



ALLEGIANCE COAL
LIMITED

ALLEGIANCE TO COMMENCE PRODUCTION AT NEW ELK Q2'21

CORPORATE PRESENTATION | JANUARY 2021



Important Information

Forward Looking Statements. This Presentation contains forward-looking statements which are identified by words such as ‘may’, ‘could’, ‘believes’, ‘estimates’, ‘targets’, ‘expects’, or ‘intends’ and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this presentation, are considered reasonable. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Allegiance Coal Limited (**Allegiance or the Company**), its Directors (**Directors**) and Management. The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this presentation will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

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Telkwa Coal Resources & Reserves. The Telkwa coal resources referred to in this presentation (unless otherwise stated in this presentation) 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 Telkwa coal reserves referred to in this presentation (unless otherwise stated in this presentation) 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 (together the **Announcements**), and that all material assumptions and technical parameters underpinning the estimates in the Announcements continue to apply and have not materially changed.

New Elk Coal Resources & Reserves. Allegiance refers to its announcement of 28 November 2019 regarding the reserve estimates for the New Elk mine. Allegiance confirms that it is not aware of any new information or data that materially affects the information included in that announcement and that all material assumptions and technical parameters underpinning the estimates in the previous announcement continue to apply and has not materially changed. Allegiance refers to its announcements of 15 July 2019 and 28 November 2019 regarding the resource estimates for the New Elk Mine insofar as they relate to the estimates other than the Green, Blue and Allen seams. Allegiance confirms that it is not aware of any new information or data that materially affects the information included in those announcements and that all material assumptions and technical parameters underpinning the estimates in the previous announcements continue to apply and has not materially changed.

Cautionary Statement. Investors should note that the mineral resource estimates for New Elk in this presentation 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.



Corporate snapshot

886Mt of coal resources 673Mt is permitted

- 100% equity in New Elk Mine = 673Mt (permitted)
- 100% equity in Lorencito adjacent to New Elk = 88Mt
- 90% equity in Telkwa development project = 125Mt

83Mt of saleable coal reserves

- | | | | | | |
|--|--------|---------|--------|----------|--------------|
| | | Telkwa | | | |
| | | New Elk | Tenas | Goathorn | Telkwa North |
| <ul style="list-style-type: none"> Hard coking coal Semi coking coal | 45.1Mt | 16.6Mt | 13.9Mt | 7.5Mt | |

AHQ capital structure

Share price at 27 January 2021	A\$	0.085
Number of shares on issue		862M
Market capitalisation	A\$	73.3M
Cash in AHQ at 31 December 2020	A\$	6.7M
Debt owed to Nebari	US\$	2.75M
Receivable due from Itochu*	C\$	3.6M
Options @ \$0.075 expire 6 December 2022		9.2M
Options @ \$0.28 expire 3 December 2024		6.5M
Performance shares subject to vesting conditions		8.7M
Top 5 Shareholders	27.2%	234.5M
Cline Mining Corporation	8.2%	70.6M
National Nominees	5.9%	51.0M
CS Third Nominees	5.8%	49.7M
HSBC Custody Nominees	4.1%	35.6M
Mark Gray	3.2%	27.6M

* The receivable is due on lodging the Tenas EA application and is subject to Itochu approval

AHQ share price performance highlights a post COVID recovery driven by a clear pathway to production in Q2'21 and noticeably a significant increase in volume and liquidity

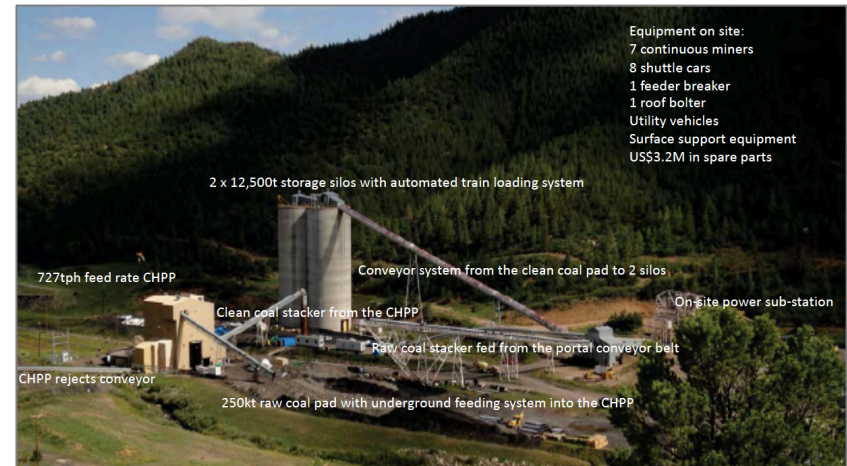




New Elk mine & equipment refurb has commenced for Q2'21 start

An established underground mine, with CHPP and mine infrastructure in good condition, New Elk is set to commence mining and supply of steelmaking coal to the seaborne market at an exceptionally low capital cost and a competitive cash cost

Location	Southeast Colorado on the border with New Mexico
Resources & Reserves	673Mt of resources and 45Mt of saleable reserves from 2 of 8 seams plus 88Mt from the Lorencito property
Permits	Mining, water and discharge permits in place
Mining Method	Underground room & pillar walk through super sections with 3 production units on site
CHPP	727tph feed rate yielding clean coal at 72% average
Production Plan	By end of year 1 reaching 1.6Mctpa and then from year 3 gradually ramping to 2.5Mctpa steady state for +25 years
Coal quality	Low Sulphur high fluidity high-vol A & B coking coals
Rail & Port	Signed rail contract with Union Pacific and commercial terms agreed with Convent Marine Terminal, New Orleans
Sales & Marketing	M Resources appointed on 5 year contract with US\$15M of off-take finance agreed
Blending coal	4 years of contracted supply of Pratt coal from Alabama



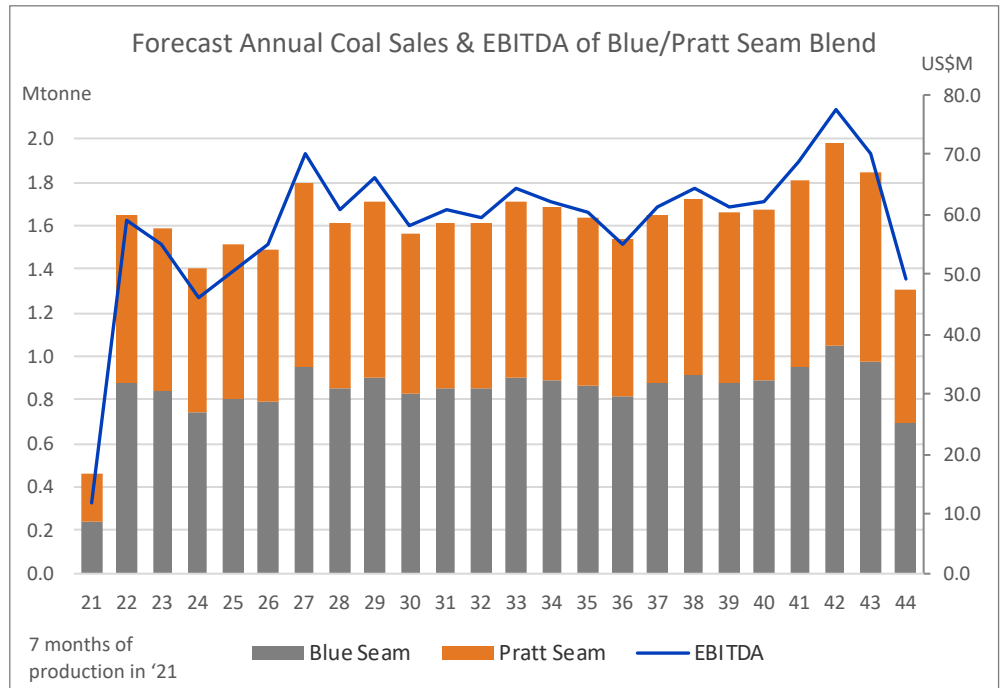
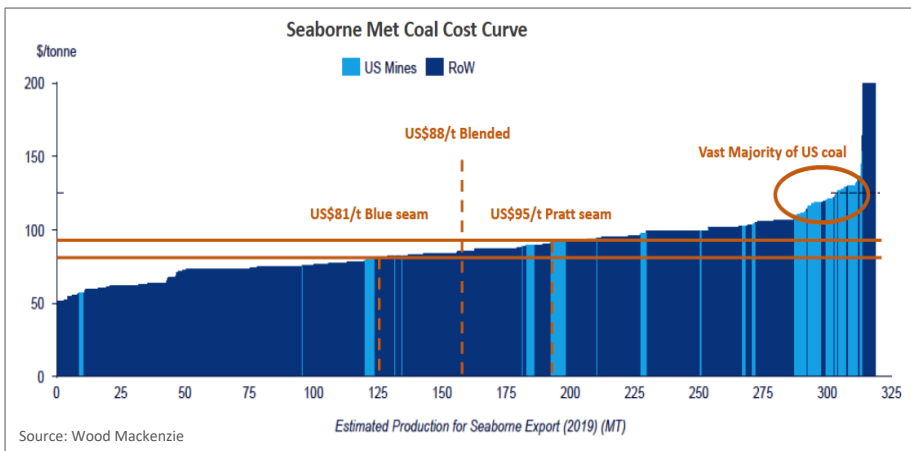


New Elk Blue and Pratt blend delivers strong economics

Mine start-up capital	US\$13.5M including working capital
Acquisition payment	US\$6M on commencement of mining
FOBT cash cost	US\$88/mt FOBT for Blue/Pratt blend
Assumed FOB price	US\$131/mt average LOM for Blue/Pratt blend
Annual EBITDA	A\$76M average LOM
NPV	A\$564M @ 8% pre interest and tax
IRR	573% pre interest and tax

New Elk will mine low sulphur Blue seam coal and buy high sulphur Alabama Pratt seam coal (currently sold into the thermal coal market), and blend at a ratio of circa 55:45 at Convent Marine Terminal (New Orleans) prior to ship loading. New Elk has 4 years contracted supply of Pratt coal and access to much more.

New Elk mining commences with a single production unit in June 2021, with a second unit commencing in December 2021 taking average annual Blue seam production to 800kctpa and when blended with Pratt coal bought, annual average saleable coal production is around 1.6Mctpa





Blue and Pratt Blend quality well positioned on the seaborne market

All met coals sold on the seaborne market are priced against benchmark premium low-vol hard coking coal from Australia e.g. 'Peak Downs'.

		BLEND*	US HVA*	US HVB*	US LV^	AUS PLV^
Proximate						
Ash	%	9	6-8	<9.0	8.25	10.5
Vol	%	34	31-34	34-37	19.25	20.7
Sulphur	%	<1	0.75-1.05	0.75-1.3	0.95	0.3
Rheology						
FSI		7.5	7-9	7-9	-	8.5
Fluidity	ddpm	30,000	>30,000	>20,000	-	400
Dilatation	%	220	220-350	70-220	-	-
Ash Chemistry						
Phosphorous	%	0.06	0.004-0.009	0.004-0.009	-	0.03
CSR		47	>50	45-54	58	>74
Petrography						
Reflectance	%	0.91	1.0-1.15	0.9-1.00	-	1.4
Strength index	%	3.3	>3.5	3-3.5	-	-

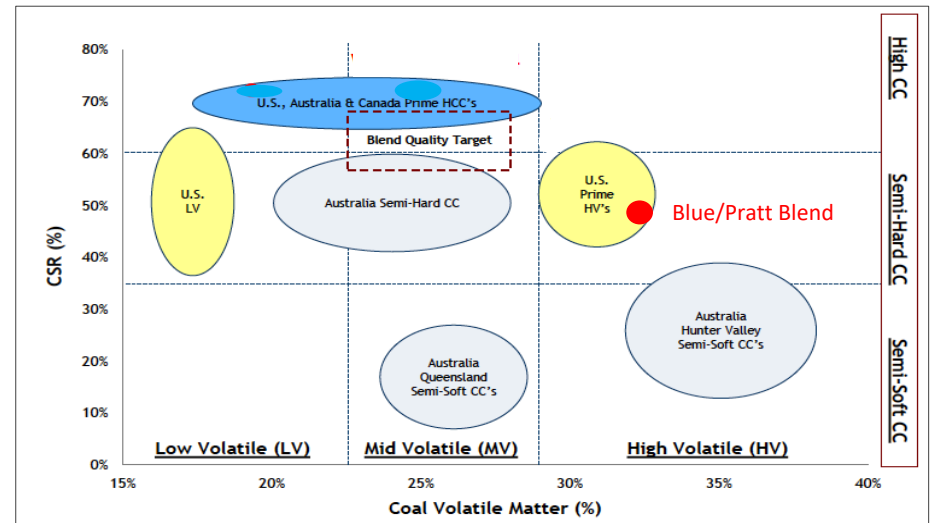
* Kobie Koornhof ^S&P Global Platts

US HVA PRICE PREMIUM / DISCOUNT TO US LV AND AUS PLV

Prices as at 26 January 2021 (US/mt)

Australia PLV	150.50	
US LV	157.00	
US HVA	151.00	
US HVB	130.00	
	US LV	AUS PLV
25 January 2021	(4)%	1%
1 year	6%	(2)%
3 years	4%	(4)%
5 years	4%	(1)%
7 years	2%	(2)%

Source: Warrior Met Coal Presentation January 2020



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High vol coking coal provides optionality for steel mills and coke producers enabling them to optimize blends leading to higher coke quality, improved efficiency and lowers the cost of steel production.

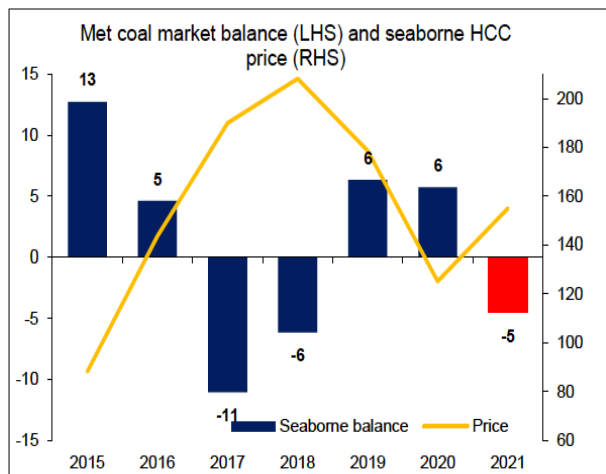
The New Elk Blue/Pratt blend sits comfortably within the range for prime US high-vol coking coals. The blend satisfies HVA as to Proximate analysis and Rheology but not as to Ash Chemistry and Petrography and generally exceeds HVB parameters.

It is likely therefore to be priced at a discount to HVA but at a premium to HVB.

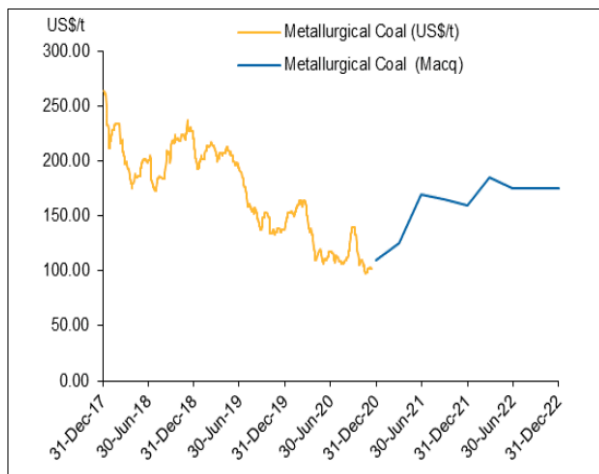


Experts remain positive on forward pricing for met coal

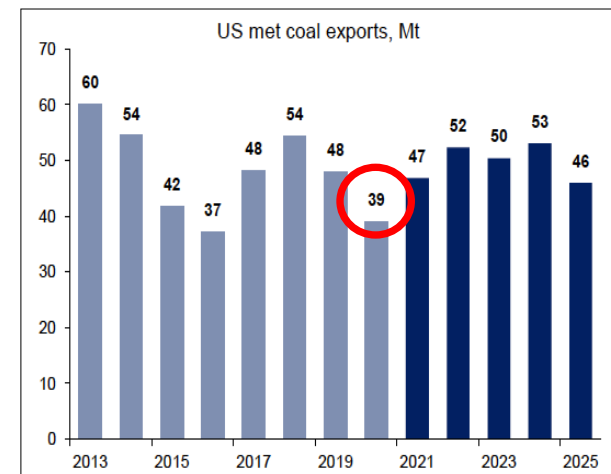
While benchmark PLV was at US\$100/mt on 18 January 2021, Macquarie Research forecast that it would recover in the near term and average above US\$150/mt this year continuing into 2022. As at 26 January 2021 just 8 days later, PLV has recovered rapidly to US\$150/mt.



Source: Macquarie Research 18 January 2021



Source: Macquarie Research 15 January 2021



Source: Macquarie Research 18 January 2021

Key to Macquarie's forecast as they state is a clear deficit in the seaborne met coal market driven mainly by a recovery in ex-China crude steel production as well as sharp supply cuts in US met coal exports due to mine closures and bankruptcies in the US during the height of the pandemic.

Another key assumption for Macquarie is that China will lift its ban on Australian coal. Macquarie forecast China's seaborne demand around 36Mt in 2021, below 2020 levels but not far off the past 5 years average.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Market balance (Change in US supply)	-1	6	13	5	-11	-6	6	7	-6	-6	2	-3	7
HCC price	148	115	88	143	190	208	179	125	155	178	163	165	155

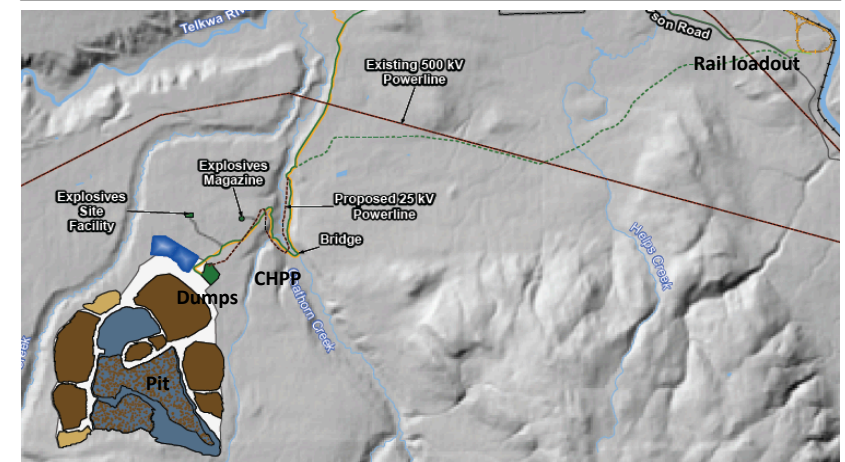
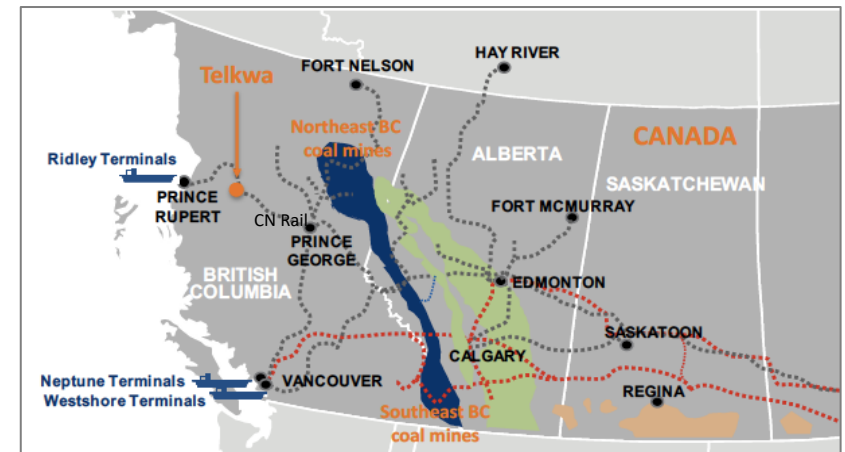
Source: Macquarie Research 18 January 2021



Tenas Project target date for EA application March 2021

A pre-production open pit project with very low strip ratio of 3.6:1 BCM/ROMt and exceptional location to rail and port, and competitive shipping distance to the northeast Asian still mills

Location	Northwest British Columbia
Resources & Reserves	36Mt of resources and 16.5Mt of saleable reserves for current mine life of 20 years
Permits	Permits to mine targeted for Q3 2021
Mining Method	Shallow open pit
Coal Processing	140tph feed rate yielding clean coal at 74% average
Production Plan	Commence at 750kctpa ramping to 1.35Mctpa in year five
Coal quality	Mid-vol semi coking coal
Transportation	Trucked 16km from CHPP to rail loadout then 375km to Ridley Coal Terminal
Sales & Marketing	Itochu Corporation who is expected to own at least 20% of the project and have the balance sheet fund start-up





Tenas potentially the lowest cost seaborne met coal producer

Start-up CAPEX	US\$55M excluding working capital
FOBT cash cost	US\$45/t FOB Ridley Coal Terminal
FOB price	US\$114/t average long term LOM semi coking
Annual revenue	US\$121M average LOM
Annual EBITDA	US\$64M average LOM
NPV	A\$407.3M @ 8% pre interest and tax
IRR	57% pre interest and tax



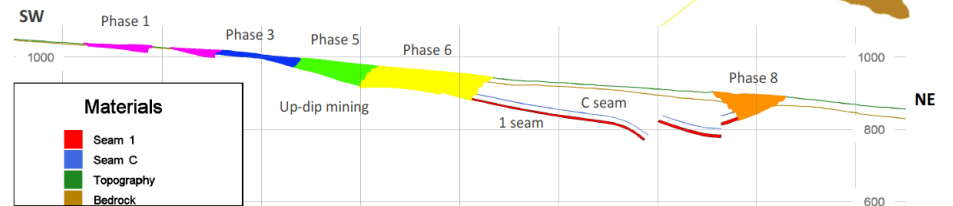
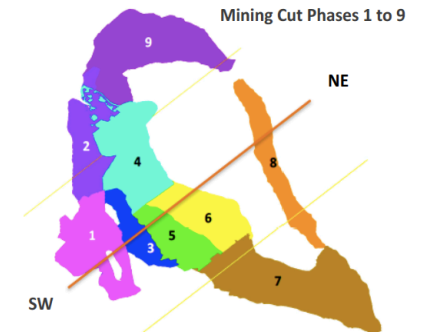
Ridley Coal Terminal, Prince Rupert

Simple geology, shallow, flat and gentle dipping seams make for low cost mining

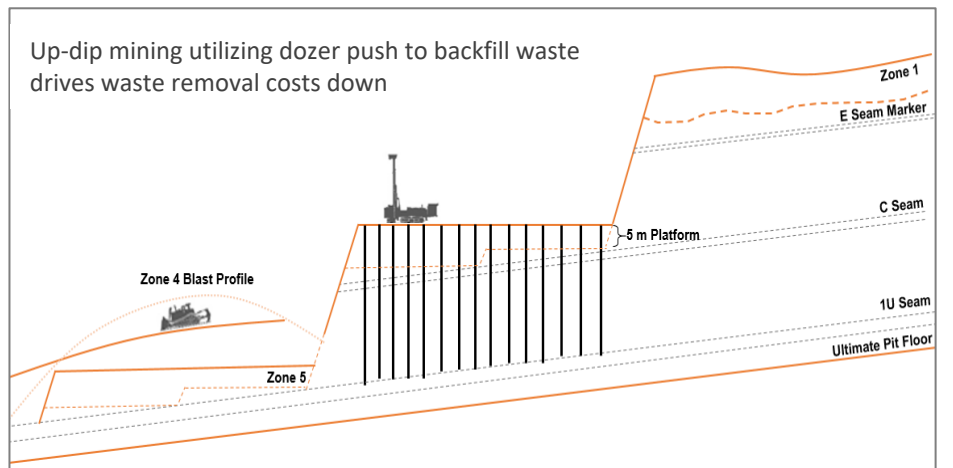
Cross section from SW to NE through mining cut phases 1, 3, 5, 6 & 8

The SW to NE cross section highlights the flat, continuous, shallow, gentle dipping coal seams.

This, along with up-dip mining in phases 1, 2, 3, 4, 5 and 6, where waste rock is dozer pushed to pit bottom, reclaiming as you mine, provides for very low mining costs.



Up-dip mining utilizing dozer push to backfill waste drives waste removal costs down





Allegiance Board and Management

Board of Directors

More than 150 years collective experience in open pit and thin seam underground coal mining

Mark Gray	CEO & Chairman	Mark has 30+ years experience in M&A law including more than 15 years in running junior mining companies in coal, uranium and diamonds across many jurisdictions. Mark co-founded the introduction of thin seam underground coal mining to Australia in early 2000s (Thin Seam Mining).
Larry Cook	Non Executive Director	Larry is a 40+ year mining engineer in coal, predominantly underground across many US States, as well as Australia. He is highly regarded in the industry for safe, high productivity room and pillar mining. Larry will be intimately involved in the New Elk Mine start-up. Larry was a co-founder of Thin Seam Mining.
Malcolm Carson	Non Executive Director	Malcolm is a 40+ year geologist across many commodities in many capacities, including as Chief Commercial Officer of NRE No.1 Colliery, formerly Bellambi West Colliery in the Illawarra coalfields near Wollongong. He is currently Executive Chairman of Dampier Gold Ltd (ASX:DAU).
Jonathan Reynolds	Finance Director	Jonathan is a qualified accountant with 30+ years experience more than half of which has been in CFO and Finance Director roles of both exploration, development and producing companies across several commodities and jurisdictions.

Management

A team of specialist open pit and thin seam underground coal miners

Amon Mahon	COO New Elk	Amon is a 30+ year mining engineer in coal both open pit and underground in the US and Australia, at all levels of management including as an owner and operator of US coal mines. Amon will be General Manager of the New Elk Mine in its first two years of production. Amon was a co-founder of Thin Seam Mining.
Dan Farmer	COO Telkwa	Dan is Allegiance Coal's chief operating officer and is a mining engineer with 30 years experience in Canadian coal including as the Operations Manager of Anglo American's coal mines in British Columbia.
Angela Waterman	Permitting	Angela is a scientist in biology with more than 25 years experience in the mining industry in British Columbia and Alberta her most recent major role was with Anglo American in British Columbia where she permitted two coal mines



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