

15 July 2019

## ALLEGIANCE TO ACQUIRE THE NEW ELK HARD COKING COAL MINE

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### HIGHLIGHTS

- Allegiance has entered into a binding and conditional terms sheet (**Terms Sheet**) to acquire all the shares in New Elk Coal Company, LLC (**NECC**), which owns the New Elk Coal hard coking coal mine (**Mine**), located in southeast Colorado.
- The Mine has been on care and maintenance since late 2012 following the fall in coking coal prices and the subsequent bankruptcy of NECC's shareholder, Cline Mining Corporation (**Cline**).
- The purchase price for the shares in NECC is US\$1.
- Completion of the purchase must take place before 14 July 2020 (**Completion**). Allegiance hopes to complete significantly earlier.
- NECC is debt free, except for debt owing to Cline totalling C\$55M (**Debt**).
- The Terms Sheet provides that the Debt will be repaid by NECC to Cline as follows:
  - US\$3M in cash on completion of the acquisition of the shares in NECC (**Completion**);
  - US\$3M in Allegiance shares issued on Completion;
  - US\$5M to replace the Colorado State Mine reclamation bond on Completion;
  - The balance to be repaid from an agreed percentage of Mine operating cash flow.
- The Mine is fully constructed and permitted for the production of hard coking coal.
- A National Instrument 43-101 Technical Report was undertaken for NECC in July 2012, which declared a mineral resource estimate which appears later in this announcement.
- The Terms Sheet conditions to Completion are that Allegiance will:
  - Undertake legal and financial due diligence by 14 September 2019;
  - Review the geological model to the Mine by 14 October 2019;
  - Undertake a feasibility study to develop a mine plan for production by 14 April 2020;
  - Raise US\$5M to replace the Colorado State Mine reclamation bond by 14 June 2020;
  - Raise US\$3M to meet the cash payment part of Debt reduction by 14 June 2020;
  - Raise sufficient working capital to bring the Mine back into production by 14 June 2020;
  - Obtain shareholder approval to the purchase by 14 June 2020;
  - Enter into transaction documentation with Cline by 14 June 2020; and
  - Completion shall be no later than 14 July 2020.



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Allegiance Coal Limited (**Allegiance** or the **Company**) is pleased to announce the planned acquisition of the New Elk Coal Mine comprising a resource of 656Mt of hard coking coal, which is permitted and constructed, and subject to bringing the Mine out of care and maintenance, is production ready.

**Cautionary Statement**

Investors should note that the mineral resource estimates for the Mine in this announcement 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**). A competent person has not done sufficient work to classify the foreign estimates as a mineral resource under the JORC Code and it is uncertain that following further exploration or evaluation work that this foreign estimate will be able to be reported as a mineral resource in accordance with the JORC Code.

The Company further cautions investors that, other than exclusivity to the planned acquisition to 14 July 2020, the material provisions of the Terms Sheet in relation to the potential acquisition 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 agreement or agreements will be reached, or that any concluding transaction will eventuate.

**Mine Location**

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.

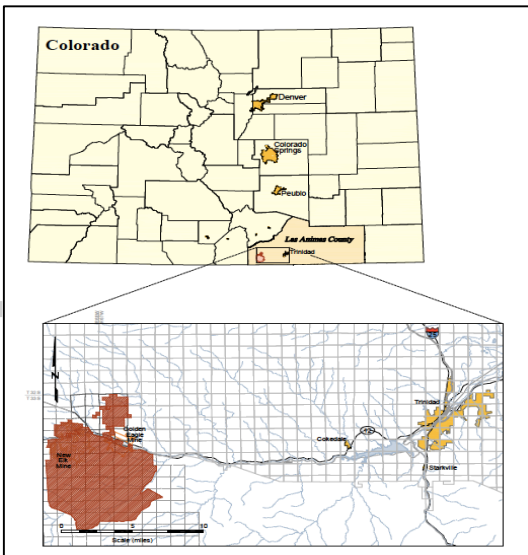


Image: Mine location, southern Colorado

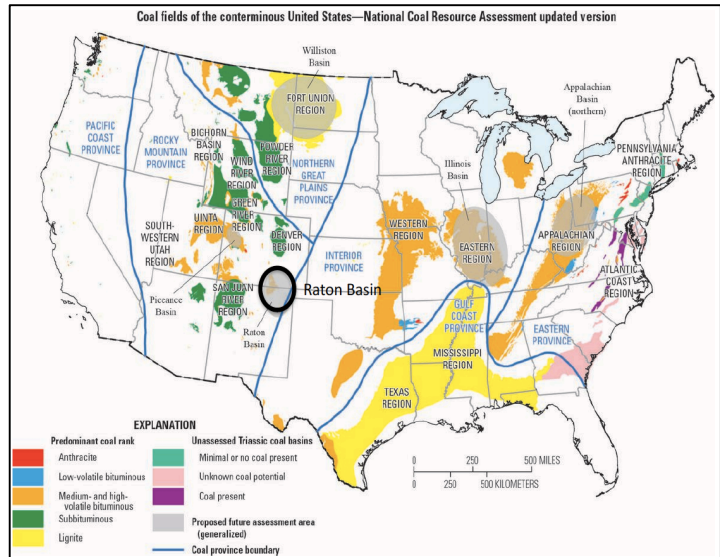


Image: Raton sedimentary basin where the Mine is located

The Mine has access to both international and domestic steel mill markets. The Mine is near rail that can supply coal to the seaborne export market via Kinder Morgan Coal Terminal located in Houston Port on the Gulf of Mexico, as well as rail access to a steel mill nearby in northeast Mexico that currently buys coal from the eastern coal mines of US and the seaborne market. While the rail haul is further, the Mine can also potentially supply coal to the steel mills in eastern US.

### Acquisition Rationale

The Company has been searching for a permitted, hard coking coal mine in north America for quite some time. With its management team based in Vancouver to support the development of the Tenas Metallurgical Coal Project (**Tenas Project**) located in northwest British Columbia, North America has been and remains the Board's target continent in which to grow the Company. The Company remains fully committed to the Tenas Project which remains its flagship project.

The Company is seeking to bridge the gap between permitting and construction of the Tenas Project, with a quality asset, generating cashflow in the very near term. The Company has assessed several projects over the last year, where none have satisfied the Company's key criteria: permitted to mine; low start-up CAPEX; low OPEX; and good quality hard coking coal.

The Mine was recently introduced to the Company. Following an initial high level due diligence, the Company observed that the Mine was permitted with good quality hard coking coal, would involve minimal start-up capital given the Mine was fully constructed and appeared to be well maintained, and with thicker coal seams compared to what is typically seen in US coal mines, could potentially be one of the lower cost producers of hard coking coal in the US.

Rather than undertake a technical due diligence prior to Completion, the Company negotiated project exclusivity with Cline for one year during which time it would undertake:

- A legal due diligence to ensure the permits to mine and title to the coal were in good standing;
- A financial due diligence to ensure NECC had no liabilities other than the Debt; and
- An independent feasibility study in order to declare coal reserves under JORC 2012, and to develop a mine plan to bring the Mine back into production (**Feasibility Study**).

The Feasibility Study will be quite narrow given the mine is already constructed. It will also provide an independent technical assessment, while delivering a mine plan for production at the same time.

### Background to the New Elk Coal Mine

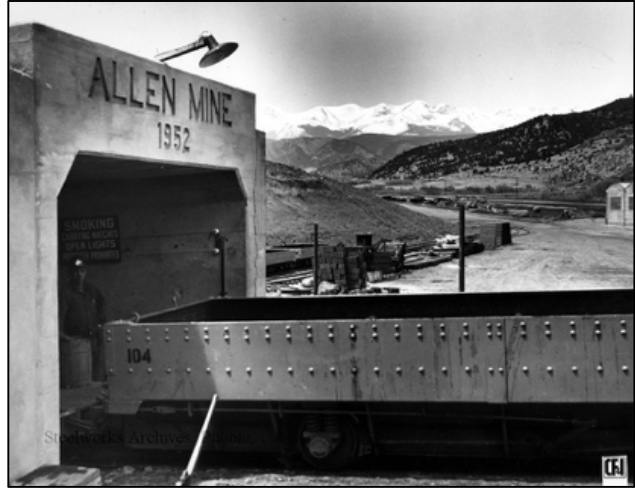
The Mine sits in the Raton Basin of southeast Colorado and northeast New Mexico that has had active coal mines for nearly 150 years producing good quality hard coking coals for domestic steel production.

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 950 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 a coal terminal nearby in Houston Bay, and a dry bulk handling facility at Corpus Christi that can also be developed into a coal terminal.



Images: historical portal entry into the Allen Mine

The Mine was acquired by 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 production of saleable coal intended for sale on the global seaborne market via the Port of Corpus Christi, with plans to increase production once the underground headings were fully developed allowing several production panels, and rail from the Mine to the loadout had been re-installed.

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.

### Mine Assets and Infrastructure

In 2011, Cline invested US\$62.5M in surface and underground equipment, including a US\$8.5M upgrade of the wash-plant. These assets remain intact and on-site, and appear to have been well maintained.

Key assets 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;
  - 6 Joy SC10 shuttle cars;
  - 2 feeder breakers;



- 1 roof bolter (another 3 will be required to be purchased);
  - 4 scoops (underground utility vehicles);
  - Several underground power units; and
  - An estimated US\$3.2M in inventory and spare parts.
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- Two separate portals and declines (including access road, belt road and ventilation road), into one of the upper coal seams 50 metres below surface (**Blue Seam**), and the lowest coal seam 200 metres below surface (**Allen Seam**);
  - 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 name plate of 800tph 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.



Image: Aerial view of the New Elk Coal Mine today: ROM and Product pads; CHPP; and twin storage silos.

Following recommencement of production in 2011, the Mine produced just 177,000 saleable tonnes of coal up to July 2012. For the first six months mining involved re-opening the existing portal, remedial work on the old main headings, development of the new portal, new decline, and new headings with limited coal recovery.

### Coal Resources

A National Instrument 43-101 Technical Report was undertaken for NECC by Agapito Associates, Inc., a US nationally recognised engineering firm, in July 2012 (**Report**). The Report declared a mineral resource estimate of 656Mt of coal resources at a seam height cut-off of three feet. Coal seam thickness varies from three to nine feet. The mineral resource estimate (in metric tonnes) is shared across eight coal seams summarised in the table below.

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

As noted earlier in the Cautionary Statement, the mineral resource estimates for the Mine are foreign estimates under ASX Listing Rule 5.12 and are not reported in accordance with JORC Code (**JORC Code**).

The Feasibility Study will target the following coal seams:

- The Green seam, because it outcrops at the mine-site and can be mined by either highwall or underground mining with simple box-cut access as a stand-alone operation;
- The Blue seam which already has portal access including underground road access, belt road and ventilation road, and where the main headings have already been advanced 350 metres underground; and
- The Allen seam which also already has separate portal access including underground road access, belt road and ventilation road and, as is discussed below, has the best coal quality.

While the other coal seams are unlikely to feature in the Feasibility Study to any great degree, the Mine plan will be developed in such a way that these coal resources are not sterilised from future mining.

### Coal Quality

The Allen seam has the best and most consistent coal quality within the Mine. It will be the target seam in the Feasibility Study and will likely be blended with the other coal seams when required to improve their quality.



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The Allen seam sits between the high volatile 'A' coking coal, and high volatile 'B' coking coal categories. Key coal quality parameters are taken from the Report and are summarised in the table below (adb).

Moist	Ash	VM	FC	S	FSI	Fluidity	RoMax	Phos
%	%	%	%	%		ddpm		%
1.0	8.5	35	55.5	0.6	8-9	30,000+	0.85	0.06

The fluidity, which is the main attraction to US hard coking coal from the world steel mills, is high volatile 'A' supported by very low sulphur for US coals which are typically >1%, and a high free swell index. The volatile matter and RoMax sit in the high volatile 'B' category. The Allen seam should attract strong interest from world steel mills.

The remaining seams are all high volatile 'B' hard coking coals with varying parameters. The key coal quality parameters for all remaining seams are taken from the Report and are summarised in the table below (adb).

Moist	Ash	VM	FC	S	FSI	Fluidity	RoMax	Phos
%	%	%	%	%		ddpm		%
1.0	8.5	35	55.5	0.5	6-7	15k to 30k	0.85	0.10

The phosphorous is high but should be off-set in part by again, very low sulphur for a US hard coking coal. As has been mentioned, however, the Feasibility Study will consider blending some of the Allen seam with these seams to mitigate areas where the coal quality is inferior.

**Logistics**

The Mine is located 21 miles from the main line rail operated by BNSF Railway. The Mine has leased access to a fully constructed rail siding and rail-loadout adjacent to the main line rail, also in a good state of repair.



Image: rail loadout



Image: feeding system into the rail loadout

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A sealed road runs from the Mine to the rail loadout. A developed railway bed also exists from the Mine to the rail loadout. The track was removed by the railroad owner when the mine ceased operations in 1996. The railway bed has retained the majority of its ballast, all existing bridges and culverts which appear in good condition, and two installed road crossings. All that is required is for the track to be re-laid.

When the mine recommenced production in 2011, Cline hauled coal from the Mine to the rail loadout in 30t road trucks on the main road. Cline's intention was to re-lay the track once the Mine headings were fully developed so that it could increase production and then utilise the rail from the CHPP to the loadout. The Feasibility Study is likely to take the same approach.

The rail loadout is 950 miles on BNSF rail to Houston Port where Kinder Morgan Coal Terminal has the capacity to handle 5.25Mtpa of coal. The terminal can receive 60,000t panamax vessels. The terminal currently handles petcoke, a by-product from the oil and gas industry in Texas, and has available capacity as little coal is exported from this terminal.



Image: BNSF rail from Mine to Houston Port



Image: Kinder Morgan Coal Terminal at Houston Port

Importantly, the coal terminal gives the Mine access to the global seaborne hard coking coal market.

### **Title to the Coal and Permits to Mine**

Ownership of coal in the US is predominantly based on surface land ownership. NECC owns some of the land overlying the Mine, and has lease arrangements in place with the other landowners to access and mine the coal. The Terms Sheet provides for the Company to verify and validate title to coal. The Company is advised by Cline that permits to mine are in good standing. Again, the Terms Sheet provides for the Company to verify and validate the status of permits to mine.

### **Key Terms of the Acquisition**

The Terms Sheet provides for the following:

- The Company will have exclusivity for 12 months in consideration for the Company contributing US\$150k per month to Mine care and maintenance costs;



- During the exclusivity period, the Company will:
  - Undertake a legal and financial due diligence by 14 September 2019 to validate and verify title to the coal, the good standing of permits to mine, and that NECC has no liabilities other than the Debt;
  - Review the geological model by 14 October 2019;
  - Undertake the Feasibility Study by 14 April 2020. The Company expects no more than four months to complete the Feasibility Study given the study will be quite narrow focussing on development of the mine plan and returning the Mine to production. The Company will commence the Feasibility Study at the same time as the legal and financial due diligence;
  - Secure commitments by 14 June 2020 of US\$8M to replace the Mine reclamation bond with the State of Colorado (US\$5M) and pay the first cash Debt reduction instalment (US\$3M);
  - Secure the necessary working capital to bring the Mine back to production by 14 June 2020 based on the Feasibility Study;
  - Obtain shareholder approval to the transaction by 14 June 2020; and
  - Enter transaction documentation to give effect to the above by 14 June 2020. The Company and Cline intend to prepare the transaction documentation immediately with a view to signing as soon as is practicable.
- Completion will occur when the above conditions are satisfied and that must happen before 14 July 2020. The Company's target date for this to occur is within six months. Completion will involve the following:
  - Transfer of the shares in NECC for US\$1;
  - Payment to the State of Colorado of the US\$5M Mine reclamation bond, as partial Debt repayment; and
  - Payment to Cline of US\$6M as partial Debt repayment made up of US\$3M in cash, and US\$3M in Company shares priced on the two week VWAP prior to issue, subject to an agreed floor price of A\$0.08 per share (the shares will be voluntarily escrowed for 12 months).
- The remainder of the Debt will be repaid from net cash flow of NECC after making prudent provision for working and sustaining capital, and scheduled repayment of preferred debt being the debt raised to satisfy the funding conditions above. The repayment schedule will be agreed with Cline during the Feasibility Study and incorporated into the Completion documents.

In addition to the above, performance rights in the Company will be issued to the project originators, subject to the receipt of prior shareholder approval. Mr Amon Mahon, a coal mining engineer, and Mr Bernie Mason, a geologist, are highly experienced US coal mining operators in both surface and underground operations.



They sourced the Mine and introduced it to the Company, assisted with the high level due diligence, brokered the Terms Sheet with Cline, and will provide leadership and supervisory roles for the Company during the Feasibility Study, re-commissioning of the Mine, and its ongoing production. Subject to the receipt of prior shareholder approval, each of Mr Mahon and Mr Mason will be issued the following performance rights:

- 1.25M performance rights which will immediately vest following the receipt of shareholder approval;
- 1.25M performance rights which will vest on Completion;
- 1.25M performance rights which will vest on the sale of the first 500kt of coal; and
- 1.25M performance rights which will vest on the sale of the second 500kt of coal.

Further details regarding the terms and conditions of the performance rights will be included in a notice of general meeting to be dispatched to shareholders in due course.

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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.

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### Listing Rule 5.12 Foreign Resource Estimate Information

The information in this announcement relating to the Mineral Resource estimate for the Mine is a foreign estimate under ASX Listing Rule 5.12 and is 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). A competent person has not done sufficient work to classify this foreign estimate as a mineral resource under the JORC Code and it is uncertain that following further exploration or evaluation work that this foreign estimate will be able to be reported as a mineral resource in accordance with the JORC Code. As such, the following information is provided in accordance with ASX Listing Rules 5.10 and 5.12.

#### **ASX Listing Rule 5.12.1: The source and data of the historical estimates.**

The source of the foreign estimate is taken from National Instrument 43-101 Technical Report undertaken for the NECC by Agapito Associates, Inc. a US nationally recognised engineering firm, and dated July 2012 (**Report**).

#### **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.**

Categories described are the same as those defined in the JORC Code, whereby resources are classified Inferred, Indicated and Measured.

#### **ASX Listing Rule 5.12.3: The relevance and materiality of the foreign estimates to the entity.**

The Company considers the foreign estimates to be both material and relevant as it provides an indication of size and scale of the Mine.

#### **ASX Listing Rule 5.12.4: The reliability of the foreign resource estimates, including reference to any criteria in Table 1 of the JORC Code where are relevant to understanding of the reliability of the foreign estimates.**

It is the opinion of the Company that these estimates are reliable and represent the results of work done to high standards, using quality sampling, testing and geological and geostatistical modelling. The foreign estimates represent best practice work at the time.

#### **ASX Listing Rule 5.12.5: To the extent known, a summary of the work programmes on which the foreign estimates are based and a summary of the key assumptions, mining and processing parameters and methods used to prepare foreign estimates.**

The resource estimate is based on a kriged gridded-seam model developed using Carlson Mining 2011 Software™. The model was built on a total of 198 historical rotary-core holes drilled by previous operators of the Property, 256 natural gas wells, and the 45 rotary-core holes drilled by NECC during the 2010-2012 exploration programs.

The foreign estimates were based on Canadian Institute of Mining’s (CIM) Definition Standards on Mineral Resources and Mineral Reserves (CIMDS) (2010), and Geological Survey of Canada (GSC) Paper 88-21 (1989). None of the Mineral Resources are classified as Mineral Reserves because neither a Preliminary Feasibility Study nor a Feasibility Study has been completed on the Mine.

The foreign estimates were based on information acquired via public documents including other technical reports, reports authored by other technical consultants, geologic and laboratory data collected as part of NECC’s 2011 and 2012 exploration drilling programmes, and on-site visits by the Report authors Leo J. Gilbride, P.E. (September 28, 2010) and Timothy A. Ross, P.E. (multiple visits between October 9, 2009, and June 13, 2012).

NECC completed three separate exploration drilling programmes in 2010, 2011, and 2012. The maiden exploration programme conducted in the summer and fall of 2010 included 21 vertical rotary-core holes drilled from surface at 16

sites in the north and central part of the Mine. Some sites required re-drilling because of limited core recovery or multiple water well completions. In 2011, an additional 28 vertical rotary-core holes drilled at 19 sites were completed in the southern and central parts of the Mine. Between January and March 2012, an additional 12 vertical rotary-core holes drilled at 6 sites were completed in the southern and central parts of the Mine.

NECC has completed a total of 26,118 feet of surface-based rotary and 10,063 feet of core drilling, and an additional 373 feet of core drilling at 4 underground locations in the East portals slopes. The drilling programmes included detailed lithologic and structural logging, high-resolution geophysical logging, extensive hydrologic packer testing, in situ horizontal stress measurements, gas desorption testing, geomechanical testing, coal quality analysis, and the installation of multiple water monitoring wells.

The drilling and coal quality testing programmes were administered to NI 43-101 standards. Coal samples were tested for metallurgical and thermal properties, and washability. Analyses were performed by SGS North America, Inc. at three USA facilities and GWIL Industries' Birtley Coal & Minerals Testing Laboratory in Calgary, Alberta, both reputable and recognized laboratories within the mining industry.

**ASX Listing Rule 5.12.6: Any more recent estimates or data relevant to the reported mineralisation available to the entity.**

NECC commenced coal production while the Report was being written. Coal quality data was obtained from coal mined which is not included in the Report. The coal quality data was consistent with the data obtained from the drilling programmes in 2010, 2011, and 2012.

**ASX Listing Rule 5.12.7: The evaluation and or exploration work that needs to be completed to verify foreign estimates as mineral resources or reserves in accordance with the JORC Code.**

A revision of the historical drilling information will be completed to ensure the integrity of the data, in addition to the geological model. The Company then intends to undertake a Feasibility Study of the Mine in accordance with the JORC Code to validate the mineral coal resources and declare mineral coal reserves (**Evaluation Work**). Depending on the results of the Feasibility Study, the Company may conduct its own drilling programme, bulk sampling, geotechnical and hydrological testing.

**ASX Listing Rule 5.12.8: The proposed timing of any evaluation and or exploration work that the entity intends to undertake and a comment on how the entity intends to fund that work.**

The Company intends to commence the Evaluation Work immediately to be funded from existing working capital. The Company will decide on the need to undertake a drilling programme at the conclusion of the Evaluation Work.

#### **Competent Persons Statement**

Information and statements relating to the Mine Coal Resources in this announcement are reported in a Canadian National Instrument 43-101 Technical Report on the New Elk Coal Mine which is based on, and fairly represents, information and supporting documentation prepared by Timothy A. Ross, P.E., a licensed professional engineer in Colorado, Alabama, Kentucky, West Virginia, Wyoming, New Mexico, and Utah, and a Registered Member of the Society of Mining, Metallurgy and Exploration, Inc. 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.