



ALLEGIANCE COAL  
LIMITED

## ACCELERATING TOWARDS PRODUCTION AND CASHFLOW

PROJECTS UPDATE PRESENTATION | SEPTEMBER 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.

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**Coal Resources & Reserves.** The coal resources referred to in this presentation relating to Telkwa (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 coal reserves referred to in this presentation relating to Telkwa (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. The ‘foreign estimates’ of coal resources referred to in this presentation relating to New Elk were first reported in the Company’s announcement of its planned acquisition of New Elk Coal Company, LLC, on 15 July 2019 (**July 2019 Announcement**). The Company confirms that it is not in possession of any new information or data relating to the foreign estimates that materially impacts on the reliability of the estimates or the Company’s ability to verify the foreign estimates as coal resources in accordance with the JORC Code. The Company confirms that the supporting information provided in the July 2019 Announcement continues 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. The Company further cautions investors that, other than exclusivity to the planned acquisition to 14 July 2020, the material provisions in relation to the potential acquisition of New Elk are and remain non-binding and that an investment decision should not be made on the basis of this information. There can be no certainty that any binding agreements will be reached, or that any concluding transaction will eventuate.



# Building a business around North American steelmaking coal



Source: AME



# Corporate snapshot

Focused on advanced steelmaking coal projects in North America :

- Telkwa coal complex in NW British Columbia with 125Mt of MV SSCC;
- New Elk coal mine in SE Colorado with 656Mt of HCC\*.

## Capital structure

Share price - at 10 Sep 2019	A\$	0.16
Number of shares on issue		546M
Market capitalisation	A\$	87M
Cash in AHQ	A\$	1.7M

<b>Telkwa Coal Ltd owns project 100%</b>	<b>AHQ</b>	<b>AHQ</b>
Itochu invests C\$1.5M on s.10 order (done)	5%	95%
Itochu invests C\$1.5M post DFS (done)	10%	90%
Itochu invests C\$3.6M on filing EA application	20%	80%

<b>New Elk Coal Company LLC owns project 100%</b>	<b>AHQ</b>
Terms sheet to acquire NECC	100%

## Top 20 shareholders

	Shares M	%
Citicorp Nominees PL (Altius Minerals)	57.4	10.5
HSBC Custody Nominees (Australia) Ltd	30.3	5.5
JA Ashton Nominees (QLD) PL	25.3	4.6
Telkwa Holdings Ltd (Mark Gray and related)	25.2	4.6
GFT Nominees (QLD) PL	25.0	4.6
Comodale PL	21.6	4.0
Bernard Laverty PL	21.2	3.9
DGSF PL <Doug Grice Super Fund>	19.5	3.6
John Wardman & Asso. <Wardman Super Fund>	16.0	2.9
Franklin Civil PL	15.6	2.9
Nequam PL <Dickson Family A/C>	12.0	2.2
Dryca PL <Dryca Employees Ret/F A/C>	11.0	2.0
JP Morgan Nominees Australia PL	10.9	2.0
Netwealth Investments Ltd <Wrap Services A/C>	10.4	1.9
Peter Croke Holdings PL	9.6	1.8
McGee Constructions PL <McGorman Super Fund>	7.1	1.3
Mr Clive Thomas	7.0	1.3
Mr Jason Robert Powell	6.0	1.1
RACT Super PL <Rand Super Fund A/C>	5.9	1.1
John Bertrand Maguire	5.5	1.0
<b>Total</b>	<b>342.5</b>	<b>62.8</b>

\* Refer to the Cautionary Statement on slide 2 in relation to New Elk resources where foreign estimates are not reported in accordance with JORC 2012





# Board and Management

## Board of Directors

### Mark Gray, CEO & Chairman

30+ years in M&A law including 15 years in promoting and running mining companies in coal, uranium and diamonds across many jurisdictions. Resides in Canada.

### Jonathan Reynolds, Finance Director

30+ years in accounting including 15 years as CFO of both operating and exploration companies across many commodities and jurisdictions. Resides in Australia.

### Malcolm Carson, Non Executive Director

40+ years geologist across all commodities in many capacities. Currently the Executive Chairman of Dampier Gold Ltd (ASX:DAU). Resides in Australia.

### Larry Cook, Non Executive Director

40+ year mining engineer in coal predominantly in underground coal in the Appalachia and Utah, as well as Australia. Resides in the US.

## Telkwa Executive Management

### Dan Farmer, Chief Operating Officer

25+ years as a mining engineer in Canada including as the Operations Manager of Anglo American's coal mines in British Columbia. Resides in Canada.

### Angela Waterman, Environment & Government Relations

25+ years in the British Columbia coal industry with several companies including Anglo American where she permitted two coal mines. Resides in Canada.

## New Elk Executive Management

### Bernie Mason, Project Manager

30+ years mining engineer across several commodities but predominantly US coal both open pit and underground, at all levels of operation including CEO. Resides in the US.

### Amon Mahon, Project Manager

30+ years mining engineer in coal both open pit and underground in the US and Australia, at all levels of management including owner and operator. Resides in the US.

Equity Interests	Options	Performance shares	Shares
Mark Gray	2,000,000 @ 7.5c		25,127,332
Jonathan Reynolds	1,250,000 @ 7.5c		1,745,000
Dan Farmer	1,500,000 @ 7.5c		2,232,595
Angela Waterman	1,500,000 @ 7.5c		
Larry Cook		5,000,000	
Amon Mahon		5,000,000	
Bernie Mason		5,000,000	



# Schedule to first coal - staged production and growth

	2019	2020				2021				2022		
	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22
<b>New Elk Project</b>												
Complete feasibility study and raise capital												
Complete acquisition												
Refurbish equipment & mine infrastructure												
Re-commission mine												
Commence production stage 1			Coal									
Re-lay rail track from CHPP to main line												
Commence production stage 2								Coal				
<b>Tenas Project</b>												
Complete Application Info Requirements												
Apply for EA certificate & permits to mine												
EA cert. & mine permits decision												
Mine construction												
Commence production												Coal

Refer to the Cautionary Statement on slide 2. New Elk timing subject to Mine rehabilitation.



## Target timetable to first coal compared with peers

	2020			2021				2022				2023			
	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23
<b>New Elk stage 1</b> Allegiance	Coal														
<b>New Elk stage 2</b> Allegiance					Coal										
<b>Tenas</b> Allegiance										Coal					
<b>Grassy Mountain</b> Riversdale Resources												Coal			
<b>Crown Mountain</b> Jameson Resources												Coal			
<b>Elan</b> Atrium Coal															Coal
<b>Elko</b> Pacific American Coal															

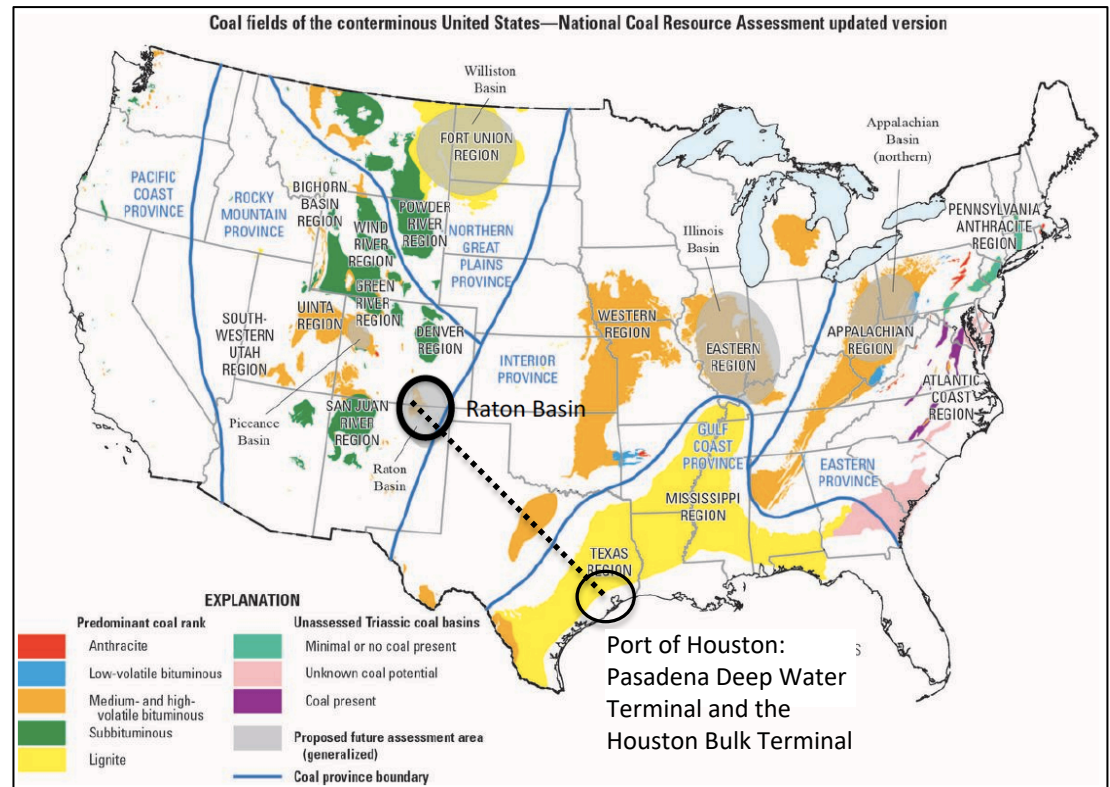
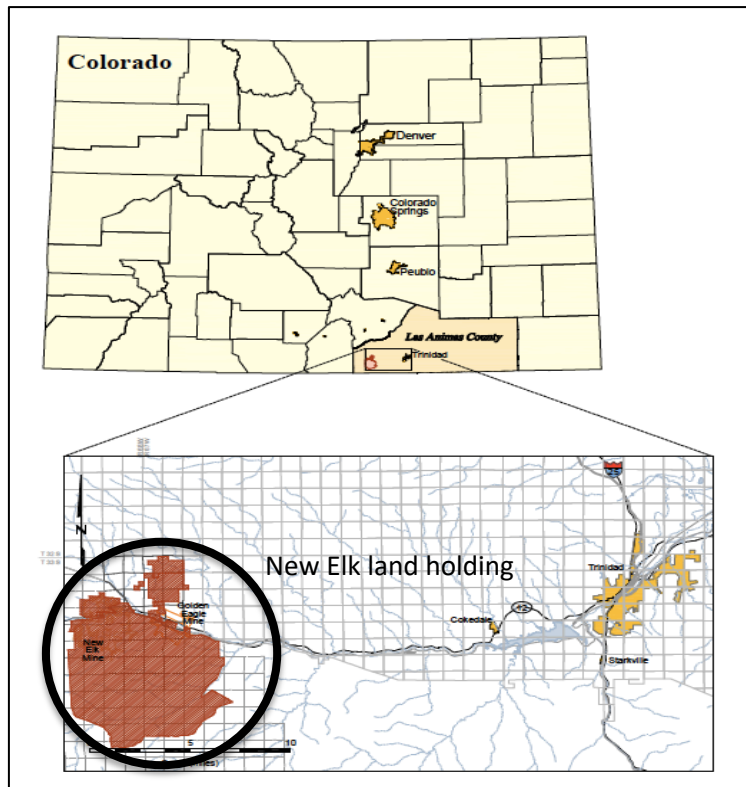
1. Grassy Mountain first coal is based on a Riversdale Resources presentation dated December 2018.
2. Crown Mountain first coal is based on Bell Potter Securities Research Note dated 2 September 2019.
3. Elan first coal is based on Atrium Coal's target date for filing EA certificate and permits to mine at the end 2020 referred to in its presentation dated 5 September 2019.
4. Pacific American has not published information on whether or when Elko will be advanced through environmental assessment, feasibility, permitting and into production.

Refer to the Cautionary Statement on slide 2. New Elk timing subject to Mine rehabilitation.



# New Elk is located in SE Colorado with access to uncongested terminals

New Elk is located in the Raton Basin which straddles southeast Colorado and northeast New Mexico, around 950 miles by BNSF rail to two coal terminals located in the Port of Houston. Each terminal can handle up to 10Mtpa of product or more. Both are currently operating at less than 50% capacity, handling predominantly petcoke from the oil and gas industry.



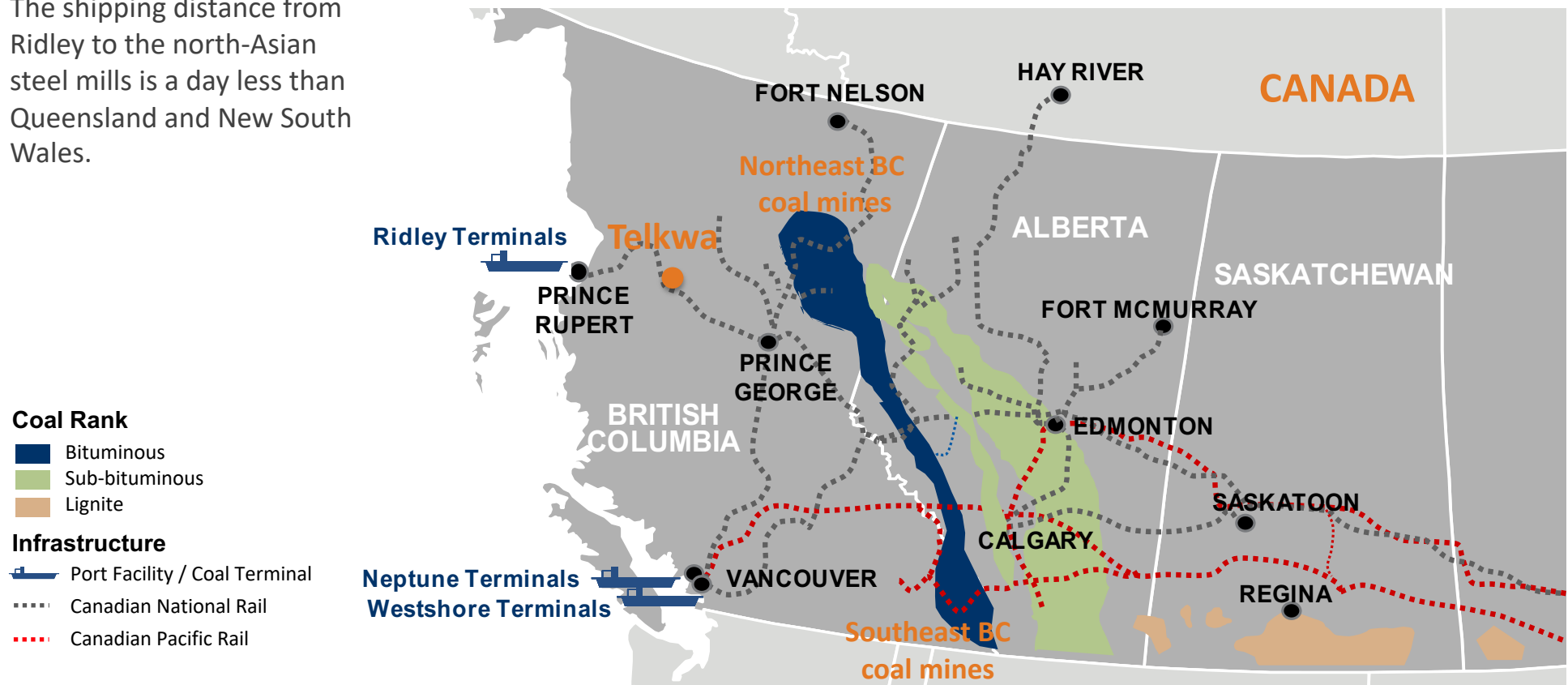




## Telkwa is located in northwest BC also with access to uncongested Port

Telkwa sits in the southern edge of the Bowser Basin, located just 375km by CN Rail from Ridley Island Coal Terminal. Ridley can handle up to 18Mtpa of product, is currently operating at around 10Mtpa, and can expand to 25Mtpa in 24 months.

The shipping distance from Ridley to the north-Asian steel mills is a day less than Queensland and New South Wales.





## Combined, 782Mt of coking coal resource

Company	Code	Project	Stage	Measured Mt	Indicated Mt	Inferred Mt	Total Mt	Source of information
<b>Allegiance</b>		New Elk	Permitted	272.0	289.5	94.8	<b>656.3</b>	
<b>Allegiance</b>		Telkwa	Post DFS	102.3	22.3	1.2	<b>125.8</b>	
<b>Allegiance Total</b>	ASX:AHQ			<b>372.3</b>	<b>311.8</b>	<b>96.0</b>	<b>782.1</b>	
<b>Riversdale</b>	Private	Grassy Mtn	Post FS	85.0	110.0	-	<b>195.0</b>	Presentation Dec 2018
<b>Atrum Coal</b>	ASX:ATU	Elan	In PFS	-	70.0	228.0	<b>298.0</b>	ASX release: 05/09/19
<b>Jameson</b>	ASX:JAL	Crown Mtn	In BFS	68.9	6.0	23.7	<b>98.6</b>	ASX release 21/08/19
<b>Pacific American</b>	ASX:PAK	Elko	Exploration	117.6	93.2	92.3	<b>303.1</b>	ASX release 14/05/19

Note: refer to the Cautionary Statement on slide 2 in relation to New Elk resources where foreign estimates are not reported in accordance with JORC 2012

Two high fluidity hard coking coals:

New Elk 'A'	Moist %	Ash %	VM %	FC %	S %	FSI	Fluidity	RoMax	Phos %
HCC	1.0	8.5	35	55.5	0.6	8-9	30,000+	0.85	0.06

New Elk 'B'	Moist %	Ash %	VM %	FC %	S %	FSI	Fluidity	RoMax	Phos %
HCC	1.0	8.5	35	55.5	0.5	6-7	15k to 30k	0.85	0.09

And a highly sought after mid vol semi coking coal:

Telkwa	Moist %	Ash %	VM %	FC %	S %	FSI	CSR	RoMax	Phos %
MV SSCC	1.1	9.0	28.5	65.3	0.10	3-4	30	0.96	0.05





# New Elk is fully permitted and ready to go on completion of acquisition

Target date for completion of acquisition is December 2019

Equipment on site:  
7 continuous miners  
8 shuttle cars  
1 feeder breaker  
1 roof bolter  
Utility vehicles  
Surface support equipment  
US\$3.2M in spare parts

2 x 12,500t storage silos with automated train loading system

800tph feed rate CHPP

Conveyor system from the clean coal pad to 2 silos

Clean coal stacker from the CHPP

On-site power sub-station

Raw coal stacker fed from the portal conveyor belt

CHPP rejects conveyor

250kt raw coal pad with underground feeding system into the CHPP







## New Elk train load-out 21 miles by sealed road from the CHPP ....







... then 950 miles to the Pasadena Deep Water Terminal, Houston





## New Elk acquisition terms

What we have to do	+	What we have to pay	=	What we get
Legal & financial due diligence		US\$150k/m to care & maintenance		12 months exclusivity
Review geological model		US\$1 for shares in mine company		On completion:
Complete feasibility study		US\$5M bond replacement		■ 656Mt* of HCC
Raise capital		US\$3M cash reduces debt		■ Fully permitted
Finalise formal agreement		US\$3M AHQ shares reduces debt		■ Fully constructed
		US\$30M of net debt on completion repaid no later than 10 years, interest free, subordinated and limited recourse		■ Fleet of equipment
				■ Ready to produce once mine is rehabilitated

\* Refer to the Cautionary Statement on slide 2 where foreign estimates are not reported in accordance with JORC 2012





# Tenas is ready to go, subject to permitting and raising start-up capital

The Tenas DFS (upside case) commences at 750ktpa of saleable coal ramping to 1.35Mtpa in years 5&6 producing 16.5Mt of saleable coal at 3.6:1 BCM/ROMt, yield of 75%, for a 15 year mine life with additional resources to extend to 20 years.

Operating Costs Life of Mine (upside case)		US\$/Saleable t	KPIs for Life of Mine (upside case)		Units	Value
<b>Site</b>			2021 and 2022 average coal price		US\$/t	120
Mining – waste removal and coal recovery		17.1	2023 onwards average coal price		US\$/t	114
Coal processing		5.2	Exchange rate CAD to USD		CAD:USD	1.33
General and administration		3.0	Exchange rate AUD to USD		AUD:USD	1.41
Reclamation		0.9	Exchange rate CAD to AUD		AUD:CAD	1.06
<b>Transportation and Marketing</b>			Pre-tax net present value @ 8%		A\$M	537.3
Marketing costs		1.9	Pre-tax Internal rate of return		%	60.8
Haulage (CHPP to Rail Siding)		3.8	Post-tax net present value @ 8%		A\$M	343.0
Rail to port and loaded		13.1	Post-tax Internal rate of return		%	51.0
<b>Total all-in cash cost FOB pre-interest and tax</b>		<b>45.0</b>	Payback from commercial production		Years	2.5

Startup CAPEX (upside case) US\$M	Lease finance	Owner finance
Pre-production activities		4.2
CHPP and infrastructure	Mob. equip. 3.3	15.5
Minesite infrastructure		12.5
Water management		17.3
Rail loop and loadout		5.4
Mobile equipment	32.9	0.9
<b>Total Start-up Capital</b>	<b>36.2</b>	<b>55.8</b>

- 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\$55.8M

Image: Ridley Coal Terminal in Prince Rupert



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