ALLEGIANCE COAL
LIMITED

# POISED FOR PRODUCTION OF STEELMAKING COAL WHEN THE TIMING IS RIGHT

CORPORATE PRESENTATION | MAY 2020

# 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 Company refers to its announcements of 15 July 2019 and 28 November 2019 regarding the resource and reserve estimates for the New Elk Mine insofar as they relate to the estimates other than for the Green, Blue and Allen seams. The Company confirms that it is not aware of any new information or data that materially affects the information included in those announcements and that all material assumptions and technical parameters underpinning the estimates in the previous announcements continue to apply and has not materially changed. The Company refers to its announcement of 31 January 2020 regarding the production targets and forecast financial information in respect of the New Elk Mine. The Company confirms that all the material assumptions underpinning the production targets and forecast financial information derived from the production target in that announcement continue to apply and have not materially changed, except in respect of the timing of the capital expenditure and production as disclosed in this announcement.

**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.

# Allegiance is poised to capture a market recovery

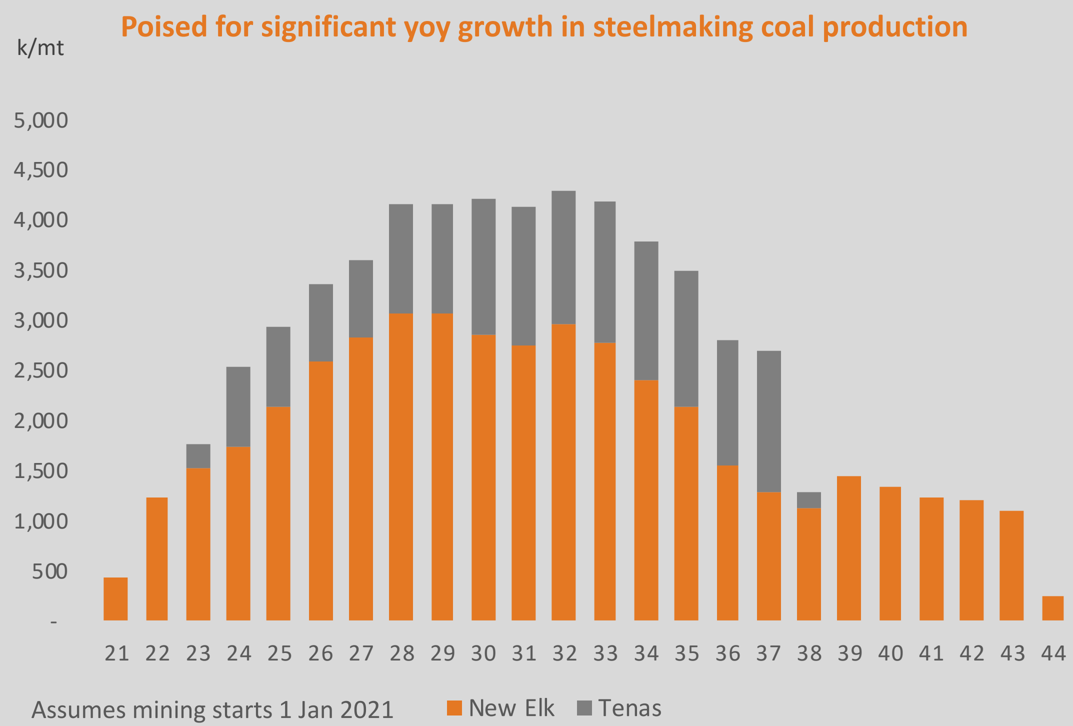
## 886Mt of steelmaking coal, 637Mt is permitted:

- Agreement to acquire 100% of New Elk Mine = 673Mt
- Agreement to acquire 100% of Lorencito = 88Mt
- 90% equity in Telkwa development project = 125Mt

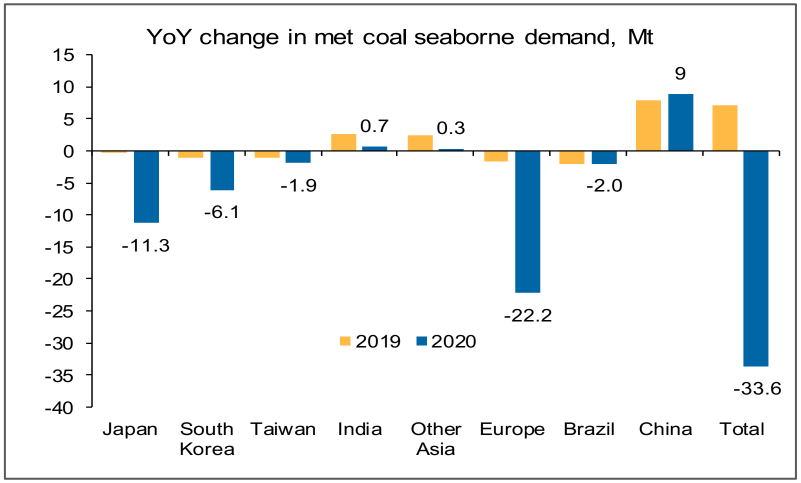
## 83Mt of saleable coal reserves

| | New Elk | Tenas (Telkwa) | Goathorn (Telkwa) | Telkwa North (Telkwa) |
|---|---|---|---|---|
| Hard coking coal | 45.1Mt | | | |
| Semi coking coal | | 16.6Mt | 13.9Mt | 7.5Mt |

| **AHQ capital structure** | | |
|---|---|---|
| Share price - at 5 May 2020 | A$ | 0.07 |
| Number of shares on issue | | 607M |
| Market capitalisation | A$ | 42M |
| Cash in AHQ | A$ | 2M |
| **Top 5 Shareholders** | **28%** | **162M** |
| Altius Minerals | 10% | 55M |
| HSBC Nominees | 5% | 33M |
| JA Ashton Nominees QLD PL | 4% | 25M |
| GFT Nominees QLD PL | 4% | 25M |
| Mark Gray | 4% | 25M |

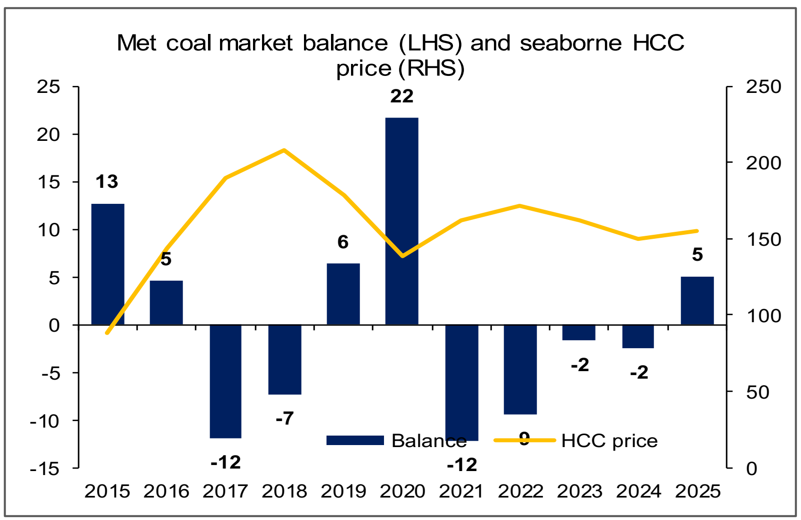
# Covid-19 impact on seaborne met coal … short lived perhaps?




Demand for seaborne met coal yoy is forecast to be down 33.6Mt with the vast majority of that coming from the idling of steelmaking capacity in Europe and Japan, but steel production in China is up yoy.

With weaker demand a supply excess of 22Mt is expected even with production cutbacks in the US and Canada, as Australia has sustained production levels assisted by a weak dollar and cheap oil prices, predictably driving met coal prices down.

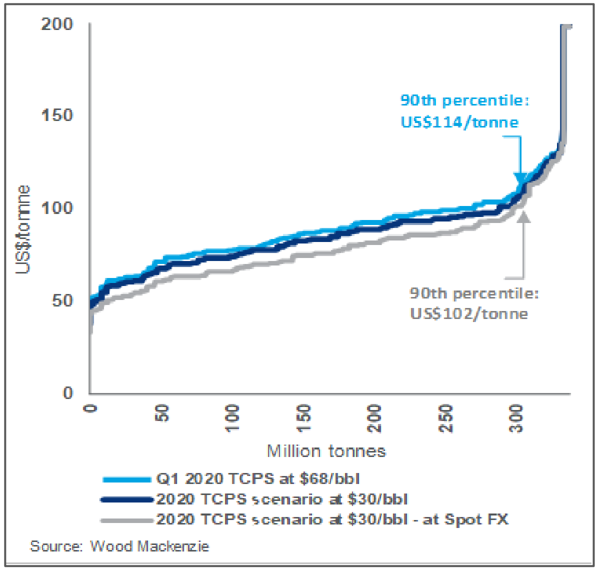
**Notwithstanding this, the analysts are forecasting supply deficits and a recovery in the HCC price from next year.**

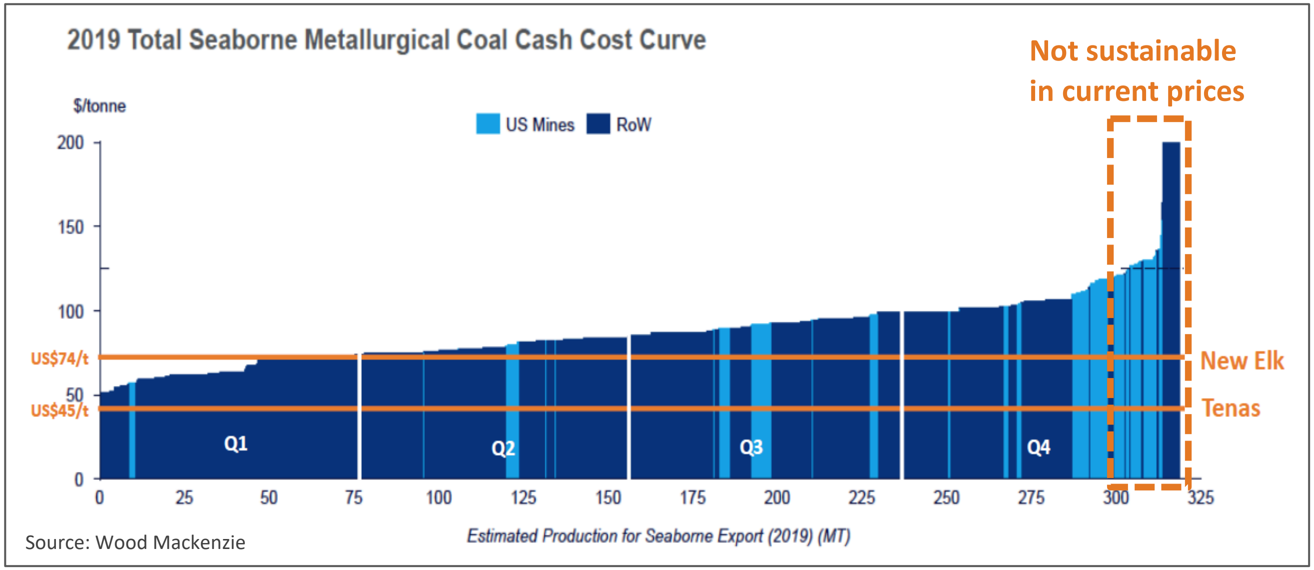



Source: Macquarie Coal Market Outlook 5 May 2020

| | | | | | |
|---|---|---|---|---|---|
| | | 30/04/20 Today's EXR A$1=USD | | 0.6477 | |
| **Index Prices** | | **Today** | ***v Pr Day*** | ***v Pr Wk*** | **MTD** |
| Platts PLV | | 109.00 | *0.00* | *-12.50* | 129.31 |
| TSI Prem | | 108.80 | *0.00* | *-14.80* | 148.66 |
| Arg Prem | | 107.00 | *-6.30* | *-14.45* | 148.64 |
| MV 64 | | 88.70 | *-0.15* | *-20.75* | 132.38 |
| TSI CC | | 88.70 | *-0.15* | *-20.75* | 132.38 |
| Platts LVPCI | | 67.20 | *-0.15* | *-6.00* | 91.73 |
| Platts MV PCI | | 64.20 | *-0.15* | *-5.00* | 88.27 |
| Platts SS | | **62.20** | **-0.15** | **-3.50** | 79.72 |
| PLV China Netback | | 108.95 | *-0.15* | - | - |
| **Weekly GC HCCA** | **27-Mar** | **3-Apr** | **10-Apr** | **17-Apr** | **24-Apr** |
| HCCA | 159.75 | 138.35 | 133.00 | 133.00 | 120.00 |
| **Atlantic Coking Coal** | | **Today** | ***v Pr Day*** | | |
| Low Vol HCC | | 110.00 | 0.00 | | |
| High Vol A | | 115.00 | 0.00 | | |
| High Vol B | | 107.00 | 0.00 | | |

# New Elk and Tenas are still safely placed at current prices




Cheaper oil prices have contributed to lowering met coal FOB cash costs, with marginal costs at the 90th percentile estimated at US$102/tonne, with a further 20Mt of largely US met coal along with Mozambique hard coking coal estimated to be operating at losses. This volume or a substantial portion of it is likely not sustainable at current prices and is expected to disappear from the seaborne market.

**Our strategy remains unchanged, to successfully complete the acquisition of New Elk and prepare it for production restart and ramp-up to benefit from the potential supply deficit combined with a sharp recovery in coking coal prices in 2021, and to continue to advance the Tenas project nearer to production and file for an EA Certificate and Permits to mine in H2 2020.**

# New Elk is production ready

An established underground mine, with the CHPP and general mine infrastructure in good condition, New Elk is set to be a major, low cost US producer of steelmaking coal to the seaborne market at a very modest capital cost

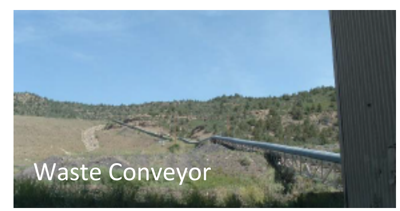
| | |
|---|---|
| Location | Southeast Colorado on the border with New Mexico |
| Resources & Reserves | 673Mt of resources and 45Mt of saleable reserves from 2 of 8 seams plus 88Mt from the Lorencito property |
| Permits | Mining, water and discharge permits in place |
| Mining Method | Underground room & pillar walk through super sections with 3 production units on site |
| CHPP | 727tph feed rate yielding clean coal at 72% average |
| Production Plan | Commence at 500kctpa ramping to 1.4Mctpa then ramping to 2.5Mctpa then steady state for +25 years |
| Coal quality | Low sulphur high fluidity high-vol A & B HCC |
| Rail & Port | 10 year rail contract in place with Union Pacific plus Houston port rates provided by Kinder Morgan |
| Sales & Marketing | M Resources appointed on 5 year contract with US$15M of off-take finance agreed |



CHPP & Silos

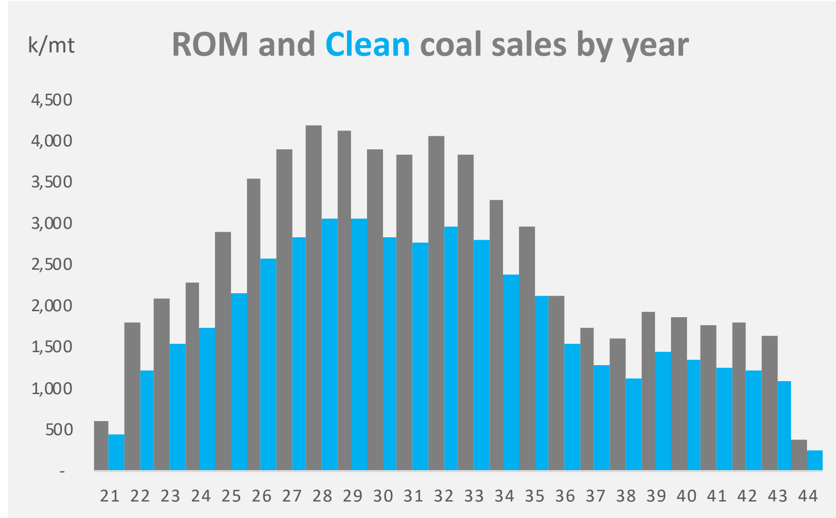

Coal Stacker


Electricity Substation


Waste Conveyor

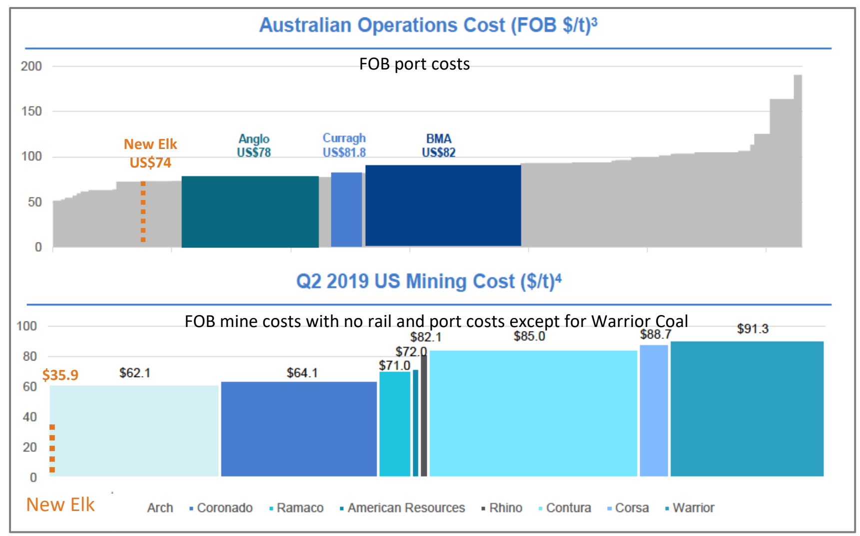
# New Elk feasibility study delivered compelling economics

| | |
|---|---|
| Start-up CAPEX | US$24M incl. working capital (updated 29 Apr 20) |
| FOBT cash cost | US$74/mt FOB Pasadena Deep Water Terminal |
| Assumed FOB price | US$132/mt average LOM for mix of high vol A & B |
| 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.

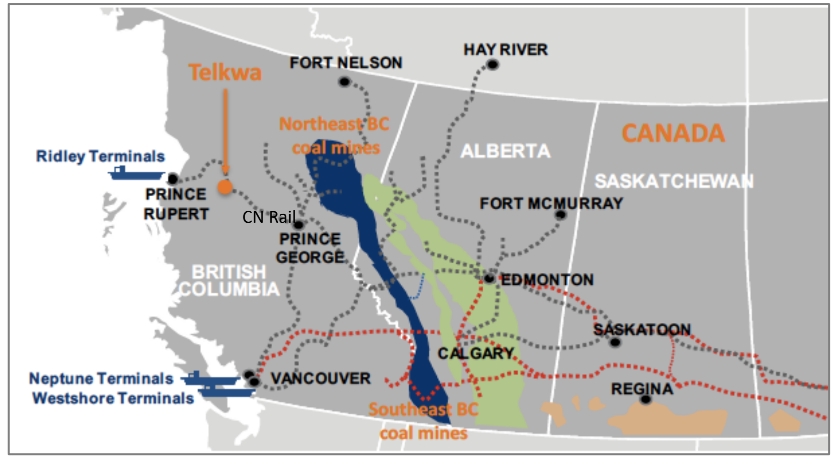


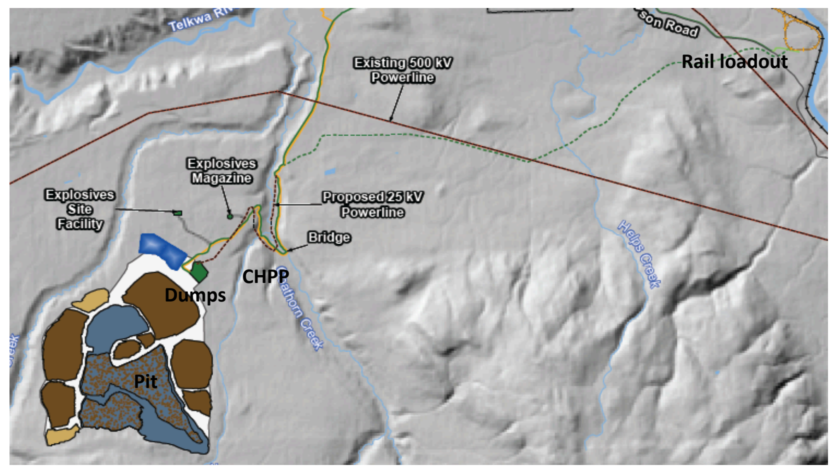

Source: Coronado Presentation September 2019

# Tenas is ready to go subject to permitting and financing

A pre-production open pit project with very low strip ratio of 3.6:1 BCM/ROMt and exceptional location to rail and port, and competitive shipping distance to the northeast Asian still mills

| | |
|---|---|
| Location | Northwest British Columbia |
| Resources & Reserves | 36Mt of resources and 16.5Mt of saleable reserves for current mine life of 20 years |
| Permits | Permits to mine targeted for Q3 2021 |
| Mining Method | Shallow open pit |
| Coal Processing | 140tph feed rate yielding clean coal at 74% average |
| Production Plan | Commence at 750kctpa ramping to 1.35Mctpa in year five |
| Coal quality | Mid-vol semi coking coal |
| Transportation | Trucked 16km from CHPP to rail loadout then 375km to Ridley Coal Terminal |
| Sales & Marketing | Itochu Corporation who will own at least 20% of the project and have the balance sheet fund start-up |



# Tenas potentially the lowest cost seaborne met coal producer

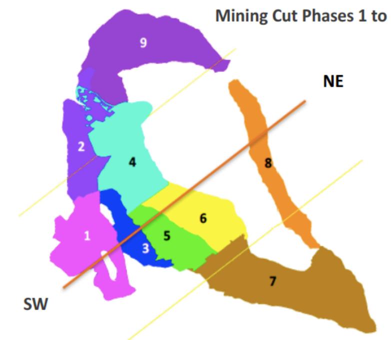
| | |
|---|---|
| Start-up CAPEX | US$55M excluding working capital |
| FOBT cash cost | US$45/t FOB Ridley Coal Terminal |
| FOB price | US$114/t average long term LOM semi coking |
| Annual revenue | US$121M average LOM |
| Annual EBITDA | US$64M average LOM |
| NPV | A$407.3 @ 8% pre interest and tax |
| IRR | 57% pre interest and tax |

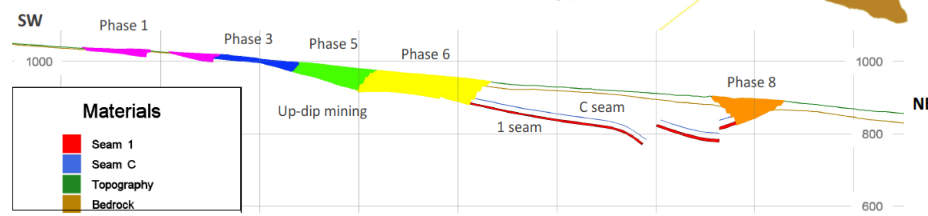
Simple geology, shallow, flat and gentle dipping seams make for low cost mining

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.

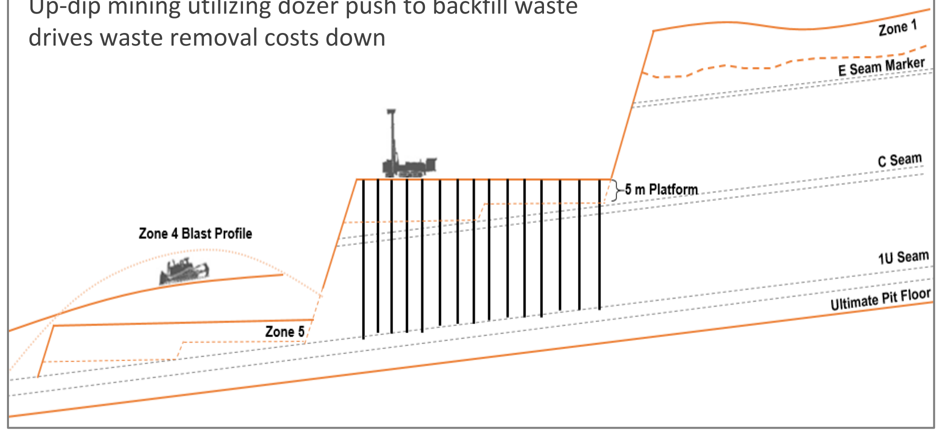




Ridley Coal Terminal, Prince Rupert

Up-dip mining utilizing dozer push to backfill waste drives waste removal costs down



# Allegiance Board and Management

| Board of Directors | More than 150 years collective experience in open pit and thin seam underground 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 open pit and thin seam underground coal miners | |
| Amon Mahon | COO New Elk | 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. |
| Dan Farmer | COO Telkwa | Dan is Allegiance Coal's chief operating officer and is a mining engineer with 30 years experience in Canadian coal including as the Operations Manager of Anglo American's coal mines in British Columbia. |
| Angela Waterman | Permitting | Angela is a scientist in biology with more than 25 years experience in the mining industry in British Columbia and Alberta her most recent major role was with Anglo American in British Columbia where she permitted two coal mines |

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# Appendix: New Elk acquisition terms

Allegiance has a binding agreement to acquire New Elk by 14 December 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 of US$24M

**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.