



**ALLEGIANCE COAL**  
LIMITED

**TENAS METALLURGICAL COAL PROJECT**  
**TELKWA BC, CANADA**

**ADVANCING TENAS DFS AND PERMITTING**

AUSTRALIAN COAL CONFERENCE, SYDNEY | 16 AUGUST 2018



# 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. The Directors have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this presentation, except where required by law. These forward-looking statements are subject to various risk factors that could cause Allegiance's actual results to differ materially from the results expressed or anticipated in these statements.

## Disclaimer

This Presentation is not to be considered as a recommendation by the Company or any of its subsidiaries, directors, officers, affiliates, associates or representatives that any person invest in its securities. It does not take into account the investment objectives, financial situation and particular needs of each potential investor. Investors should make and rely upon their own enquiries and assessments before deciding to acquire or deal in the Company's securities. If you are unclear in relation to any matter or you have any questions, you should seek advice from an accountant or financial adviser.

## Coal Resources & Reserves

The coal resources referred to in this presentation were first reported in the Company's 18 June 2018 Announcement, supplemented by the Company's 26 June 2018 Announcement (together the **18 June Announcement**). The coal reserves referred to in this presentation were first reported in the Company's release of its Staged Production PFS results on 3 July 2017 (**3 July 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 Announcement or the 3 July Announcement and that all material assumptions and technical parameters underpinning the estimates in the 18 June Announcement and the 3 July Announcement continue to apply and have not materially changed.



# ASX:AHQ corporate snapshot

## Capital structure

Share price - at 30 July 2018	0.06
Number of shares on issue	465,195,159
<b>Market capitalisation</b>	<b>A\$27.9M</b>
Less cash	A\$2.5M
Add debt: interest free due Aug 21	A\$0.7M
Enterprise value	A\$26.1M

## Board

		Shares held
David Fawcett	Non Exec Chairman	2,954,889
Mark Gray	Managing Director	23,268,879
Jonathan Reynolds	Finance Director	1,410,000
Malcolm Carson	Non Exec Director	-

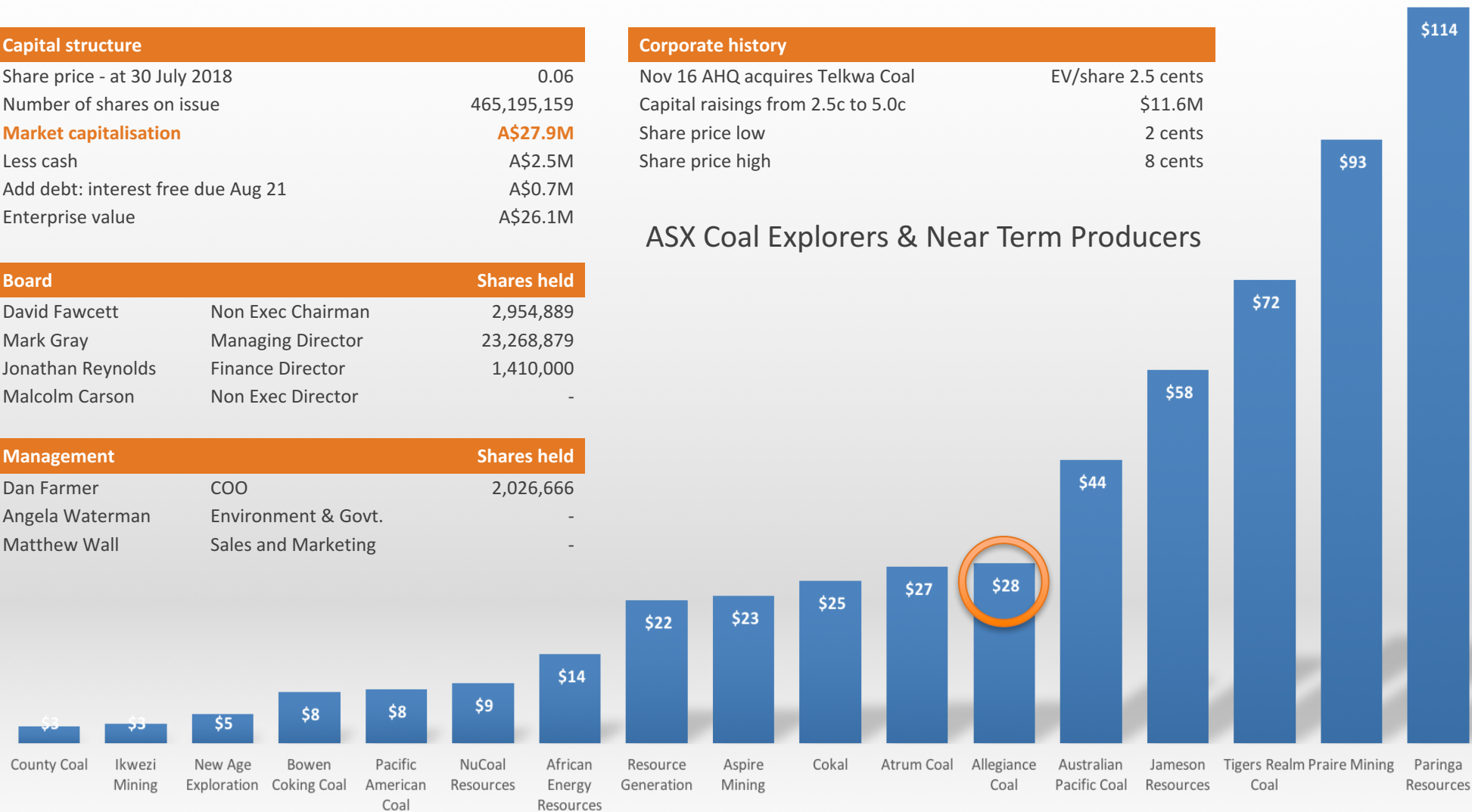
## Management

		Shares held
Dan Farmer	COO	2,026,666
Angela Waterman	Environment & Govt.	-
Matthew Wall	Sales and Marketing	-

## Corporate history

Nov 16 AHQ acquires Telkwa Coal	EV/share 2.5 cents
Capital raisings from 2.5c to 5.0c	\$11.6M
Share price low	2 cents
Share price high	8 cents

## ASX Coal Explorers & Near Term Producers





## Canadian coal production

2016 Canadian production



Exports



Imports



# 12 in global production  
# 3 in global exports

Exports all met coal  
and all from British Columbia



**major export destinations** (by \$ value)  
**\$4.5 billion**

**24% Japan**  
**20% South Korea**  
**16% China**

**3%** of Canadian exports are to the



representing **11%** of  
**U.S. coal imports**

**76%** of Canadian imports  
are from the

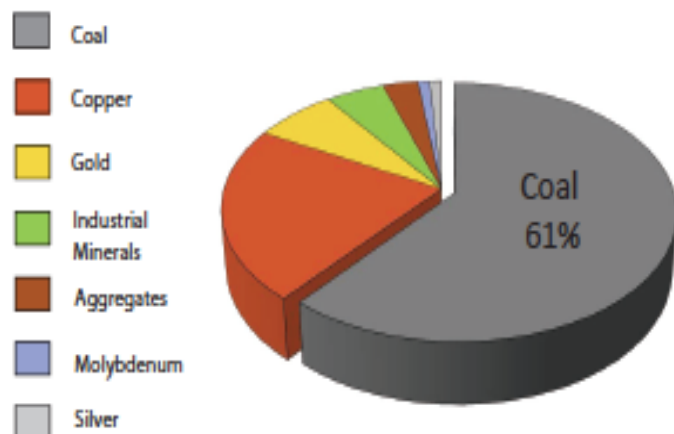


**1/2** of imports are destined  
for use in steel manufacturing  
(metallurgical coal);  
the rest are for electricity generation  
(thermal coal)

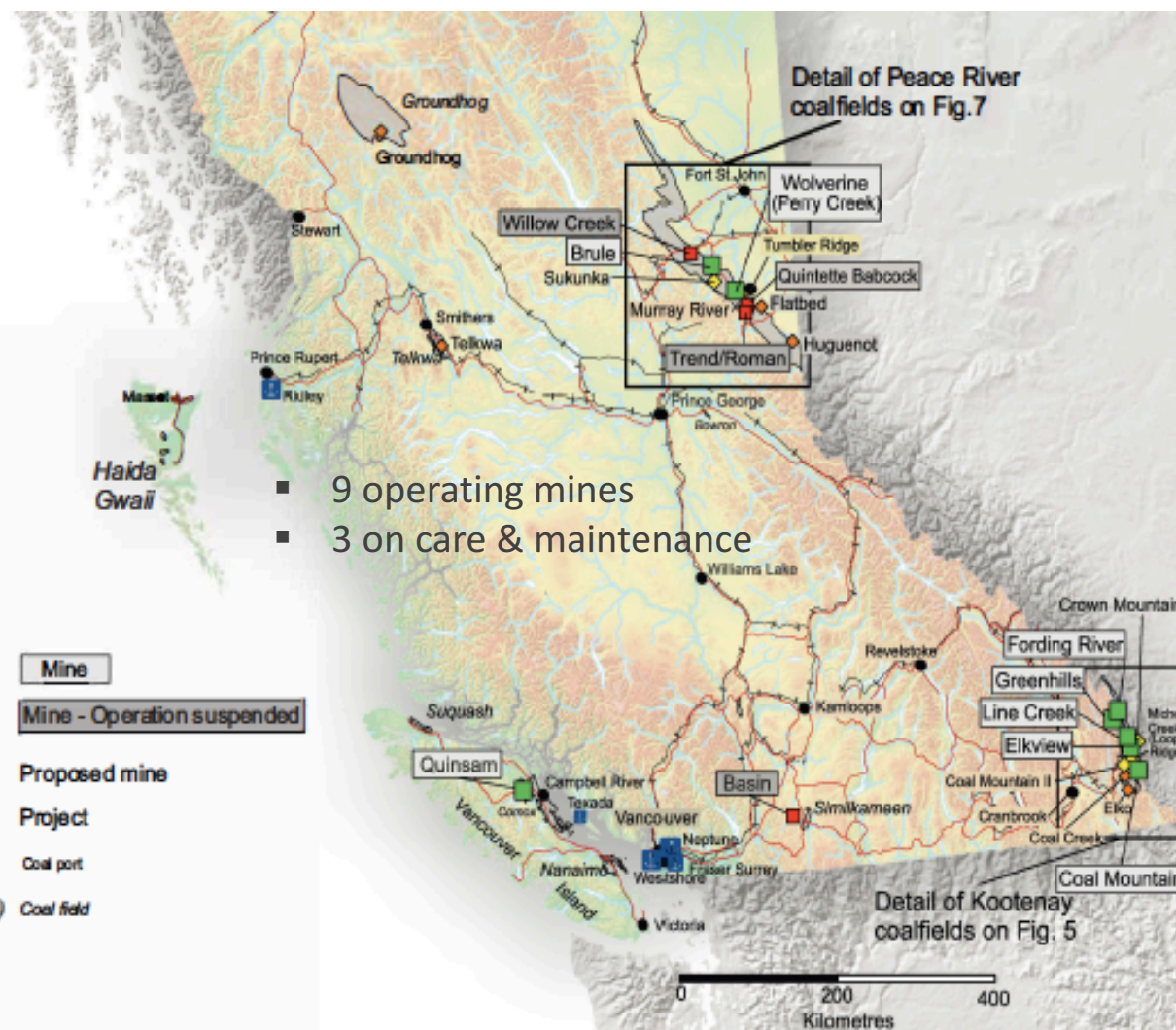




# British Columbia coal production



- 2017 coal production 31.5Mt
- 26.6Mt from Teck Resources alone
- Almost entirely met coal
- Almost entirely exported
- Coal sales revenue of C\$5.7B
- 61% of all minerals sales by value





## Coal mines get permitted in BC

- We have frequently encountered comments to the effect that, permitting is too hard in Canada
- BC has very prescriptive mine permitting legislation – do your studies, and if your project can satisfy the requirements, it will get permitted
- In the last 6 years, 2017 to 2012, five coal mines have been permitted:
  - 2012 Anglo – Roman, a mine extension of Trend producing 2.5Mtpa
  - 2012 Teck – Line Creek, producing 3.4Mtpa
  - 2015 Teck – Swift, a mine extension of Fording River producing 6.8Mtpa
  - 2016 Teck – Baldy Ridge, a mine extension of Elkview producing 6.6Mtpa
  - 2017 HD Mining – Murray River producing 4.5Mtpa
- Several new proposed coal mines are well advanced in the permitting process





But coal mining in the Canadian Rockies is complex ...





... with ~1000km rail to port ... leading to higher costs





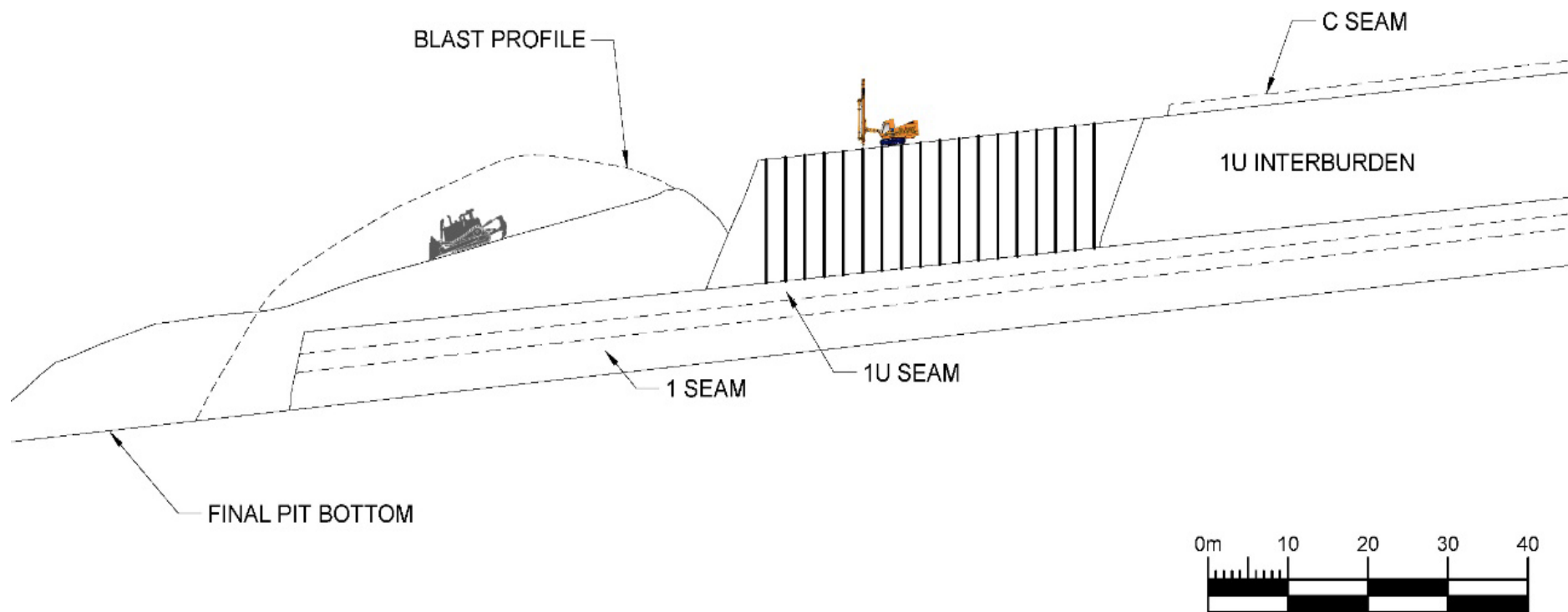


To this end ... Telkwa is unique in BC ... with flat terrain ...





... gentle dipping shallow seams enabling up-dip mining and dozer push ...





... and just 375km rail haul to Prince Rupert ...







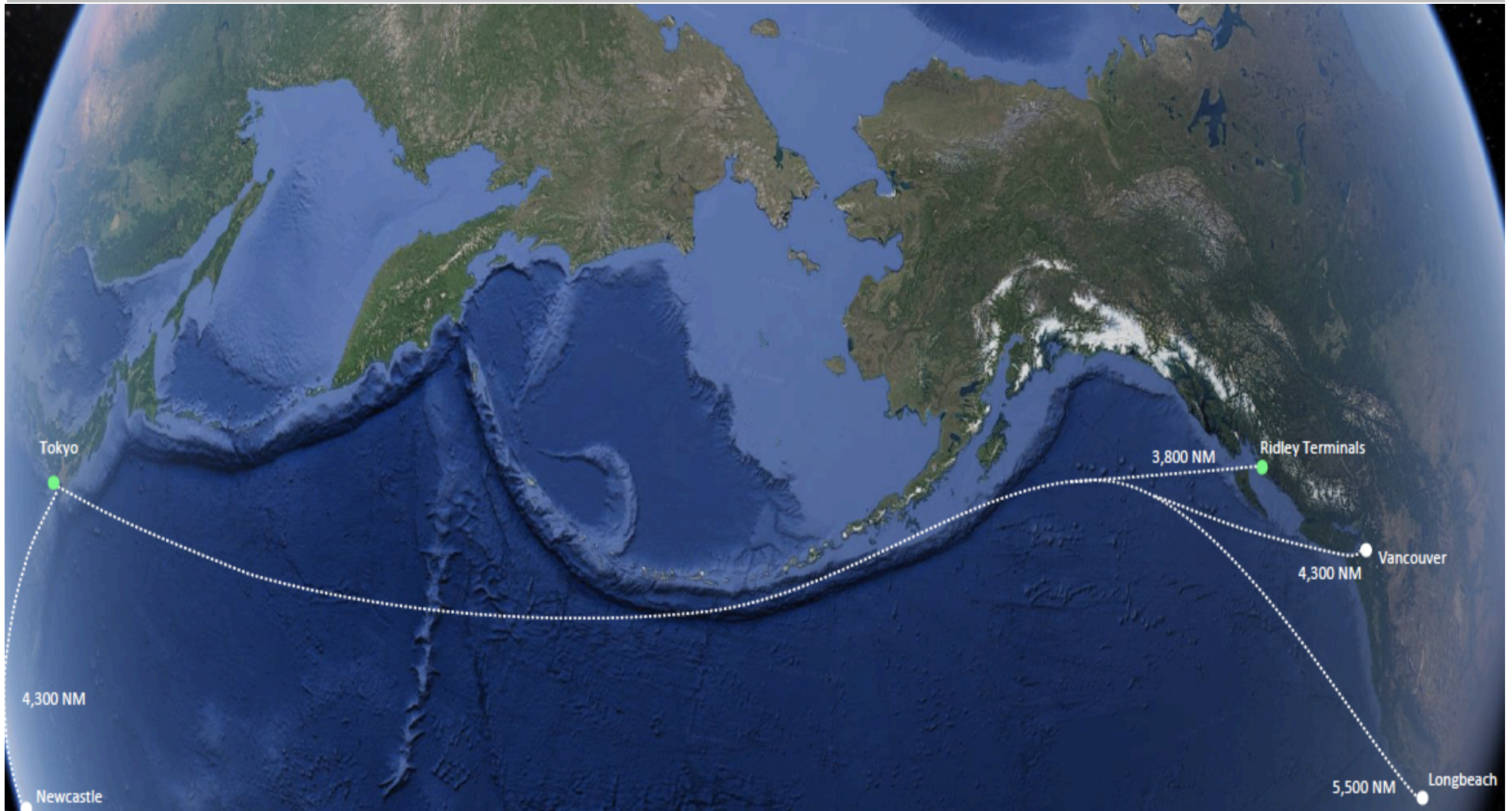
... with 18Mtpa of under-utilised port capacity ...







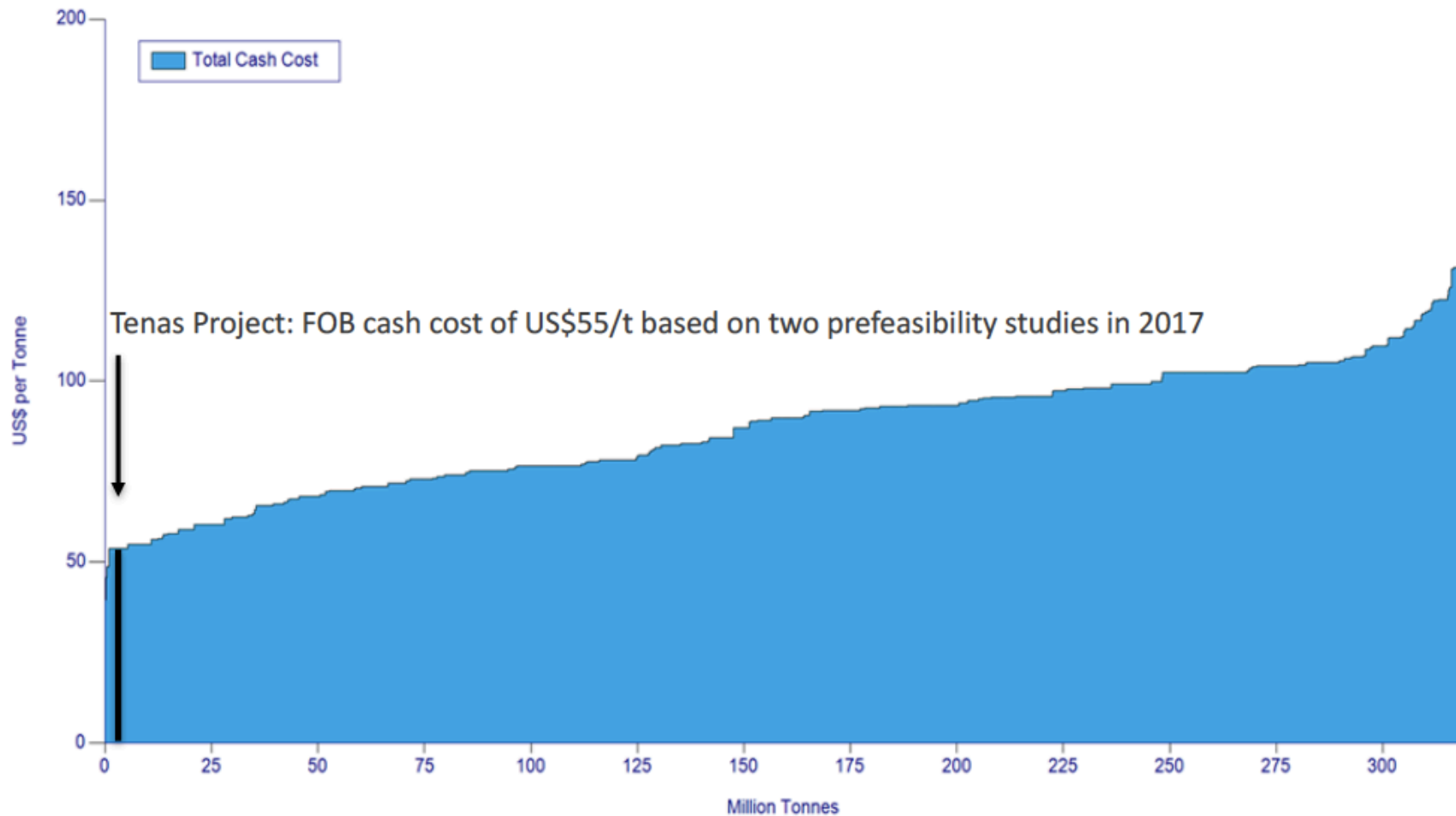
... and lastly, a shorter shipping distance to Japan and South Korea





## Not surprisingly ... almost the lowest cost producer

Seaborne Export Metallurgical Curve 2018

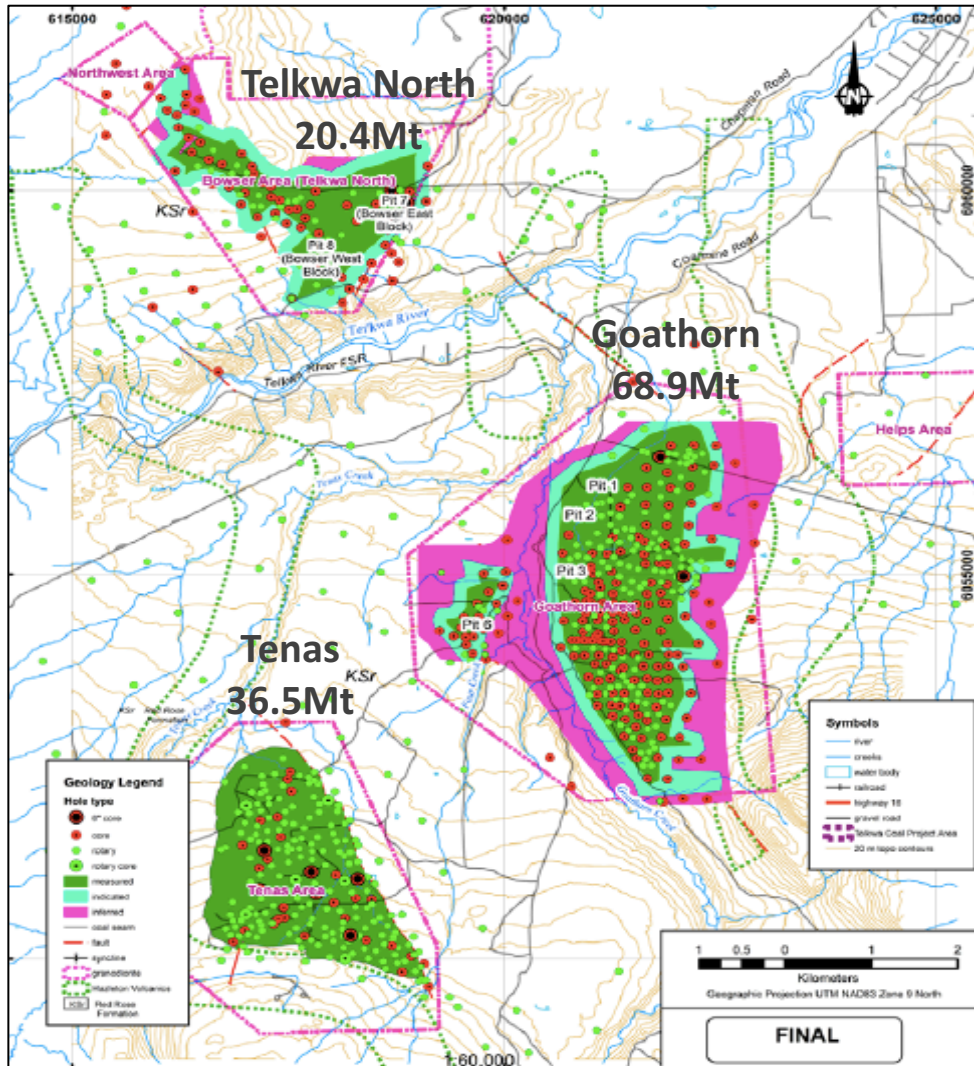


Source: Wood Mackenzie Ltd, Dataset: May 2018





# Telkwa comprises 126Mt across three deposits



- We inherited ~A\$40M of historical data:
  - 91,475m of drilling
  - 826 drill holes, 505 rotary & 321 core
  - 219 ton & 80 ton bulk sample
  - 20 years of environmental data
  - multiple feasibility studies
- We've added, in 18 months, A\$10M with:
  - Two prefeasibility studies
  - 34 drill holes
  - Further coal quality analysis
  - 1400kg bulk sample sent to 4 steel mills
  - 18 months of environmental baseline studies



# We're now focussed on a DFS to develop the Tenas deposit on its own

Region is dominated by forestry  
A fly-in fly-out hub for the northwest BC hard rock mines  
Available source of skilled labour and support services  
BC Govt. hub with regional representation

Telkwa is a dormitory suburb with a population ~2000

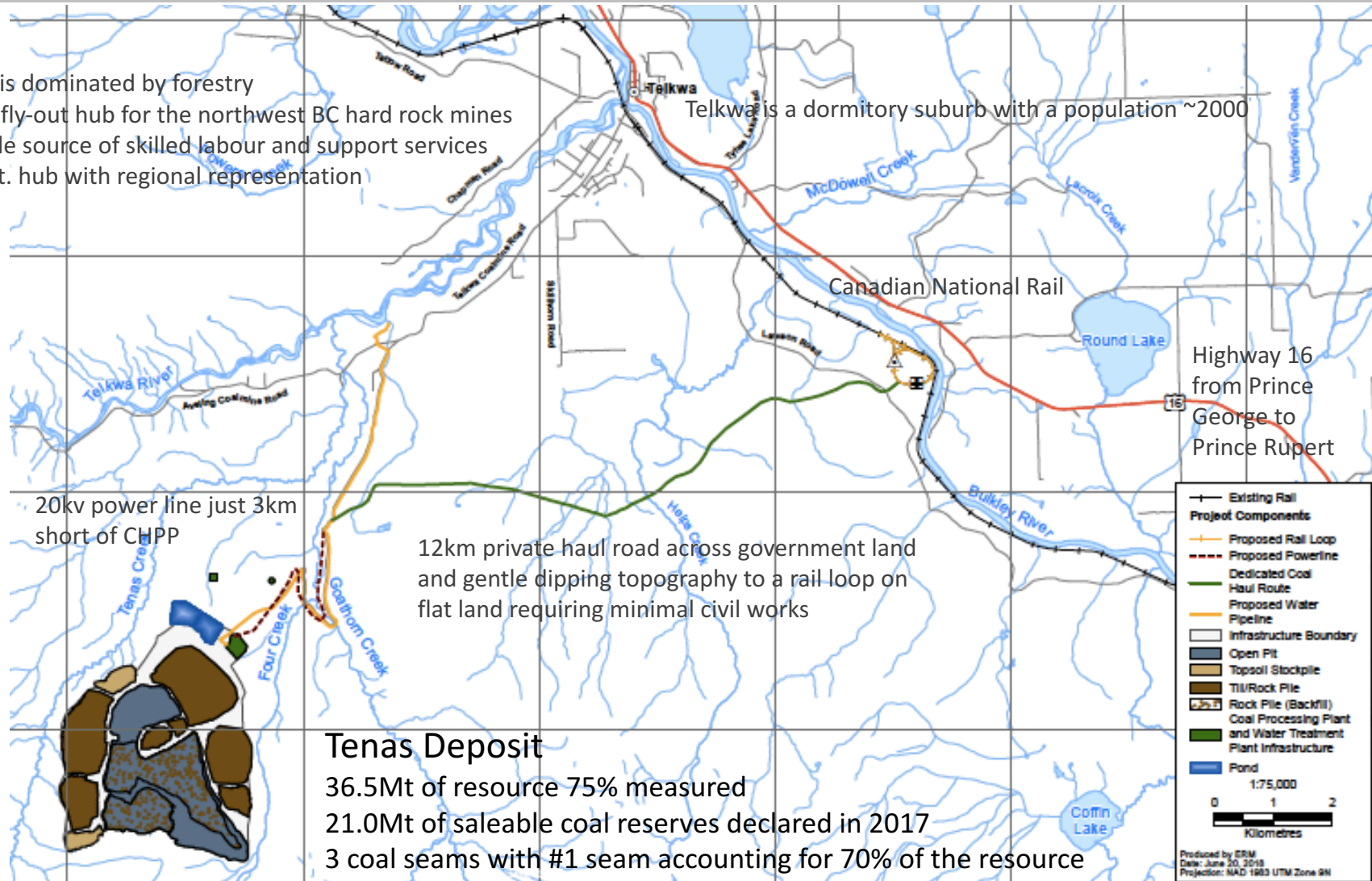
Highway 16  
from Prince  
George to  
Prince Rupert

20kv power line just 3km  
short of CHPP

12km private haul road across government land  
and gentle dipping topography to a rail loop on  
flat land requiring minimal civil works

## Tenas Deposit

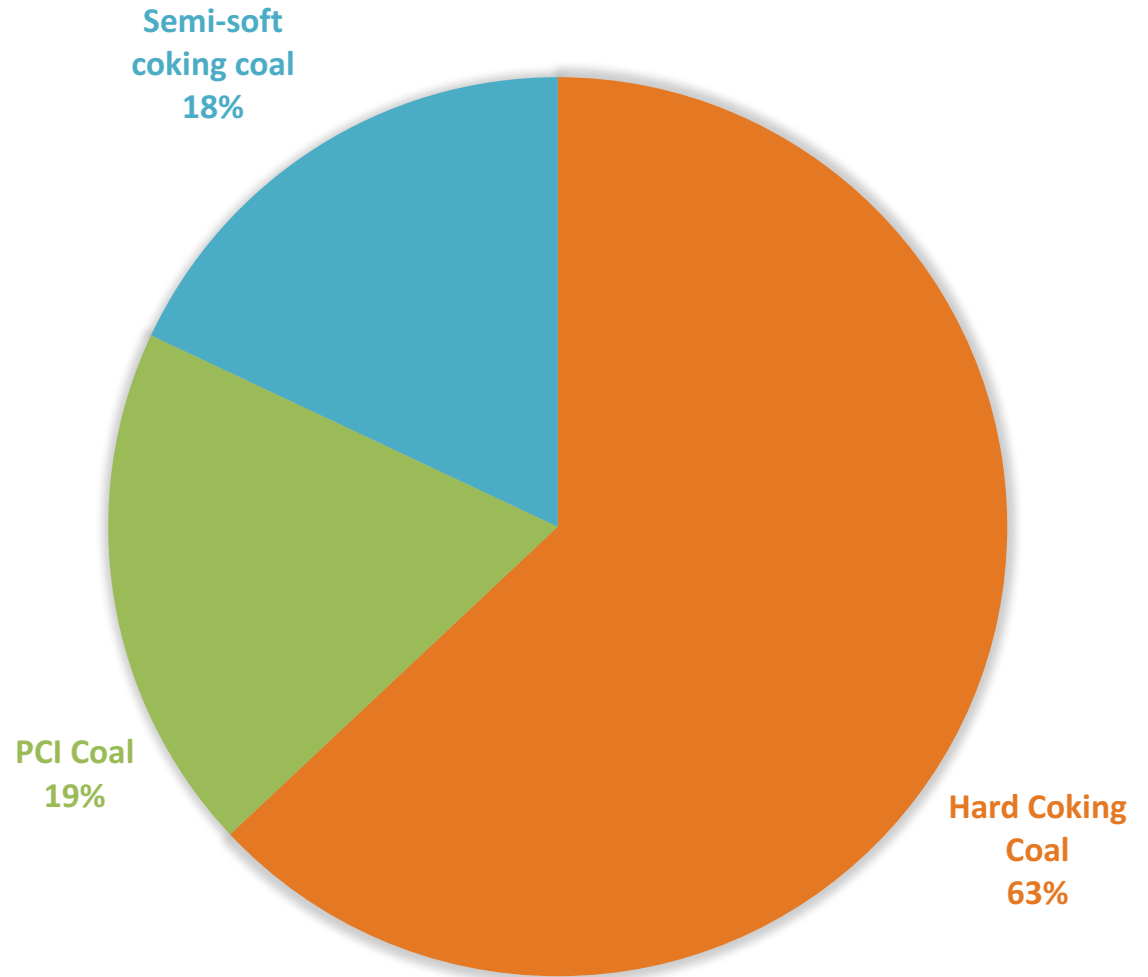
36.5Mt of resource 75% measured  
21.0Mt of saleable coal reserves declared in 2017  
3 coal seams with #1 seam accounting for 70% of the resource





## Tenas will supply a mid-vol SSCC or a mid-vol PCI

- Around 315Mt of met coal hits the seaborne market each year.
- Tenas will supply a MV SSCC or a MV PCI into that market.
- MV SSCC is limited in supply on the seaborne market, which is dominated by HV SSCC from NSW.
- There are no non-Australian suppliers of MV SSCC to the seaborne market.
- Tenas MV SSCC will, therefore, be highly sought after as a blending coal by steel mills, particularly in north-Asia.







## Tenas DFS headline production metrics

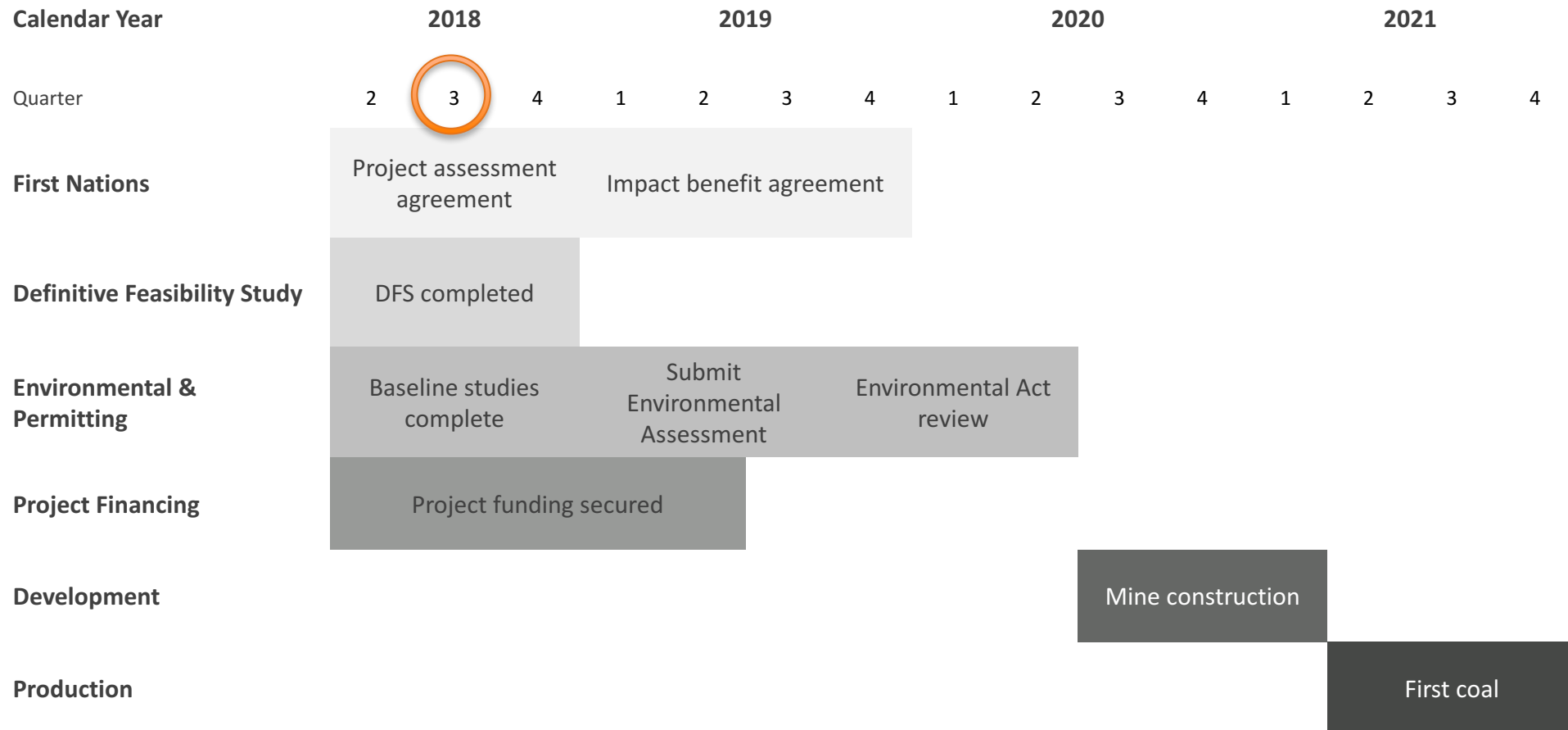
### Tenas key metrics for DFS

Total coal resource	Mt	36.5
Total coal resource strip ratio	BCM/ROMt	5.1:1
From the DFS pit optimisation model we selected mined coal	Mt	23.7
Life of mine average strip ratio	BCM/ROMt	3.2:1
Life of mine yield for an 8% ash product	%	71
Total saleable coal production	Mt	16.8
Annual saleable coal production (driven off Sedgman 140tph CHPP)	Tonnes per annum	750,000
DFS Mine life	Years	22
Actual mine life potential at DFS annual production rate	Years	36
Estimated initial capital expenditure	US\$M	61.8
Estimated average life of mine operating cash cost	FOB US\$/t	55.8
Additional coal resources from two other pits	Mt	90

- CRITICAL DRIVERS**
- Affordable and do-able
  - Small operating and environmental footprint
  - Scale and growth from cashflow, not capital raisings and dilution



## Key activities and timeline





# ALLEGIANCE COAL

LIMITED

## Principal Office

Suite 107, 109 Pitt Street, Sydney 2000

Telephone: +61 2 9233 5579

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