



12 October 2020

ACQUISITION OF NEW ELK TO COMPLETE ON FRIDAY 16 OCTOBER 2020

HIGHLIGHTS

- Allegiance and Cline have agreed to complete the sale and purchase of the New Elk Hard Coking Coal Mine (**Mine**) on Friday 16 October 2020.
 - Originally planned for July 2020, completion was delayed at the direction of the Colorado Division of Reclamation, Mining and Safety (**DRMS**) to allow DRMS to review the current reclamation bond which resulted in DRMS marginally increasing the bond from US\$5.2M to US\$5.5M (Allegiance has secured up to US\$10M of insurance mine reclamation bonding).
-

Allegiance Coal Limited (**Allegiance or the Company**) is pleased to announce the closing date for the acquisition of the Mine.

Chairman and Managing Director, Mark Gray commented:

“Timing for completion of the acquisition of New Elk could not have been better with the current strong recovery in coking coal prices towards pre-COVID levels, as previously forecast by analysts. Subject to the completion of start-up funding, we remain focused on returning the mine to production in late Q1 2021. We have taken advantage of this delay to refine our sales strategy resulting in a possible sale of our coal out of New Orleans rather than Houston. This will enable us to potentially blend low sulphur New Elk hard coking coal with high sulphur high vol A hard coking coals from Alabama (currently being sold for domestic thermal power consumption because of unacceptable sulphur levels for the steel mills), prior to sale and shipment to improve overall product quality of both coals, and achieve a premium price. We hope to update the market on this initiative in the very near future”.

Acquisition Agreement

Allegiance announced the terms of completion to the acquisition of 100% of the issued capital of New Elk Coal Company, LLC (**NECC**) (**Acquisition Agreement**), which company owns 100% of the Mine on 5 June 2020. Those terms remain the same except in two respects:

- **Debt Repayment Shares:** Previously US\$3M of Debt Repayment Shares would be issued on completion and US\$1M of either cash or shares in Allegiance would be issued to Cline if commercial production did not commence before 31 March 2021. The commercial production condition has been removed and instead the Company will simply issue US\$4M of Debt Repayment Shares on completion. Shareholder approval has been received for the issue of US\$3M Debt Repayment Shares and US\$1M of Debt Repayment Shares will be issued from the Company’s placing authority under Listing Rule 7.1.
- **Cash Payment:** On completion, in addition to US\$1.00 in cash paid to Cline for 100% of the equity in NECC, Allegiance was to have paid US\$3M in cash to Cline as part reduction of the Cline Debt (as defined in the Acquisition Agreement). The US\$3M of cash payment on completion has been waived by Cline and

will be paid to Cline once the US\$5.2M cash reclamation bond held by DRMS is released to NECC after Allegiance posts the insurance reclamation bond.

Authorised for release by Chairman and Managing Director, Mark Gray.

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 based in Vancouver, BC Canada, and is focussed on developing and mining metallurgical coal projects in North America and Western Canada. The Company is developing the Tenas metallurgical coal project, located in northwest British Columbia, in partnership with Itochu Corporation. The Tenas Project has a completed definitive feasibility study and is now in the permitting process targeting H2 2022 for the commencement of production. On 22 January 2020, the Company announced the acquisition, subject to conditions, of the New Elk hard coking coal mine, a fully permitted and constructed mine located in southeast Colorado, US. The Company is targeting to return the New Elk mine to production in 2021.
