



28 November 2019

NEW ELK COKING COAL PROJECT FEASIBILITY STUDY DELIVERS OUTSTANDING RESULTS

The New Elk coking coal project feasibility study positions the project uniquely for a US coal producer, in the lowest cost quartile of the seaborne metallurgical coal cost curve and sits amongst the lowest cost producers of hard coking coal in the US. With such convincing feasibility study results, Allegiance Coal Limited intends to expedite completion of the acquisition of the New Elk coking coal project with a view to returning it to production in mid 2020.

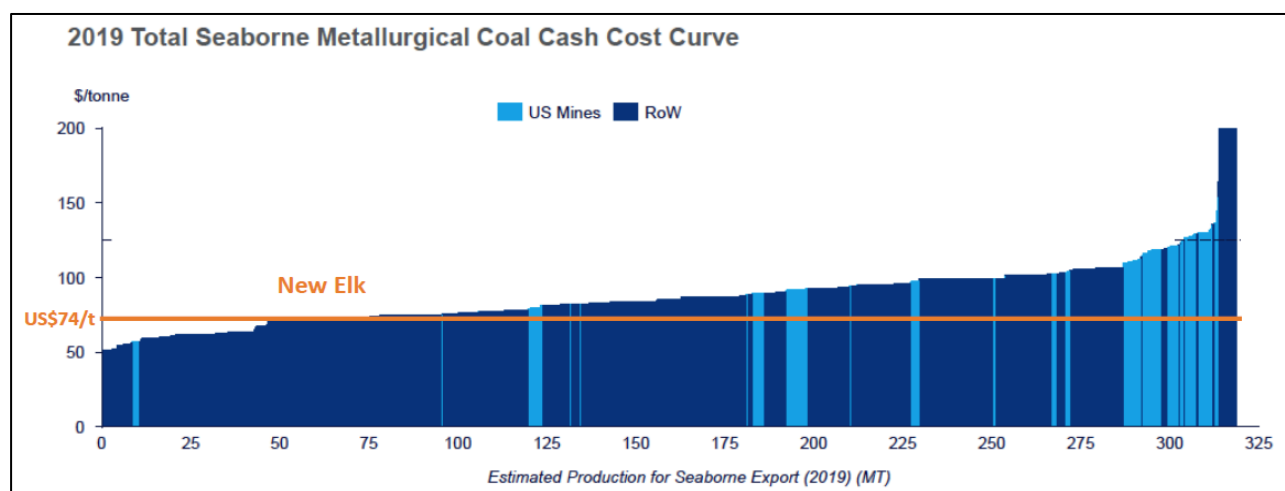
DFS HIGHLIGHTS

- High productivity room and pillar ‘walk through super-section’ underground mining operation.
 - 268Mt of coal resources at 3.0 foot seam height cut-off from just 3 of 8 coal seams. All tonnes stated in this announcement are metric tonnes.
 - 62Mt of ROM coal reserves converting to 45Mt of saleable coal reserves at a yield of 72% and at a minimum coal seam mining height of 4.0 foot from mostly 2 of the 8 coal seams.
 - 2.7Mt per annum average ROM production delivering 2.0Mt per annum average saleable coal.
 - 23 year mine life from 2 of the 8 seams with a small amount of production for access purposes from a 3rd seam.
 - US\$74 per tonne average all-in FOB cash cost (ex-port) before royalties, interest and tax.
 - Landowner royalties are linked to the FOB sales price, commencing at US\$1/t on FOB sales price up to US\$100/t, and for every US\$10/t of additional FOB price, the royalty steps up US\$1/t.
 - US\$132/t average sales price for US high vol hard coking coal.
 - A\$370M annual average revenue delivering A\$153M of annual average EBITDA.
 - US\$28.4M start-up capital expenditure (excluding working capital).
 - A\$1.2B NPV8% pre interest and tax.
 - 130% IRR pre interest and tax.
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Chairman and Managing Director, Mark Gray, commented:

“The feasibility study results in relation to a high productivity room and pillar underground mining operation are truly outstanding. What appealed to the Board at the outset with this asset was its scale. Scale enabled Stantec to develop a mine plan minimising out-of-seam dilution by setting a high (compared to the majority of US coking coal mines) minimum coal seam height of 4.0 foot, yet still enjoying a large resource base to design an efficient mine plan. Avoiding significant out-of-seam dilution resulted in an average yield of 72% which is very high compared to most US coking coal mines and sets this mine apart. The Board now intends to expedite acquisition of the Project, with a target of returning the mine to production mid-2020”.

Allegiance Coal Limited (**Allegiance** or the **Company**) is pleased to present the results of the New Elk Feasibility Study (**Study**) undertaken by Stantec in the US (**Stantec**), on behalf of the Company along with several other technical consultants. Significantly, the Study concluded that the New Elk coking coal project (**Project**) is likely in the lowest cost quartile of the seaborne metallurgical coal market, and more importantly, amongst the lowest cost US export coking coal producers by a significant margin.



Source: Wood Mackenzie seaborne metallurgical coal cost curve as at November 2019

The Company refers to its prior announcement on 15 July 2019 (**15 July Announcement**), relating to the one year option to acquire all the shares in New Elk Coal Company LLC (**NECC**), which company owns the permitted, and built, New Elk coking coal mine located in southeast Colorado, US (**Mine**). During the one year option period the Company would undertake legal and financial due diligence, now complete, and more critically, update the geological model and undertake a feasibility study of the Project to determine whether the Project was economically viable, and a prudent acquisition for the Company.

The results of the Study are outstanding, exceeding the Company’s expectations based on its initial internal review. The Company will proceed immediately to enter into the formal conditional agreement to acquire NECC. A draft purchase agreement has been completed with the vendor and the Company is hopeful the purchase agreement will be signed in December 2019 with completion targeted for calendar Q1 2020.

The major outstanding condition to completion will be that the Company must secure the funding necessary to meet the start-up capital requirement of US\$28M, plus working capital. To that end, the Company is well advanced in discussions with several investment funds who have signed non-disclosure agreements, have had access to the underlying Project technical data, and are now awaiting the results of this Study. The Company has until 14 July 2020 to raise the funding, but is confident following the results of this Study, of doing that in the coming months to tie in with the target completion date of calendar Q1 2020. The other

significant condition to completion is shareholder approval which is being sought at the Company's annual general meeting being held on 28 November 2019.

Summary of Study Results

A summary of the key results of the Study which relate to just to 3 of the 8 coal seams within the Mine, the Green, Blue and Allen, are set out in Tables 1 to 4 below.

Table 1: Coal Resource and Production Parameters Life of Mine	Units	
Total coal resources	MTonnes	267.6
Total ROM coal production	MTonnes	62.3
Total saleable coal production (from Blue and Allen seams only)	MTonnes	45.1
Minimum underground mining coal seam height	Foot	4.0
Annual average ROM coal production	MTonnes per annum	2.7
Annual average saleable coal production	MTonnes per annum	2.0
Average product coal yield	%	72
Mine life	Years	23

Table 2: Start-up Capital		US\$M
Mine access and ventilation		2.6
Mine infrastructure		7.4
Mining equipment for 3 super-section production units		13.4
CHPP upgrade inserting a fine coal circuit		5.0
Total Start-up Capital (excludes contingency)		28.4

Table 3: Operating Costs Life of Mine		US\$/Saleable t
Site Costs		
Mining		30.2
Coal processing		4.5
General and administration		1.2
Transportation and Marketing		
Marketing costs		0.2
Haulage		0.2
Rail to port and loaded		37.4
Total all-in cash cost FOB pre-interest and tax		73.7

Table 4: Key Performance Indicators Life of Mine	Units	Value
LOM average coal price	US\$/t	132.3
Net present value @ 8% pre interest and tax	A\$M	1,171
Net present value @ 8% post tax	A\$M	799
Internal rate of return pre tax	%	130
Internal rate of return post tax	%	77

Production Targets and Forecast Financial Information

Allegiance notes the following in relation to the production targets disclosed in this announcement:

- All material assumptions on which the production targets and forecast financial information are based are disclosed in the announcement;
- The coal resources and reserves on which the production targets are based have been prepared by competent persons in accordance with the requirements of the 2012 edition of the JORC Code; and

- The production targets and forecast financial information in this announcement are underpinned solely by a combination of coal reserves and measured and indicated coal resources. The relevant proportions of probable coal reserves and proven coal reserves is 12:78.

New Elk Coal Resources & Reserves

In the 15 July announcement, the Company listed the New Elk coal resources previously prepared in July 2012 in accordance with National Instrument NI 43-101 'Standards of Disclosure for Mineral Projects' (NI 43-101) by Agapito Associates, Inc., a US nationally recognised engineering firm (**Report**).

The Report declared a mineral resource estimate of 656Mt of coal resources at a minimum seam height of three foot. The mineral resource estimate is shared across 8 coal seams summarised in Table 5 below.

Table 5: Coal seams	Seam height	Measured Mt	Indicated Mt	Inferred Mt	Total Mt
Green	3 to 7 foot	29.94	24.95	0.09	53.98
Loco	3 to 4 foot	13.06	27.22	24.13	64.41
Blue	3 to 5 foot	47.36	34.56	0.82	82.74
BCU	3 to 6 foot	11.61	33.38	27.22	72.21
Red	3 to 4 foot	21.14	9.34	0.00	30.48
Maxwell	3 to 9 foot	65.41	65.05	15.79	146.24
Apache	3 to 5 foot	45.63	51.53	13.97	111.13
Allen	3 to 5 foot	38.83	43.45	12.79	95.07
Total		271.97	289.48	94.80	656.26

Cautionary statement: Investors should note that the Agapito mineral resource estimates for the Project are foreign estimates under ASX Listing Rule 5.12 and are not reported in accordance with JORC Code (2012 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves") (JORC Code).

Except as is stated in this announcement in relation to the Green, Blue and Allen seams, a competent person has not done sufficient work to classify the foreign estimates as a mineral resource under the JORC Code in relation to the other coal seams, and it is uncertain that following further exploration or evaluation work that this foreign estimate in relation to those other seams, will be able to be reported as a mineral resource in accordance with the JORC Code.

Pursuant to the Study, however, Stantec has prepared a statement of resources and reserves in accordance with the JORC Code and NI 43-101 in relation to the Green, Blue and Allen seams only, as is set out in Tables 6 and 7 below.

Table 6: Resources	Seam height	Measured Mt	Indicated Mt	Inferred Mt	Total Mt
Green seam	3.0 foot	19.1	17.7	5.6	42.4
Blue seam	3.0 foot	89.6	31.4	9.1	130.2
Allen seam	3.0 foot	68.9	25.4	0.7	95.1
Total	3.0 foot	177.6	74.4	15.6	267.6

Table 7: Reserves			Proven Mt	Probable Mt	Saleable Mt
Green seam	4.0 foot		0.8	-	0.8
Blue seam	4.0 foot		17.7	4.5	22.2
Allen seam	4.0 foot		16.7	5.5	22.1
Total	4.0 foot		35.2	9.9	45.1

Estimation Methodology

Coal seams were correlated by constructing lithological cross-sections and comparing coal seams and other lithologic units for geometry and continuity. Modelling was conducted using Carlson™ software, a widely used gridded seam modelling program.

Moisture content of the coal seams is considered uniform, given that as-received coal moisture content typically falls within a narrow range. For the Blue seam, this can range from 3.5 to 6.0 percent, but more consistently ranges between 3.8 to 4.8 percent. For the Allen seam, the range is typically between 4.0 to 5.0 percent.

A minimum coal thickness of 3.0 foot was used for calculating in-place coal resources. A minimum coal thickness of 4.0 foot was used in the mine planning process for determination of coal reserves, with exceptions for accessing adjacent coal resource blocks and developing to ventilation shaft locations where required. A minimum barrier of 300 foot was maintained between existing mine workings and projected mining in the Allen seam.

Coal resource estimates have not been constrained by metallurgical factors. In-situ coal densities were not available, therefore a conservative density of 82.5 pounds per cubic foot was used. The USGS Circular 891 criteria of 1,320ft from data points for Measured and 3,960ft for Indicated assurance categories was used for classifying resources. A competent person deemed this system to be appropriate in accordance with the 2014 Guidelines for compliance with the JORC Code. Relative accuracy of the resource estimates is dependent on the number of data points and the density and reliability of those data points. The New Elk property has a relatively high level of confidence in that 70% of the total resources are classified as Measured, and 78% of the total reserves are classified as Proven. In addition, this region of Colorado has been extensively mined in the past.

New Elk Project Summary

The Mine is located in Las Animas County in southeast Colorado bordering northeast New Mexico, and sits within the Raton Basin which according to U.S Geological Survey Paper 1625-A, has an estimated 15 billion metric tonnes of coal.

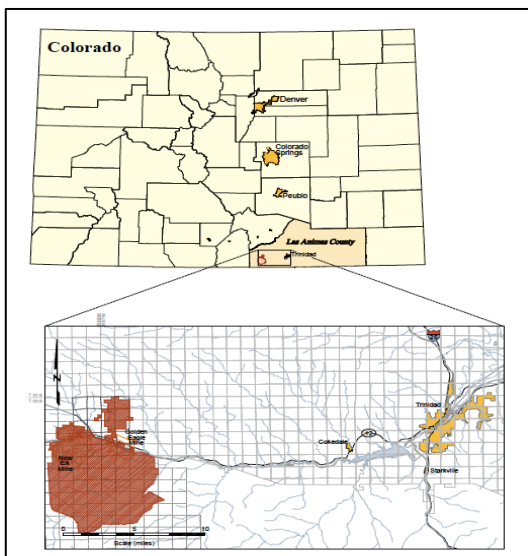


Image: Mine location, southern Colorado

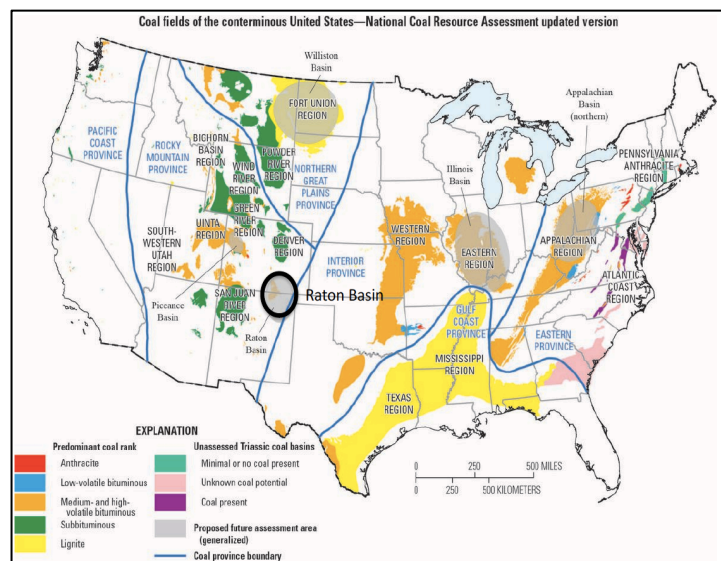
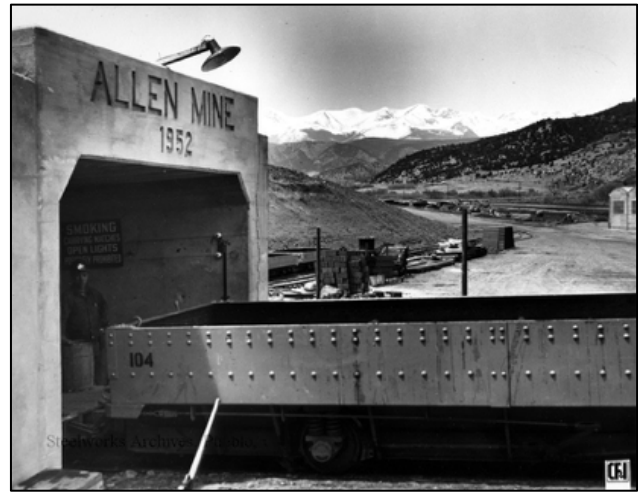
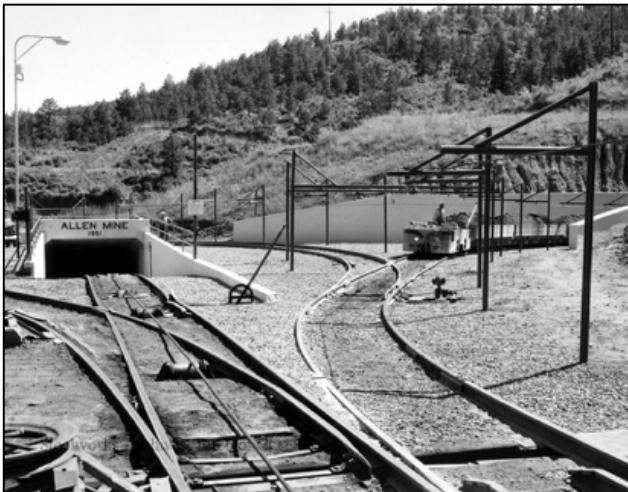


Image: Raton sedimentary basin where the Mine is located

The Raton Basin has had active coal mines for nearly 150 years producing good quality hard coking coals for domestic steel production. The Raton Basin hosts low sulphur, mid to high volatile hard coking coals, typically with excellent plasticity which is an important element in the blending of coking coals in blast furnace steel production.

The Mine was first named the 'Allen Mine', and commenced production in 1951 supplying coking coal to the Pueblo Steel Mill located approximately 100 miles north of the Mine. In the late 1970s, the Pueblo Steel Mill transitioned from blast furnace steel production to electric arc furnace no longer requiring hard coking coal. Notwithstanding this, the Allen Mine continued production through to 1989 supplying coal to local power utilities, and the wash-plant continued operating until 1996 servicing neighbouring mines.

While existing rail near the Mine could transport coal 850 miles to the Gulf of Mexico, a lack of nearby coal handling facilities at ports meant the coking coal could not access the export seaborne market. That has now changed with three coal and petcoke terminals nearby in the Bay of Houston along with ports accessible to the Mine in Longbeach, California and Guaymas inside the Baja California Peninsula of Mexico.



Images: historical portal entry into the Allen Mine

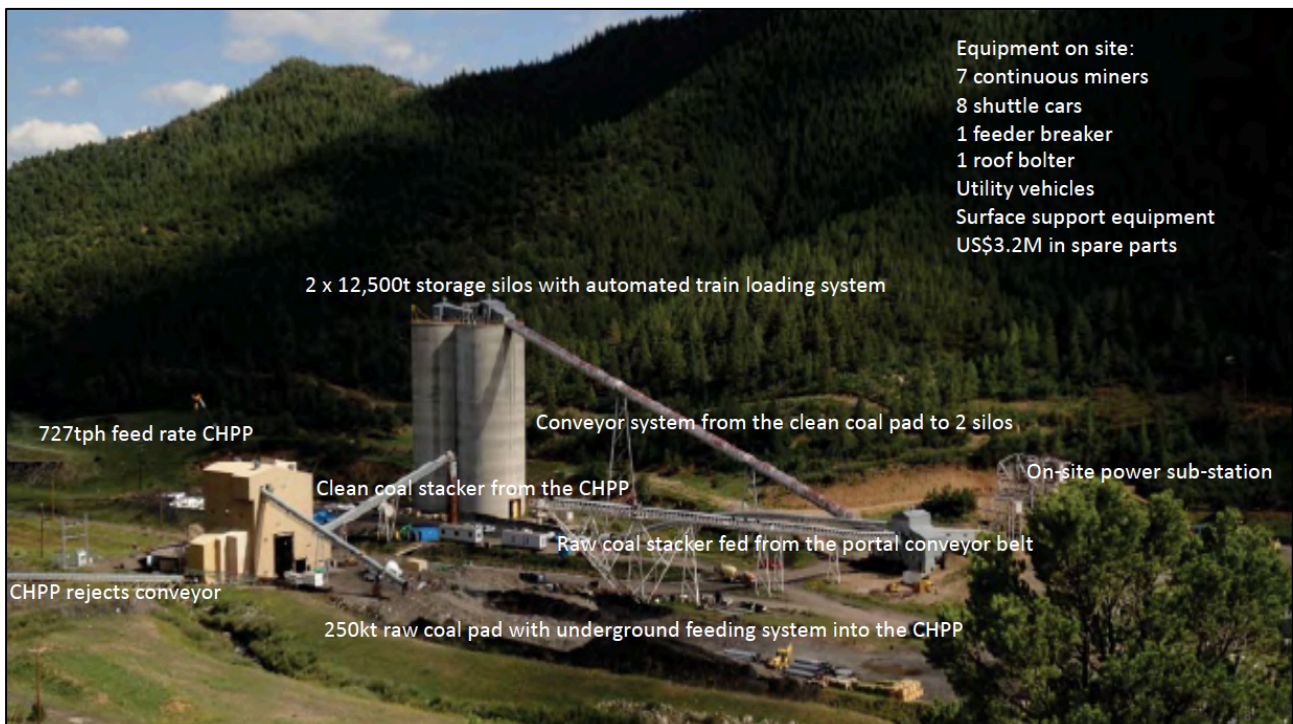
The Mine was acquired by Cline Mining Corporation (**Cline**) in 2008 for C\$17 million. In 2010, the Mine was re-opened under the name 'New Elk Mine'. Cline upgraded the Mine infrastructure, including the wash-plant and supporting infrastructure, developed a second underground portal entry, and recommenced production at an estimated capital cost of some C\$150 million. Production recommenced in 2011 with coal intended for sale on the global seaborne market via the Port of Corpus Christi in the Gulf of Mexico. The Mine operated for several months but was forced to close in July 2012 when world hard coking coal prices plummeted. Following this, Cline filed for bankruptcy protection, which resulted in all liabilities being extinguished, and the senior secured creditor ultimately taking ownership of Cline and its subsidiary NECC. It has remained on care and maintenance since.

As a result of the prior investment by the original Mine owners and more recently Cline, the Mine is fully built with upgraded infrastructure and generally in a very good state of repair. Key mine components include:

- A full spread of production equipment including;
 - 7 Joy rebuilt 14cm15 continuous miners; one new with no hours; two with less than 2,000 hours; and three with less than 3,000 hours;
 - 7 Joy SC10 shuttle cars;
 - 1 feeder breaker;

- 1 roof bolter;
 - 3 scoops (underground utility vehicles);
 - Several underground power units;
 - Conveyor drives, structure and belt; and
 - An estimated US\$3.2M in inventory and spare parts.
- Two separate portals and declines (including access road, belt road and ventilation road) into the Blue seam 20 metres below surface and the Allen seam 200 metres below surface;
 - Rock crusher bin receiving ROM coal by conveyor belts from both portals and feeding the ROM coal pad by a stacker conveyor;
 - ROM coal pad and dual underground feeding systems conveying ROM coal into the coal handling and preparation plant (CHPP) and then conveying washed coal to the product pad;
 - CHPP with a nameplate of 727tph feed rate;
 - Product coal pad underground fed conveyor feeding system to two silos with holding capacity of 25,000 tonnes;
 - CHPP rejects dump with direct conveyor;
 - Power sub-station;
 - Office buildings, wash-house, warehouse and workshop with 10 tonne overhead crane;
 - Surface support equipment including 40t dump truck, grader, front-end loader and back-hoe.

The image below provides a visual appreciation of the mine infrastructure in place.



Mining

Mining Method and Equipment

Coal will be mined with continuous miners adopting the place change room and pillar method. Key items of machinery on each section are illustrated below.

Examples of underground mining equipment deployed at New Elk

Joy 14cm15 Continuous Miner



Joy 10SC Shuttle Car



Fletcher Roof Bolter



Joy Feeder Breaker



Room and pillar mining is the predominant underground coal mining method in the US, unlike Australian underground coal mines where longwall mining is more prevalent.

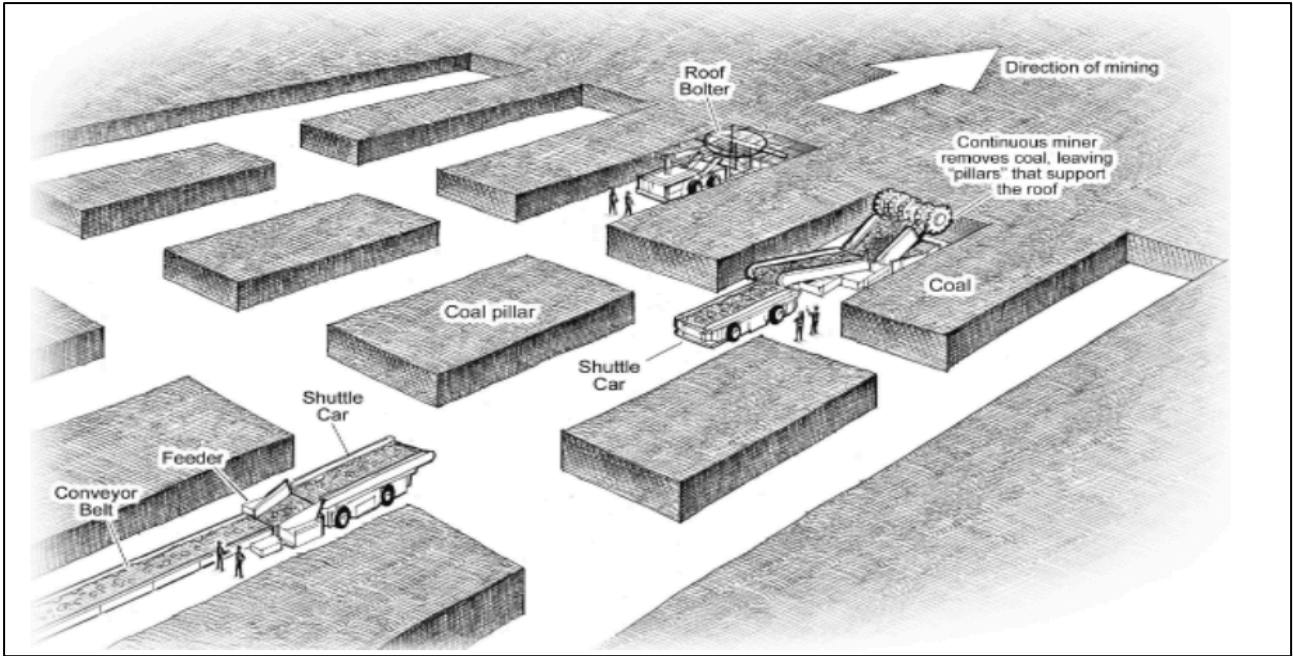
Longwalls are expensive and capital intensive and generally the privilege of the major coal mining companies whose balance sheets can absorb the initial capital investment and the holding costs while a Longwall is either being transferred to a new panel or is not operating because of geological interruptions to production. Theoretically, they deliver lower operating costs and recover more of the coal resource but are inflexible and prone to major downtime through relocations and unpredictable geology.

Room and pillar mining is less capital intensive and while perceived by many to be higher in operating cost, can be extremely efficient and low cost if operated as 'super sections'. Room and pillar mining is also flexible to unpredictable geology and can easily manoeuvre around geological intrusions when encountered, without disrupting production. For these reasons, the Company has adopted room and pillar mining.

A super section involves two continuous miners operating on each section. This can be either with two continuous miners operating concurrently on a section or sequentially, that is, as one machine has completed a cut, the operator will 'walk through' to the other side of the section and commence a new cut with the second machine. While the operator is making the new cut with the second machine, a crew-hand will reposition the first machine for its next cut. When the operator has completed the cut with the second machine, he or she will return to the first machine and execute another cut, and so the sequence continues without any, or limited, downtime in production during a shift.

Typically, two to three shuttle cars (coal haulers), convey coal from a continuous miner to a feeder breaker while the continuous miner is being operated. The feeder breaker sizes the coal and then feeds it on to a conveyor belt which then transfers the coal outside the mine to a stockpile before being fed into the CHPP. Once a continuous miner completes a cut, and is withdrawn, a roof-bolter enters the cavity and drills bolts into the roof to support the roof, or any part of it, from falling.

The picture below illustrates a room and pillar sequence in operation with a single continuous miner section. As discussed, New Elk will operate with two continuous miners in a 'walk through super section' with seven to nine headings (the picture below only has five headings typical of a single continuous miner section).



The capital cost for the three production units on commencement of production which forms part of the start-up capital is summarised in Table 8 below. Pricing listed in orange is equipment already owned subject only to on-site refurbishment while all other items of equipment are required to be purchased prior to the start of production.

Table 8: Production Equipment	New Cost US\$	Rebuild US\$	Unit 1 US\$	Unit 2 US\$	Unit 3 US\$
Joy 14CM15 continuous miner	5,000,000	1,675,000	290,000	290,000	290,000
Joy 14CM15 continuous miner	5,000,000	1,675,000	290,000	290,000	290,000
Joy 10SC Shuttle car	1,200,000	550,000	75,000	75,000	75,000
Joy 10SC Shuttle car	1,200,000	550,000	75,000	75,000	550,000
Joy 10SC Shuttle car	1,200,000	550,000	75,000	75,000	550,000
Fletcher RR11 roof bolter	1,300,000	445,000	98,000	445,000	445,000
Fletcher RR11 roof bolter	1,300,000	445,000	445,000	445,000	445,000
Stamler BF 17 feeder breaker	1,250,000	480,000	480,000	480,000	480,000
S&S 488 battery scoop	1,200,000	255,000	55,000	55,000	255,000
Power centre	450,000		900,000	900,000	900,000
Proximity detection	212,550		425,100	425,100	425,100
Parts car	14,000		14,000	14,000	14,000
Duster	20,000		20,000	20,000	20,000
Total	19,221,550	6,640,000	3,242,100	3,589,100	4,739,100

The cost savings evident from the table above derived from the existing equipment on-site is substantial. To acquire 3 production units new, costs almost US\$60M while to compile 3 production units from rebuilt equipment, assuming items can be acquired, is around US\$20M. This compares to the estimated capital cost of refurbishing existing equipment and buying additional items of equipment as required for 3 production units of just US\$11.6M.

Mine Plan

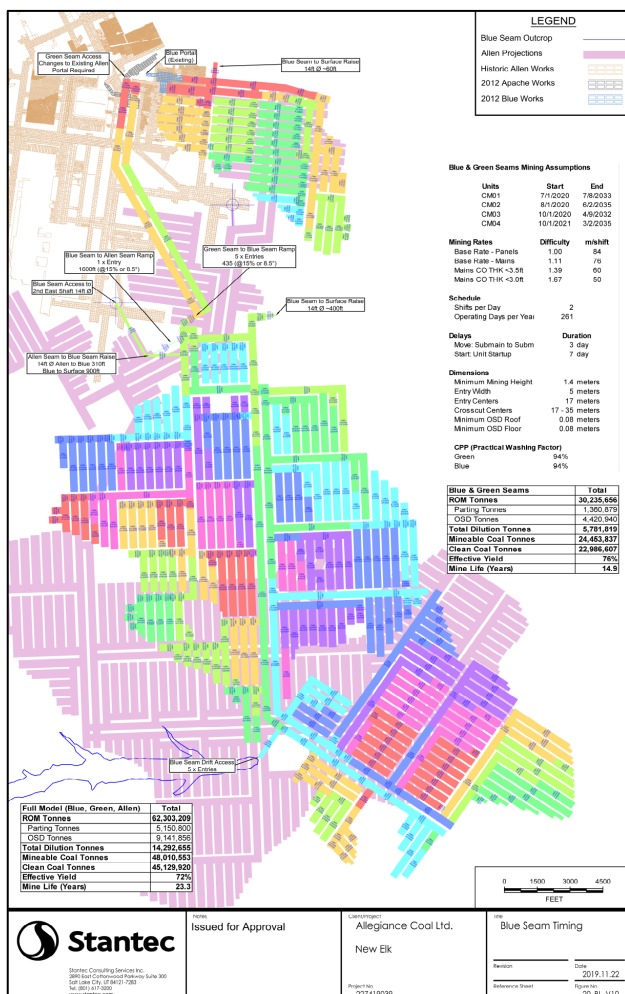
The entire New Elk coal resource is around 656Mt (refer to the Cautionary Statement on page 4) of which 268Mt has been declared in accordance with the JORC Code from just 3 of the 8 coal seams.

The Mine Plan was driven by coal seam height, and coal quality that would meet the requirements of steel mills and to that end focussed on the 3 following seams:

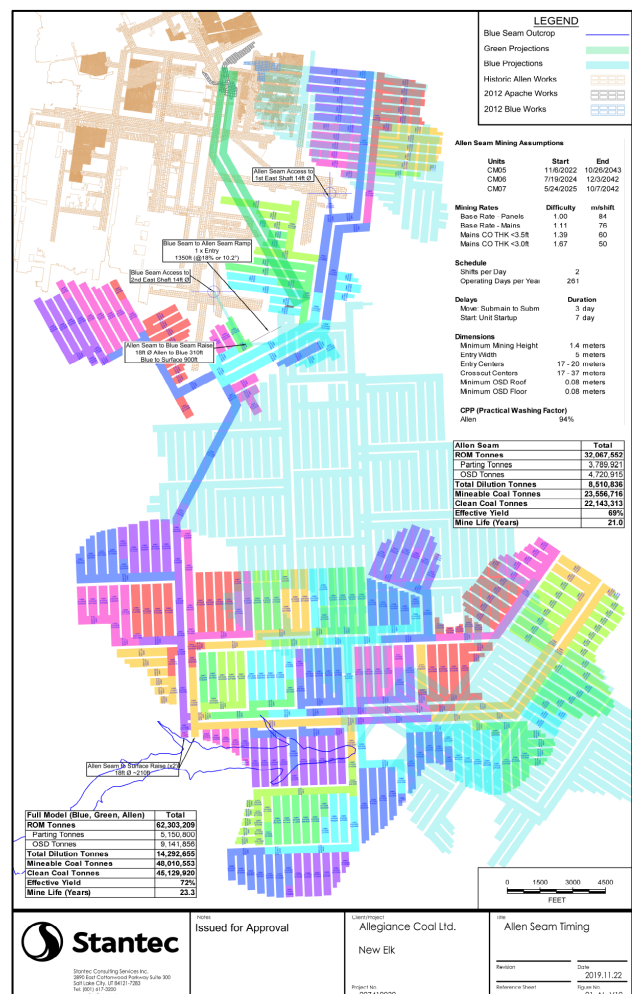
- The shallow Blue seam (which is already established with portal entries and main headings);
- The bottom or deepest Allen seam; and
- The very shallow Green seam used as an access road to the point at which new declines can be established into the southern area of the Blue seam, and then into the Allen seam.

The Mine Plan was designed with a minimum coal seam height of 4.0 foot allowing for 6 inches of unavoidable out-of-seam dilution. Therefore, a mining height of 4.5 foot provides ample room for conventional lower profile underground mining equipment to operate remaining in the coal seam, and for the Mine to be adequately ventilated.

Limiting coal recovery to 4.0 foot does reduce the recovery of some coal, but the gains in retaining a high yield far outweigh loss of coal resource. This is the primary benefit of a large resource base - a mine plan can be designed around high yielding coal but still with a large recoverable resource.



Blue seam mine plan with Green access to the south



Allen seam mine plan accessed from the Green seam

Mining commences in the Blue seam where the portal entries (belt road, ventilation, and men and materials) are already established and the main headings already advanced 150m underground. Two super sections are set-up in the Blue seam on commencement with the second starting one month after the first. At the same time, the Green seam is accessed via the original Allen seam portals, and a single super section will commence mining approximately 3 months later.

The primary purpose of mining the Green seam is to drive headings in coal southwards to reach a point where a decline can be established into the southern portion of the Blue seam, and from the same drift, a decline into the lower Allen seam. A consequence of the 4.0 foot coal seam height cut-off, is that the Blue and Allen coal seam areas are not contiguous, separated by areas of coal less than 4.0 foot.

There is a significant area of 4.0 foot plus coal to the north of the current Blue seam mine plan which is not incorporated into the Mine Plan (or the images above) pending securing additional mineral and surface rights. The Company is working to secure these additional coal resources which, if successful, will have the effect of enabling the mine plan for the Blue seam to be considerably extended.

The mine plan is staged, commencing at 0.4Mctpa in the first six months, 1.2Mctpa in the second year, and gradually increasing to peak production in year 8 of 3.1Mctpa, and then averaging 2.7Mctpa for 11 years before gradually decreasing to conclude production early in year 24.

The staged production is limited in the first 24 months by a restriction to haul coal from the CHPP to the rail loadout on a sealed road for 21 miles. During the first 24 months however, the Mine Plan contemplates relaying railway track along a railway spur that was in place until the 1970s, prior to the railroad owner uplifting the track and relocating it following the original closure of the Mine. Once the track is re-laid, production can ramp, limited only by the front-end feed capacity of the CHPP.

Production Schedule

Table 9 below highlights the Mine Plan production schedule over the life of mine including ROM coal production and clean coal (coal sales).

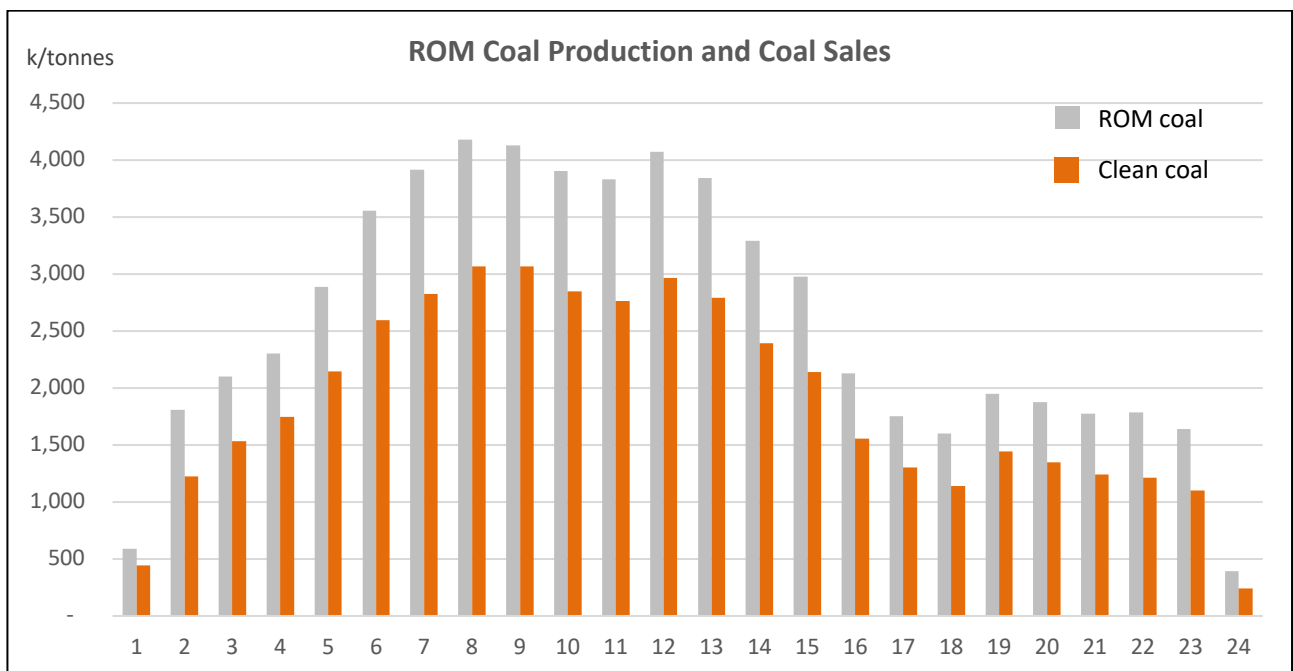


Table 9: production schedule (note 1 above commences 1 July 2020 and is therefore just 6 months of production)

In year one, production commences in July 2020 and is therefore just 6 months of production with 2 production units in the Blue seam and the third commencing in month 4 of that 6 month period in the Green seam. By year 5, the mine will have 7 production units operating (highlighted in the mine plans) at peak production.

The Company intends to review the Mine Plan again prior to the commencement of mining by adding new production to maintain steady state production of 3Mctpa, until mine closure. Mention has already been made in this announcement of coal in the Blue seam to the north of the current Mine Plan, and there are substantial areas of coal in the Green seam which at this stage have been ignored other than for the purpose of driving headings to access the southern area of the Blue seam and to access the Allen seam.

Labour Requirements

The mine will operate two, 9 hour production shifts per day and one overlapping maintenance shift per day for equipment maintenance, advancement of conveyor belts and section power, and general mine repairs and other idle work. The production schedule is based on a total of 261 production days per year.

Each production unit will have 11 crew members totalling a production workforce of 210 once the mine reaches peak production with 7 production units. An additional 86 underground support employees and 43 general employees will be engaged at full production, resulting in a total of 339 employees. The Company intends to recruit Appalachia coal miners to form the nucleus of each production unit, supplementing the crew numbers with local, less experienced mine workers.

Coal Handling and Preparation Plant

Coal Preparation

The CHPP circuitry consists of;

- Heavy media vessel;
- Heavy media cyclones; and
- Spirals.

The CHPP has a nameplate feed rate of 727tph. The CHPP was reviewed by Performance Industries, Inc, a specialist coal processing consultancy from West Virginia, USA, whose principals undertook a review of the CHPP when the mine was acquired by Cline.

The current circuit provides:

- Raw coal is separated by screens into various size fractions;
- The coarse material is sent to the Heavy Media Vessel;
- The next size fraction down is sent to the Heavy Media Cyclone;
- The remaining raw product is sent to the Classifying Cyclones;
- The plus 100 mesh is sent to the Spiral Circuit; and
- The minus 100 mesh material that is separated from the raw coal feed via the classifying cyclones is discarded and sent to the thickener for refuse disposal.

The minus 100 mesh size fraction is 8 percent of the plant feed. Currently there is no equipment in the CHPP to process this ultra-fine portion of the plant feed and therefore, the Study sees the installation of a fine coal

circuit in the plant using eight 500 cubic foot conventional flotation cells. In addition, a screen-bowl dryer will be added to dewater the ultra-fine coal recovered and at least a portion of the spiral clean coal as well.

Further modifications will be made to the meter belt presses in the CHPP which are not adequate to process the amount of material being removed from the thickener underflow at the rated capacity on the flowsheet. Replacing with 3-meter belt presses along with the recovery of the fine coal in the flotation circuit will increase the feed rate to the flowsheet rating and allow for a refuse product to be produced that is capable of being handled. The capital cost of upgrading the CHPP is summarised in Table 10 below.

Table 10: CHPP capital items		US\$
Raw coal handling		878,355
Plant refurbishment		758,838
Belt press		691,336
Radial clean coal stacker		450,184
Flotation circuit		3,484,268
Water only cyclone circuit		736,680
Total		6,999,661

It is anticipated that some items of the CHPP upgrade can be purchased second-hand and that the likely upgrade cost will be nearer US\$5M.

Coal Handling

The raw coal feed to the CHPP is by way of a feed tunnel with four vibratory feeders. Currently, both the Allen seam slope belt and the Blue seam product belt are deposited onto the ROM pile via the same stacking conveyor. In order to process the Allen and Blue/Green seams through the plant independently, the coal will be produced at different times with mobile equipment used to manually separate the piles.

The clean coal product goes out of the CHPP on a single conveyor deposited onto the clean coal pile. This conveyor extends across the road to a single stacking tube. In order for the Allen and Blue/Green seams to be processed and shipped separately, the coal will be loaded separately into the two, 12,500t silos.

Coal Quality & Pricing

Quality

New Elk coal will be washed at an SG of 1.50 to produce a target 9% ash, high volatile hard coking coal, at an average life-of-mine saleable coal yield of 72%.

Table 11: New Elk Coal Quality		Units	Typical HVB Specs	Blue Seam	Allen Seam
Proximate	Ash	%	<9	9.0	9.0
	Volatile matter	%	34 – 37	35.4	36.4
	Sulphur	%	0.75 - 1.3	0.60	0.60
Rheology	Free swell index		7 - 9	6 - 7	7 – 9
	Maximum fluidity	ddpm	20k - 30k	25k	30k+
	Dilatation	%	70 - 220	140	220
Ash chemistry	Phosphorus	%	0.004 - 0.009	0.09	0.06
	Base acid ratio	%	0.14 - 0.17	0.28	0.24
	CSR (calculated)		45 - 54	44	49
Petrography	RoMax		0.90 - 1.0	0.87	0.87
	Strength index		3 - 3.5	3.06	3.19

Kobie Koornhof & Associates Inc (**Koornhof**), a respected coal market specialist with particular expertise in North American coals, provided the Company with an analysis of New Elk hard coking coal by reference to US high volatile B hard coking coals (**HVB HCC**), summarised in Table 11 above and discussed in this section. According to Koornhof, the target Blue and Allen seams compare favourably with representative quality ranges for HVB HCC, in particular as it relates to volatile matter, reflectance and rheology. The Allen seam displays very good rheology, which is superior to that of most HVB HCC.

Koornhof noted that with a large number of HVB HCC in the market (although likely diminishing in a lower coal price environment), it is important to focus on a coal's distinguishing features. In the case of the New Elk coals, the key quality parameter relates to the low sulphur content.

While 9% ash is regarded as a typical ash by reference to the majority of hard coking coals on the seaborne market, because US hard coking coals (sold from the east coast of the US), typically deliver a lower ash compared to Australia, a small penalty is expected if New Elk coal is also sold via the east coast of the US. That said, the Mine can deliver a lower ash product for a lower yield if it is economically incentivised to do so, otherwise the Company is inclined to suffer a small penalty but gain volume and value from a better yield to more than off-set the penalty. In addition, as is discussed in the 'Logistics' section of this announcement, if New Elk coal is sold via the west coast of the US direct into the Asian market, it is unlikely a ash penalty would be applied.

The ash chemistry for both seams is inferior to HVB HCC and phosphorus content is much higher than that of most US coking coals, which in the European markets will incur penalties but again, if sold via the west coast of the US direct into the Asian markets, it is likely no penalties will apply. Despite a higher than normal base acid ratio, the CSR falls within the required range for HVB HCC. While reflectance is low in the range 0.85 - 0.90, the higher FSI and dilatation in the Allen seam will off-set the lower rank but will not in the Blue seam which might expect a small penalty.

In summary, Koornhof concluded that both the Blue and Allen seams will be accepted as HVB HCC and the Allen seam in particular will gain a net pricing premium.

Pricing

In addition to coal analysis, Koornhof provided the Company with a price guide for New Elk coal. The pricing model for the Blue and Allen seams took into consideration the quality assessment provided earlier, factoring in the price relationships between the various HCC brands.

In determining price competitiveness, a number of penalties and premia were applied by Koornhof to the quality of the two seams in relation to average qualities for HVB HCC and in particular:

- Sulphur: a premium of 0.75% of price for every 0.1% of sulphur below the average sulphur of 0.95%;
- Ash: a penalty of 1.75% of price for every 1% of ash above the average ash content of 8%;
- CSR: a penalty of 0.5% of price for every 1% of CSR below the average CSR of 49.

Table 12 below summarises Koornhof's price outlook for the Blue and Allen seams as derived from prices for premium low vol HCC (**PLV HCC**) and US HVB HCC, incorporating the various penalties and premia.

Table 12: Benchmarking medium and long term pricing for the Blue and Allen coal seams				
	Medium term pricing 2020 (US\$/t)		Long term pricing 2021 onwards (US\$/t)	
	Blue seam	Allen seam	Blue seam	Allen seam
PLV HCC	160.00	160.00	165.00	165.00
US HVB discount 17%	27.20	27.20	28.05	28.05
US HVB price	132.50	132.50	136.95	136.95
Sulphur premium	3.49	3.49	3.59	3.59
CSR penalty	-3.32	0.00	-3.42	0.00
ASH penalty	-2.32	-2.32	-2.40	-2.40
Total penalties/premia	-2.16	1.16	-2.23	1.20
New Elk price	130.64	133.96	134.72	138.15

For 2020, assuming an average price of US\$160/t for PLV HCC, and based on the price relationships in Table 12 (with HVB HCC priced at 83% of PLV HCC), an average price of US\$133/t can be expected for HVB HCC. After allowing for quality adjustments, according to Koornhof, Blue and Allen seam pricing is estimated at US\$130.64/t and US\$133.96/t respectively.

In the longer term, Koornhof predicts prices of US\$150/t - US\$180/t with short term swings from US\$130/t - US\$200/t. Taking an average price of US\$165/t, this translates to a price of US\$137/t for HVB HCC. On that basis, according to Koornhof, Blue and Allen seam pricing is estimated at US\$134.72/t and US\$138.15/t, respectively. For the purposes of the Study however, the Company has used Koornhof's short-term pricing of US\$130.64/t and US\$133.96/t respectively throughout the forecast period.

Logistics

For the first 24 months of production, coal will be conveyed from the CHPP to a rail loadout and siding adjacent to railway track owned by BNSF Rail, in 30t road trucks on a sealed road for 21 miles. During this period, track will be re-laid from BNSF's line to the CHPP after which train sets will be loaded from the two 12,500t silos located at the Mine.

Coal will then be railed on BNSF's line 850 miles to Pasadena Deepwater Terminal located in the Bay of Houston (Gulf of Mexico). The likely market for New Elk coal from this port will be Europe and South America, with occasional vessels from Asia that either come through the Panama canal or around the Cape Horn.



Pasadena Deepwater Coal Terminal

Two railroad companies operate on BNSF's line to the Bay of Houston: BNSF and Union Pacific. This has allowed for competitive rail rates in hauling the coal from the CHPP to the coal terminal.

The Company is also considering moving coal to the west coast of North America, in particular Longbeach Coal Terminal in California and/or the Port of Guaymas inside the Baja California Peninsula of Mexico. While the rail is further and the rail costs are likely to be more expensive than to the Bay of Houston, it is likely the Asian steel mills will pay a premium on east coast US coal prices for New Elk coking coal offsetting the higher rail costs. Having more direct access to the Asian steel markets, which accounts for 67% of steel supply and demand, would give New Elk coking coal a competitive advantage over east coast US hard coking coals.

Capital

The start-up capital expenditure is summarized in Table 13 below. Start-up capital expenditure is modest due to the Mine being fully built. Pre-production activities therefore are focussed on refurbishing the equipment, rehabilitating the Mine and upgrading the CHPP.

Table 13: Start-up Capital		US\$M
Mine access and ventilation		2.6
Mine infrastructure		7.4
Mining equipment for 3 super-section production units		13.4
CHPP upgrade inserting a fine coal circuit		5.0
Total Start-up Capital (excludes contingency)		28.4

The sustaining capital expenditure over the life of mine is summarized in Table 14 below. The rail spur will be installed in the first 24 months of production providing the ability for the Mine to ramp-up production. The balance of the sustaining capital expenditure is predictable relating to more infrastructure and mining equipment to expand the Mine and maintain the production rate.

Table 14: Sustaining Capital		US\$M
Mine access and ventilation		23.4
Mine infrastructure		160.5
Rail spur		20.0
Mining equipment		155.1
Total Sustaining Capital (excludes contingency)		359.0

Operating Costs

The Mine operating costs are summarized in Table 15 below.

Table 15: Operating Costs Life of Mine		US\$/Saleable t
Site Costs		
Mining		30.2
Coal processing		4.5
General and administration		1.2
Transportation and Marketing		
Marketing costs		0.2
Haulage		0.2
Rail to port and loaded		37.4
Total all-in cash cost FOB pre-interest and tax		73.7

Underground mine operating costs are influenced most by:

- Coal seam height (the extent of out-of-seam dilution);
- Geology (the extent of igneous intrusions); and
- Roof and floor conditions.

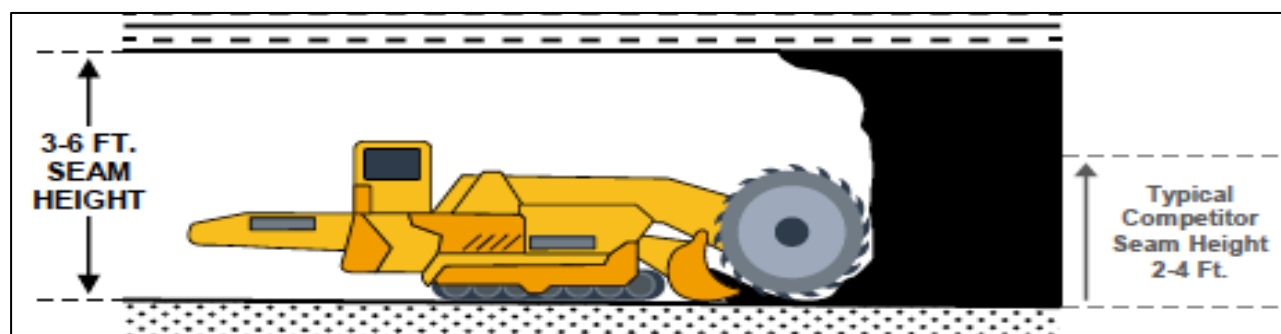
The sum of these inputs dictates what is a reasonable advance rate, what is involved in securing the roof and the likely yield of clean coal from ROM coal.

The Mine has competent roof, ranging from sandstone to siltstone to mudstone, and limited structure. Consequently, average advance rates per shift of 250 feet (in main entries) and 275 feet (in panels) for a 'walk through super section' was assumed in the Mine Plan.

The Mine Plan was designed at a 4.0 foot coal thickness cut-off allowing for 6 inches of unavoidable out-of-seam dilution, which will deliver an excellent CHPP average LOM yield estimated to be around 72%. The key objective in doing this is to mine 'in the coal seam' and avoid out-of-seam dilution.

Most US metallurgical coal mines do not have this luxury and mine in 2.0 to 4.0 foot of coal, but still have to mine to a 4.5 foot horizon to enable conventional equipment to efficiently operate in the mine, and to allow the mine to be appropriately ventilated. This means most US underground metallurgical coal mines must mine an equal amount, if not more, rock to coal, driving the ROM to clean coal yield to below 50% and the impact that this has on cost, is significant.

New Elk is fortunate in that the scale of its resource has enabled Stantec to design a mine plan in 4.0-foot plus coal with a large resource base to allow for a long mine life. The image below illustrates a continuous miner operating in 4.0-foot plus coal compared to the normal US coal mines of 4.0-foot and less.



Financing

The Board of Allegiance considers that there is a reasonable basis to assume the necessary funding for commencement of production will be able to be obtained when required, because of (but not limited to) the reasons outlined below.

The Company is engaged with several mining investment houses who are evaluating investing in NECC by:

- Acquiring an equity interest in NECC, and this includes potential off-take partners; and
- Providing debt facilities to NECC.

As advised in the 15 July Announcement, the agreement with Cline will incorporate a purchase price of US\$1 for all the shares in NECC, an upfront debt repayment of US\$8 million in cash and US\$3 million in Allegiance

shares, with the balance of some US\$30 million of (subordinated) debt repaid from operating cash flow. These projected cash flows have been factored into the Study.

The Company is also engaged with its shareholders, and several institutions who have expressed an interest in providing part of the start-up capital by way of a private placement in the Company.

Project Economics

In addition to the coal production inputs discussed throughout this announcement, additional inputs into the key performance indicators of the Project economics are set out in Table 16 below.

Table 16: Additional inputs to Key Performance Indicators	Units	Value
Colorado State severance tax (first 300,000 per quarter exempt)	US\$/t	0.85
US Federal and State Corporate tax rate	%	25.63
AUD:USD exchange rate	US\$	0.70

The Project key performance indicators are summarized in Table 17 below.

Table 17: Key Performance Indicators	Units	Value
Pre-interest and -tax NPV _{8%}	A\$M	1,170
Pre-interest and -tax IRR	%	130
Post-tax NPV _{8%}	A\$M	799
Post-tax IRR	%	77

Sensitivity analysis was undertaken to determine the effect on the post-tax NPV_{8%} and the IRR. The results of the sensitivity analysis are set out in Tables 18 and 19 below.

Table 18:		Operating and Capital Costs (US\$M)							
NPV (US\$M)	559	2,610	2,983	3,356	3,729	4,102	4,474	4,847	
Price US\$/Product tonne	93.77	91.45	72	52	30	9	-12	-34	-55
	107.17	104.51	269	250	230	210	189	169	149
	120.56	117.58	449	430	410	390	370	350	330
	133.96	130.64	618	599	579	559	539	519	499
	147.36	143.70	801	781	761	741	721	702	682
	160.75	156.77	984	963	943	923	902	883	863
	174.15	169.83	1,157	1,137	1,116	1,096	1,076	1,055	1,035

Table 19:		Operating and Capital Costs (US\$M)							
IRR (%)	77%	2,610	2,983	3,356	3,729	4,102	4,474	4,847	
Price US\$/Product tonne	93.77	91.45	17%	14%	12%	9%	8%	6%	5%
	107.17	104.51	46%	39%	33%	29%	25%	22%	20%
	120.56	117.58	84%	70%	59%	51%	45%	40%	35%
	133.96	130.64	127%	105%	91%	77%	67%	59%	52%
	147.36	143.70	184%	148%	127%	109%	95%	85%	74%
	160.75	156.77	276%	215%	175%	147%	125%	111%	99%
	174.15	169.83	414%	309%	244%	201%	170%	146%	126%

Tables 18 and 19 show that the New Elk Project performance indicators are sensitive to changes in commodity price and operating and capital costs. The Project can sustain a 30% decrease in product selling price resulting in a post tax NPV_{8%} of US\$9M and 9% post tax IRR. The Project can sustain a 30% increase in capital and operating costs resulting in a post tax NPV_{8%} of US\$499M and 52% post tax IRR.

Risks

The key risks in relation to the New Elk Project are summarised below.

The risks and uncertainties described below are not intended to be exhaustive. There may be additional risks and uncertainties that the Company is unaware of or that the Company currently considers to be immaterial, which may affect the Company.

Specific risks relating to the Company

Additional requirements for capital:

- The Company will require additional capital to fund further exploration or development of its existing or new projects, including the New Elk Coal Project and its Telkwa Project;
- The Company may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in the delay and indefinite postponement of exploration, development or production on the New Elk Coal Project and/or the Telkwa Project or even loss of a property interest;
- There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

Mine development risk:

- Possible future development of a mining operation at the Company's existing or new projects, including the New Elk Coal Project, is dependent on a number of factors including, but not limited to, the acquisition and/or delineation of economically recoverable mineralisation, favourable geological conditions, receiving the necessary approvals from all relevant authorities and parties, seasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, access to the required level of funding and contracting risk from third parties providing essential services;
- If the Company commences production, its operations may be disrupted by a variety of risks and hazards which are beyond its control, including environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions and fires, explosions or accidents. No assurance can be given that the Company will achieve commercial viability through the development or mining of any of its projects, including the New Elk Coal Project.

Estimation of resources and reserves:

- There is a degree of uncertainty to the estimation of mineral resources and ore reserves and corresponding grades being mined or dedicated to future production. Until mineral resources or ore reserves are actually mined and processed, the quantity of mineral resources and ore reserves must be considered as estimates only. In addition, the grade of mineral resources and ore reserves may vary depending on, among other things, ground conditions. Any material change in quantity and grades of mineral resources, ore reserves, may affect the economic viability of the properties. In addition, there can be no assurance that coal properties demonstrated in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production;

- Fluctuation in the price of coal, results of drilling, metallurgical testing and the evaluation of mine plans subsequent to the date of any mineral resource estimate may require revision of such estimate. Any material reductions in estimates of mineral resources and/or ore reserves, could have a material adverse effect on the Company's financial condition.

Title:

- The claims comprising the New Elk Coal Project are governed by contracts relating to renewal and forfeiture. There is no guarantee that current or future lease contracts will be renewed;
- The contracts may be subject to a number of specific conditions including payment of rent and meeting minimum annual extraction commitments. The inability to meet these conditions in relation to the coal licenses could affect the standing of these coal licenses or restrict their ability to be renewed, adversely affecting the operations, financial position and performance of the Company.

Permits to Mine:

- Mining operations in North America are strictly controlled by permits to operate, governed by legislation. There can be no guarantee that current or future licences and applications, conversions or renewals to operate will be approved;
- The permits will be subject to a number of specific legislative conditions including payment of fees and meeting minimum performance conditions. The inability to meet these conditions could affect the standing of the permits or restrict their ability to be renewed, adversely affecting the operations, financial position and performance of the Company.

Sovereign and political risk:

- The activities related to the New Elk Coal Project will be governed by United States federal and state law. The Directors consider that the US government supports the development of natural resources by foreign investors. However, there is no assurance that future political and economic conditions in the USA will not result in the US government adopting different policies regarding foreign development and ownership of mineral resources. Any changes in policy may result in legislative changes affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return on capital, all of which may adversely affect the operations, financial position and performance of the Company;
- Any potential future US operations of the Company are subject to a number of risks, including: potential difficulties in enforcing agreements and collecting receivables through foreign systems, potential difficulties in protecting rights and interests in assets, increases in costs for transportation and shipping, and restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes.
- Any of these factors could materially and adversely affect the Company's business, results of operations and financial condition.

Environment:

- The New Elk Coal Project is subject to laws and regulations regarding environmental matters and the Company will require approvals from and compliance with all relevant authorities;
- The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

No market sector diversification:

- As the Company will be entirely exposed to the mining, and in particular the coal mining, sector, its business performance may be affected should this sector perform poorly.

General risks relating to the Company

Economic risks:

- General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's business activities and potential exploration and development programs, as well as on its ability to fund those activities.

Force majeure:

- The Company's projects now or in the future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

Market conditions:

- Share market conditions may affect the value of the Company's Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:
 - general economic outlook;
 - introduction of tax reform or other new legislation;
 - interest rates and inflation rates;
 - changes in investor sentiment toward particular market sectors;
 - the demand for, and supply of, capital; and
 - terrorism or other hostilities.
- The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resources stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return to Shareholders arising from the transactions the subject of this Notice or otherwise.

No guarantee in respect of investment

- The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's securities.

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 focused 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.

Competent Persons Statement

The estimate of coal resources or reserves in this announcement in respect of the New Elk Project is based on and fairly represents, information and supporting documentation prepared by Mr Andrew Robinson and Mr R Kevin Whipkey. Mr Robinson is a certified Professional Geologist in the American Institute of Geologists and is a registered Professional Geologist in Kentucky. Mr Whipkey is a registered Professional Engineer in the US States of Colorado, Kentucky, Ohio, Utah and West Virginia. Mr Robinson and Mr Whipkey are independent consultants to the Company, and have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they undertook to qualify as Competent Persons as defined in the JORC Code (2012 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves"). Mr Robinson and Mr Whipkey as competent persons for this announcement have consented to the inclusion of the information in the form and context in which it appears herein.

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.

APPENDIX - JORC TABLE 1