



ALLEGIANCE COAL

LIMITED

**FOCUSED ON ADVANCED STEELMAKING COAL PROJECTS
IN WESTERN CANADA**

UPDATE PRESENTATION | JUNE 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.



ASX listed investing in British Columbian coking coal

Main asset - the Telkwa metallurgical coal complex

126Mt of mid-volatile semi soft coking coal

In demand from the Asian steel mills but limited in supply

Telkwa Coal Ltd owns the asset 100%

Allegiance capital structure

Share price - at 10 June 2019	A\$0.090
Number of shares on issue	511M
Market capitalisation	A\$46M

Telkwa Coal Limited ownership

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 (expected June 19)	90%	10%
Itochu invests C\$3.6M on filing EA application	80%	20%

Board & Management

Mark Gray	Chairman & CEO	24,460,666
Jonathan Reynolds	Finance Director	1,610,000
Malcom Carson	Non Exec Director	
Dan Farmer	Chief Operating Officer	2,232,595
Angela Waterman	Environment & Govt.	

AHQ Itochu

Shares held



Top 10 shareholders

	Shares	%
Citicorp Nominees PL (Altius Minerals)	55,717,330	10.9
HSBC Custody Noinees (Australia) PL	26,635,095	5.2
JA Ashton Nominees (QLD) PL	25,072,336	4.9
GFT Nominees (QLD) PL	25,072,336	4.9
Telkwa Holdings Ltd (Mark Gray and related)	24,460,666	4.8
Bernard Laverty PL	23,400,384	4.6
Comodale PL	20,819,066	4.1
DGSF PL <Doug Grice Super Fund>	19,310,000	3.8
Franklin Civil PL	15,627,289	3.1
John Wardman & Asso. <Wardman Super Fund>	14,999,999	2.9
	251,114,501	49.2



The basic coal split: coking coal = steel while thermal coal = electricity ...



Coking coal



0.8t of coking coal produces
1.0t of steel via blast furnace
steel production.
Blast furnaces produce 75%
of global steel production.



Thermal coal



Thermal coal is lower quality
lacking coking characteristics.
It is more abundant and is
used almost exclusively to
generate electricity.



Source: World Steel Association 2018



... and steel underpins our daily lives in so many different ways



Steel is delivered as coils, plates, sections or bars. It is then refined and tailored for its multiple applications globally.

1MW of wind turbine capacity requires 230t of steel making coal.



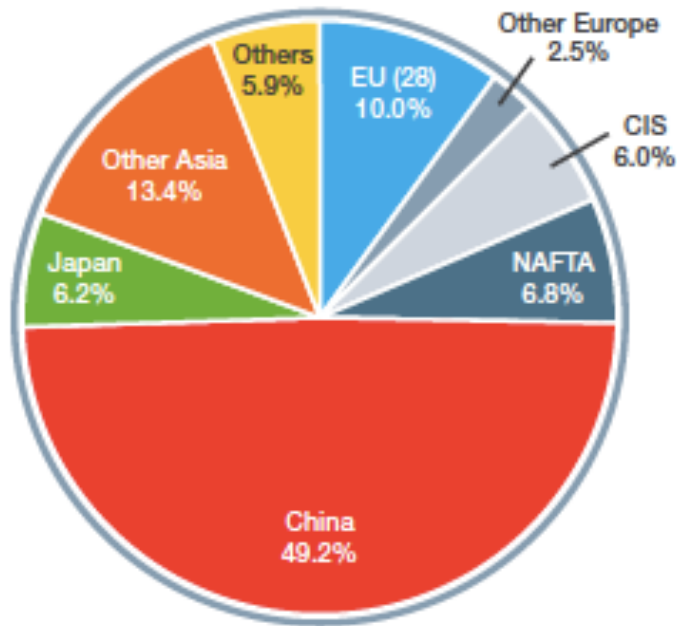


Asia dominates both global supply and demand for steel

Asia accounts for 69% of global steel production and 66% of its consumption. If you are a steelmaking coal producer, competitive access to this market is highly advantageous to your business.

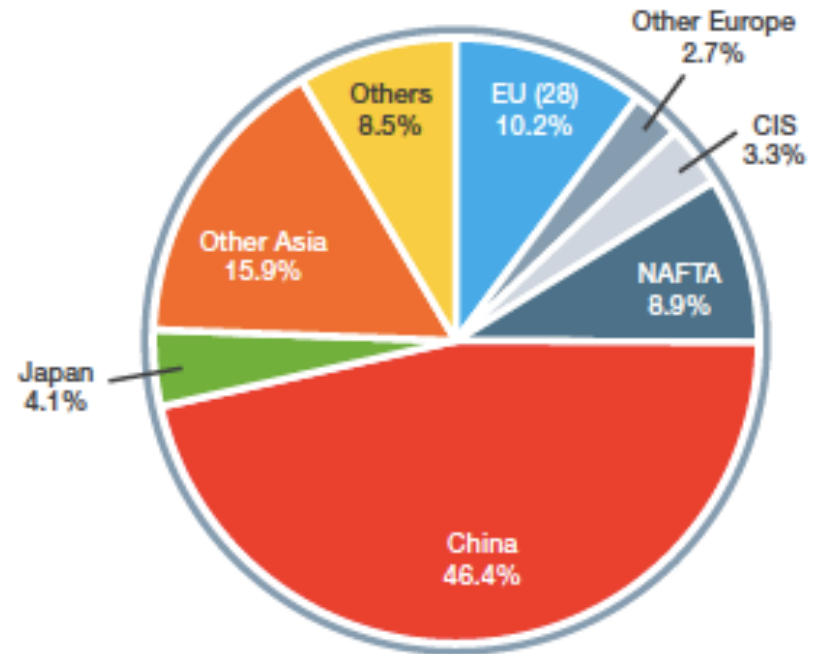
Crude steel production

World total: 1 689 million tonnes



Apparent steel use (finished steel products)

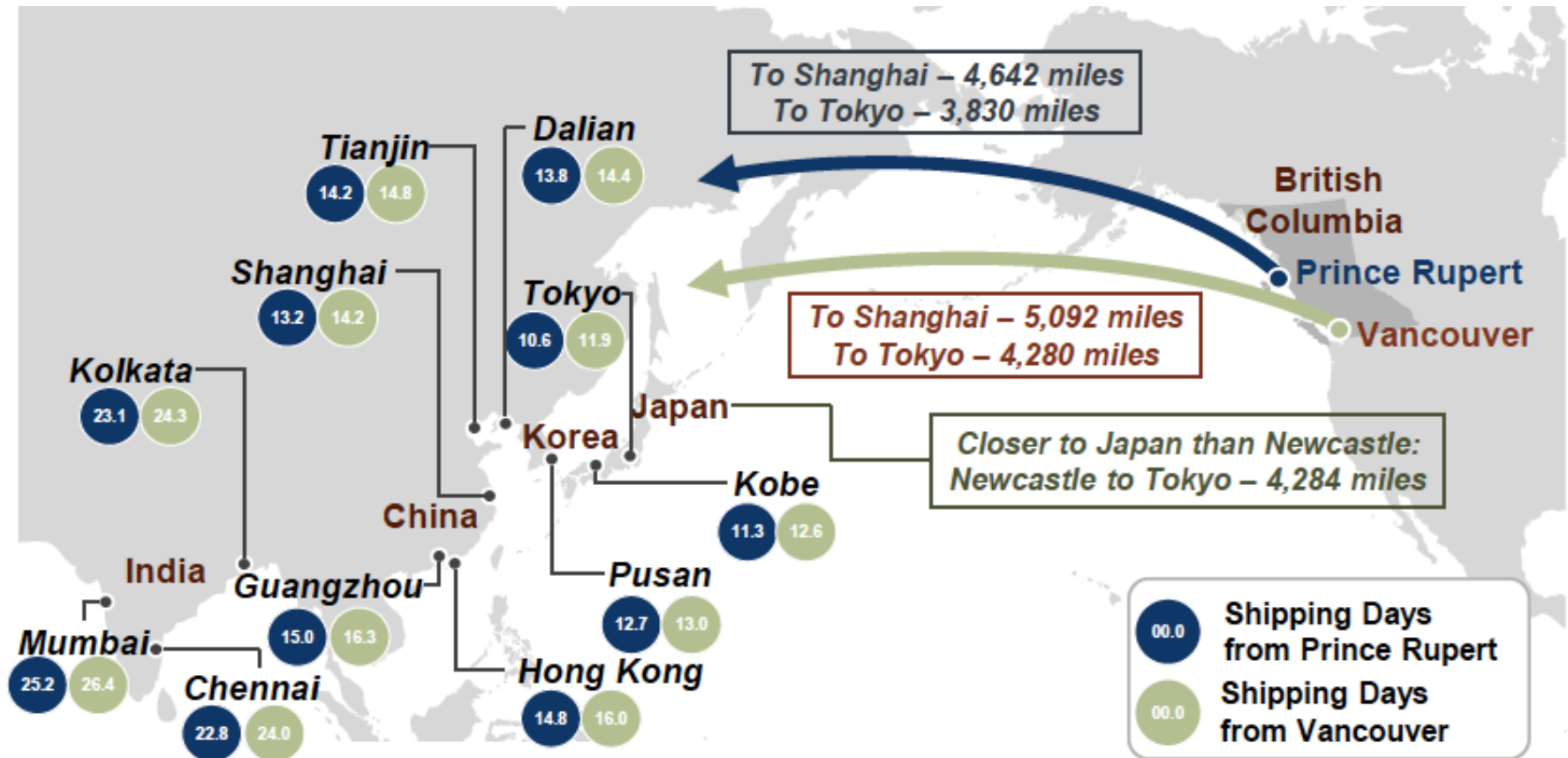
World total: 1 587 million tonnes



Source: World Steel Association 2018



West Canadian coal access to east Asia demand is highly competitive



Source: AME



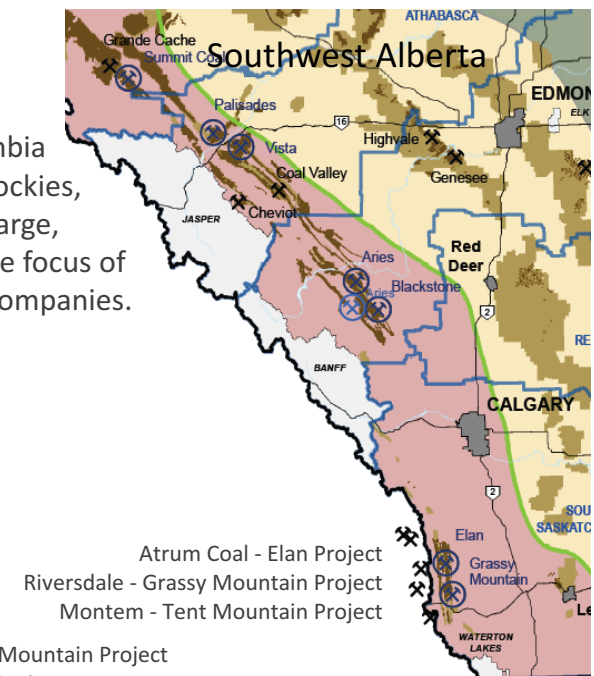
West Canadian coal production is ranked 3rd on the seaborne market ...

British Columbia



Nine coal mines in east British Columbia and southwest Alberta produce ~35Mtpa of steelmaking coal which is exported to the Asian steel markets via three ports in British Columbia - Ridley Terminals at Prince Rupert to the north, and Westshore and Neptune Terminals located in Vancouver. The rail distance to port for these mines ranges from 950km to 1100km.

Alberta borders British Columbia separated by the Canadian Rockies, combining to host multiple, large, steelmaking coal deposits, the focus of many Australian junior coal companies.



Jameson Resources - Crown Mountain Project
Pacific American Coal - Elko Project
Pacific Road Capital - Michel Project

Atrium Coal - Elan Project
Riversdale - Grassy Mountain Project
Montem - Tent Mountain Project

Source: Government publications of BC and Alberta



... and has been the focus of much M&A activity over the last decade

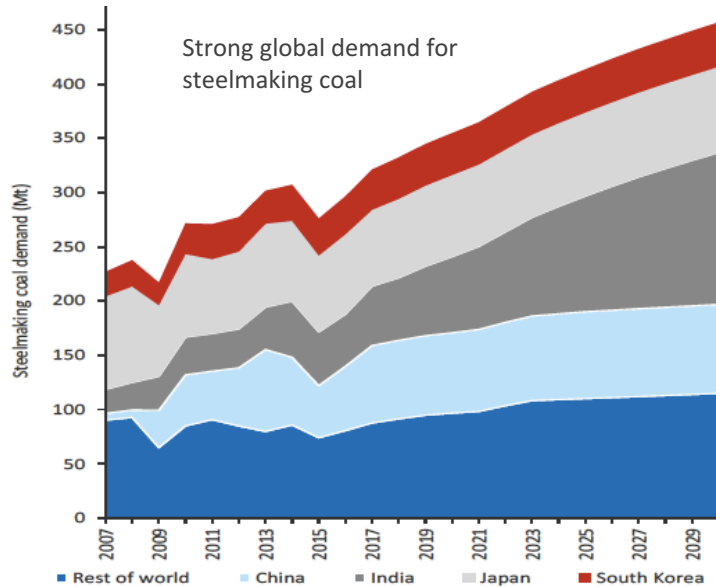


It follows and it is not surprising, that Western Canadian metallurgical coal has been the focus of M&A activity:

	Price US\$	Status	ROM Reserves	Resources
2010: Walter Energy acquires Western Coal Corporation	2.5B	3 producing mines	60Mt	
2011: Winsway and Marubeni acquire Grand Cache Coal	750M	1 producing mine	207Mt	
2011: Anglo American acquires 25% of Peace River Coal	166M	2 producing mines	50Mt	36Mt
2011: Xstrata acquires First Coal Corporation	153M	Exploration		240Mt
2012: Xstrata acquires Sukunka asset from Talisman Energy	500M	Exploration		288Mt
2012: JX Nippon acquires 25% in Xstrata Coal BC assets	435M	Exploration		
2017: Conuma Coal (AMCI Group) acquires Walter Energy's BC assets	Unknown	Exploration	38Mt	
2019: Gina Reinhart (Hancock) offers to acquire 80% of Riversdale	600M	Exploration	154Mt	195Mt



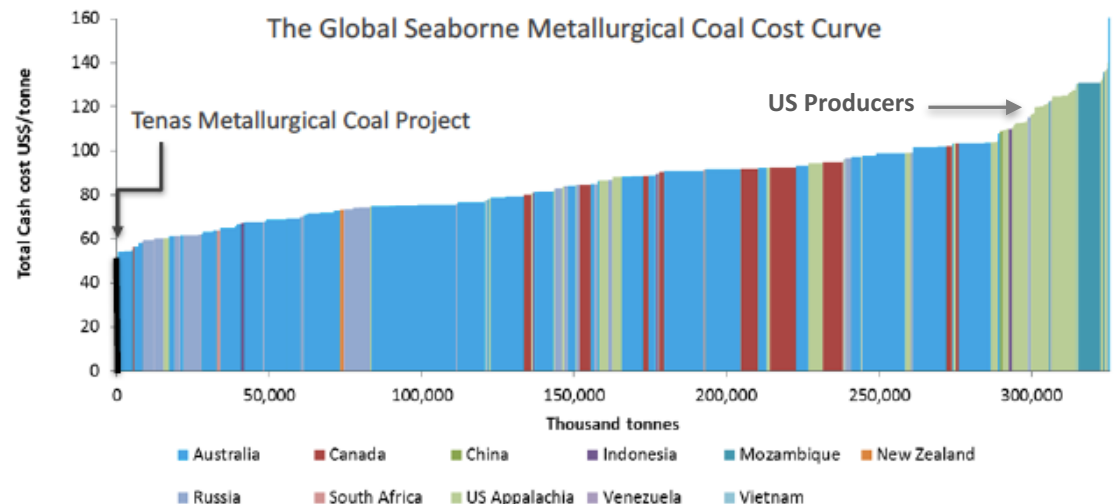
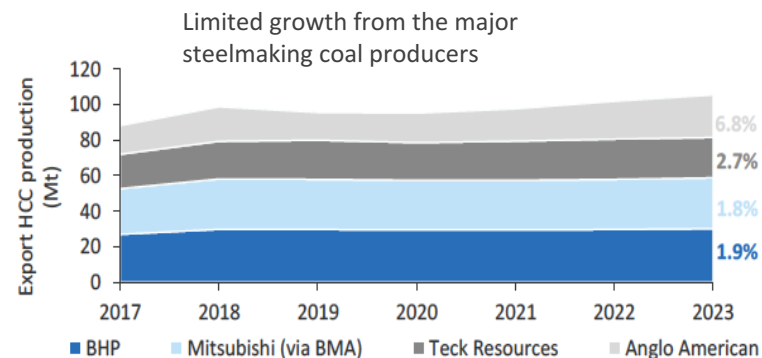
Ultimately however, this is why we are invested in steelmaking coal



Global demand for steelmaking coal is strong, while supply from the worlds largest steelmaking coal producers offers minimal growth opportunity. A significant reduction in capital investment by the worlds major producers over the last 8 years has constrained supply.

The majority of US producers are 'swing suppliers' who typically fill demand in a high price environment, but are also highest on the cost curve, along with Mozambique, and are not sustainable in a low price environment.

Allegiance's Tenas Project is lowest on the cost curve, insulated from price volatility.

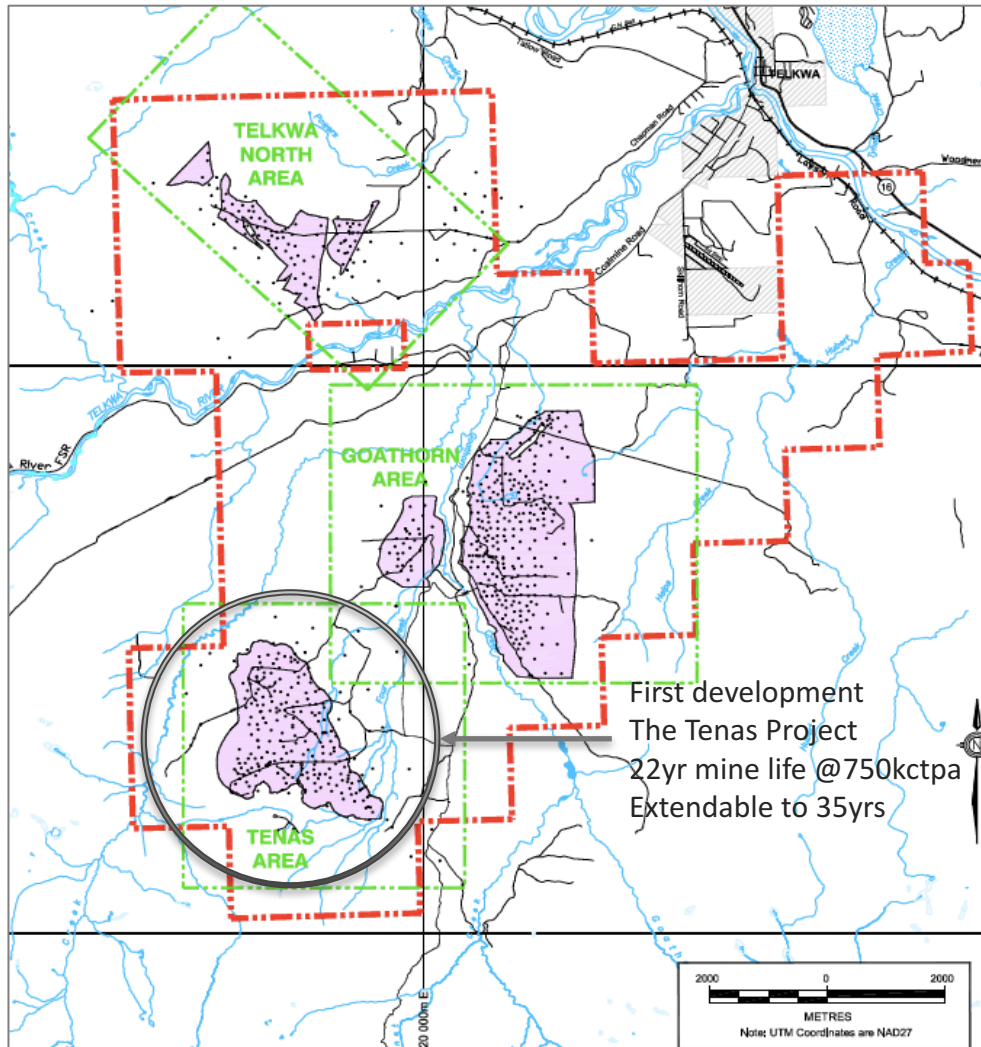


Source: AME

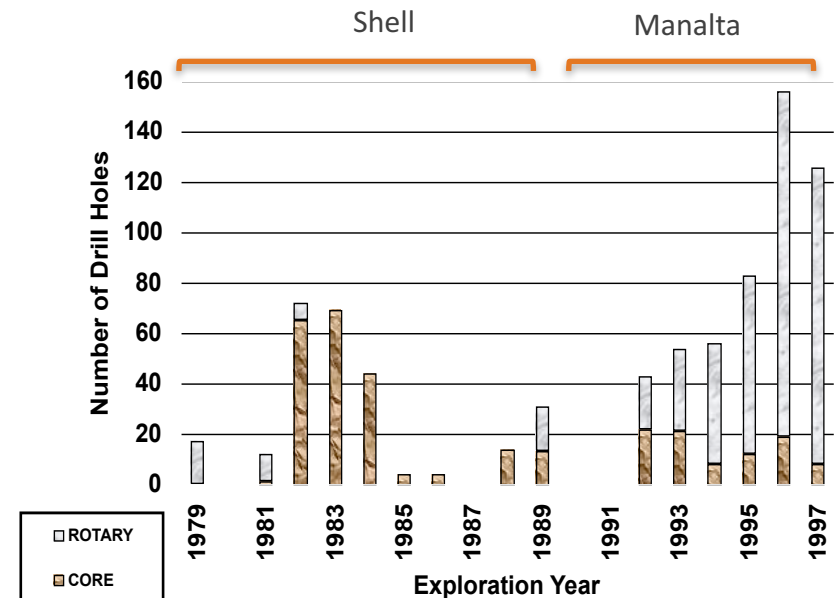
Source: Wood Mackenzie



The Telkwa Metallurgical Coal Complex



- 3 deposits comprising 126Mt of coal resource
- 102Mt or 81% in the measured category
- ~A\$40M of historical exploration data
- 91,475m of historical drilling
- 826 drill holes, 505 rotary & 321 core
- 2 bulk samples and multiple trenching
- 46.4km of surface geophysics
- 20 years of environmental monitoring data
- Several historical feasibility studies
- Allegiance has spent ~A\$15M to date



Source: AME



Key success drivers

- ✓ **Key relationships in place** Well established relationships with First Nations, Community and Government
- ✓ **Proven management** A team that has permitted, built, and run coal mines in Canada before
- ✓ **Local skilled workforce** No fly-in-fly-out: local skilled workforce employed in forestry and hard rock mining
- ✓ **Simple geology** Shallow, gentle dipping syncline, with minimal structure (Tenas DFS)
- ✓ **Low strip ratio** 3.6:1 BCM/ROMt average life-of-mine (Tenas DFS)
- ✓ **Easy access to rail** 21km gentle declining private haul road to rail loop
- ✓ **Easy access to port** 375km rail on flat track to Ridley Coal Terminal
- ✓ **Uncongested port** 18Mt of annual capacity currently at 12Mt and no berthing delays
- ✓ **Easy access to market** Competitive shipping distance compared to Australian coking coal supply
- ✓ **Very low OPEX** US\$49.7/t all in cash cost FOB port (Tenas DFS)
- ✓ **Low start-up CAPEX** US\$54M excluding lease finance of major equipment (Tenas DFS)

Image: Open House with the Community in Telkwa



Tenas DFS Project Economics

Operating Costs Life of Mine	US\$/Saleable t
Site	
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

KPIs for Life of Mine	Units	Value
2021 and 2022 average coal price	US\$/t	120
2023 onwards average coal price	US\$/t	114
Exchange rate CAD to USD	CAD:USD	1.33
Exchange rate AUD to USD	AUD:USD	1.41
Exchange rate CAD to AUD	AUD:CAD	1.06
Pre-tax net present value @ 8%	A\$M	407.3
Pre-tax Internal rate of return	%	56.9
Post-tax net present value @ 8%	A\$M	260.5
Post-tax Internal rate of return	%	47.0
Payback from commercial production	Years	2.5

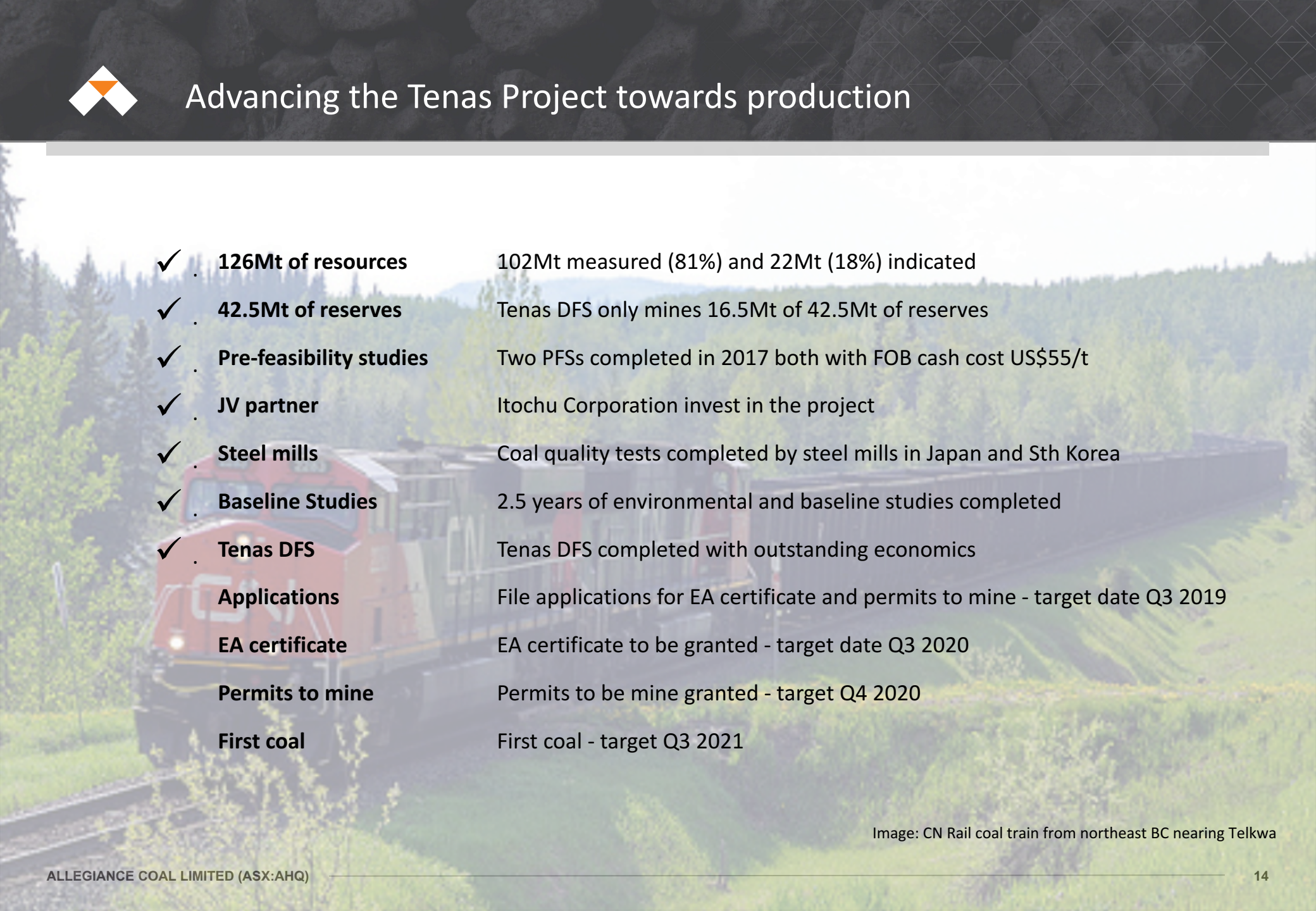
Start-up Capital	Lease finance US\$M	Owner finance US\$M
Pre-production activities		4.2
CHPP and infrastructure (mobile equip.)	3.3	14.0
Minesite infrastructure		12.5
Water management		17.3
Rail loop and loadout		5.4
Mobile equipment	32.9	0.9
Total Start-up Capital	36.2	54.3

- Lease finance on attractive terms have been offered from the two preferred equipment suppliers
- This leaves a start-up capital requirement to be financed by third parties, Itochu or Allegiance, or a combination, of US\$54.3M

Image: Ridley Coal Terminal in Prince Rupert



Advancing the Tenas Project towards production



✓ 126Mt of resources	102Mt measured (81%) and 22Mt (18%) indicated
✓ 42.5Mt of reserves	Tenas DFS only mines 16.5Mt of 42.5Mt of reserves
✓ Pre-feasibility studies	Two PFSs completed in 2017 both with FOB cash cost US\$55/t
✓ JV partner	Itochu Corporation invest in the project
✓ Steel mills	Coal quality tests completed by steel mills in Japan and Sth Korea
✓ Baseline Studies	2.5 years of environmental and baseline studies completed
✓ Tenas DFS	Tenas DFS completed with outstanding economics
Applications	File applications for EA certificate and permits to mine - target date Q3 2019
EA certificate	EA certificate to be granted - target date Q3 2020
Permits to mine	Permits to be mine granted - target Q4 2020
First coal	First coal - target Q3 2021

Image: CN Rail coal train from northeast BC nearing Telkwa



Coal mines do get permitted in BC

Mine permitting in British Columbia is typically done in 2 steps: apply for and obtain an environmental certificate first, and once obtained, apply for permits to mine. From the permitted mines listed in the table below, on average, it took 3.5 years to be permitted from the date a section 10 order was issued following lodgment of a Project Description with the BC Environmental Assessment Office (EAO).

That time frame can be reduced however, if a proponent is approved by the EAO to lodge applications for an environmental certificate, and permits to mine, at the same time so that both are dealt with concurrently, not sequentially. This generally applies to advanced projects, e.g. completed DFS or mine term extension. Tenas is the only project approved for concurrent permitting in the list below.

Company	Project	Location	Production	Status
Anglo American	Roman	Southeast BC - Elk Valley	2.5Mctpa	2010 - permitted
Teck Resources	Line Creek	Southeast BC - Elk Valley	6.6Mctpa	2013 - permitted
Teck Resources	Swift	Southeast BC - Elk Valley	10.0Mctpa	2015 - permitted
Teck Resources	Baldy Ridge	Southeast BC - Elk Valley	6.0Mctpa	2016 - permitted
HD Mining	Murray River	Northeast BC - Peace River	6.0Mctpa	2017 - permitted
Glencore	Sukunka	Northeast BC - Peace River	2.5Mctpa	EA lodged
Pacific Road Capital	Michel Creek	Southeast BC - Elk Valley	4Mctpa	Section 10 issued - pre EA lodgment
Jameson Resources	Crown Mountain	Southeast BC - Elk Valley	1.7Mctpa	Section 10 issued - pre EA lodgment
Centre Mountain Coal	Bingay	Southeast BC - Elk Valley	1.0Mctpa	Section 10 issued - pre EA lodgment
Pacific Road Capital	Michel	Southeast BC - Elk Valley	2.0Mktpa	Section 10 issued - pre EA lodgment
Allegiance Coal	Tenas	Northwest BC - Telkwa	750kctpa	Section 10 issued - target EA lodgment Q3 19



Tenas Project timeline to completion of permitting

	2016	2017	2018	2019	2020	2021	2022
Telkwa Coal Planning Process, Engagement, and Proposed Project Phases¹							
TCL Planning Studies	Pre-feasibility Study	Feasibility Study					
Tenas Project Phases					Construction	Operations	
Wet'suwet'en Engagement and Community Dialogue							
Community Open Houses			1	2 3	4 5		
Current Baseline Program / Ongoing Monitoring							
Meteorology, Air Quality, Noise, Groundwater, Surface Water Quality, Sediment Quality, Aquatic Resources, Fish and Fish Habitat, Visual Quality, Soils and Terrain, Vegetation, Wildlife and Wildlife Habitat		Baseline Program				Monitoring	
Regulatory Process (Environmental Assessment and Permitting)¹							
Application Development (Pre-Application Phase)							
Project Description submitted to BC EAO							
BC EAO issues Section 10 Order (determining Project is reviewable)							
BC EAO issues Section 11 Order (setting the scope and process for the review)							
BC publishes Valued Component Selection Summary							
BC EAO publishes draft Application Information Requirements							
BC EAO holds public comment period on Application Information Requirements							
Application Submission and Review (Application Phase)							
Applications for EA Certificate and Mines Act Permit submitted to BC EAO							
BC EAO evaluates, accepts, and reviews EA Certificate Application							
BC EAO holds public comment period of EA Certificate Application							
BC EAO makes EA Certificate decision and issues EA Certificate							
Mine Permit and Environmental Management Act Permit decision							

Notes: ¹ Dates shown are Telkwa Coal's best estimates only.

² Progressive reclamation at specific sites may begin during the Operation Phase. Post-closure reclamation activities are anticipated to require two to three years, with continued monitoring beyond this time frame.



ALLEGIANCE COAL

LIMITED

Principal Office

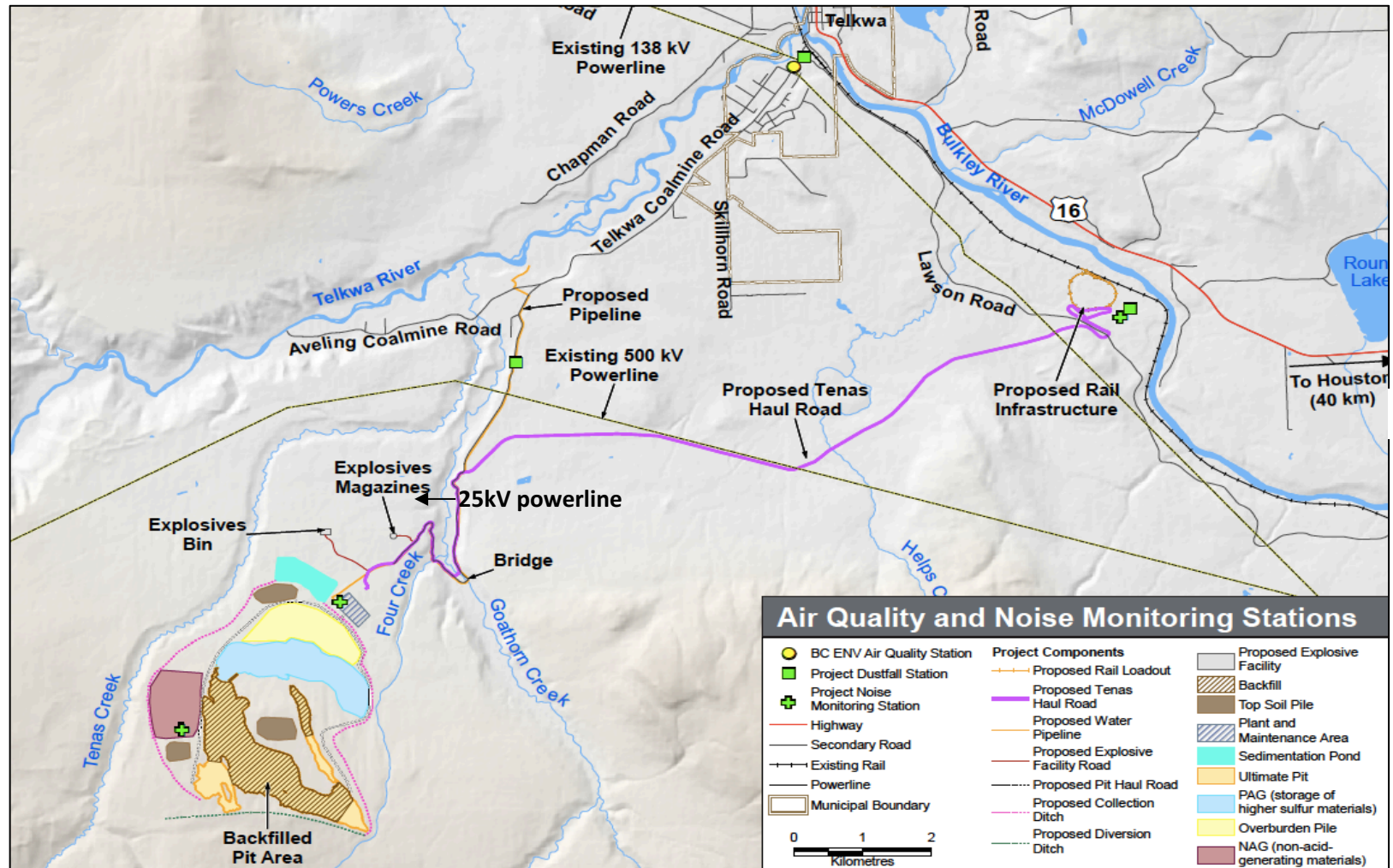
Suite 107, 109 Pitt Street, Sydney 2000

Telephone: +61 2 9233 5579

Email : info@allegiancecoal.com.au



Appendix 1: Tenas project mine and infrastructure



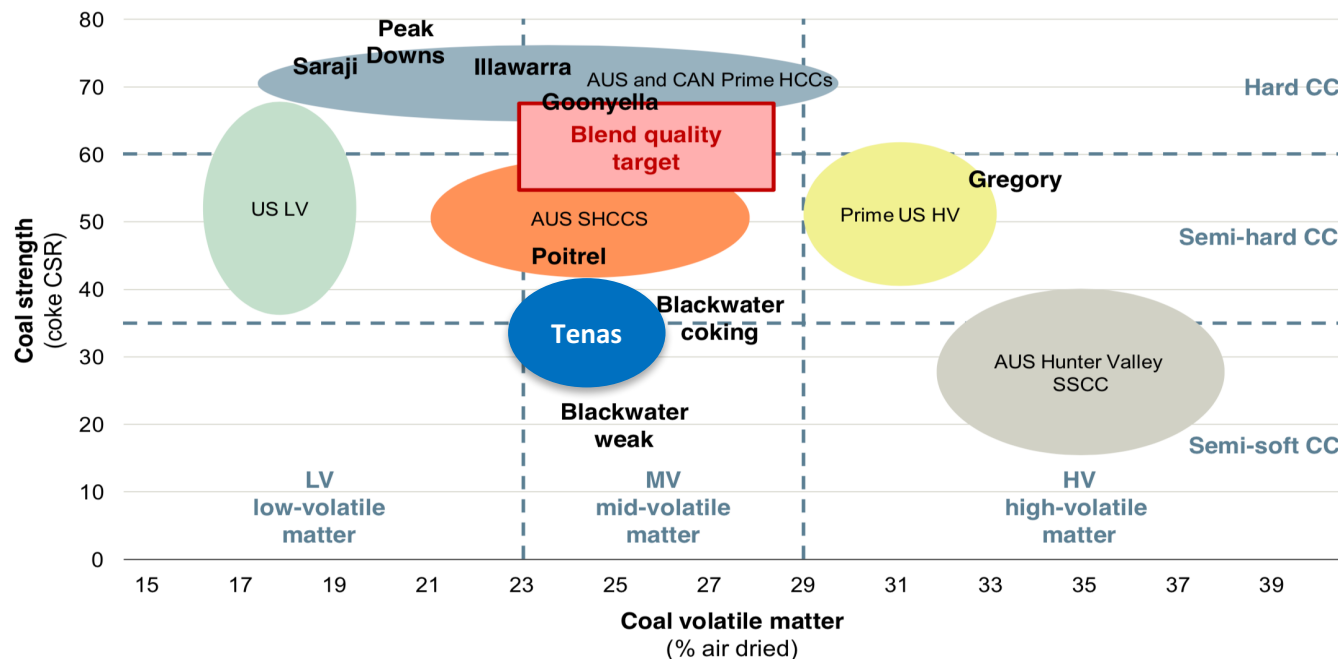


Appendix 2: Tenas coal sits in a 'sweet spot' for SSCCs

Coal Quality a mid-volatile semi-soft coking coal

Moist.	Ash	VM	Sul.	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	2020-2022	2023+
HCC	185-210	175-210
SSCC (66%)	122-139	116-139

Telkwa pricing US\$/t

MV 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.