



ALLEGIANCE COAL
LIMITED

TENAS METALLURGICAL COAL PROJECT
TELKWA BC, CANADA

DFS RESULTS PRESENTATION

DFS PRESENTATION | MARCH 2019



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.

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Coal Resources & Reserves

The coal resources referred to in this presentation (unless otherwise stated in this presentation) were last reported in the Company's 18 June 2018 Announcement, supplemented by the Company's 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 Staged Production PFS results on 3 July 2017 (**July 2017 Announcement**), and subsequently updated in the Company's release of its Tenas Metallurgical Coal Project DFS results 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 June 2018 Announcement or the July 2017 Announcement or the March 2019 Announcement, and that all material assumptions and technical parameters underpinning the estimates in the June 2018 Announcement, the July 2017 Announcement and the March 2019 Announcement, continue to apply and have not materially changed.



Corporate summary

Capital structure

Share price - at 18 March 2019	A\$	0.061
Number of shares on issue		511M
Market capitalisation	A\$	31M

Telkwa Coal Ltd ownership

	AHQ	Itochu
TCL owns Telkwa met coal deposits 100%		
Itochu invests C\$1.5M on s.10 order (done)	95%	5%
Itochu invests C\$1.5M post DFS review and DD	90%	10%
Itochu invests C\$3.6M on filing EA application	80%	20%

Board

		Shares held
David Fawcett	Non Exec Chairman	3,435,658
Mark Gray	Managing Director	24,410,666
Jonathan Reynolds	Finance Director	1,610,000
Malcolm Carson	Non Exec Director	-

Management

		Shares held
Dan Farmer	Chief Operating Officer	2,232,595
Angela Waterman	Environment & Govt.	-

Top 20 shareholders

	Shares	%
Citicorp Nominees PL (Altius Minerals)	55,764,270	10.91
HSBC Custody Nominees (Australia) PL	26,661,191	5.22
JA Ashton Nominees (QLD) PL	25,072,336	4.90
GFT Nominees (QLD) PL	25,072,336	4.90
Bernard Laverty PL	24,400,384	4.77
Telkwa Holdings Ltd (Mark Gray)	23,218,131	4.54
Comodale PL	20,819,066	4.07
DGSF PL <Doug Grice Super Fund>	19,310,000	3.78
Franklin Civil PL	15,627,289	3.06
John Wardman & Asso. <Wardman Super Fund>	14,999,999	2.93
Peter Croke Holdings PL	13,999,999	2.74
JP Morgan Nominees Australia Ltd	12,374,630	2.42
Dryca PL <Dryca Employees Ret/F>	10,000,000	1.96
Netwealth Investments Ltd <Wrap Services>	9,678,799	1.89
John Bertrand Maguire	7,180,934	1.40
Mr Clive Thomas	7,000,000	1.37
McGee Constructions PL <McGorman Superfund>	6,500,000	1.27
Nequam PL <Dickson Family>	6,333,333	1.24
RACT Super PL <Rand Superfund>	5,787,443	1.13
Mr Jason Robert Powell	5,000,000	0.98
Total top 20 holders of Issued Capital	334,782,139	65.49



Creating shareholder value by methodically de-risking the project

This has all been achieved in less than 30 months since Telkwa Coal arrived on the ASX in Nov 2016. Each future milestone is a critical step, continuing to de-risk the project and enhance shareholder value, and sooner or later, that value will be acknowledged.

✓ Two PFSs completed in 2017	Both with positive results & both concluded all-in-cash cost FOB ~US\$55/t
✓ Sizeable resources & reserves	125Mt of coal, 102Mt measured (81%), and 42.5Mt of saleable coal reserves
✓ Steel mills test coal in 2018	Steel mills complete coal quality & coke oven tests & file expressions of interest
✓ Fortune 500 partner secured in 2018	Itochu Corporation brings credibility to the quality of the Tenas project
✓ Baseline studies completed in 2019	More than 2 years of environmental monitoring & baseline data collected
✓ DFS completed in 2019	Outstanding project economics with all-in-cash cost FOB Ridley of US\$49.7/t
• EA & mine permit applications	Target Q3 19 to lodge applications for EA certificate and permits to mine
• Secure construction funding	Target Q4 19 to secure start-up CAPEX figure of US\$55M
• EA certificate granted	Target Q3 20 to receive EA certificate
• Mining permits granted	Target Q4 20 to receive permits to mine
• First coal mined	Target Q3 21 for first coal



Tenas Project DFS Highlights

	Units	Value
✓ Total Telkwa coal complex resource across 3 deposits	Mtonnes	125.1
✓ Total Tenas deposit coal resource	Mtonnes	36.5
✓ DFS life-of-mine ROM coal production	Mtonnes	22.0
✓ DFS life-of-mine saleable coal production (at 10% moisture)	Mtonnes	16.5
✓ DFS average annual ROM coal production (at 5% moisture)	Mtonnes	1.0
✓ DFS average product coal yield	%	75
✓ DFS average annual saleable coal production	Saleable Ktonnes	750
✓ The project infrastructure allows for an increase in production subject to permitting		
✓ DFS average life-of-mine strip ratio	BCM/ROMt	3.6:1
✓ DFS mine life (incl. pre-production)	Years	22
✓ Start-up capital expenditure (excluding lease finance)	US\$M	54
✓ DFS average life-of-mine all-in-cash cost FOB Ridley Terminal	US\$/t	49.7
✓ NPV8% before interest and tax	A\$M	407.3
✓ NPV8% after interest and tax	A\$M	260.5
✓ IRR before tax	%	56.9
✓ IRR after tax	%	47.0

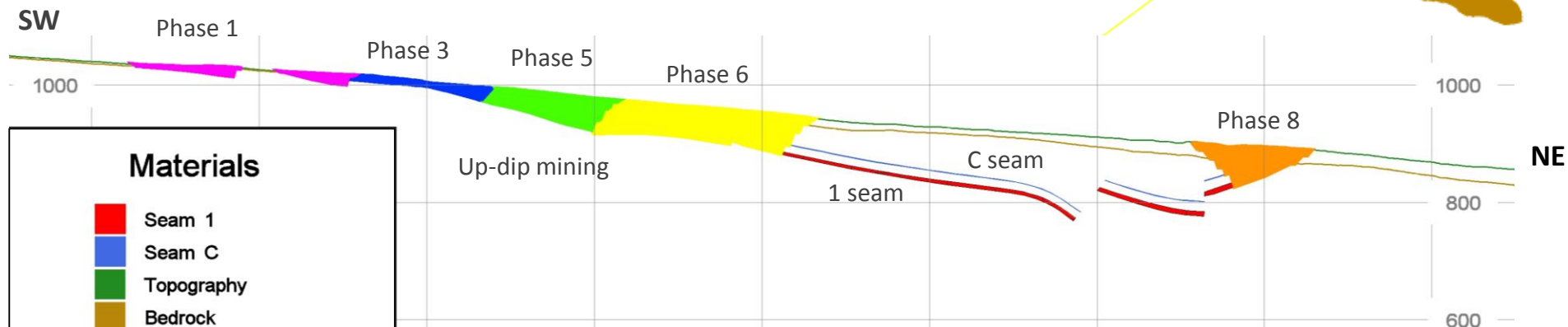
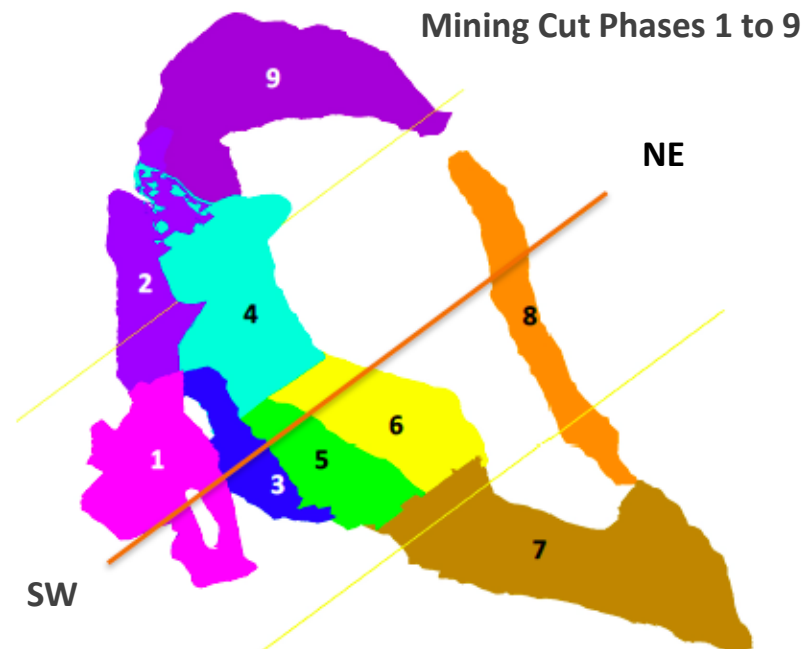


What is driving the low cost? It starts with shallow, efficient mining

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.





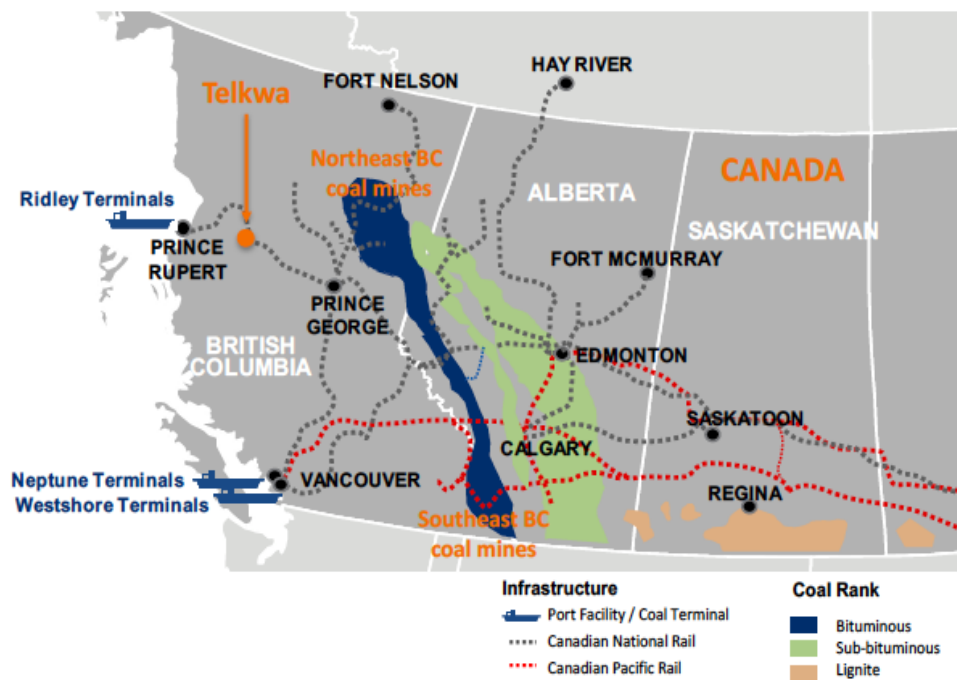
..... and ends with simple and easy logistics

Simple access to rail

Adjacent to CN Rail's main line to Prince Rupert accessed across gentle dipping terrain to a flat rail load-out location.

Short rail haul to port

The haul from rail loadout to Ridley Terminals is 375km along a flat track with little or no grade.



Uncongested port

Ridley has 18Mtpa capacity with estimated use of ~12Mtpa 2019. And, Ridley can expand to 25Mtpa within 24 months.

Shorter shipping distance to competitors

3,800 miles from Ridley to Tokyo versus 4,300 miles from Newcastle to Tokyo.



DFS operating costs are exceptionally low, and

Average Operating Costs Life of Mine	US\$/Saleable t
Site Costs	
Mining – waste removal and coal recovery	19.5
Coal processing	6.3
General and administration	4.2
Reclamation	0.9
Transportation and Marketing	
Marketing costs	1.9
Haulage (CHPP to Rail Siding)	3.8
Rail to port and loaded	13.1
Total all-in cash cost FOB pre-interest and tax	49.7

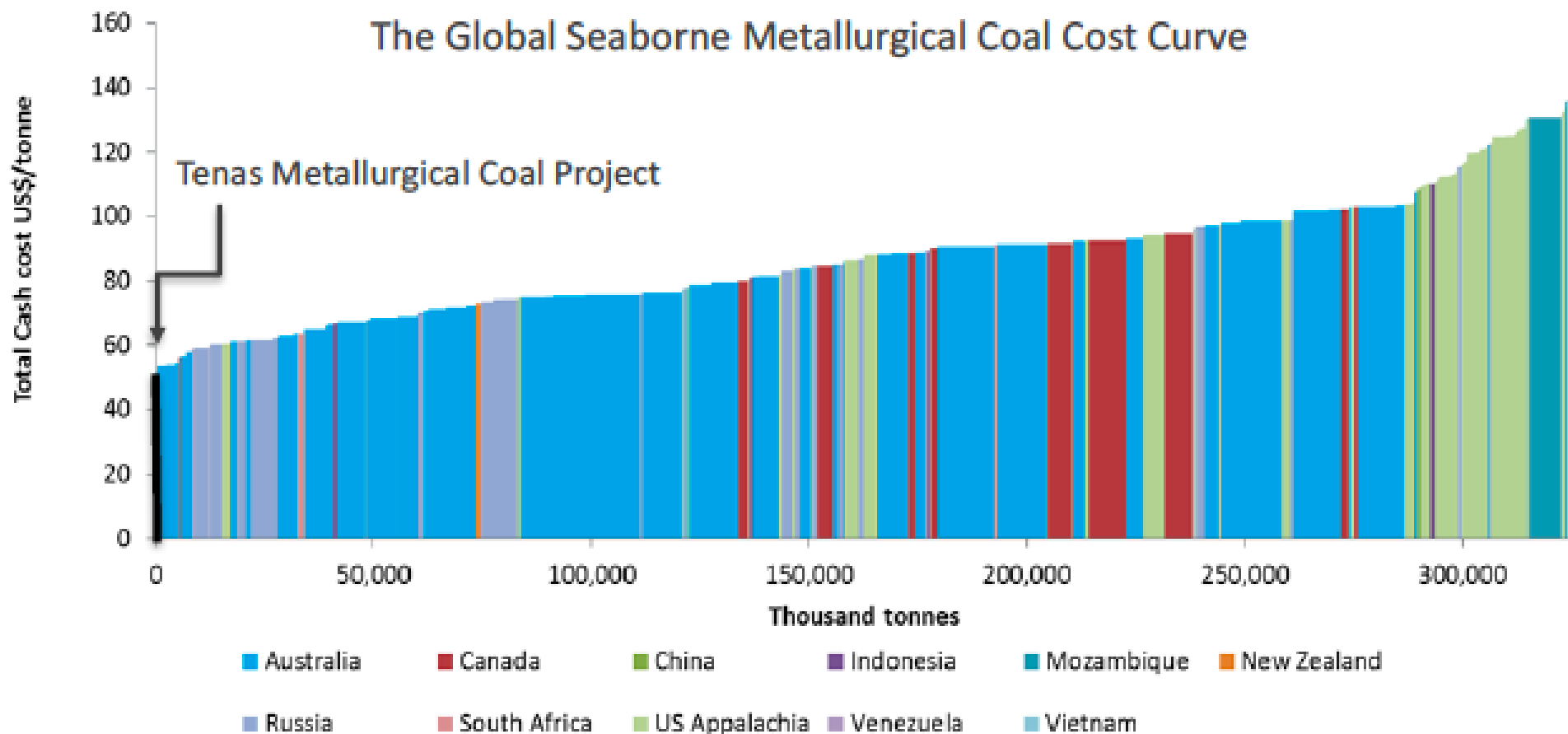
Mining costs covers the movement of all material including overburden, waste rock and the recovery of coal.

Shallow coal at a strip ratio of 3.6:1 BCM/ROMt plus, flat, gentle dipping coal seams, allow for up-dip mining and this in turn allows for dozer push of waste rock, backfilling as mining progresses. This is very low cost mining.

Typically rail and port costs in British Columbia are in the range of US\$25/t to US\$30/t, meaning Tenas is very low, similar to rail and port costs in Australia.



.... it follows, one of, if not the lowest, seaborne met coal producer



Source: Wood Mackenzie

Source: Wood Mackenzie November 2018



Start-up capital expenditure is 'do-able' and realistic for a junior

Start-up Capital	Lease finance US\$M	Owner finance US\$M
Pre-production activities		4.2
CHPP and associated plant infrastructure	(CHPP mobile equipment) 3.3	14.0
Minesite infrastructure		12.5
Water management		17.3
Rail loop and loadout		5.4
Mobile equipment	32.9	0.9
Total Start-up Capital (excludes contingency)	36.2	54.3

Lease finance terms have been offered by the preferred equipment supplier over all production equipment totaling US\$32.6M at the finance rate of 5.6% repayable over the first 5 years of mining.

It has also been assumed that ancillary equipment such as light vehicles will be lease financed.

This leaves the sum of US\$54.3M which Allegiance must raise by way of start-up capital.

It is anticipated Itochu will contribute further equity funding post permitting to contribute to this, leaving the balance to be contributed by the Company, Itochu, or independent third party financiers.

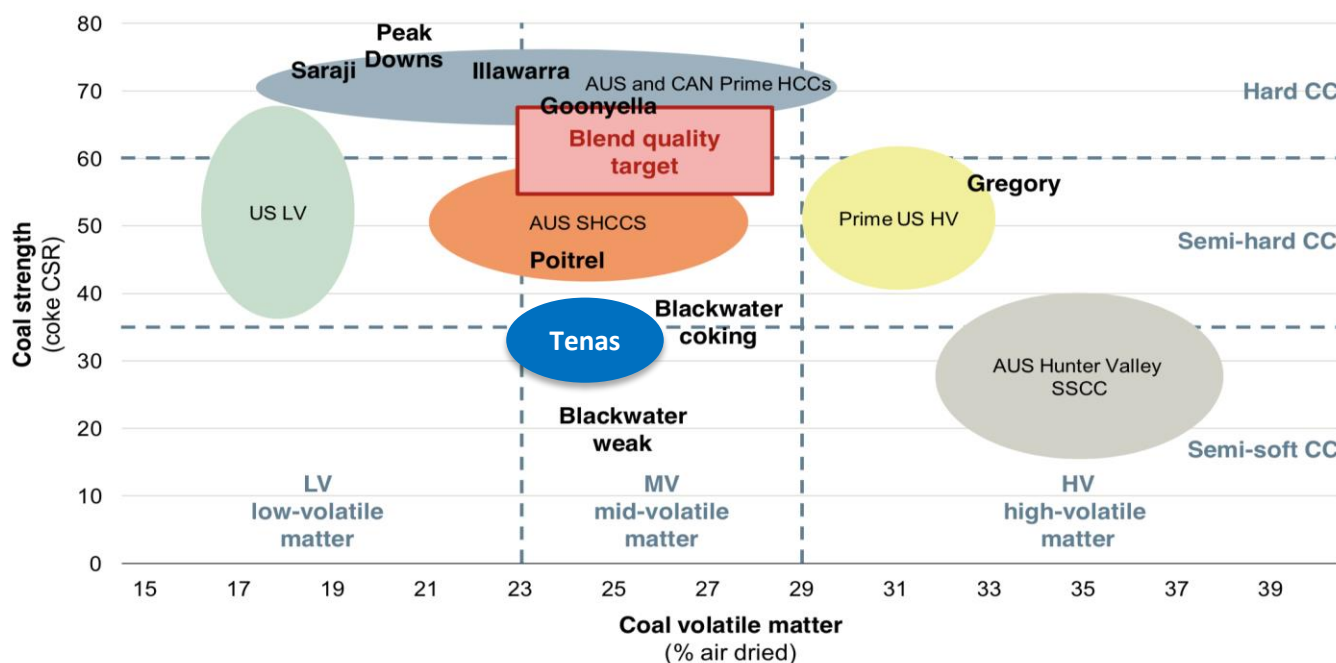


Tenas coal fills a gap in supply of mid-vol semi-soft coking coal

Coal Quality: mid-volatile semi-soft coking coal which is limited in supply on the seaborne market

Moisture	Ash	VM	Sulphur	FC	CV	RoMax	Fluidity	FSI	CSR	Phos.
1.1	9.0	25.8	0.98	65.3	7600	0.96	6	3-4	30	0.045
%	%	%	%	%	Kcal/kg		ddpm			%

BHP Billiton brands¹ and coal basins



Source: BHP Billiton.
1. BHP Billiton coking coal brands in bold text.

Benchmark pricing US\$/t

Years	'20 to '22	'23 +
HCC	185-210	175-210
SSCC	122-139	116-130

Telkwa pricing US\$/t

SSCC	120-137	114-137
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Telkwa coal will incur a small sulphur penalty, offset in part by a small ash premium, resulting in a small discount to the SSCC reference price. The DFS assumed the lowest values of the price range of US\$120/t and US\$114/t.



Key message

- The seaborne met coal market is not all about hard coking coal. The steel mills do not need 100% hard coking coal to feed into their coke ovens.
- They want semi-coking coal to drive down their cost of raw materials. Many target a HCC to SSCC blend of 70:30. We are aware of one north Asian steel mill whose primary coke oven feed is based on semi-coking coal.
- We are a business. What is important to us is cash margin. Margin is a function of PRICE, and COST. What Telkwa coal loses in price, it recovers in cost, to deliver a strong margin.
- Mid-volatile semi-soft coking coals are scarce on the seaborne market. There is no non-Australian supplier to that market.
- Telkwa coal is in demand.



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Appendix 1: Tenas project mine and infrastructure

