



30 April 2019

ACTIVITIES REPORT FOR THE QUARTER ENDING 31 MARCH 2019

HIGHLIGHTS

- Allegiance publishes the results of its definitive feasibility study in relation to the Tenas Metallurgical Coal Project (**Tenas Project**).
 - Allegiance completes a 40 hole drill programme collecting geotechnical and geochemical data relevant to its applications for an Environmental Assessment Certificate and Permits to Mine.
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Allegiance Coal Limited (**Allegiance** or the **Company**) is pleased to provide its Quarterly Activities Report for the period ending 31 March 2019.

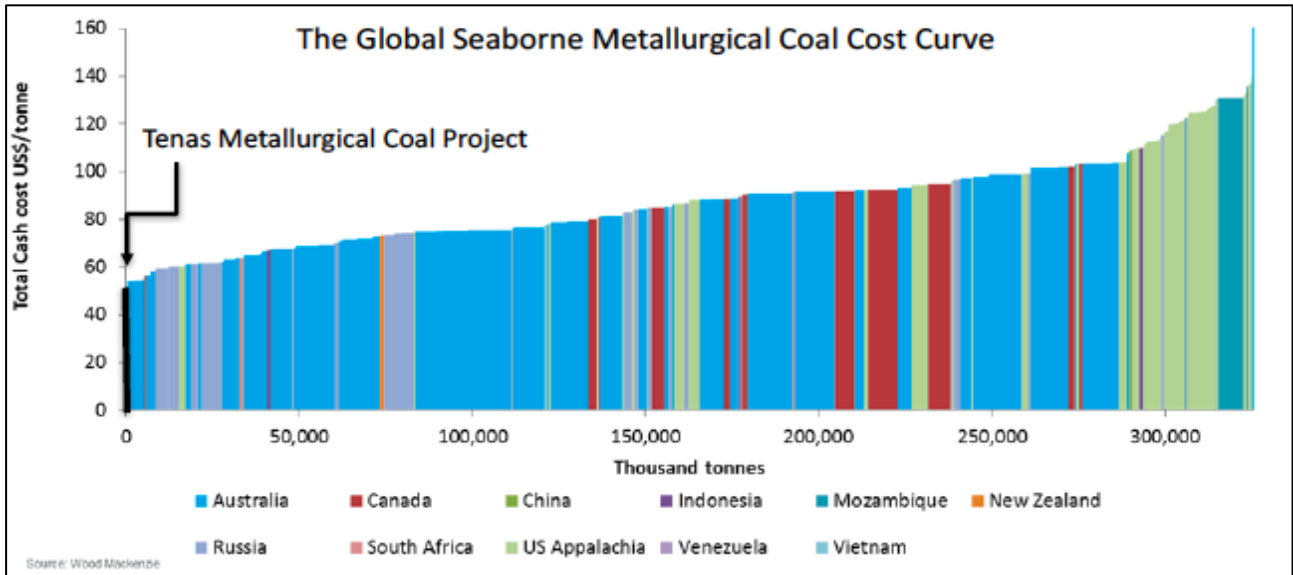
Tenas definitive feasibility study results

The quarter was dominated by completion and delivery of the Company's definitive feasibility study results in relation to the Tenas Project (**DFS**). The results are summarised below:

- 750,000 tonnes per annum of saleable coal.
- 22 year mine life extracting just 15% of the entire Telkwa coal resource.
- 3.6:1 BCM/ROMt strip ratio.
- 75% average yield for all metallurgical saleable coal.
- US\$49.7 per tonne average all-in FOB cash cost (ex-port) before interest and tax.
- A\$121.3M average revenue per annum.
- A\$63.7M EBITDA average per annum at a ratio to revenue of 53%.
- US\$54.3M start-up capital expenditure.
- A\$407.3M NPV8% pre-tax.
- 56.9% IRR pre-tax.
- 2.5 years capital payback after commencement of production.

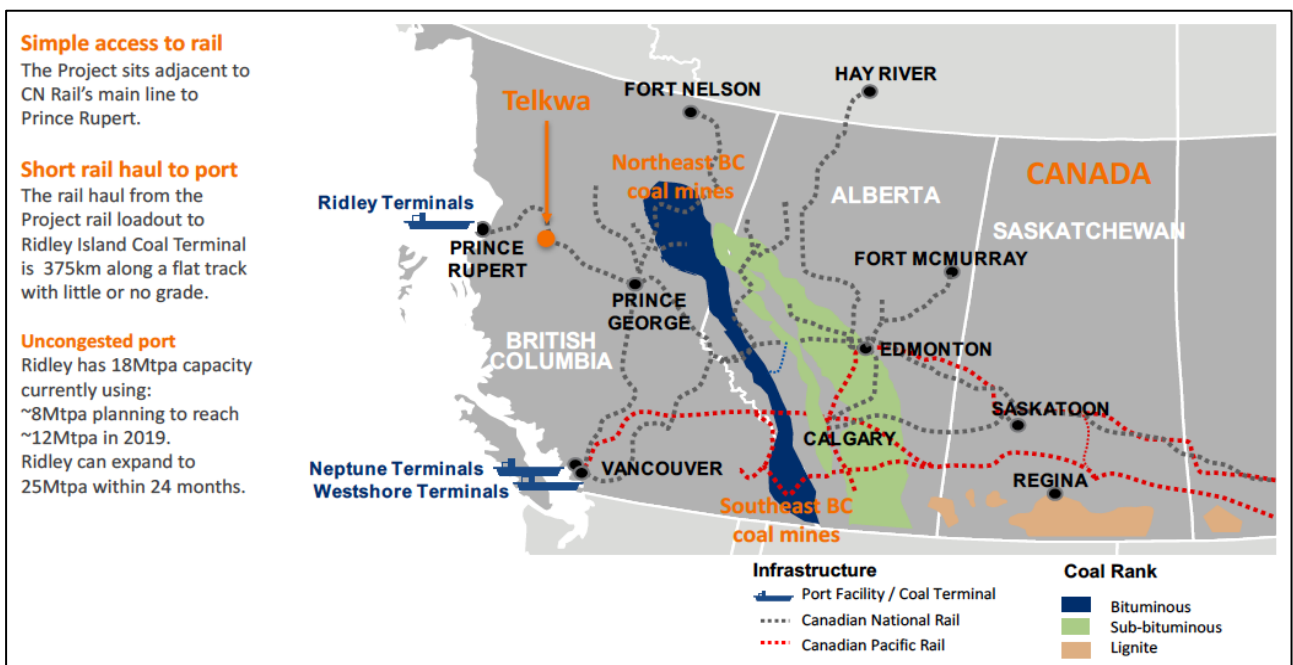
SRK Consulting (Canada) Inc. and Sedgman Canada were the lead DFS consultants along with an extensive team of technical experts and Allegiance Management. Significantly, the DFS concluded that the Tenas

Project is likely to be one of, if not, the lowest cost producers of metallurgical coal on the global seaborne market.



Source: Wood Mackenzie seaborne metallurgical coal cost curve as at November 2018

Located in the northwest of British Columbia, Canada, the Tenas Project enjoys exceptional location to rail and port. Simple logistics is a key factor contributing to the Tenas Project as a low cost producer.



Added to this, it is a shorter shipping distance to target markets, in particular the Japanese and South Korean steel mills, than from its main competitor of semi-soft coking coals in the Hunter Valley via the port of Newcastle. It is 3,800 nautical miles from Ridley Terminals to Tokyo, whereas it is 4,300 nautical miles from Newcastle.

BC: a leader in Met Coal

BC is 3rd largest exporter of met coal to the seaborne market behind Australia & the US. Teck Resources is the second largest exporter behind BHP.

Australia: supply issues

The north-Asian steel mills are searching for alternative met coal supply to Australia. Weather events, infrastructure limitations (rail and port) and historical differences with BHP, have prompted the north-Asian steel mills to look elsewhere.

BC is on the rise

BC is an excellent alternative with a ready, long term supply of good quality met coal, less impacted infrastructure, and a shorter shipping distance compared to both Australia and the US.



Equally importantly, there is no congestion at Ridley Terminals with no delays in ships berthing; unlike Newcastle (and Queensland) where ships often wait two to four weeks before they can berth. Mine owners incur expensive demurrage and steel mills suffer a delay in the supply of raw materials for their coke ovens and blast furnaces which disrupts steel production.

The Company will now undertake a review of the DFS results. Several opportunities were identified during the DFS where both start-up capital expenditure and operating costs could potentially be reduced further. In addition, analysis will be undertaken on ramping production (subject to additional permitting) in the first 10 years of mine life to take advantage of surplus capacity in both the wash plant and rail loadout.

Drill programme

The Company undertook a 40 hole drill programme comprising both sonic and rotary drill holes to collect data for geotechnical and geochemical analysis relevant to the Company's environmental impact assessment, and mine plan. The data is critical to the Company's environmental impact assessment programme and mine infrastructure both required for the Company's applications for an Environmental Assessment Certificate and Permits to Mine.

As was the case in the 2018 drill programme, the Company took the opportunity to recover coal for further washability and coal quality analysis, the results of which will be available towards the end of calendar Q2 2019.

The EA process and permitting

The second Environmental Assessment Office Technical Working Group meeting took place in Smithers in January 2019, along with a Sub-committee of that Group dealing specifically with water quality and geochemistry. The Company has submitted the draft Value Components document for review by the Environmental Assessment Office (EAO) and has received comments which are currently being addressed (refer to the table below). The Company has also completed its draft Application Information Requirements

document which will be submitted to the EAO for review in calendar Q2 2019 (again refer to the table below).

	2016	2017	2018	2019	2020	2021	2022
Telkwa Coal Planning Process, Engagement, and Proposed Project Phases¹							
TCL Planning Studies		Pre-feasibility Study	Feasibility Study				
Tenas Project Phases					Construction	Operations	
Wet'suwet'en Engagement and Community Dialogue							
Community Open Houses			1	2 3	4 5		
Current Baseline Program / Ongoing Monitoring							
Meteorology, Air Quality, Noise, Groundwater, Surface Water Quality, Sediment Quality, Aquatic Resources, Fish and Fish Habitat, Visual Quality, Soils and Terrain, Vegetation, Wildlife and Wildlife Habitat			Baseline Program			Monitoring	
Regulatory Process (Environmental Assessment and Permitting)¹							
<i>Application Development (Pre-Application Phase)</i>							
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)							
BC publishes Valued Component Selection Summary							
BC EAO publishes draft Application Information Requirements							
BC EAO holds public comment period on Application Information Requirements							
<i>Application Submission and Review (Application Phase)</i>							
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							
<small>Notes: ¹ Dates shown are Telkwa Coal's best estimates only. ² Progressive reclamation of specific sites may begin during the Operation Phase. Post-closure reclamation activities are anticipated to require two to three years, with continued monitoring beyond this time frame.</small>							

Community

During the quarter, the Company organised and funded a community day at the Telkwa outdoor skating rink to celebrate Canada's 'Family Day' holiday long weekend on 18 February 2018.



The Company cleared the outdoor ski rink of snow, and supplied food and beverages for the community along with a camp fire. The event was well attended with around 80 people braving the cold.



The Company is in discussions with the EAO in relation to the scheduling of the third Telkwa community Open House along with the next round of Technical Working Group meetings. The Company is planning five Open Houses while Government regulatory guidelines recommend two.

First Nations

Dialogue is ongoing with the Office of the Wet'suwet'en particularly in relation to the presentation of Tenas Project information and discussions arising from the EAO Technical Working Group meetings.

Kilmain and Back Creek Projects

The Kilmain and Back Creek projects remain under review.

Corporate

At the date of this report, the Company had 511 million shares on issue.

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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 complex (**Telkwa Complex**) 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 July 2017 the Company completed a pre-feasibility study declaring 42.5Mt of saleable coal reserves (**Telkwa PFS**) across the entire Telkwa Complex. In March 2019 the Company completed a definitive feasibility study (**Tenas DFS**) of the Tenas Pit (**Tenas Project**) in relation to 16.5Mt of those saleable coal reserves, and is now 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 **June 2018 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 Telkwa PFS results on 3 July 2017 (**July 2017 Announcement**), updated in the Tenas DFS on 18 March 2019 (**March 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 or the March 2019 Announcement and that all material assumptions and technical parameters underpinning the estimates in the July 2017 Announcement, the June 2018 Announcement or the March 2019 Announcement, continue to apply and have not materially changed.

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