they will have been by this stage.

On the basis that all permits to mine will have been granted at that stage, Allegiance expects the valuation of TCL for Stage 2 investment to be greater than the Stage 1 investment valuation.

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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.

Forward Looking Statements

This announcement contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this announcement, are considered reasonable. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Allegiance Coal, its Directors and Management. The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are subject to various risk factors that could cause Allegiance's actual results to differ materially from the results expressed or anticipated in these statements.
