



ALLEGIANCE COAL  
LIMITED

**THE NEW ELK HARD COKING COAL MINE  
COMMENCING PRODUCTION IN 2020**

NEW ELK FEASIBILITY STUDY RESULTS PRESENTATION | DECEMBER 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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**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.** The ‘foreign estimates’ of New Elk coal resources referred to in this presentation 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 New Elk coal reserves referred to in this presentation were reported in the Company’s release of its New Elk Feasibility Study results on 28 November 2019 (**November 2019 Announcement**). Other than as is set out in the November 2019 Announcement, the Company confirms that it is not in possession of any new information or data relating to the foreign estimates as disclosed in the July 2019 Announcement 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 it is not aware of any new information or data that materially affects the information included in the November 2019 Announcement, and that all material assumptions and technical parameters underpinning the estimates in the November 2019 Announcement continue to apply and have 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.



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# Allegiance – poised for rapid growth

## Focused on advanced steelmaking coal projects in North America and Canada:

- Telkwa in NW BC has 125Mt of MV SCCC
- New Elk in SE Colorado has 673Mt of HCC

## 83Mt of saleable coal reserves

	New Elk	Tenas	Goathorn	Telkwa Nth
Hard coking coal	45.1			
Mid-vol semi coking		16.6	13.9	7.5

## AHQ capital structure

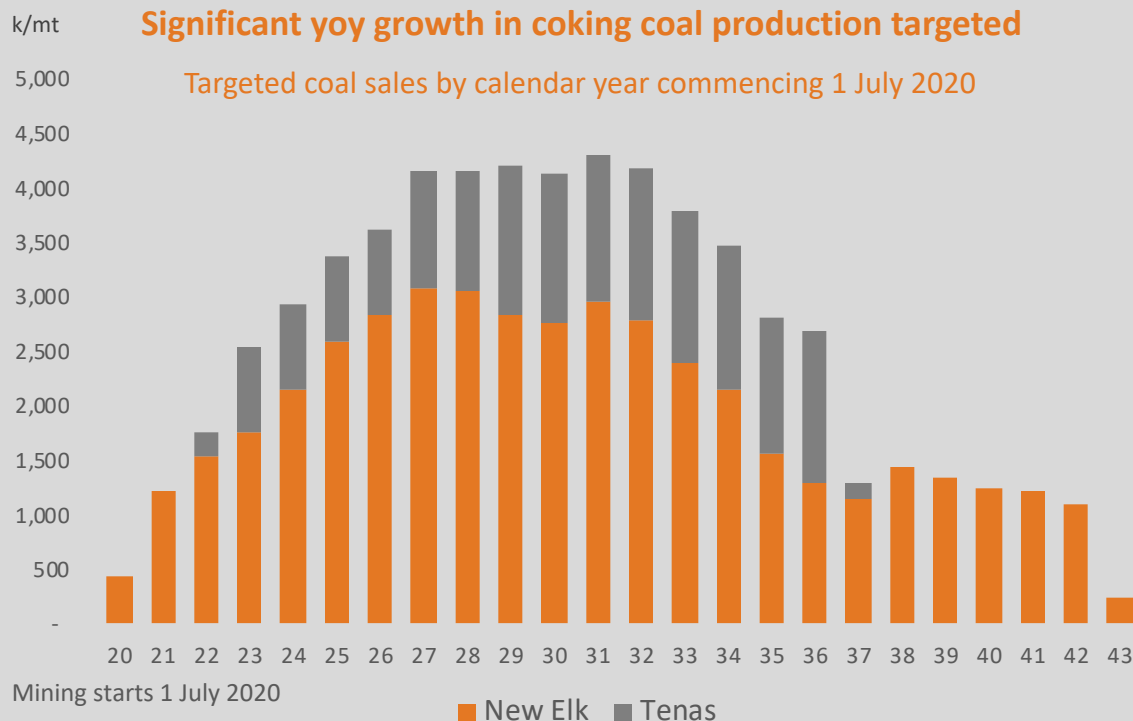
Share price - at 19 Dec 2019	A\$	0.16
Number of shares on issue		575M
Market capitalisation	A\$	92M
Cash in AHQ	A\$	1.5M

## Top 10 Shareholders **46% 257M**

Altius Minerals	10%	57M
HSBC Nominees	6%	30M
JA Ashton Nominees QLD PL	4%	25M
Mark Gray	4%	25M
GFT Nominees QLD PL	4%	25M
Comodale PL	4%	22M
Bernard Laverty PL	4%	21M
DGSF PL <Doug Grice SF>	4%	20M
John Wardman <Wardman SF>	3%	16M
Franklin Civil PL	3%	16M

## Significant yoy growth in coking coal production targeted

Targeted coal sales by calendar year commencing 1 July 2020





## New Elk - key highlights

A unique, permitted, constructed, U.S. high-vol met coal opportunity with attractive coal quality, extremely low capital entry cost, and very low operating costs, contained in a large contiguous reserve

### Permitted HCC Project

Fully permitted, large, met coal resource and reserves with attractive quality specifications of high-vol hard coking coal including low sulphur and excellent plasticity

### Production ready

Fully constructed mine with more than US\$250M of capital already invested in the CHPP, mine infrastructure and mining equipment, and subject to minor mine rehabilitation and equipment refurbishment, is production ready

### Infrastructure ready

Excellent access to rail and loading facilities, and three port options for exporting coal to the seaborne market; Houston (TX) for Europe and Sth America, and Long Beach (CA) and Guaymas (Mexico) for Asia

### Extremely low CAPEX

US\$28M of start-up capital expenditure plus US\$27M of working capital will fund the mine plan to reach 3M saleable metric tonnes per annum of high-vol hard coking coal

### Very low OPEX

US\$74 per saleable metric tonne, all in average LOM cash cost FOB Port of Houston, places the mine in the lowest cost quartile of the seaborne met coal cost curve, and one of the lowest cost producers of U.S. met coal

### Experienced Management

More than 150 years of collective underground coal mining experience globally from Key Management personnel in developing, building and operating mines with the majority of that experience earned in thin seam coal, East Coast, U.S.

### Growth potential

The New Elk reserve base accounts for just 2 of 8 coal seams on the property, and the neighboring Lorencito property with contiguous coal provides excellent growth potential for increased production and extending the mine life



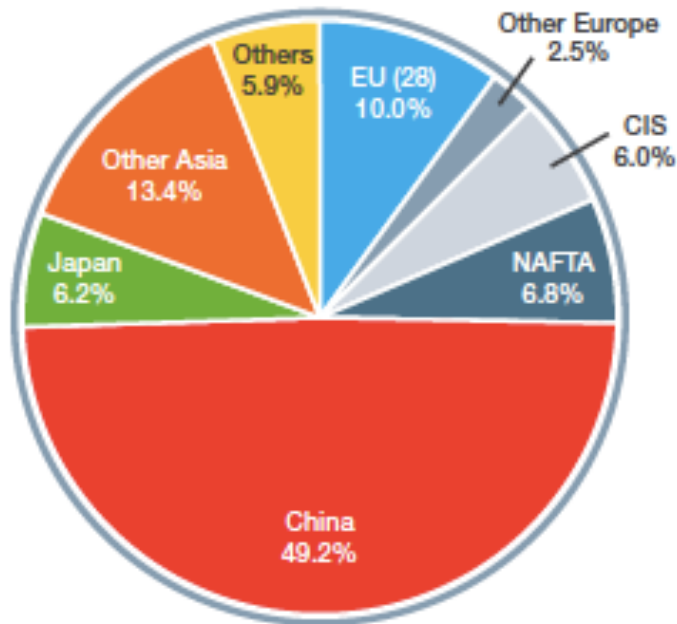


# Asia dominates both global supply and demand for steel

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

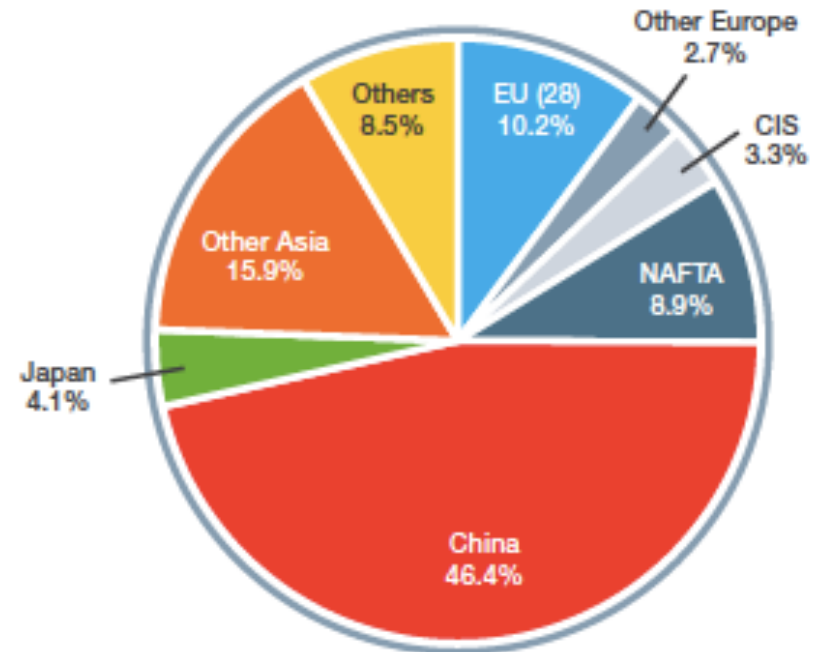
## Crude steel production

World total: 1 689 million tonnes



## Apparent steel use (finished steel products)

World total: 1 587 million tonnes



Source: World Steel Association 2018



## New Elk is strategically located to both the Atlantic and the Pacific

All US met coal production is on the East Coast and exports into the Atlantic  
New Elk has direct access to Europe and South America like all other US met coal producers  
However, New Elk also has direct and affordable access to the Pacific, and the burgeoning Asian steel market  
It is expected New Elk will receive a premium ex-West Coast ports for high-vol HCC to Asia over East Coast ports

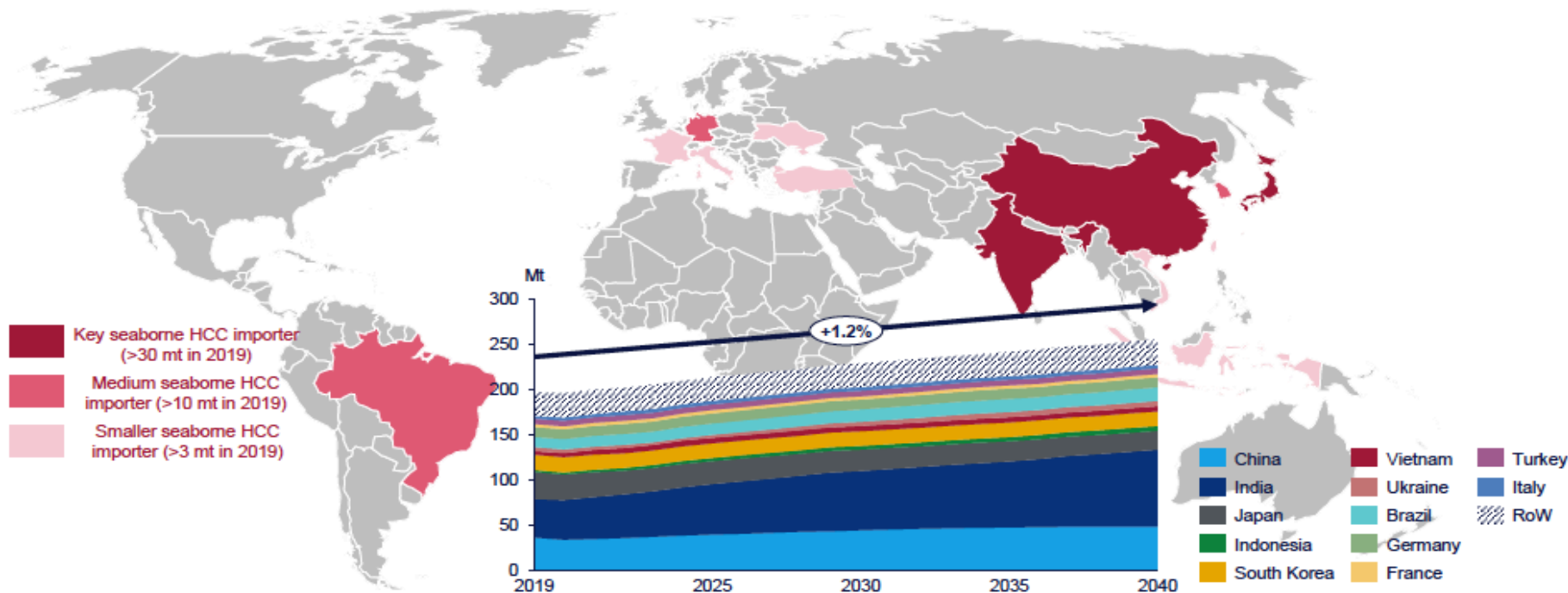




## Long term demand for HCC remains strong

Global seaborne hard coking coal demand will increase by 56 Mt by 2040, from 196 Mt currently to 252 Mt

### Seaborne Import demand for HCC



- Demand for hard coking coal (HCC) is expected to increase from 196 Mt in 2019 to 252 Mt in 2040, a rise of 56 Mtpa. The bulk of the increase will occur in India, where HCC imports will double from 42 Mt to 85 Mt
- Japan and South Korea's mature economies slow, and combined with falling steel exports, HCC imports fall consistently. By 2040, Japan and South Korea will require 9 Mtpa and 1 Mtpa less than in 2018, respectively

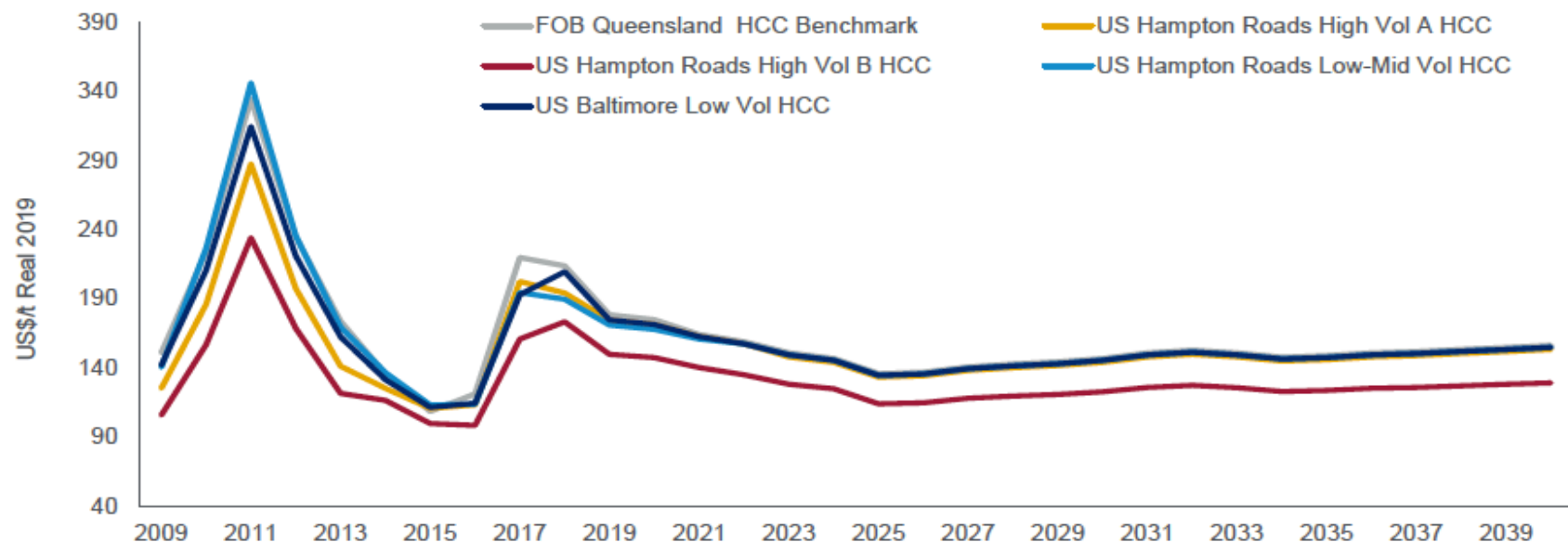




## And strong demand is likely to support HCC prices

FOB contract prices return to global marginal costs by 2024, but consistent demand growth pushes prices higher long term

### FOB Metallurgical coal prices (Real 2019)



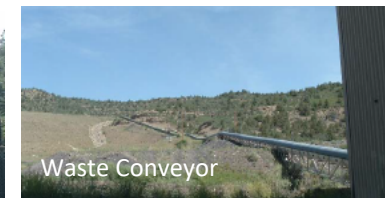
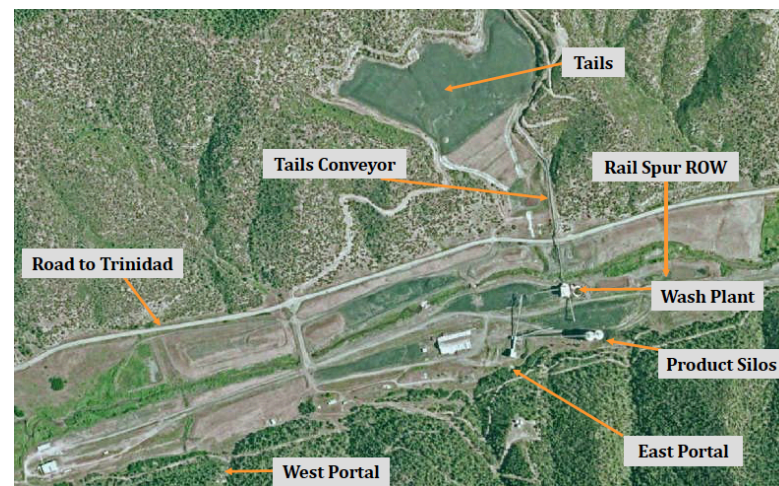
- We expect a combination of a changed supply-demand dynamic in China's coking coal sector, as well as improved supply in the international trade, to result in a period of softening prices from 2021 (in part caused by peak Chinese hot metal production in 2021 and decline in demand for coking coal to 2024)
- Post 2024, improving demand for imported hard coking coal will support prices, especially for premium hard coking coals as many new projects are 2<sup>nd</sup> tier, semi-hard and semi-soft coal types, not premium coals



# Permitted, built, New Elk is production ready

An established mine, with the CHPP and general mine infrastructure in good condition, New Elk is set to be a major, low cost US producer of met coal to the seaborne market at a very modest capital 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 for current mine life of 24 years
Permits	Mining, water and discharge permits in place
Mining Method	Underground room & pillar walk through super sections
Coal Processing	727tph feed rate yielding clean coal at 72% average
Production Plan	Commence at 1.2Mctpa ramping to 3.1Mctpa then steady state 2.7Mctpa
Coal quality	High-vol A and high-vol B HCC
Transportation	Initially trucked 21 miles from CHPP to rail loadout then once rail spur is re-laid direct rail to port
Sales & Marketing	Discussions underway with several trading houses



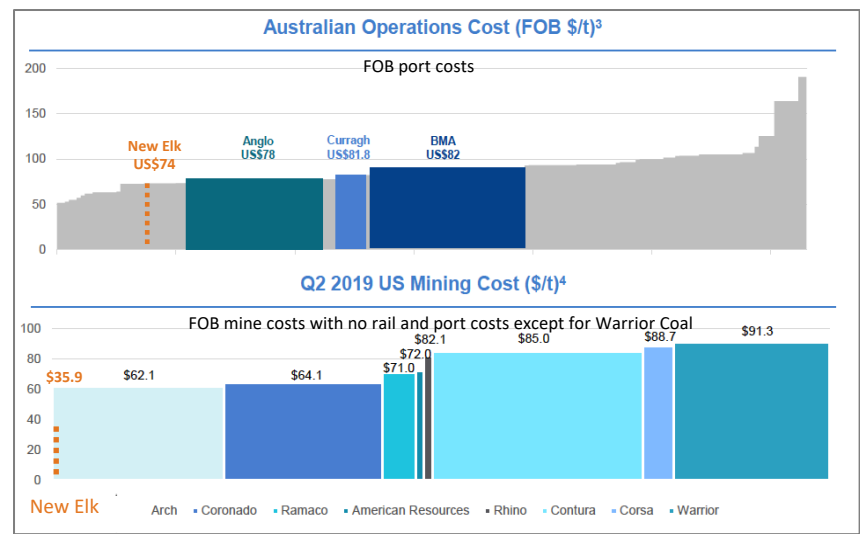
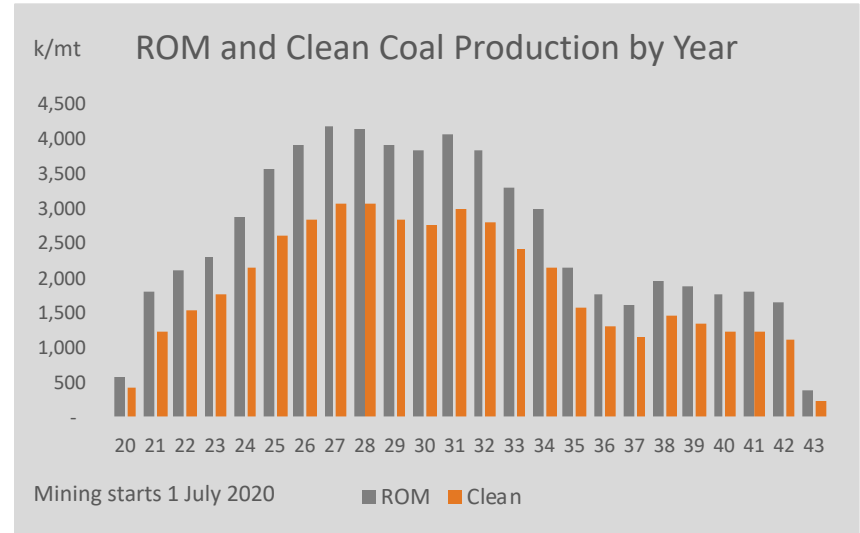


# The New Elk feasibility study delivered compelling economics

Start-up CAPEX	US\$28.4M excluding working capital
FOBT cash cost	US\$74/mt FOB Pasadena Deep Water Terminal
Assumed FOB price	US\$132/mt average LOM
Annual revenue	US\$370M average LOM
Annual EBITDA	US\$153M average LOM
NPV	A\$1.2B @ 8% pre interest and tax
IRR	130% pre interest and tax

The adjacent table indicates New Elk can compete with Australia on cost. While US\$74/t is ex-Houston, it is anticipated the extra rail cost to move the coal to the U.S. West Coast and direct into the Pacific, will be off-set by a premium on U.S. East Coast prices.

Perhaps more importantly however, is that New Elk is an extremely low cost producer relative to its competitors, being those producers who deliver the same high-vol hard coking coals to the seaborne market, as highlighted in the adjacent table.



Source: Coronado Presentation September 2019





## New Elk multiple logistics options

The shortest and cheapest route to market is via Pasadena DWT to the European and South American steel mill markets. But the slightly longer more expensive route to Long Beach or Guaymas will attract a premium price in the Asian market.



For the first 18 months coal is trucked 21 miles from the CHPP to the rail to load-out.

Once rail track is re-laid on the existing rail bed, coal is hauled direct from the CHPP to port.



US West Coast direct access to Asia



2Mt - Port of Guaymas, Mexico



2Mt - Long Beach, California



10Mt - Pasadena DWT, Houston

US Gulf Coast to Europe & South America & indirect access to Asia





# New Elk coal quality and sales overview

## New Elk Coals compared to high-vol 'B' HCC

			High-vol B	Blue	Allen	Primero
Proximate	Ash	%	<9	8.5	8.5	9.0
	Volatile Matter	%	34-37	35	36	32
	Sulphur	%	0.75-1.3	0.6	0.6	0.6
Rheology	FSI		7-9	7	8.5	8
	Fluidity	ddpm	20k to 30k	28k	30k+	28k
	Dilation	%	70-220	140	220	236
Ash Chemistry	Phosphorus	%	0.009	0.09	0.06	0.03
	Base Acid Ratio	%	0.17	0.28	0.24	0.22
	CSR (calculated)		45-54	44	49	53
Petrography	RoMax	%	0.9-1.0	0.87	0.87	0.96
	Strength Index		3-3.5	3.06	3.19	3.54
Ash Fusion	Temperature	°F	>2700	2,339	2,326	2,580

High-vol 'A' HCC is at a premium to benchmark PLV HCC from the Bowen Basin, QLD, while high-vol 'B' HCC is just a 5% discount to PLV HCC.

## Index Reference & Daily Settlement Prices

10/12/19 Today's EXR A\$1=USD 0.6833				
Index Prices	Today	v Pr Day	v Pr Wk	MTD
Platts PLV	136.50	-1.25	-1.50	149.10
TSI Prem	135.60	-0.50	-0.70	148.11
Arg Prem	138.00	0.00	1.50	147.79
MV 64	121.35	0.00	-0.35	125.51
TSI CC	121.35	0.00	-0.35	125.51
Platts LVPCI	85.85	0.25	-0.35	90.98
Platts MV PCI	81.85	0.25	-0.35	88.98
Platts SS	74.35	0.00	-0.05	79.26
Atlantic Coking Coal		Today	v Pr Day	
Low Vol HCC		131.00	0.00	
High Vol A		137.00	0.00	
High Vol B		130.00	0.00	

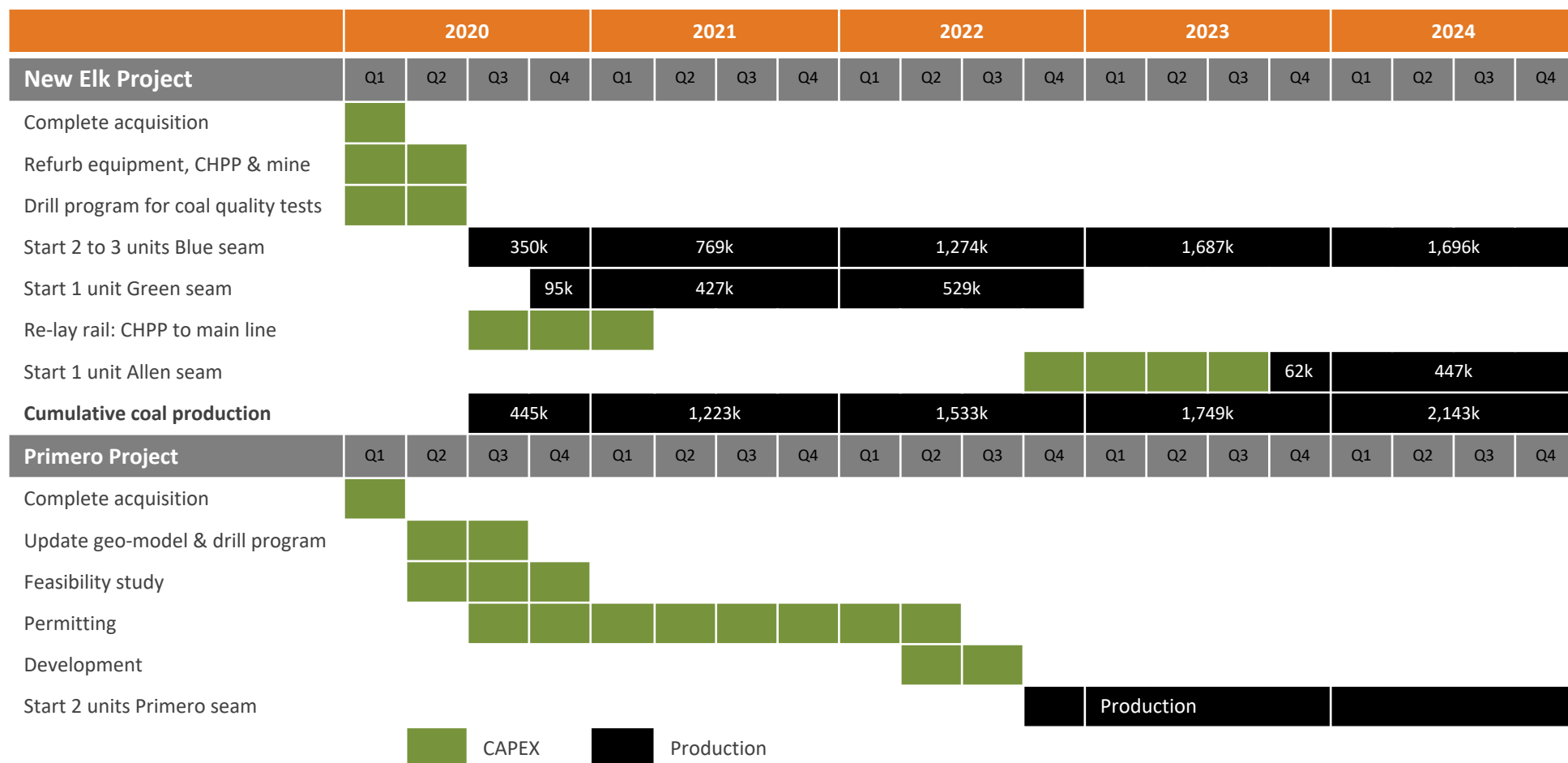
The sales strategy will be to target the steel mills in the Asian market via U.S. West Coast ports, where it is likely New Elk coals will earn a premium over U.S. East Coast coals due to the vastly shorter shipping distance for the Asian steel mills, and Brazil where the shipping distance from Houston is comparable to the U.S. East Coast. The Company is in discussions with several Trading Houses and intends to appoint a sales agent in calendar Q1 20.

US high-vol HCC is not bought by the steel mills for its coke strength, though certain ranges are expected. They are bought for their fluidity, and New Elk coals display very good rheology, while falling within the CSR range for high-vol 'B' HCC. The sulphur is very low compared to most US high-vol HCC, and while the phosphorus is high compared to US high-vol HCC, by comparison to Australia, it is not and within the accepted ranges for the Asian steel mills. The Blue and the Allen will be priced on high-vol 'B', at a discount and a premium respectively, while the Primero will be priced nearer high-vol 'A'.



# New Elk start-up CAPEX and coal production timetable

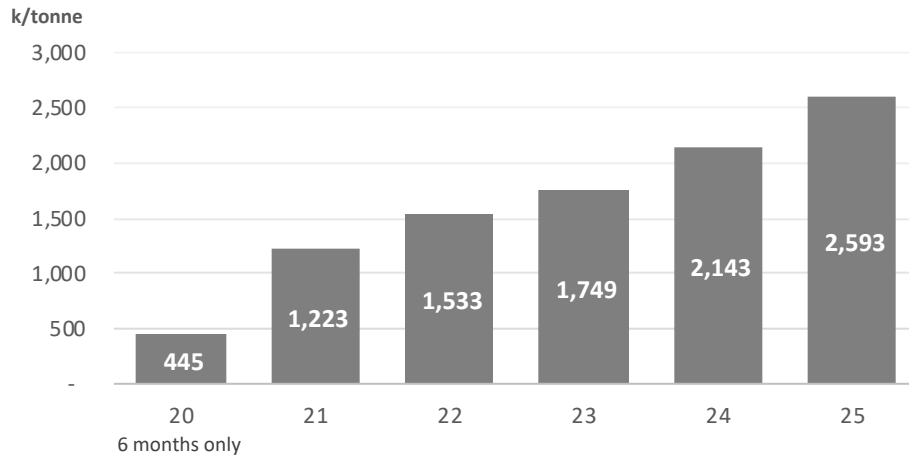
The New Elk schedule is based on the feasibility study. The Primero is not included in the feasibility study, but because of its simple outcrop access and low CAPEX to coal, could be producing before the Allen even allowing for permitting.



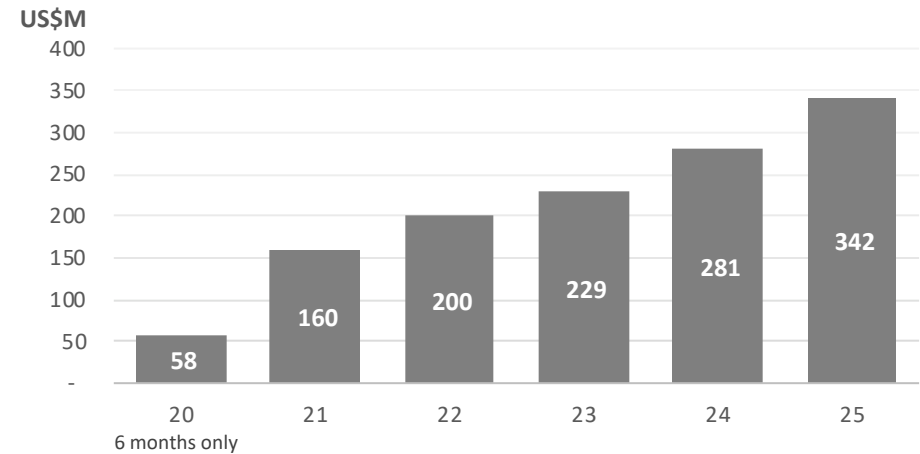


# New Elk key financial and operating metrics - first 5 yrs 6 mths

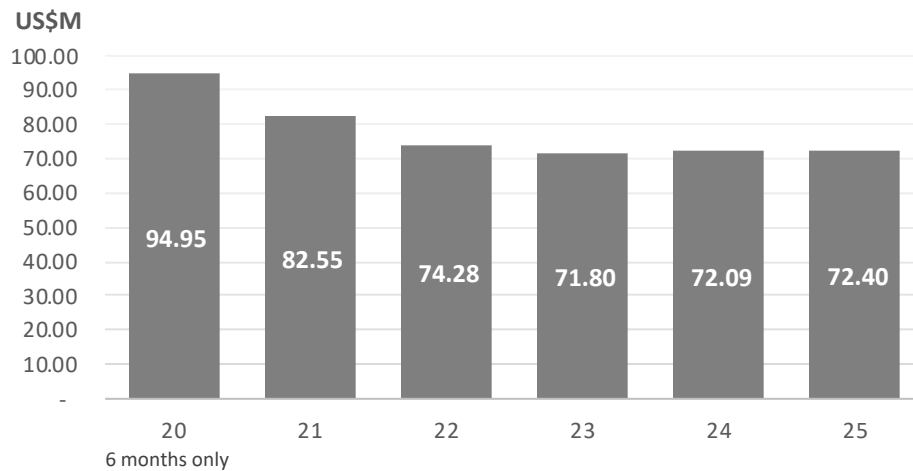
### Coal Sales in metric tonnes



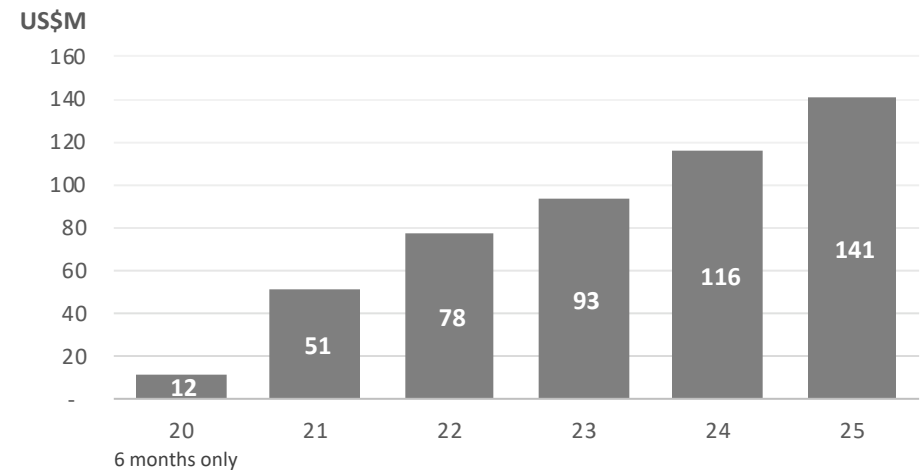
### Revenue



### Cash Cost/t FOBT



### EBITDA

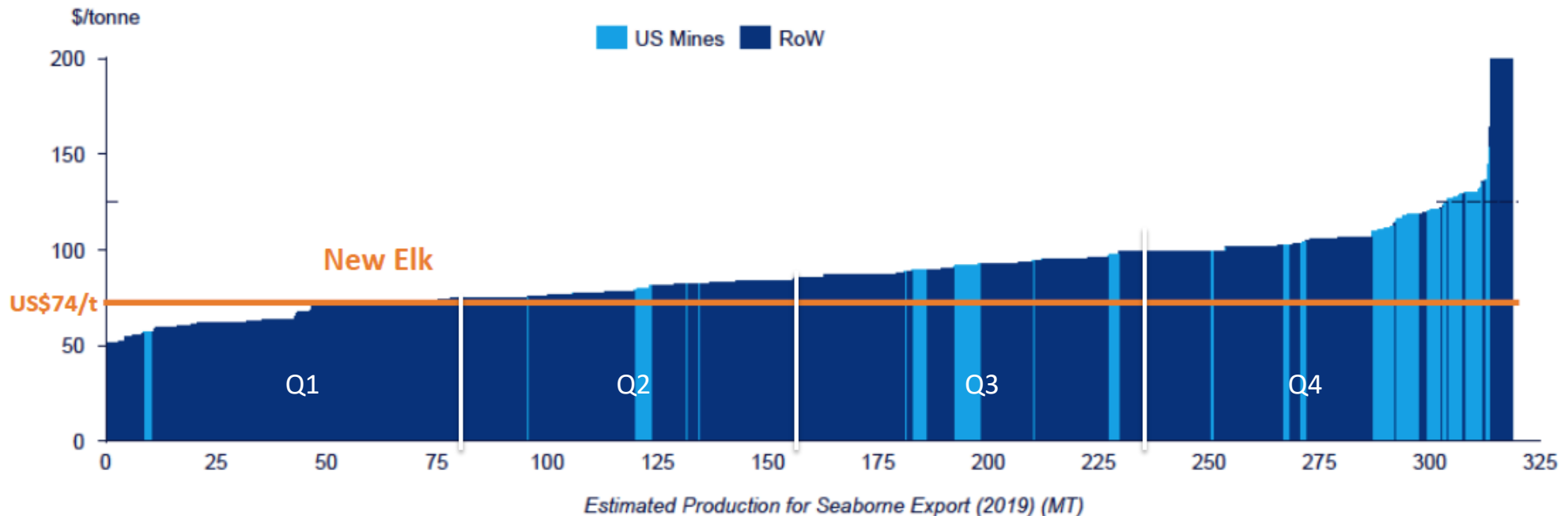




# New Elk cash costs on the seaborne metallurgical coal cost curve

New Elk sits comfortably in the lowest cost quartile of the seaborne met coal cost curve. Competitive on cost with not only the rest of the world, but more importantly, with its direct competition of high-vol HCC in the US.

## 2019 Total Seaborne Metallurgical Coal Cash Cost Curve







# AHQ Board and New Elk Management

## Board of Directors

More than 150 years collective experience in underground thin seam 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, high productivity, 'room and pillar' mine operators

Amon Mahon	General Manager New Elk Mine	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.
Bernie Mason	Project Manager	Bernie is a 30+ year geologist predominantly US coal both open pit and underground. He has been COO and CEO of a number of very significant coal producing companies managing staff in excess of 600 people across 54 operating mines and generating 54Mtpa.



# ALLEGIANCE COAL

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## V Appendices:

- New Elk summary financial performance
- What is 'Room & Pillar' Mining?
- High Productivity 'Room and Pillar' Mining
- New Elk Acquisition Terms
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# New Elk feasibility study 10 year financial performance summary

## Summary Pro-forma P&L

US\$M	CY20	CY21	CY22	CY23	CY24	CY25	CY26	CY27	CY28	CY29	CY30
Sales	58.2	159.7	200.3	228.7	281.4	341.8	372.3	404.9	404.5	375.1	364.3
Cost of sales	-42.3	-100.9	-113.9	-125.6	-154.5	-187.7	-198.7	-209.7	-208.9	-200.8	-196.5
Gross profit	15.9	58.8	86.4	103.1	126.9	154.1	173.6	195.3	195.6	174.4	167.7
Overheads	-4.1	-7.4	-8.7	-9.6	-11.3	-13.2	-14.2	-15.2	-15.2	-14.2	-13.9
EBITDA	11.7	51.4	77.7	93.4	115.7	140.9	159.7	180.0	180.3	160.1	153.9
Depreciation	-1.7	-3.9	-5.9	-8.1	-10.4	-12.5	-15.0	-16.4	-17.2	-18.6	-19.9
EBIT	10.1	47.5	71.7	85.4	105.3	128.4	144.5	163.6	163.1	141.5	133.9
Interest	-2.1	-3.5	-4.6	-3.5	-2.5	-1.0	-	-	-	-	-
Tax	-2.1	-11.7	-17.8	-21.7	-27.4	-34.1	-38.7	43.8	43.7	37.9	35.9
NPAT	6.0	32.4	49.5	60.2	75.4	93.3	105.7	119.8	119.5	103.5	98.0

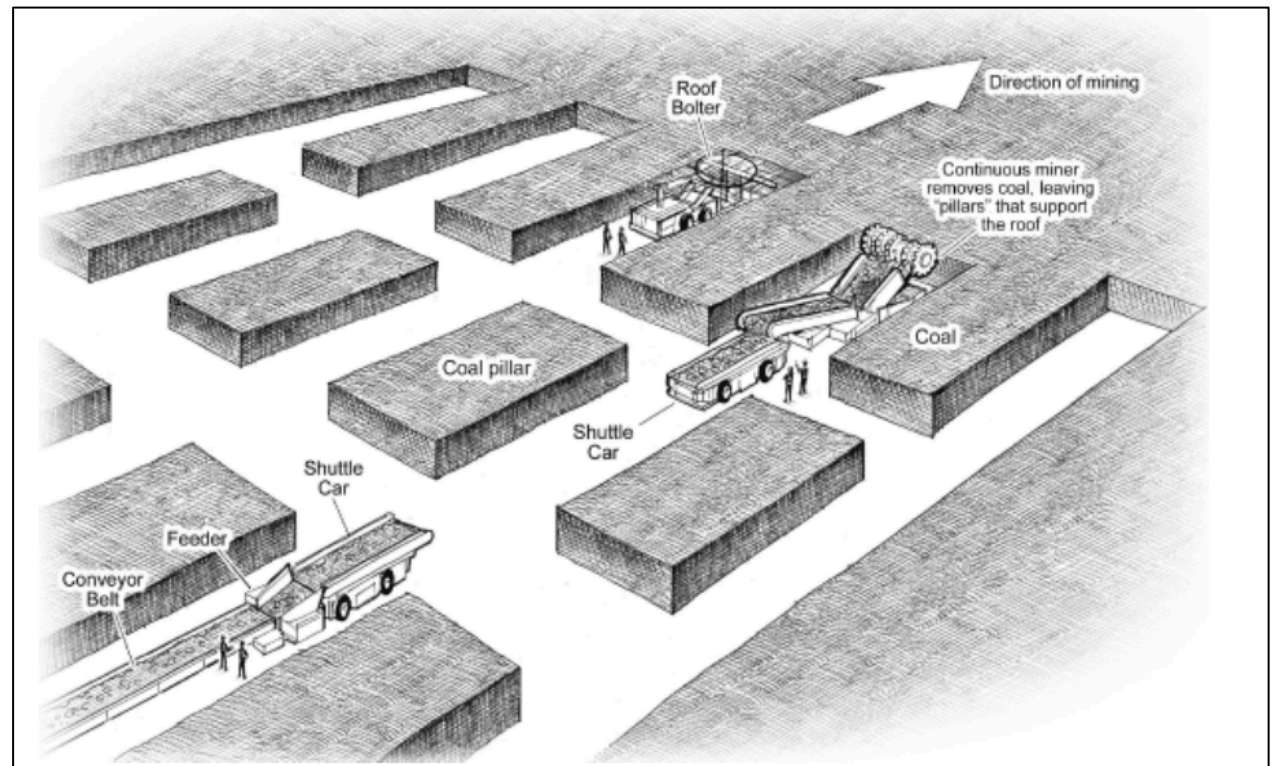




# What is room & pillar mining, and a walk through super section?

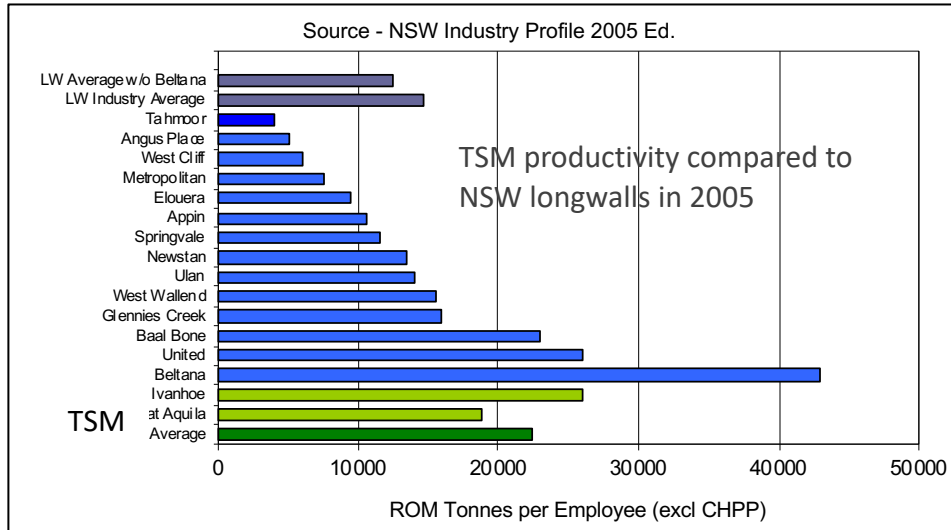
A walk through super section involves two continuous miners on each section operating sequentially, that is, as one machine has completed a cut, the operator will 'walk through' to the other side of the section and commence a new cut with the second machine. While the operator is making the new cut with the second machine, a crew-hand will reposition the first machine for its next cut. When the operator has completed the cut with the second machine, he or she will return to the first machine and execute another cut, and so the sequence continues without any, or limited, downtime in production during a shift. Typically, two to three shuttle cars (coal haulers), convey coal from a continuous miner to a feeder breaker while the continuous miner is being operated. The feeder breaker sizes the coal and then feeds it on to a conveyor belt which then transfers the coal outside the mine to a stockpile before being fed into the CHPP. Once a continuous miner completes a cut, and is withdrawn, a roof-bolter enters the cavity and drills bolts into the roof to support the roof, or any part of it, from falling.

The image below illustrates a room and pillar sequence in operation with a single continuous miner section. New Elk will operate with two continuous miners in a 'walk through super section' with seven to nine headings (the picture below only has five headings typical of a single continuous miner section).



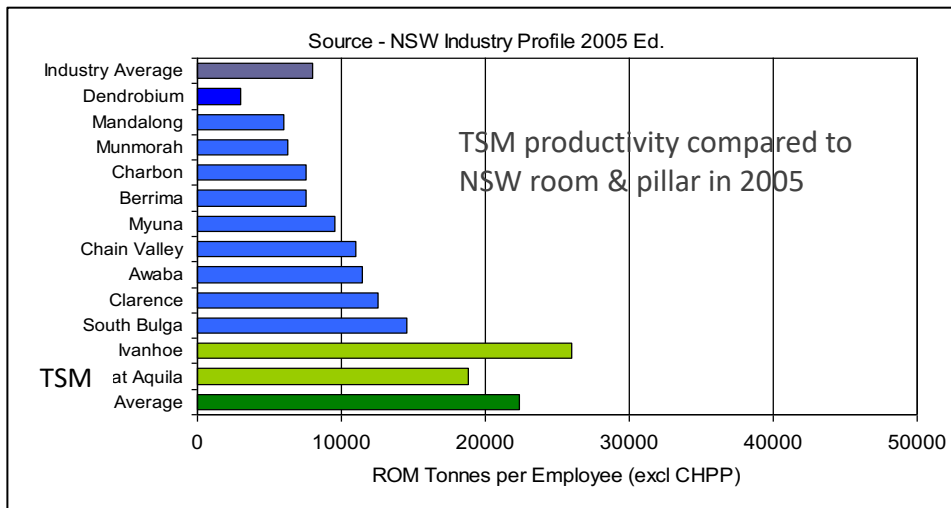


# High productivity 'room & pillar' mining can be highly productive



Thin Seam Mining (**TSM**) introduced high productivity 'room & pillar' mining of thin coal seams (seams less than 2 metres in height), to Australia in early 2000s, and achieved tonnes per advance rate for continuous miners not hitherto seen in Australia. Allegiance Directors and New Elk Management were co-founders of Thin Seam Mining in Australia.

The top table is a comparison of ROM tonnes per employee from Thin Seam Mining's two main contracts in Australia at the time (Ivanhoe and Aquila in light green), compared to NSW longwall operations. Thin Seam Mining's average ROM tonnes per employee (dark green) outperformed NSW longwalls average by almost 2 times.



The bottom table is a comparison of ROM tonnes per employee from Thin Seam Mining's two main contracts in Australia at the time (Ivanhoe and Aquila in light green), compared to NSW room & pillar operations. Thin Seam Mining's average ROM tonnes per employee (dark green) outperformed NSW room & pillar mines average by almost 3 times.



## New Elk acquisition terms

Allegiance has a 12 month exclusive option over the mine ending 14 July 2020, in consideration for paying US\$150k per month to cover mine care and maintenance costs

### Conditions precedent to completion

- ✓ Legal & financial due diligence
- ✓ Review geological model
- ✓ Complete feasibility study
- Finalise formal agreement
- Raise start-up CAPEX

### Payments on completion

US\$1 for the shares in mine owning company

US\$5M to replace State of Colorado reclamation bond

US\$3M cash

US\$3M AHQ shares

US\$30M of net debt on completion remains on balance sheet, interest free, subordinated to US\$40M of preferred debt, and repaid by sweeping a percent of retained earnings each quarter after provision for working and sustaining CAPEX, and any preferred debt payments or commitments.



# Table of Resources and Reserves

## New Elk Coal Resources

Seams	Measured Mt	Indicated Mt	Inferred Mt	Total Mt
Green	19.1	17.7	5.6	42.4
Loco	13.1	27.2	24.1	64.4
Blue	89.6	31.4	9.1	130.2
BCU	11.6	33.4	27.2	72.2
Red	21.1	9.3	-	30.5
Maxwell	65.4	65.0	15.8	146.2
Apache	45.6	51.5	13.9	111.1
Allen	68.9	25.4	0.7	95.1
<b>Total</b>	<b>316.4</b>	<b>260.9</b>	<b>96.4</b>	<b>673.7</b>

## New Elk Coal Reserves

Seams	Proven Mt	Probable Mt	Saleable Mt
Green	0.8	-	0.8
Blue	17.7	4.5	22.2
Allen	16.7	5.5	22.1
<b>Total</b>	<b>35.2</b>	<b>9.9</b>	<b>45.1</b>

## Telkwa Coal Resources

Deposits	Measured Mt	Indicated Mt	Inferred Mt	Total Mt
Tenas	58.8	-	-	58.8
Goathorn	59.5	9.2	0.2	68.9
Telkwa Nth	15.7	3.7	1.0	20.4
<b>Total</b>	<b>134.0</b>	<b>12.9</b>	<b>1.2</b>	<b>148.1</b>

## Telkwa Coal Reserves

Deposits	ROM Mt	Clean Mt	Saleable Mt
Tenas Proven	29.1	20.6	21.0
Tenas Probable	-	-	-
Tenas Total	29.1	20.6	21.0
Goathorn Proven	22.1	12.6	18.8
Goathorn Probable	0.2	0.1	0.1
Goathorn Total	22.3	12.7	13.9
Telkwa Nth Proven	10.8	6.4	7.0
Telkwa Nth Probable	0.7	0.4	0.5
Telkwa Nth Total	11.5	6.8	7.5
<b>Grand Total</b>	<b>62.9</b>	<b>40.1</b>	<b>42.5</b>