



REGIONAL DISTRICT OF BULKLEY-NECHAKO
SUPPLEMENTARY AGENDA
Thursday, November 15, 2018

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4	Canadian Red Cross – BC Fires Recovery Operation Update	Receive
5	JRD Consulting – Notice of Public Consultation Process – Update to the Environmental Data Quality Assurance Regulation	Receive
<u>INVITATION</u>		
6	Lakes District Family Enhancement Society - Open House – November 29, 2018	Receive
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7-23	Telkwa Coal Limited Environmental Assessment Certificate	Recommendation (Page 8)
<u>Correspondence</u>		
24-28	News Release: Ministry of Agriculture New Legislation makes it clear: Farmland is for Farming	Receive
<u>NEW BUSINESS</u>		
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British Columbia News

Province supports community wildfire recovery

<https://news.gov.bc.ca/18453>

Tuesday, November 13, 2018 3:30 PM

Victoria - The Government of British Columbia has announced an additional \$10 million in provincial funding to support communities in their recovery from the 2018 wildfire season.

These funds will be distributed through an agreement with the Canadian Red Cross.

This new funding is in addition to \$3.1 million raised through eligible public and Province-matched Red Cross donations, along with other public donations, to support communities impacted by the 2018 wildfire season.

“While the fires are now out, British Columbians can rest assured that government support will be sustained,” said Mike Farnworth, Minister of Public Safety and the Solicitor General. “Our province is facing a long-term and complicated recovery process for the second year in a row, and the effects to communities and local economies that were impacted by the 2018 wildfire season have been significant. These funds will go a long way to helping wildfire victims get back on their feet.”

This funding will be used to carry out relief, recovery and resiliency efforts and activities for individuals and families affected by the 2018 wildfire season, including:

- debris removal on private land and repair and reconstruction related to uninsured damages caused by 2018 wildfires
- refrigerator and freezer disposal and replacement
- alternative heating source supplies (e.g. firewood)
- other operational costs such as labour, travel expenses and project equipment
- health and wellness supports

Assistance will be determined on a case-by-case basis and will not duplicate assistance provided through insurance, government or other agency programs. The priority for funding will continue to be individuals and families who are most vulnerable.

“Many parts of the province were heavily impacted by wildfires this past summer, and communities and businesses need our support as they re-establish their lives and livelihoods,” said Jennifer Rice, Parliamentary Secretary for Emergency Preparedness. “Our government has been working diligently to ensure the immediate critical needs in impacted communities have been met and this additional funding can now help wildfire victims through the next stage of their recovery.”

As part of its ongoing assistance, the Canadian Red Cross will be providing additional support to assist with longer-term needs as individuals and communities continue in their recovery.

“With the support of generous British Columbians, and in close collaboration with the government, we are pleased to provide further recovery assistance for people impacted by the 2018 B.C. fires,” said Kimberley Nemrava, Canadian Red Cross vice-president for British

communities and our primary focus will be to extend support for them. We will work as quickly as possible and will reach out directly to individuals and families already registered with the Red Cross in the weeks ahead.”

Media Contacts**Media Relations**

Government Communications and Public Engagement
Emergency Management BC
250 952-5062

Cheryl Anderson

Subject: FW: BC Fires Recovery Operation Update

From: BCYVP <BCYVP@Redcross.ca>
Sent: November 13, 2018 4:00 PM
To: Sandra Allen <Sandra.Allen@redcross.ca>
Subject: BC Fires Recovery Operation Update

Good afternoon,

Thanks to the generous support of the government of British Columbia, the Canadian Red Cross will be providing additional support as individuals and communities continue in their recovery. I have provided a link below to the news release regarding this announcement for your interest.

Financial support is still available to provide immediate relief to assist with basic needs such as clothing, transportation and medical supplies. In addition, Red Cross will be providing further assistance to support recovery needs such as food, fridges, freezers and fuel to heat homes. Assistance is determined on a case-by-case basis and our priority continues to be those individuals and families who are most vulnerable.

We will be actively reaching out directly to those individuals and families who have already met with a Red Cross caseworker in the weeks to come regarding additional recovery support that they may be eligible for.

If you know someone who was evacuated and has not yet had an opportunity to meet with a Red Cross caseworker, visit www.redcross.ca/BCFires2018 or call 1-800-863-6582 for information about our next community outreach location.

<https://news.gov.bc.ca/releases/2018PSSG0081-002185>

Sincerely,

Kimberley Nemrava



Kimberley Nemrava

Vice President
British Columbia & Yukon

Canadian Red Cross
909 Fairfield Road
Victoria | British Columbia | Canada | V8V 3A3
Kimberley.Nemrava@redcross.ca
T 250.995.3500 | F
www.redcross.ca

Geraldine Craven

From: JRD Consulting Company <edqarupdate.comments@jrdconsulting.ca>
Sent: November 13, 2018 1:03 PM
To: EDQAR General
Subject: Notice of Public Meeting(s) [14] – EDQAR Update Public Consultation
Attachments: 181113 Public Meetings Notice for EDQAR Update.pdf

RECEIVED

NOV 14 2018

REGIONAL DISTRICT OF
BULKLEY NECHAKO

Dear Receiver:

On October 17, 2018, your organization was provided notice of the public consultation process for the [Update to the Environmental Data Quality Assurance Regulation \(EDQAR\)](#). Associated with the consultation process are two (2) online public meetings with ministry personnel. These public meetings are your opportunity to obtain clarifying information on the proposal. Each meeting will consist of an initial 45 minute presentation followed by a 45 minute question and answer session.

The notice of these public meetings dates, times and other particulars is attached to this email. Due to the volume of requests, it was necessary to undertake a more formal approach to the online meeting than was originally considered necessary. As a consequence, we have had to move the meeting from November 14/15 in the original notification, to **Monday November 26 and Friday November 30 at 1:00 - 3:00 p.m.** We sincerely apologize for the inconvenience this may cause, but this is considered the best approach to maximize participation. In addition, we have created an online registration process that will enable us to communicate directly with those interested to participate. The link to the session signup is provided in the attached notice or at the following link:

<https://feedback.engage.gov.bc.ca/746314?lang=en>

Again, our apologies for the inconvenience the above changes may present. If this email is received in a general email box for your organization, please forward this email to a responsible person for further consideration. If you are an association, please consider forwarding this notice to your membership so they can also be informed about the public meetings. Questions regarding this notice should be directed to EDQARupdate.comments@jrdconsulting.ca.

JRD Consulting has been retained to manage the public consultation process for the update to the EDQAR.

Regards, JRD Consulting

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The snow might be
starting to fall...but the leaves
are still green at the Food Bank!!

and we are

CELEBRATING

Lakes District Food Bank has been in their new home at 788 Centre Street (across from the hospital) for one year, and things have sure changed! Drop in for some snacks and see what's new.....we would love to see you!

Thursday, November 29, 2018

1:00 pm to 7:00 pm



As part of our celebration, we will be hanging leaves on our new Sharing Tree to acknowledge the contributions from our donors and funders! Join us and be a part of the growing connections in our community!





MEMORANDUM

To: Regional District Board
From: Jason Llewellyn, Director of Planning
Date: November 13, 2018
Re: Telkwa Coal Limited, Environmental Assessment Certificate

BACKGROUND

The Provincial Environmental Assessment Office (EAO) has invited the RDBN to participate on the working group / mine review committee for review of upcoming applications from Telkwa Coal relating to the Tenas Coal Project.

This report is seeking Board direction regarding staff's participation as a member of the working group on behalf of the RDBN, in accordance with the RDBN's Environmental Assessment Participation Policy (attached).

STAFF PARTICIPATION ON THE WORKING GROUP

If staff's participation on the working group is directed staff will attend working group meetings as necessary, and review related documents and information related to the project as necessary. In accordance with Board policy, at working group meetings staff may provide opinions and comments related to RDBN land use and planning as part of the discussion process at their discretion; however, the RDBN Board shall make decisions on substantive issues or formal positions taken by the RDBN.

Staff shall report to the Board regarding the process, and to receive direction as appropriate, in staff's judgement. Reporting to the Board typically occurs at the draft application review stage, the application screening stage, and the application analysis stage (as discussed in the attached Board policy).

UPCOMING MEETING

An introductory working group meeting will be held in Smithers from 9:00 am to noon on Tuesday, November 27th, 2018. The objectives of the meeting are to provide:

- an overview by Telkwa Coal Limited of the Tenas Coal project and key potential effects;
- an overview of the EA and permitting processes in the regulatory continuum for Tenas Coal; and

- an opportunity for the WG/MRC members to ask questions and have a discussion of preliminary issues and concerns to help inform their feedback on various milestones in the EA.

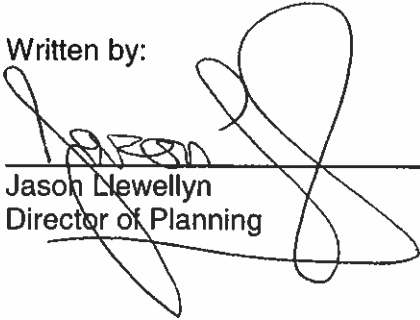
RDBN is required to confirm attendance at the meeting by November 16th 2018.

Recommendation

That the Regional District Board direct staff to participate as a member of the working group for Telkwa Coal's application for an Environmental Assessment Certificate and Mines Act Permit for the Tenas Coal Project.

Development Services – All/Directors/Majority

Written by:



Jason Lewellyn
Director of Planning



REGIONAL DISTRICT OF BULKLEY-NECHAKO ENVIRONMENTAL ASSESSMENT PARTICIPATION POLICY

1. Purpose

The provisions of this policy are intended to formalize procedures regarding the Regional District of Bulkley-Nechako's (RDBN's) involvement in the provincial Environmental Assessment (EA) process. The policy deals with the following:

- a) The manner in which the RDBN determines whether it will participate in an EA process;
- b) The role of staff as a participant in the process on behalf of the RDBN; and
- c) Staff's reporting on the process to the RDBN Board of Directors.

2. Requests for Participation in the EA Process

Requests to the RDBN to participate as a member of a Working Group to advise the Environmental Assessment Office (EAO) in its assessment of an application for an EA Certificate shall be provided to the RDBN Board at a regular meeting. At that meeting, the RDBN Board may direct staff to participate as a member of the Working Group on behalf of the RDBN.

If the RDBN Board provides no direction regarding the request to participate as a member of a Working Group, staff shall not participate in the EA Process.

3. RDBN Receipt of Project Information

Where the RDBN Board does not respond to, or declines, a request to participate as a member of a Working Group the EAO typically continues to provide the RDBN with detailed information regarding the project and Working Group meetings. Due to the volume of information this information will not be forwarded to the Board unless the Board, or a specific RDBN Director, requests this information. The RDBN Board will be made aware of final decisions regarding the issuance of a certificate, and correspondence addressed to the Board..

4. Staff Participation

Where the RDBN Board has directed staff to participate as a member of a Working Group the Planning Department, or designate as directed by the CAO, shall be responsible for participation in the process and reporting to the RDBN Board.

A Planning Department staff person, or designate, shall attend Working Group meetings as necessary, and review related documents and information related to the project as necessary.



At Working Group meeting staff may provide opinions and comment related to RDBN land use and planning as part of the discussion process at their discretion; however, the RDBN Board shall make decisions on substantive issues or formal positions taken by the RDBN.

5. Reporting to the Board

Where the Board has directed staff to participate as a member of a Working Group staff shall report to the RDBN Board regarding the process and to receive direction as appropriate, in staff's judgement. Reporting to the Board may typically occur at the following stages in the process:

a) Draft Application Information Requirement Stage.

At this stage the Working Group participants are provided with an opportunity to comment on a draft Application Information Requirement document to be submitted with their application. Staff shall report to the RDBN Board seeking direction on information required in relation to an RDBN interest, if any.

b) Application Screening Stage.

At this stage the Working Group screens the application information to determine if all necessary information has been provided. Staff shall report to the Board at this stage if staff determines that information important to an RDBN interest is missing.

c) Application Analysis Stage.

Once the application and associated information has been submitted and reviewed the Working Group members are given an opportunity to comment on the application. Staff shall report to the RDBN Board requesting comment on the application in relation to an RDBN interest, if any.

d) Applicant Response stage.

At this stage the applicant responds to comments received and concerns raised during the application review. Staff may not report to the RDBN Board at this stage if the RDBN had not raised any issues requiring a response.

e) EA Decision stage. Staff will forward to the RDBN Board any decisions made in a timely manner.



3 July 2018

TENAS METALLURGICAL COAL PROJECT DESCRIPTION AND PRODUCTION TARGET FINALISED FOR DEFINITIVE FEASIBILITY STUDY AND PERMITTING

SUMMARY OF KEY COMPONENTS OF THE TENAS PROJECT DESCRIPTION

- Total coal resource of 36.5 million tonnes.
- Of that total, an estimated 23.7 million tonnes of coal will be mined.
- Yield of 71% for an 8% ash product, recovering around 16.8 million tonnes of saleable coal.
- Production rate of 750,000 saleable tonnes per annum.
- Mine life of 22 years.
- Predicted average strip ratio of 3.2:1 BCM/ROMt.
- Estimated start-up capital expenditure of approximately US\$61.8M.
- Estimated FOB operating cash cost of approximately US\$55.8/t.
- Revenue of US\$100 million per annum (US\$2.2 billion over mine life) based on a current selling price of US\$133.45/t.
- EBITDA margin of US\$58.2 million per annum (US\$1.3 billion over mine life) based on a current selling price of US\$133.45/t and FOB operating cash cost of US\$55.8/t.
- An estimated 75 employed staff and 150 contractors engaged over the mine life.

Allegiance Coal Limited (Allegiance or the Company) is pleased to announce that, following completion of two pre-feasibility studies (PFS) in 2017 and several months of discussions with key stakeholders, it has finalised the Project Description for its Tenas Metallurgical Coal Project (Tenas Project or Project). The Project Description will be lodged with the relevant government agencies in August 2018 to commence the permitting process.

Mr David Fawcett, Non-Executive Chairman, commented:

“We believe it was prudent to take the time to engage with First Nations, the broader local community and the various levels of government, before committing to a Project Description. This has enabled us to refine the Project to accommodate a variety of interests at an early stage of development, before we get too far



into the planning process to make changes, which in themselves can cause delays. We will continue to consult with all stakeholders as we advance the Project through the planning and permitting stages."

Background to Project Description and Production Target

The Project Description will now be fed into the Tenas Definitive Feasibility Study (Tenas DFS) and formally submitted to the relevant government agencies in August 2018. The Tenas DFS is scheduled for completion Q4 2018.

Several important factors contributed to the Project Description:

- A clear indication from key stakeholders for the Tenas Project to participate in the British Columbia Environmental Assessment Act's environmental review process (EA process);
- A desire by the Company's shareholders and its potential joint venture partners that it capitalise on current strong demand and pricing for metallurgical coal to increase planned production beyond that allowed by the sub-EA process;
- A preference from the local community for the transfer of saleable coal from the coal wash-plant to the rail load-out via a dedicated private haul road rather than a public highway;
- Canadian National Rail's requirement for a 3.5km train rail loop rather than the 1.5km rail siding agreed to and incorporated into the 2017 PFS;
- The maximum operating capacity of the coal wash-plant, which was to be operated at 240,000 saleable tonnes per annum, but would have an installed capacity of approximately 750,000 saleable tonnes per annum;
- A preference to retain a small operating footprint; and
- An objective to maintain a low start-up capital expenditure requirement.

Material Assumptions in relation to the Project Description and Production Target

The material assumptions supporting the information in this announcement, where relevant and unless otherwise stated, are based on:

- The Company's first PFS in relation to the Telkwa Metallurgical Coal Project targeting a 1.75Mctpa mine across three coal deposits namely Tenas, Goathorn and Telkwa North (Large Mine PFS), previously announced on 3 July 2017 (3 July 2017 Announcement);
- The Company's second PFS focused solely on the Tenas deposit (Small Mine PFS), previously announced on 11 September 2017 (11 September 2017 Announcement); and
- The updated geological model (Updated Geological Model) for the Tenas deposit arising from data collected from the February 2018 drill programme, along with a review of all historical data, previously announced on 18 June 2018, supplemented by the Company's announcement of 26 June 2018 (collectively the 18 June 2018 Announcement).

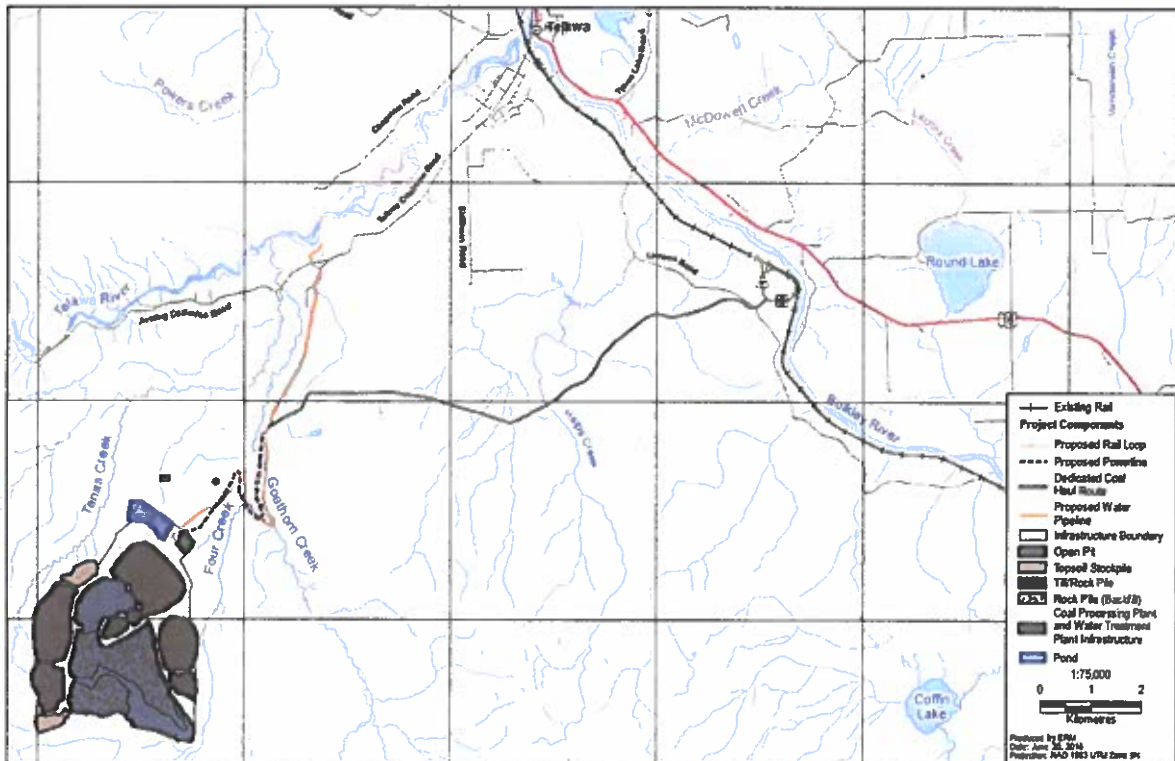


Summary of Key Tenas Project Metrics

Key metrics			
Total coal resource		Tonnes	36,500,000
Total mined coal		Tonnes	23,700,000
Total saleable coal		Tonnes	16,800,000
Annual saleable coal production		Tonnes per annum	750,000
Life of mine average strip ratio		BCM/ROMt	3.2:1
Life of mine yield		%	71
Mine life		Years	22
Initial capital expenditure		US\$	61,800,000
Average life of mine operating cost		FOB US\$/t	55.8
Current market price		US\$/t	133.45
Exchange rate		CAD:USD	1:0.75

Tenas Project Layout

The graphic below shows an approximation of the expected mine layout. The final mine layout in the Tenas DFS is expected to differ from this slightly.



The Tenas open pit and the waste rock and till piles shown in the graphic represent the entire mined Tenas resource of 36.5Mt. The Project Description, however, contemplates mining 23.7Mt (or 65 percent) of the total Tenas resource, therefore the footprint will be smaller.



Permitting and Indicative Timeline

The Tenas Project producing 750ktpa of saleable coal triggers a review under the British Columbia Environmental Assessment Act. It does not however trigger a Canadian Federal Government review under the Canadian Environmental Assessment Act.

The Company intends to pursue 'concurrent permitting' whereby both the environmental assessment review and the application for permits to operate a mine, are processed in parallel. The updated permitting process and timeline is summarised below (noting it is subject to change):

- Q3 18 Project Description lodged with British Columbia Government agencies in August 2018;
- Q3 18 Section 10 order, pre-application process commences;
- Q4 18 Section 11 order, confirms requirement for an Environmental Assessment review;
- Q1 19 Finalisation of Valued Components Document;
- Q2 19 Finalisation of Application Information Requirements;
- Q3 19 Submit draft Environmental Assessment for Environmental Assessment Act screening;
- Q4 19 Environmental Act review commences and is currently regulated for 180 days ;
- Q1 20 Environmental review continues – the project may go into suspension to resolve any issues;
- Q2 20 Relevant Ministers currently have 45 days to issue Environmental Assessment certificate;
- Q3 20 Permits to mine are generally granted 60 days after Environmental Assessment certification.

This process, if successful, will add approximately 12 months of additional time to the Company's previous permitting schedule and would see permits granted in Q3 2020 with production to commence in 2021. The quarters are based on a calendar year.

Coal Resources

Following completion of the Updated Geological Model, which was prepared in accordance with the JORC 2012 Edition (JORC Code), the resource statement for the Tenas deposit is 36.5 million tonnes, summarised in the table below.

Tenas Coal Resource	Measured Mt	Indicated Mt	Inferred Mt	Total Mt
C seam	4.5	1.5	-	6.0
1U seam	4.5	1.6	-	6.1
1 seam	18.1	6.3	-	24.3
Total	27.1	9.4	-	36.5

The coal resource referred to in the above table was first reported in the Company's 18 June 2018 Announcement. The Company confirms that it is not aware of any new information or data that materially affects the information included in the 18 June 2018 Announcement and that all material assumptions and technical parameters underpinning the estimates in the 18 June Announcement 2018 continue to apply and have not materially changed.

Geology and geological interpretation

The Tenas coal deposit is a medium to high volatile bituminous coal deposit, part of the Red Rose formation of the Skeena Group. The Skeena Group sediments of the larger Telkwa coalfield are an erosional remnant of Lower Cretaceous sedimentary rock which were initially deposited within a large deltaic complex along the southern flanks of the Bowser Basin. Throughout late Jurassic and early Cretaceous time the Bowser



Basin was the focus of rapid sedimentation, subsidence and increased tectonic activity, which resulted in thick accumulations of coal-bearing sedimentary rock. The geology type classification is "complex" (as per GSC Paper 88-21). Minimum open pit mineable thickness for complex coal deposits is 0.8m.

The three main economic seams range from a minimum mineable thickness of 0.8m to 9m in thickness. There is a high level of confidence in the geological interpretation, especially in areas of the resource that have been included in the measured category. The bedding is commonly shallow dipping with occasional steepening near faults. Faults are steeply dipping and can be reverse or normal in displacement, with displacement ranging from a few metres up to 100m in places.

In the previous Tenas geological model the control on intercepted seam thicknesses from drilling were interpreted, for the most part, as pinch outs where a seam was missing from the expected drilled sequence. This made for a large (and not realistic) change in the seam thicknesses over relatively short distances. In order to understand and explain these differences, data archives were interrogated and provided additional, previously un-digitized, and in some cases computer ASCII files from geophysical logging programs conducted between 1992 and 1998.

Several drillholes had dipmeter information digitized from paper records and the information was added to the database for review and use in the current geologic model. Wherever there was actual physical core logs completed for a hole the dipmeter information was checked versus that actual core log strata dip angles to ensure that the dipmeter information was accurate. Several additional historical drill holes were not included in the Large Mine PFS and the Small Mine PFS geological model and were digitized from historical paper copies and geologic assessment reports that were filed with Ministry of Mines for British Columbia.

Detailed review of these exploration drill holes, historical drill holes and logs, in particular the dipmeter logs supplemented by a thorough review of core logs in areas where faulting was suspected, led to a more defensible model and a higher confidence in the resources. Furthermore, it would appear that the original geological interpretation did not rely on much of the geophysical dipmeter logs measurements collected for the current and historical drill holes as some of this data was not digitally available in previous models. The 2018 exploration programme also intersected two faults which provided further confirmation that the seam continuity are structurally controlled by faults in the Tenas deposit rather than seams having localised pinch outs and thickening.

Therefore the fault controlled geologic model is considered the most appropriate interpretation and is well supported by available data that consists mainly of drillhole seam intersections interpreted from the geophysical logs and supplemented by dipmeter, acoustic televiewer, core photos and core logs.

Drilling techniques

A variety of drilling techniques have been utilised on the Project including mainly core, air rotary or a combination of both. From 1979 to 1989 the drilling was done using top-head drive Ingersoll Rand (IR) rotary rigs and Longyear 38 diamond core rigs. Core diameter was 1 7/8" NQ core plus some 6" diameter cores. From 1992 to 1998 the drilling was done using top-head drive Failing 1250 and IR rotary rigs and an Acker diamond core rig. Core diameter was 1 7/8" NQ core. Sampling of coal was done by the diamond core rig. Rotary coring to obtain 10 cm (4") diameter core was also used.

The February 2018 drill programme consisted of eight PQ diamond core holes and fourteen 6 inch rotary drill holes for pilot wash tests and coal quality analysis. These were geophysically, geologically and



geotechnically logged and acoustic televiewer were used to provide logs for these holes. Further, bulk sample was obtained from the 6 inch air rotary holes. In addition to the PQ and 6 inch core holes completed, several sonic holes were completed to analyse soil and near surface ground water conditions.

Sampling and sub-sampling techniques and analysis

All boreholes, where conditions permitted, were geophysically logged with some or all of the following tools: deviation, gamma, density, caliper, neutron, dip. Geophysical logging operators routinely calibrated their tools between programs. Core holes were sampled, where core recovery permitted, as whole core collected for coal quality analysis and rock geochemistry.

The results from the geophysical logging were used to determine the lithology of the strata in the hole. The cored intervals were compared to the geophysical log in order to determine sample intervals and core loss. The results from the acoustic televiewer logs and dip meter logs were used to determine the presence and orientation of any faulting that might be present in the drill hole. These techniques provided details on two fault planes that were incorporated into the subsequent model. Only holes with a coal core recovery greater than 80% were used for subsequent coal quality and washability analysis. The coal obtained from the 2018 PQ holes was tested at the Birtley Laboratory in Calgary, Alberta, Canada while that from the 6 inch holes was tested by the SGS Laboratory in Delta, British Columbia, Canada both of which are ISO 90001 certified.

Sample analysis methodology

The analysis completed on the core samples produced used ASTM standards as a guideline for all tests completed at the two laboratories mentioned above. A flowsheet for samples was developed with input from the individual laboratories and generally accepted industry practices. A full suite of coal sizing and washability work followed by coal quality testing was performed on all samples obtained in the 2018 program. All sample analysis completed were reported by the laboratories. In summary, the current coal quality data gathered from the program confirmed the historical information and provided improvements in the calorific values and petrographic RoMax values.

The criteria used for classification, including drill and data spacing and distribution

The resource classification is based on an assessment of the geological (seam thickness) and coal seam continuity. This has then been summarised using the distance from the nearest acceptable data point (drillhole) for coal seam thickness identification and an assessment of the confidence in coal seam continuity and correlation. The drillhole spacing and continuities are considered appropriate to define Measured, Indicated and Inferred Resources for a complex coal resource on the following basis for subsequent resource definition: Measured: within 75m of drillhole utilized in the model (that is holes identified as appropriate for use in the current resource estimate); Indicated: 75m to 150m of drillhole; Inferred: 150m to 300m of drillhole.

Estimation methodology

Coal quality and seam thickness parameters were estimated using inverse distance squared within the seam wireframes which control the distribution of interpolated values in 3D. The model is of the coal seams only and the interburden has been modelled by default but to sufficient detail to assist with waste rock characterisation and waste rock management. Current work is being completed to develop a detailed waste rock model, including the distribution of acid base ratios for ARD determinations.



The current resource estimate is comparable with previous resource estimates completed in 1989, 1997, 2015 and 2017. However, as mentioned above, the change in geological interpretation from a pinch out model to a fault controlled model has resulted in greater tonnages primarily due to the assumption that seam thicknesses are relatively consistent from one area to another at the Tenas deposit like other deposits in the region, as opposed to previous estimates, which had a wide range of seam thickness over relatively small areas.

Cut-off grades, including the basis for the selected cut-off grades

As per CIM paper 88-21 a 20 to 1 (bcm to in place tonne) cut-off strip ratio "pit" was used to determine the extent and tonnage of surface resources to report. The entire seam package lies within these limits. During the Large Mine PFS and the Small Mine PFS, all of the coal seams in the Tenas deposit greater than 0.3m were included in the resource. It was decided during this exercise that seams 1, 1U and C were the only ones of significant thickness, continuity and in-place ash to be considered potentially economically recoverable by surface mining. Consequently, these were the only seams that met the definition of resources.

Mining and metallurgical methods and parameters, other material modifying factors considered to date

A minimum coal ply (seam) thickness of 0.8m and a maximum included parting thickness of 0.3m was applied for the Tenas deposit. Therefore any coal seams less than 0.8m were excluded from the resource while any partings that were less than 0.3m were included in the resource. The minimum coal to rock ratio was 2:1.

The resources are all considered potentially surface mineable, noting that the entire Tenas resource is recoverable at a strip ratio of 5:1 BCM/in place coal tonne, well below the Canadian coal resource standard of 20:1 BCM/in place coal tonne. Despite there being previous underground mining on the property, no underground resources are considered at this time. Metallurgical amenability was simulated from testwork using industry standard models for coal beneficiation.

Coal Reserves

As a result of the analysis undertaken in the Large Mine PFS, which establishes the economic viability of the Measured and Indicated Resources, SRK Consulting (Canada) Inc. (SRK) determined a Reserve estimate for the Tenas deposit of 29.1 Mt of raw coal producing 20.6 Mt of clean coal with total moisture of 8.5 percent. This results in a total of 21.0 Mt of saleable coal with a moisture content of 10 percent at an average mine life yield of 71 percent. Saleable Coal is a term used under CIM Definition Standards which has the same meaning as Marketable Coal under JORC.

Modifying factors such as mining dilution, mining recovery, raw ash and density, and coal yield have been estimated using accepted techniques considered by the Company and SRK. The accuracy of the Reserve estimate is subject to geological data and modelling procedures to estimate the coal resource and to modifying factor assumptions for dilution and loss. While the Project is not in production and such reconciliation is not possible, the assumptions are based on sound principles and experience from mines with similar conditions.



It is estimated that, of the total Tenas deposit Proven Reserve of 21 million tonnes of saleable coal, 16.8 million tonnes of saleable coal will be extracted over the mine life. The total Tenas deposit saleable coal reserves are summarised in the table below.

Project Coal Reserves	ROM Coal Mt	Clean Coal Mt	Saleable Coal Mt
Tenas Proven	29.1	20.6	21.0
Tenas Probable	-	-	-
Tenas Total	29.1	20.6	21.0

The coal reserves referred to in the table above were first reported in the Company's 3 July 2017 Announcement. The Company confirms that it is not aware of any new information or data that materially affects the information included in the 3 July 2017 Announcement and that all material assumptions and technical parameters underpinning the estimates in the 3 July 2017 Announcement continue to apply and have not materially changed.

Mining & Processing

The Tenas coal will be mined at 750 kctpa. At that rate of production, with 16.8 Mt of saleable coal, the Tenas deposit has a potential mine life of 22 years at an average life-of-mine strip ratio of 3.2:1 BCM/ROMt (4.2:1 BCM/PRODt).

The Tenas deposit is a syncline basin of coal with the west limb shallow dipping from the southwest to the northeast where it meets the syncline. Other than the first three years of mining in the shallow end of the pit, the deposit will be mined involving a series of cuts initiated at the lowest point in the north of the pit, progressing up-dip to the south. The strategy enables around 50 percent of the waste material to be back filled from start of mining, using bulldozers to push waste back into the pit bottom. The cost savings in moving waste material with bulldozers as opposed to an excavator loading a dump truck are significant.

The production schedule is four days per week, Monday to Thursday, with two 10 hour shifts per day. All operations personnel, totalling 75, and trade technicians, will be sourced locally from the towns of Telkwa, Smithers (12 km) and Houston (50 km), which contain a skilled workforce with extensive experience in forestry and hard rock mining. Mined coal will be processed through a 140tph dual circuit wash-plant designed by Sedgman Consulting (Canada) Inc. Washed coal will be stockpiled at the wash-plant, then trucked 14 km along a designated haul road to a rail loop and load-out.

Infrastructure & Transport

A 25 kV power line runs to the northern edge of the Tenas Project boundary. The power line will be extended 3 km to a substation located at the wash-plant situated at the northern tip of the Tenas deposit. A 3.5km rail loop will be built to receive 116, 110t coal wagons. Coal will then be loaded with a front-end loader. Wagons will be loaded once a week for a 24 hour return trip to Ridley Island Coal Terminal (RICT).

Once loaded, it is then a 375km haul to RICT. RICT currently has 18 Mtpa handling capacity which can be expanded to 25 Mtpa within 24 months. The forecast tonnage for this calendar year is around 10 Mtpa. In its peak in 2013, RICT exported 13.4 Mtpa. There is ample capacity for Tenas coal with no requirement for upfront bond payments or take or pay commitments. The average ship size at RICT in the last 12 months has been 80,000t panamax vessels. Most coal producers who export from RICT share hulls, and this is anticipated in the case of Tenas coal.



Coal Quality & Pricing

Tenas coal will be washed at an SG of 1.55 for an all clean metallurgical coal yield of 71 percent. The quality parameters for Tenas coal are summarised in the table below.

Coal Quality	Units	
Inherent moisture	%	1.1
Volatile matter	%	25.8
Ash	%	8.0
Sulphur	%	0.98
Fixed carbon	%	65.1
Free swell index		3-5
HGI		64
Reflectance	%	0.96
Maximum fluidity	ddpm	2-17
Base acid ratio		0.15

Tenas semi-soft coking coal (SSCC) is expected to be well received due to the limited availability of mid-volatile SSCC on the seaborne market, in contrast to the more readily available high volatile SSCC coals. The market should react favourably to the introduction of a new mid-volatile SSCC, not only as diversification from Australia, but also due to the fact that current Canadian SSCC supplies are being reduced. Looking beyond strictly the Australian SSCC, not all SSCC on the seaborne market has similar favourable quality specifications; in this regard some SSCC will report FSI as low as 2, while others have ash levels as high as 11%, which underscores the favourable quality of the Tenas coal as a SSCC.

Kobie Koornhof & Associates (Koornhof), a respected British Columbia coal market specialist, has assessed the current market pricing for Tenas coal at US\$133.45/t, as summarised in the table below.

Tenas SSCC Pricing v Q3 2018 Benchmark Pricing	US\$/t
Semi-soft coal	137.00
Sulphur penalty	5.30
Ash credit	1.75
Tenas current market price	133.45

The coal obtained from the 2018 PQ holes was tested for washability and coal quality at the Birtley Laboratory in Calgary, Alberta, Canada while that from the 6 inch holes was tested by the SGS Laboratory in Delta, British Columbia, Canada both of which are ISO 90001 certified. The evaluation of coal quality for the 1995 to 1998 exploration programs was based upon the analytical results of core obtained from drill-holes, and from bulk samples collected from the Tenas area in 1996 and 1998. The primary purpose of the coring programs was to obtain sufficient samples of significant coal seams for reliable determinations of the raw and clean quality characteristics of the Telkwa coalfield. In 1996 an 80 t bulk sample recovered from the Tenas deposit provided sufficient size and quantity of delivered coal to simulate raw feed operations and perform the testing necessary to conduct a complete processing plant design. The large-diameter coring program completed in 1998 provided small-scale bulk samples from five additional Tenas locations such that comparisons could be drawn between different locations, and also from between the large-diameter and conventional cores. Typically, specific laboratory analyses on core samples were performed by Loring Laboratories Ltd of Calgary, Alberta. Most samples collected were representative of selected coal units, although seam roof, floor and parting lithologies were also collected regularly and analysed. Bulk sample analyses were usually completed by Birtley Labs, also of Calgary.

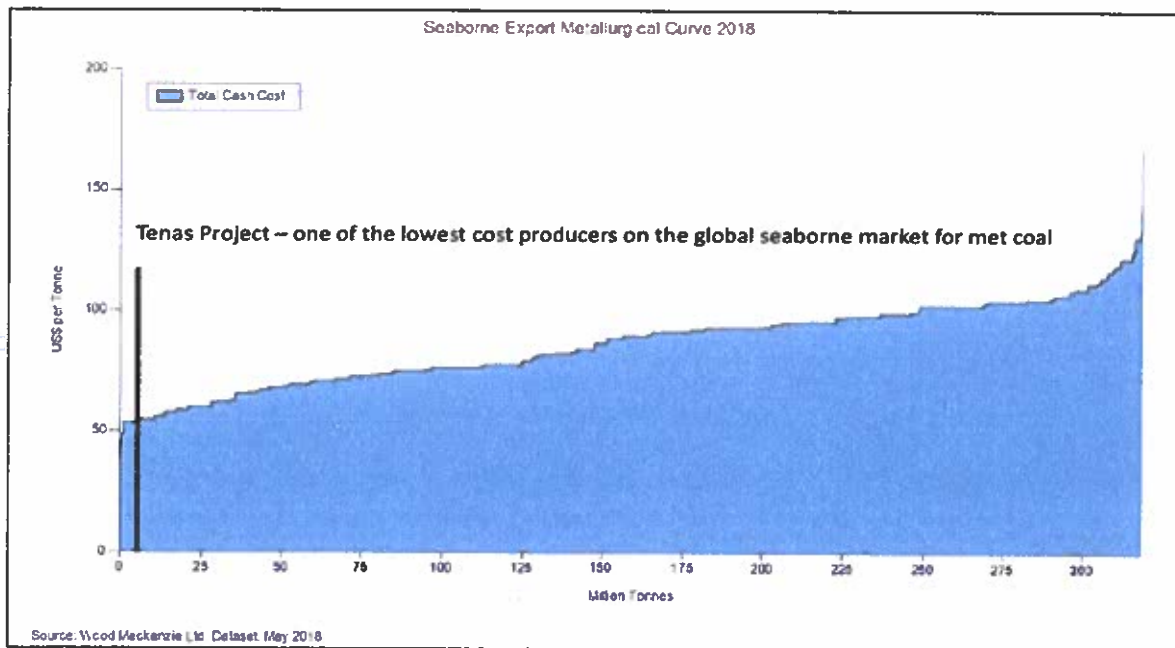


Operating Costs

Operating costs have been estimated applying first principles and covering all aspects of the mining operation including waste removal, coal recovery, coal processing, haulage, road, maintenance, water management, reclamation and site administration. The Project has potential to be a very low cost producer, in fact one of the lowest cost producers, and is well positioned to be a reliable, long term supplier of metallurgical coal to Asian steel mills. Operating costs were estimated relying on unit costs derived from the Small Mine PFS and Large Mine PFS. Operating costs are summarized in the table below.

Operating Costs		US\$/saleable t
Site Costs		
Waste removal	Combination of load, haul and dozer push	16.8
Coal recovery	Load and haul	6.4
Coal processing	140tph modular and scalable wash-plant	5.0
Other site costs	Water management and reclamation	5.9
General and admin		3.0
Freight Costs		
Marketing		0.2
Haulage	Clean coal load and haul from CHPP to rail loop	2.6
Rail and port		13.1
Royalties	Payable to third parties	2.8
Total Operating Costs	Pre corporate tax & BC Govt. mineral tax	55.8

The graph below highlights the Project's extremely low operating costs relative to the seaborne market.



As potentially the lowest cost producer of metallurgical coal in British Columbia, and in the lowest five percentile of coal producers in the global seaborne metallurgical coal market, the Project has capacity to weather the volatility of metallurgical coal prices.



Initial Capital

The estimated start-up capital expenditure is based on the start-up capital expenditure of the Large Mine PFS of US\$51M, as set out in the 3 July 2017 Announcement, with some additional start-up capital expenditure items brought forward which were anticipated to be delayed in the Large Mine PFS. The table below summarizes the initial capital expenditure.

Initial Capital Expenditure	US\$M
Equipment	7.5
Pre-strip	1.3
Coal handling preparation plant and related Infrastructure	15.4
Mine infrastructure	18.3
Water management	13.3
Rail loop and loadout	6.0
Total Initial Capital	61.8

Funding Assumptions

The Company reported cash holdings as at 31 March 2018 of \$1.7 million. These cash resources were supplemented by completion, in April 2018, of a private placement, which raised a further \$3.1 million. To continue development of the Project to the conclusion of permitting, the Company requires additional funding to be secured from sources including but not limited to the following:

- Further equity capital raisings to sophisticated or professional investors;
- The potential farm-out of participating interests in the Project; and/or
- Other financing arrangements.

The Company will require around A\$5 million to reach the conclusion of permitting. Currently the Company anticipates sourcing this capital from either a placement to sophisticated or professional investors or alternatively from a joint venture arrangement. Thereafter, the Company does anticipate requiring additional funds to meet its corporate overhead during the period the permit applications are progressed estimated to be no more than an additional A\$2 million.

Once the Project is permitted, the Company will require further funding for the Project development start-up capital expenditure estimate of US\$61.8 million including but not limited to:

- Further equity capital raisings;
- Project finance;
- Vendor finance;
- Customer finance;
- The potential farm-out of participating interests in the Project; and/or
- Other financing arrangements.



Risks

Consistent with those reported in the Large Mine PFS, the Company has noted the following key Project risks. Some of them relate to the need to build a greater knowledge base in relation to various aspects of the Project, and others relate to matters in respect of which engineering design would mitigate risk.

- **Environment:** The impact of mining on the environment is always an issue irrespective of the type of mine and its location. Once the Company has completed its environmental studies of the Project, targeted for Q3 2018, the Company will have a solid understanding of what the impacts might be.
- **Water Management:** Related to the first point of environmental impact, one area of particular concern to the Company is water management. The Project has several streams within its vicinity which all feed into a major river system. Ensuring that the Project discharges clean surface water back into the river system is a matter of high priority to the Company.
- **Permitting:** There is no guarantee that the Project will be granted all permits required to operate a mine. Whilst British Columbia is in a first world country, with a very prescriptive mine permitting regime, there is always uncertainty and doubt as to whether Government ministries will support a particular mining activity.
- **Finance:** Notwithstanding the Company's confidence in this regard, there is no guarantee that if and when the Project is permitted and ready for development, there will be funding available to do so. Whilst the Project is very low down the cost curve and can withstand a material drop in the price of coal, the volatility of commodity prices in a downward trend often dampens the interest of investors in a particular commodity, such that funding may be difficult to secure.
- **Coal performance:** unless and until a particular coal has been tested for its performance in a blast furnace, there remains an uncertainty as to how it will actually perform, and this may have an impact on coal pricing.

For more information, please contact:

Mr David Fawcett

Chairman, Allegiance Coal Limited

Mobile : +1 604 612 2376

Email: dfawcett@allegiancecoal.com.au

Mr Mark Gray

Managing Director, Allegiance Coal Limited

Mobile : +61 412 899979

Email: mgray@allegiancecoal.com.au

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 project (Project) 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 2017 the Company completed a pre-feasibility study declaring 42.5Mt of saleable coal reserves, and positioning the Project in the lowest five percentile of the global seaborne metallurgical coal cost curve. The Company is now undertaking a full feasibility study of the Tenas Pit (Tenas Project) which represents 21Mt of those saleable coal reserves and is advancing the Tenas Project towards permitting and production.



ALLEGIANCE COAL
LIMITED

Competent Person Statement

The information in this ASX Announcement that relates to Mineral Resources and Reserves, unless otherwise stated, is based on information reviewed and compiled 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 the JORC Code (2012 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves"). 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.

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NEWS RELEASE

For Immediate Release
2018AGRI0083-002125
Nov. 5, 2018

Ministry of Agriculture

New legislation makes it clear: Farmland is for farming

VICTORIA – Legislation introduced on Monday, Nov. 5, 2018, makes it clear that land in the Agricultural Land Reserve (ALR) is for farming and ranching in British Columbia, not for dumping construction waste or building mega-mansions.

“The old government let wealthy speculators drive the price of farmland out of reach for young farmers and allowed some of our most valuable agricultural land to be damaged,” said Lana Popham, Minister of Agriculture. “We are protecting farmland in B.C. to ensure land is available now and for future generations of farmers, so people in British Columbia have a safe, secure supply of locally grown food on their tables for years to come.”

If passed, Bill 52, the agricultural land commission amendment act, 2018, will strengthen protections for B.C.’s Agricultural Land Reserve. The proposed legislation makes three key changes:

- Restoring the integrity of the ALR by reinstating one zone for all ALR land in B.C., making it clear that all land in the ALR benefits from the same strong protections.
- Addressing mega-mansions and speculation in the ALR by limiting new house sizes to less than 500 square metres [about 5,400 square feet], except through application to the Agricultural Land Commission (ALC) in cases where it would support farming; and requiring an ALC approval of any additional residences in the ALR to curb non-farm development.
- Cracking down on the dumping of construction debris, toxic waste and other fill in the ALR that can irreparably damage arable soil on valuable farmland, through increased penalties.

The legislative changes will help stop damaging practices that contaminate farmland and make farms unaffordable for new farmers, and threaten the short-term and long-term viability of the ALR. They are designed to protect the province’s farmland so British Columbians can access locally grown food, and communities and local economies can prosper through farming, ranching and agriculture businesses, such as B.C.’s growing food-processing sector.

“I am thrilled that the government is acting decisively to stem speculation on farmland,” said Adam Olsen, MLA for Saanich North. “The ALR is vital to our local food security and for realizing B.C.’s economic opportunities in the agricultural sector. I look forward to working further with government to find more ways to support B.C. farmers and protect our agricultural land.”

The bill is part of the government’s ongoing commitment to revitalize the ALR and the ALC. The new legislation will advance several recommendations in the independent report released by the Minister of Agriculture’s Advisory Committee.

“Agriculture drives prosperity in communities throughout B.C., and we are fortunate that 45 years ago the Province had the foresight to protect B.C.’s best and most capable agricultural land,” said Popham. “In an era where food security is a growing global issue, our legislative changes intend to protect ALR land for its highest and best use – agricultural production.”

The ALR was established in 1973 to protect land with prime agricultural conditions for farming and ranching. It currently protects approximately 4.6 million hectares of agriculturally suitable land in British Columbia. The ALR is administered by the ALC, an independent tribunal mandated to preserve agricultural land and encourage farming on agricultural land.

Quotes:

Stan Vander Waal, president, BC Agriculture Council –

“BC Agriculture Council is pleased that the ministry continues working with us to ensure farmland is available for farmers to farm and believes the proposed changes will continue to strengthen the Agricultural Land Reserve. We are happy to see the return to one zone and trust that future administrative changes to the Agricultural Land Commission will continue to be reviewed with BC Agriculture Council, which understands the unique needs of farmers and ranchers in B.C.”

Kevin Boon, general manager, BC Cattlemen’s Association –

“In order for the ALR to function as it was intended to, it is important that the priority be to preserve the land as much as possible for food production while protecting the rights and profitability of those who are producing the food. The proposed changes should help the ALC better manage those goals.”

Jennifer Dyson, chair, Agricultural Land Commission –

“Mega-homes and lifestyle estates preclude land from being used by agriculture ever again. These large-scale residences for non-farmers impede agriculture, drive speculation and further erode the land base. A farmer will not be able to afford to purchase these properties with the value of just the home in the millions.”

Lin and Oliver Egan, Edible Acres Farm, Windermere –

“Farming and local food security are important everywhere in British Columbia. Having one zone in the Agriculture Land Reserve, with the same rules in place for all the land within in it, is essential for the future of small-scale diversified farming. We believe this will allow for a more local, sustainable food system moving forward. We ourselves produce over 55 varieties of fruits and vegetables here in the East Kootenay region, which is proof that good quality farmland is precious wherever it is and deserves equal protection.”

Chris Thoreau, BC seed security program director, FarmFolk CityFolk –

“People don't realize that the damage caused when they accept illegal waste on their farmland is forever and lasts long after the money they've been paid for the fill has been spent. The dumping of construction waste in the ALR has been destroying farmland in the Lower Mainland since the housing boom, and it is really good news to hear that there are actually going to be penalties that mean something.”

Quick Facts:

- The ALR includes over 4.7 million hectares of B.C. that are preserved for agricultural use, less than 5% of B.C.'s total land base.
- B.C. farmers produce 48% of the food British Columbians consume, according to B.C.'s Food Self-Reliance report (2007).
- Farm cash receipts were \$3.2 billion in 2017, up by 4% over the previous year.
- More than 22,000 people earn their livelihood directly from the primary agriculture sector.
- Land in the ALR falls into one of seven soil classes, ranging from Class 1 (wide range of crops can be grown without difficulty) to Class 7 (unsuitable for soil-based agriculture or sustained grazing, suitable for barns, greenhouses and processing facilities).
- Currently, 10% of the land in the ALR produces 85% of B.C.'s farm receipts, and 3% of ALR land in the South Coast region produces 65% of the province's farm receipts.

Learn More:

Track the progress of the legislation:

<https://www.leg.bc.ca/parliamentary-business/legislation-debates-proceedings/41st-parliament/3rd-session/bills/progress-of-bills>

Agricultural Land Commission: <https://www.alc.gov.bc.ca/alc/content/home>

Revitalization of ALR public engagement site:

<https://engage.gov.bc.ca/govtogetherbc/consultation/agricultural-land-reserve/>

A backgrounder follows.

Contact:

Dave Townsend
Ministry of Agriculture Communications
Dave.H.Townsend@gov.bc.ca
250 356-7098
250 889-5945 (mobile)

Connect with the Province of B.C. at: news.gov.bc.ca/connect



BACKGROUND

For Immediate Release
2018AGRI0083-002125
Nov. 5, 2018

Ministry of Agriculture

Revitalizing the Agricultural Land Reserve and Agricultural Land Commission

The Agricultural Land Commission (ALC) is an independent administrative tribunal.

The ALC makes land use decisions within the Agricultural Land Reserve (ALR). About 5% of British Columbia's land base (4.7 million hectares) is within the ALR. Bill 52 brings in the following protections for the ALR:

- Implements a maximum house size in the ALR to address the significant rise in mega-homes and land speculation and requires the ALC's approval of any additional residence in the ALR to curb non-farm development.
- Implements clear rules to better regulate the placement of fill such as construction and demolition waste from being dumped in the ALR to prevent the degradation of prime agricultural soil.
- Eliminates the two zones and additional criteria for Zone 2 to make it clear that there is a consistent decision-making approach throughout the province that makes agriculture the first priority on the ALR.
- Adds to the offence provisions of the act to enhance the ALC's ability to take compliance and enforcement action when required.

One zone in the ALR

- The return to one zone throughout the ALR will make it clear that all land in the reserve is protected equally. The ALR was split into two zones in 2014 with different processes and criteria, depending on which zone the land is in.
- There are over two million hectares of the most easily farmed soil classes (classes 1-4) for agricultural land in Zone 2, and only 350,000 hectares of class 1-4 soil in Zone 1.
- The two-zone approach ignored this fact and the value of the other soil classes, which are critical for some types of farming.
- It is important that the Province protects all areas of the ALR equally, with one set of decision-making criteria that has the primary purpose of preserving the ALR and encouraging farming and ranching in B.C.
- British Columbians support this approach. The minister's independent advisory committee heard strong support throughout the province for the elimination of the two-zone system and reinstating a consistent approach on decision-making on the ALR.

Mega-mansions

- The building of mansions and lifestyle estates on ALR land has steadily increased in recent years.
- In Richmond, for instance, the number of mega-mansions on ALR land has increased

13.3% between 2011 and 2016.

- This can lead to significantly inflated farmland prices that prevent new, often younger farmers from entering the profession and decrease the incentives for currently active farmers to keep farming.
- Setting a maximum house size of 500 square metres throughout the ALR guarantees consistency and fairness throughout the province.
- Some local governments have bylaws restricting house size well below this maximum, while others exceed it, or have no restrictions at all. Enshrining a maximum house size in the act provides strong and clear provincial direction, but will still allow local governments to set lower maximum house sizes in their respective jurisdictions.
- Farmers who require a primary house size larger than the regulated maximum house size will be able to apply to the ALC for an exemption if the house size is needed for farming purposes.
- Additional residences required for farming purposes on the ALR will now be directed to the ALC for decision.
- Existing houses larger than 500 square metres, as well as those that have substantially begun construction, will be grandfathered under the new bill.

Fill

- There has been a substantial increase in the amount of fill, including construction and demolition waste, placed on ALR land.
- This significantly degrades the arable top soil that originally made this prime agricultural land.
- The damage is often permanent, putting the land out of production.
- In this fiscal year alone, the ALC has had 191 compliance and enforcement files related to fill, representing 45% of all total compliance and enforcement files. The majority of complaints are in the South Coast panel region, where the ALR is threatened by rapid urban development.
- Under the new bill, dumping construction waste and other damaging substances on farmland will be prohibited, with strong penalties for enforcement.
- For other types of fill, such as soil used to build a berm, land owners will be required to submit a notice of intent before placing fill on their parcels of land. This notice of intent will serve as a record to help the ALC with monitoring and compliance.
- New offences for illegal fill and soil removal have been created under the new act with maximum penalties of \$1 million or six months imprisonment for a first offence.

Contact:

Dave Townsend
Ministry of Agriculture Communications
Dave.H.Townsend@gov.bc.ca
250 356-7098
250 889-5945 (mobile)