



9 December 2019

## CLARIFICATION REGARDING ANNOUNCEMENT DATED 5 DECEMBER 2019

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Allegiance Coal Limited (**Allegiance** or the **Company**) refers to its announcement to the Australian Securities Exchange dated 5 December 2019 (**5 December Announcement**) relating to a planned acquisition of coal from a property adjacent to the New Elk Project and would like to clarify the following matter.

**Schedule 2: Listing Rule 5.12 Foreign Resource Estimate Information**  
**ASX Listing Rule 5.12.2: Whether the historical estimates use categories of mineralisation other than those defined in the JORC Code and if so, an explanation of the differences.**

The Company clarifies the explanation provided in the 5 December Announcement as follows:

The Report does not categorise the mineralisation by reference to the JORC Code. The Report uses “in place coal tons” as its category of mineralisation. In its resource estimation, the Report relied on resource estimates from a report dated 1997 prepared by Reserve Services of Laramie, Wyoming, US, prepared in conformity with guidelines of the U.S Bureau of Mines and U.S Geological Survey “Coal Resource Classification System” (USGS Circular No. 891, 1983) (**Source Report**). The Source Report categorised the resources in accordance with USGS Circular No. 891, 1983, as ‘Demonstrated in place coal resources’, and then went on to apply parameters to categorise the ‘in place’ resources as Measured and Indicated. Under USGS Circular No. 891, 1983, Demonstrated in place coal is the sum of Measured and Indicated resources. The Report relied upon the Source Report to establish the same categorisation of ‘in place coal’ but did not proceed to break that down into further categories. The Report also noted that the resulting coal resource estimate is stated to be preliminary in nature and based on data considered to be relatively accurate given its consistency with previous reports. As such, the Company considers additional confirmatory exploration activities will be required to bring the resource to the Measured, Indicated and Inferred levels as set out in the JORC code. USGS Circular No. 891, 1983 uses the following definitions for Measured, Indicated and Inferred Resources:

- **Measured.** The highest degree of geologic assurance. Estimates of quantity are computed partly from dimensions revealed in outcrops, trenches, workings, and drill holes and partly by projection of thickness, sample, and geologic data not exceeding a specified distance and depth. Rank is calculated from the results of detailed sampling that may be located at some distance from this type of resource and may be on the same or other coal beds. The sites for thickness measurement are so closely spaced and the geologic character so well defined that the average thickness, areal extent, size, shape, and depth of coal beds are well established.
  - **Indicated.** A moderate degree of geologic assurance. Estimates of quantity, rank, thickness, and extent are computed by projection of thickness, sample, and geologic data from nearby outcrops, trenches, workings, and drill holes for a specified distance and depth beyond coal classed as measured. The assurance, although lower than for measured, is high enough to assume continuity between points of measurement. There are no sample and measurement sites in areas of indicated coal.
  - **Inferred.** A low degree of geologic assurance. Estimates of quantity, rank, thickness, and extent are based on inferred continuity beyond measured and indicated for which there is geologic evidence. Estimates are computed by projection of thickness, sample, and geologic data from distant outcrops, trenches, workings, and drill holes for a specified distance and depth beyond coal classed as indicated. There are no sample and measurement sites in areas of inferred coal.
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**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 15 July 2019, the Company announced the planned acquisition of the New Elk hard coking coal mine, a fully permitted and constructed mine located in southeast Colorado, US. The Company intends to complete the acquisition of the New Elk Project in calendar Q1 2020 and return the mine to production mid-2020.

**Cautionary Statement**

Investors should note 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. Investors should also note that the material provisions in relation to the potential acquisition of the Lorencito Property 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.

**Competent Persons Statement**

The data in this announcement has been reviewed by Mr. Dan Farmer, a registered professional engineer with the Association of Professional Engineers and Geoscientists of British Columbia. Mr Farmer is engaged by the Company on a full time basis, and has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in Canadian National Instrument 43-101 (**43-101**) and the JORC Code (2012 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves") (**JORC Code**). Mr Farmer, as competent person for this announcement, has consented to the inclusion of the information in the form and context in which it appears herein.