



17 October 2017

## ADVANCING THE TELKWA METALLURGICAL COAL PROJECT TOWARDS PRODUCTION

---

### HIGHLIGHTS

- The Company has recently completed two pre-feasibility studies each delivering robust project economics in relation to its Telkwa Metallurgical Coal Project (**Project**).
  - The Company is now focused on advancing the Project towards production.
- 

Allegiance Coal Limited (**Allegiance** or the **Company**) is pleased to provide an update to the market on progress relating to the mine permitting of its Telkwa Metallurgical Coal Project (**Project**), and its plans to bring the Project into production.

Following the successful results of two pre-feasibility studies undertaken for the Company by SRK Consulting (Canada) Inc., the first commencing production at 250ktpa ramping to 1.75Mtpa in year four, and the second assuming the Project is only ever permitted at 250ktpa, the Directors have resolved to expedite the Project into production.

The results of those two pre-feasibility studies were released to the market on 3 July 2017 and 11 September 2017 respectively, and were supported by independent research posted on the Company's website on 25 September 2017.

### The Environmental and Regulatory Setting in British Columbia, Canada

The environmental assessment and permitting framework for mining in British Columbia, Canada is well established. The Federal and Provincial Government environmental assessment processes provide a mechanism for reviewing mining projects to assess their potential impacts.

Mining projects typically undergo an environmental assessment process (**EA**), and if successful, proceed to permitting and licensing phases. Projects falling below certain production thresholds may not require the EA process and may advance directly to permitting and achieve production sooner. It is this option which the Company is pursuing in order to bring the Project into production.

The two critical thresholds, in the case of coal mining, are less than 1M tonnes per annum which is the Federal Government EA review trigger, and less than 250,000 tonnes per annum which is the British Columbia Provincial Government EA review trigger.



Three scenarios are summarized below which help to illustrate the time differences in permitting depending on the level of production of a coal mining project in Canada:

**Scenario 1: Project exceeds both Federal and Provincial Thresholds ( $\geq 1\text{Mtpa}$ )**

Environmental Assessment	Permitting	Licensing	Total
3 years	1 year	1 year	~5 years

**Scenario 2: Project exceeds Provincial Threshold but not Federal ( $\geq 250,000\text{ tpa}$  to  $< 1\text{Mtpa}$ )**

Environmental Assessment	Permitting	Licensing	Total
2 years	1 year	1 year	~4 years

**Scenario 3: Project is under both Federal and Provincial Thresholds ( $< 250,000\text{ tpa}$ )**

Environmental Assessment	Permitting	Licensing	Total
Does not apply	1 year	1 year	~2 years

The total time from the start of the regulatory process to final authorisation is highly variable from project to project. The examples above are therefore illustrative only.

Positioning the Project to be under the Federal and Provincial production thresholds enables the Company to proceed directly to permitting, accelerating the time to production by approximately three years. Additionally, the regulations also allow for an increase in production up to 1Mtpa without triggering either the Provincial or Federal environmental assessment legislation so long as the incremental footprint does not exceed the project modification threshold.

Few bulk commodity projects are economic at low levels of production since typically they require scale and volume to drive unit costs down and to be profitable. The Project is exceptional in this sense. The two pre-feasibility studies have shown that through a combination of simple geology and logistics, very low strip ratio and an excellent yield, at 245,000 tonnes per annum of saleable coal the Project is remarkably in the lowest five percentile of the global seaborne metallurgical coal cost curve.

**Environmental Baseline Studies**

While the Project may not need to undertake an EA, it must still gather environmental baseline data to support its applications for permits to mine. That program is well underway and will be completed in calendar Q3 2018. The baseline activities undertaken and underway are summarized below:

- The freshet water quality program was completed as scheduled in May 2017 with the installation of three hydrometric stations to complement the Water Survey Canada stations in the region. Surface water quality data was collected from 11 stations on the property.
- Surface water quality and flow data is being collected on a monthly basis during open water season.
- A groundwater reconnaissance was conducted in the Project area to check the condition of 22 existing groundwater wells. Many of these historical wells were found to be in good condition and as expected, a number of wells are deemed suitable for providing ongoing data for the permit applications reducing the need for additional wells to be drilled.



- Two groundwater sampling sessions have been conducted and the field work is complete for 2017. Ground water sampling will resume in early 2018 and three new wells will be included once they are drilled.
- The terrestrial resources program is also well underway. A number of remote cameras have been set up since April 2017 to record wildlife. Bird and amphibian surveys have been completed. Bioterrain and soils along with vegetation and wetland and other terrestrial ecosystem mapping work is ongoing.
- Fisheries and aquatic resources programs along with socio-cultural programs are being planned and will be executed in Q4 this year and into 2018.
- An onsite meteorology station has been constructed and is operational. All dust fall stations have been installed.

### Summary

It is expected that by the end of 2018 all the environmental and socio-cultural baseline programs will be complete in time for a regulatory submission in Q1 2019 subject to both the completion of a feasibility study as well as a modest exploration programme in early 2018.

Assuming submission of the joint Mines Act and Environmental Management Act permit applications in Q1 2019, approval is anticipated in H2 2019.

---

For more information, please contact:

**Mr Malcolm Carson**

Chairman, Allegiance Coal Limited

Mobile: +61 417 692 849

Email: [mcarson@allegiancecoal.com.au](mailto:mcarson@allegiancecoal.com.au)

**Mr Mark Gray**

Managing Director, Allegiance Coal Limited

Mobile: +61 412 899979

Email: [mgray@allegiancecoal.com.au](mailto:mgray@allegiancecoal.com.au)

### About Allegiance Coal

Allegiance Coal is a publicly listed (ASX:AHQ) Australian company fast tracking a metallurgical coal mine into production in British Columbia, Canada. The Telkwa metallurgical coal project (**Project**) is the Company's flagship project comprising 148Mt of JORC compliant coal resource of which 131Mt is in the Measured Category. The Project and has been the subject of extensive historical exploration and most recently of a pre-feasibility study declaring 43Mt of proven and probable reserves, and uniquely positioning the Project in the lowest five percentile of the global seaborne metallurgical coal cost curve.

### Coal Resources and Reserves

The coal resources and reserves referred to in this announcement (unless otherwise stated in this announcement) were first reported in the 3 July Market Release. The Company confirms that it is not aware of any new information or data that materially affects the information included in the 3 July Market Release and that all material assumptions and technical parameters underpinning the estimates in the 3 July Market Release continue to apply and have not materially changed.

---