



**ALLEGIANCE COAL**  
LIMITED

**PLANNED ACQUISITION OF NEW ELK HARD COKING COAL MINE  
SOUTHEAST COLORADO, USA**

INVESTOR PRESENTATION | JULY 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.

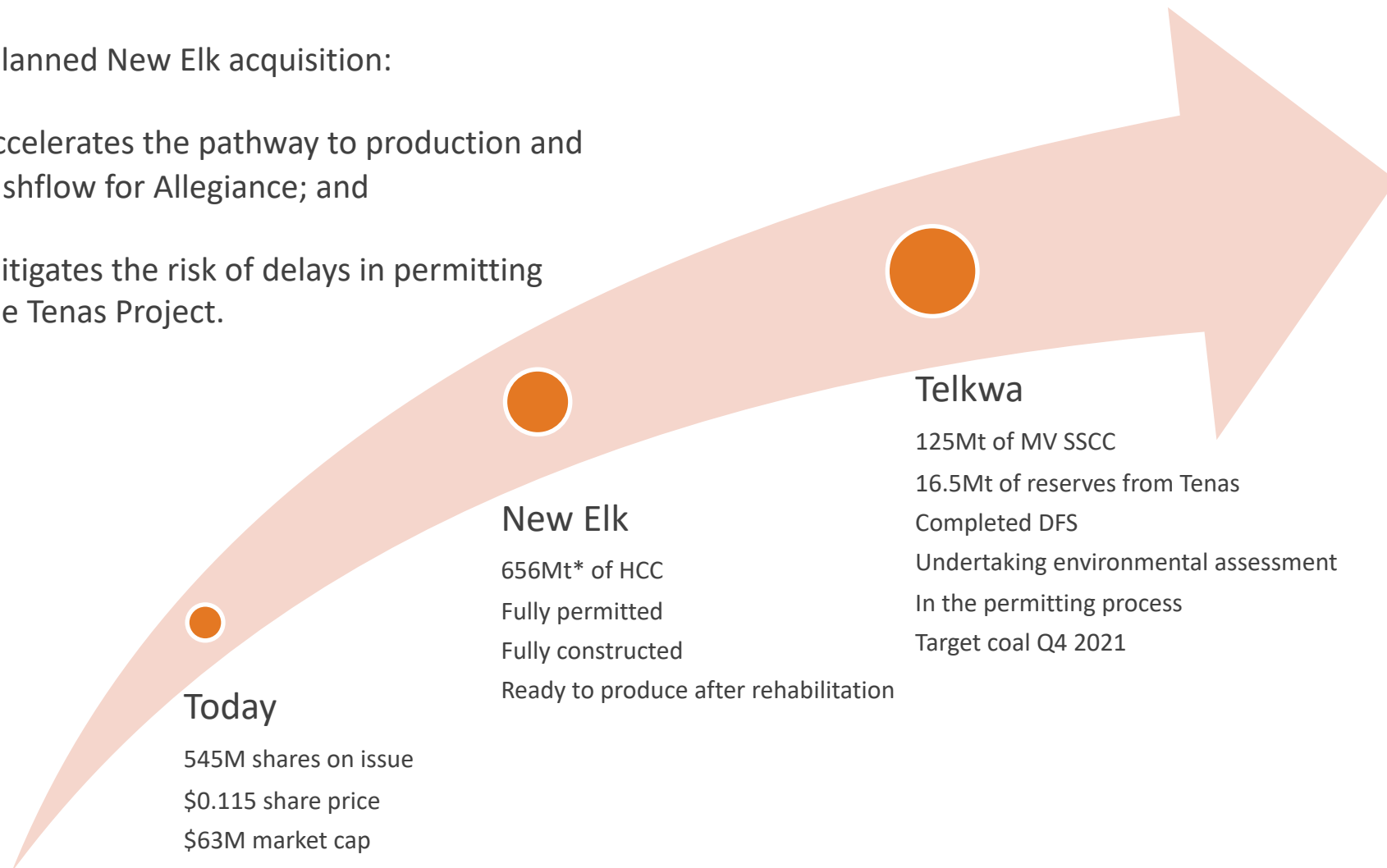
**Cautionary Statement.** Investors should note that the mineral resource estimates for New Elk in this presentation are foreign estimates under ASX Listing Rule 5.12 and are not reported in accordance with JORC Code (2012 Edition of the “Australian Code for Reporting of Exploration Results, Mineral 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.



## Focused on production and cashflow to create value

The planned New Elk acquisition:

- Accelerates the pathway to production and cashflow for Allegiance; and
- Mitigates the risk of delays in permitting the Tenas Project.



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



# Board & Management bolstered to drive New Elk

Board			Equity	Top 20 shareholders			Shares M	%
Mark Gray	MD & Chairman		24,460,666 shares	Citicorp Nominees PL (Altius Minerals)			57.4	10.5
Jonathan Reynolds	Finance Director		1,610,000 shares	HSBC Custody Noinees (Australia) PL			29.3	5.4
Malcom Carson	Director			JA Ashton Nominees (QLD) PL			25.3	4.6
Larry Cook	Director		5,000,000 rights	GFT Nominees (QLD) PL			25.3	4.6
Telkwa Management			Equity	Telkwa Holdings Ltd (Mark Gray and related)			24.5	4.4
Dan Farmer	COO		2,232,595 shares	Bernard Laverty PL			23.1	4.2
Angela Waterman	Environ & Permitting			Comodale PL			20.8	3.8
New Elk Management			Equity	DGSF PL <Doug Grice Super Fund>			19.3	3.5
Amon Mahon	Project Manager		5,000,000 rights	John Wardman & Asso. <Wardman Super Fund>			15.8	2.9
Bernie Mason	Project Manager		5,000,000 rights	Franklin Civil PL			15.6	2.9
Vesting of Performance Rights			Total	JP Morgan Nominees Australia PL			12.4	2.2
Mahon/Mason	Shareholder approval		2,500,000	Dryca PL <Dryca CA Employees Ret/F A/C>			11.0	2.0
Cook/Mahon/Mason	Acquisition completion		3,250,000	Peter Croke Holdings PL			9.8	1.8
Cook	Mine commissioning		1,250,000	Netwealth Investments Ltd <Wrap Services A/C>			9.7	1.8
Cook/Mahon/Mason	500kt of coal sold		3,750,000	John Bertrand Maguire			7.2	1.3
Cook/Mahon/Mason	1Mt of coal sold		3,750,000	McGee Constructions PL <McGorman Super Fund>			7.1	1.3
				Nequam PL <Dickson Family A/C>			7.0	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>			5.5	1.0
				<b>Total</b>			<b>338.8</b>	<b>62.0</b>

The issue of performance rights is subject to receipt of prior shareholder approval



# Planned acquisition of the New Elk hard coking coal mine

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

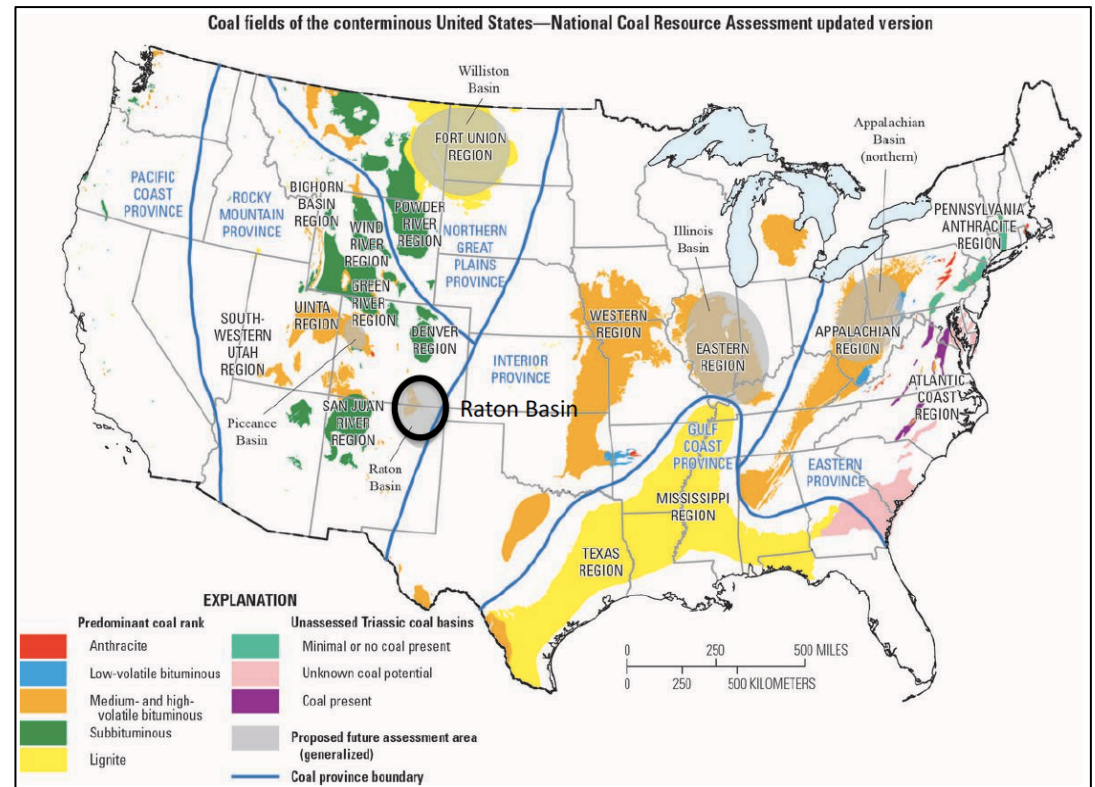
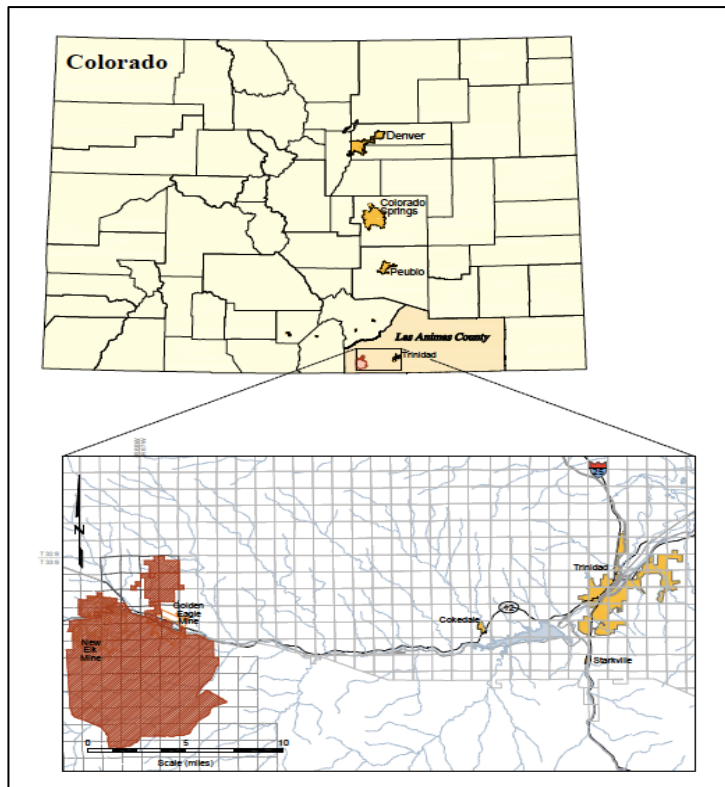
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## New Elk is located in the Raton Basin in southeast Colorado

The Raton Basin covers southern Colorado and northern New Mexico with an estimated 15Bt of coal. Mining in the basin commenced in the late 1800s and continued through to the 1990s. On the Colorado side, some 326Mt of coal was mined from more than 50 coal mines predominantly supplying coking coal to steel mills in Pueblo, 100 miles north of New Elk.





## New Elk history

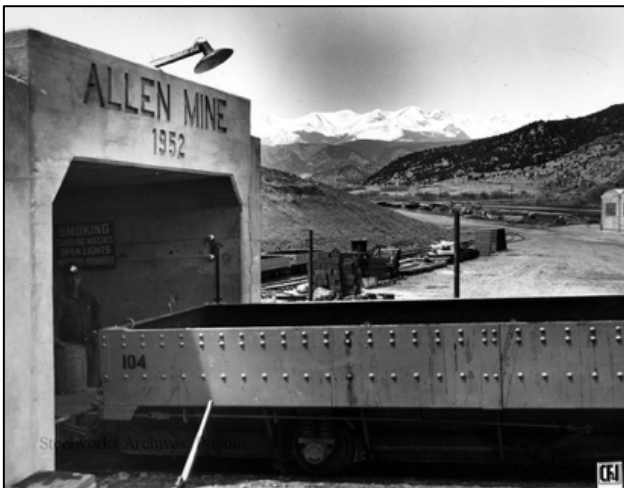


Commenced production in 1952 as the 'Allen Mine', mining the bottom seam, the Allen seam, and operated until 1989.

During this period, an estimated 30Mt of coal was mined.

In 2008, the Allen Mine was acquired by TSX listed Cline Mining Corporation for US\$13M, who then re-named it the 'New Elk Mine'.

By 2011, Cline had invested US\$113M in upgrading mine infrastructure and equipment, including US\$8.5M on a wash-plant upgrade to a name plate feed rate of 800t/h, and US\$62.5M on mining equipment.



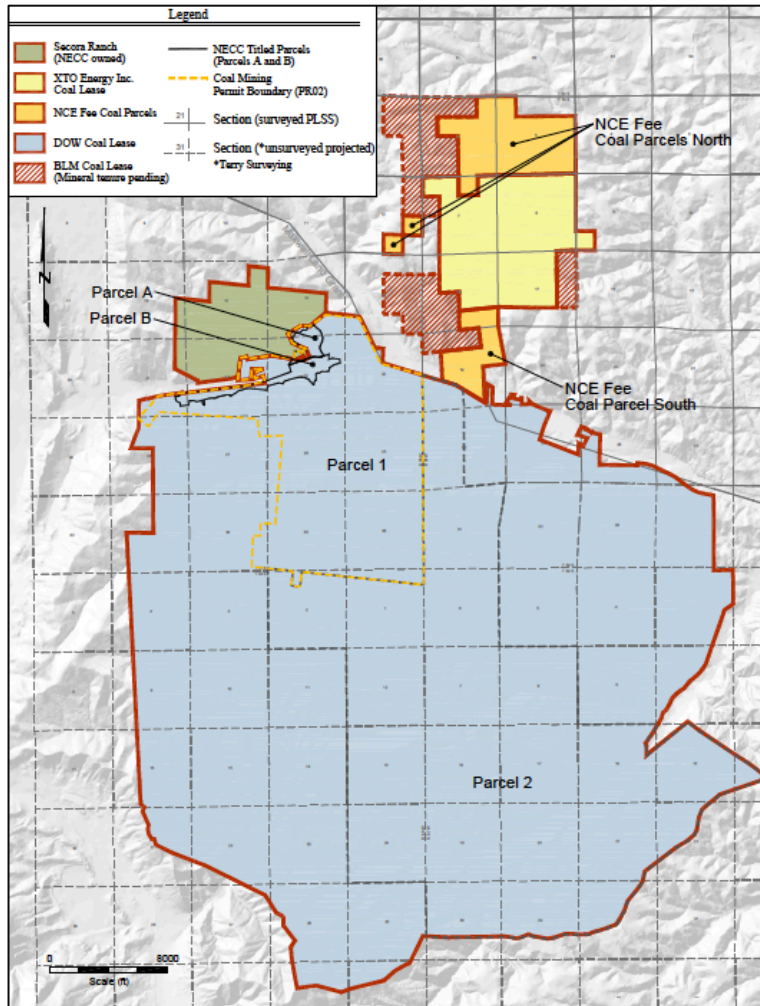
Mining commenced in the Allen seam via the existing Allen portal. However, poor mine planning compromised the ground conditions around the old workings forcing Cline to develop a new portal into the shallower Blue seam, where they drove the main headings 350m before production stopped.

Production ceased in mid-2012 following a fall in coking coal prices and Cline then filed for Bankruptcy protection.

Following Bankruptcy, Cline (therefore New Elk) became owned by its sole senior secured creditor and has remained on care and maintenance since.



# New Elk surface rights & permits to mine



The ownership of mineral rights in the US is based on the ownership of land.

Access to minerals therefore, is achieved either by acquiring the land, or securing rights to the minerals by way of lease.

New Elk Mine owns 665.97 acres of land, and controls around 32,922 acres of coal leases and fee coal parcels, illustrated in the map.

New Elk Mine is permitted for underground coal mining in the area marked Parcel 1, and extensions into Parcel 2 are obtained as the mine plan is developed.

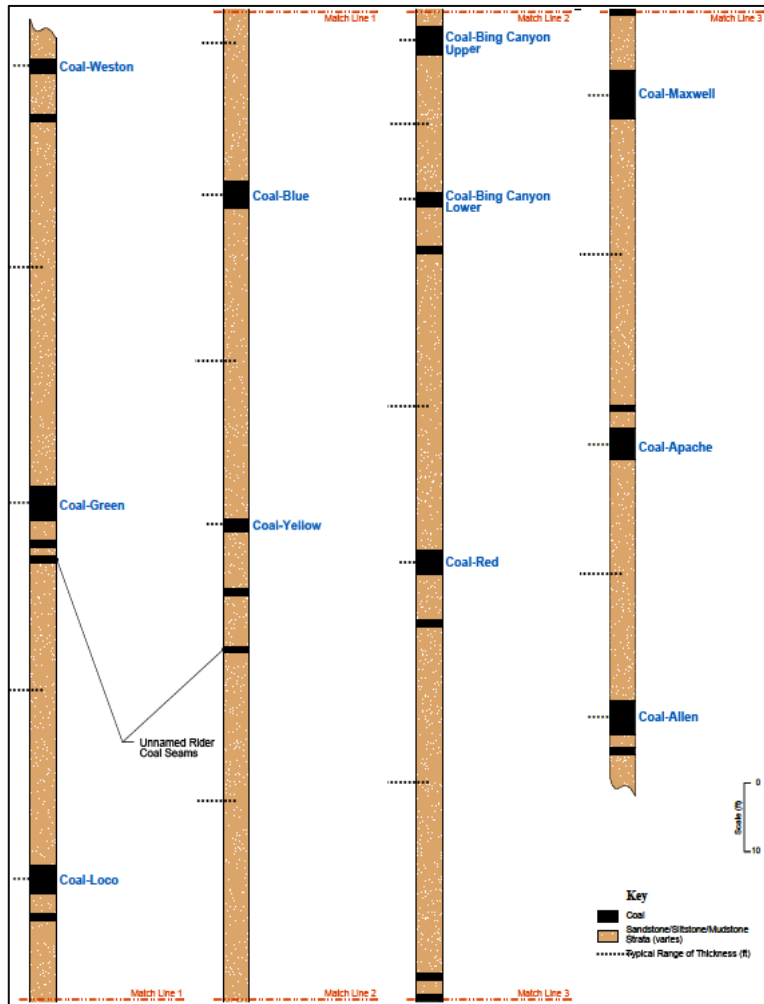
So long as there is no surface disturbance, little or no baseline data is required to be collected in order to extend permits to mine.

Verification and validation of New Elk surface rights and permits to mine is part of the due diligence process to the planned acquisition.





# New Elk stratigraphy



Multiple coal seams are hosted in the Upper Cretaceous Tertiary Raton Formation of which 8 are regarded as economic\*.

The stratigraphic column highlights 11 coal seams, however, the most recent NI 43-101 resource statement completed in 2012 declared coal resources from just 8 coal seams.

The top 3 coal seams outcrop variously around the property while all seams dip gently to the northeast at 2 to 4 degrees. As they trend under the adjacent mountain surface cover above the lowest coal seam reaches around 360 metres depth.

The coal seams are interposed with a variety of sandstone, siltstone and mudstone.

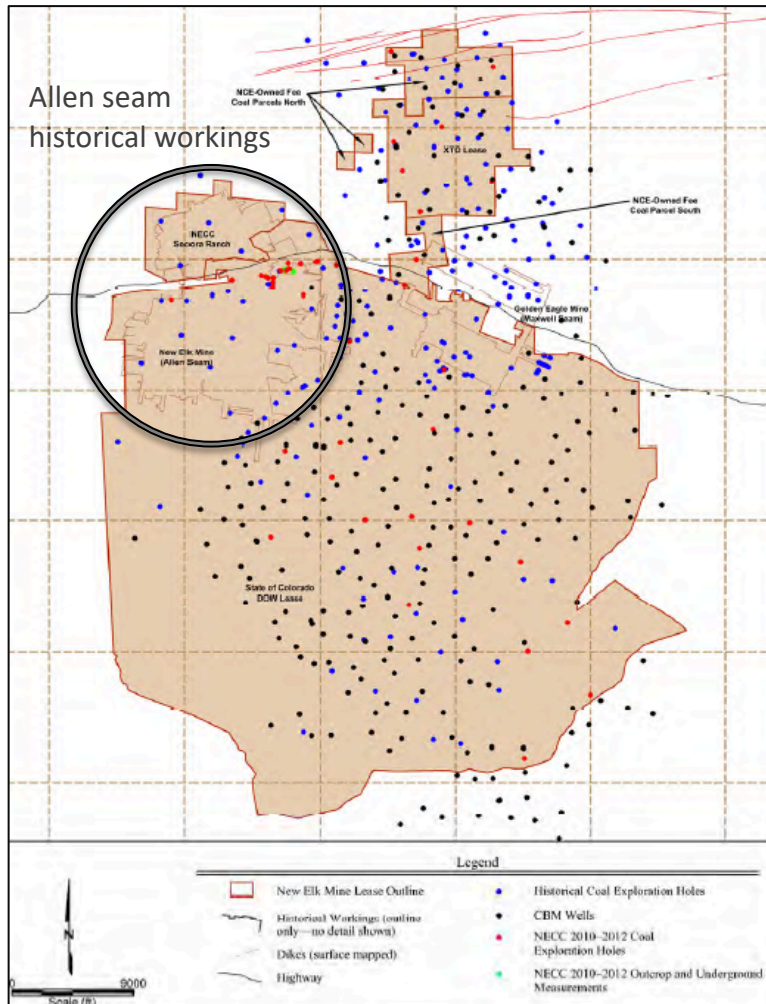
Seams commonly have thin rock partings, 3 of which were not included in the 43-101 because of this. The target seams in the proposed feasibility study have minimal rock partings.

Some faults were experienced in the historical workings although few achieved full seam displacement.

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



# New Elk drill hole and production data



Historical drilling dates back to 1951. A total of 208 historical rotary-core exploration holes were included and relied upon in developing the most recent geological model in 2012.

256 coal bed methane wells in the vicinity of the property were also used for estimating the elevation and thickness of coal seams.

Cline undertook three drill programmes in 2010, 2011 and 2012:

- 2010: 21 rotary core holes in the north to the central parts of the property equating to 3400m of drilling of which 1600m was cored for coal washability analysis and quality tests;
- 2011: 28 rotary core holes in the south to the central parts of the property equating to 3000m of drilling of which 1200m was cored for coal washability analysis and quality tests; and
- 2012: 12 vertical rotary core holes in the south to the central parts of the property equating to 1500m of drilling of which 200m was cored for coal washability analysis and quality tests.

The Mine also has a wealth of data from 30 years of production.





## New Elk plant & equipment

7 Joy 14cm15 continuous miners; 6 Joy SC10 shuttle cars; 1 feed breaker; 1 roof bolter ; 3 scoops; & misc equipment.

An estimated US\$3.2M in inventory and spare parts.

Coal handling and preparation plant with name plate feed rate of 800t/h.

2 separately developed portal entries into the shallow Blue seam and the deeper Allen seam.

Both entries contain their own underground conveyor belt system that feeds a single crushing bin outside the mine.

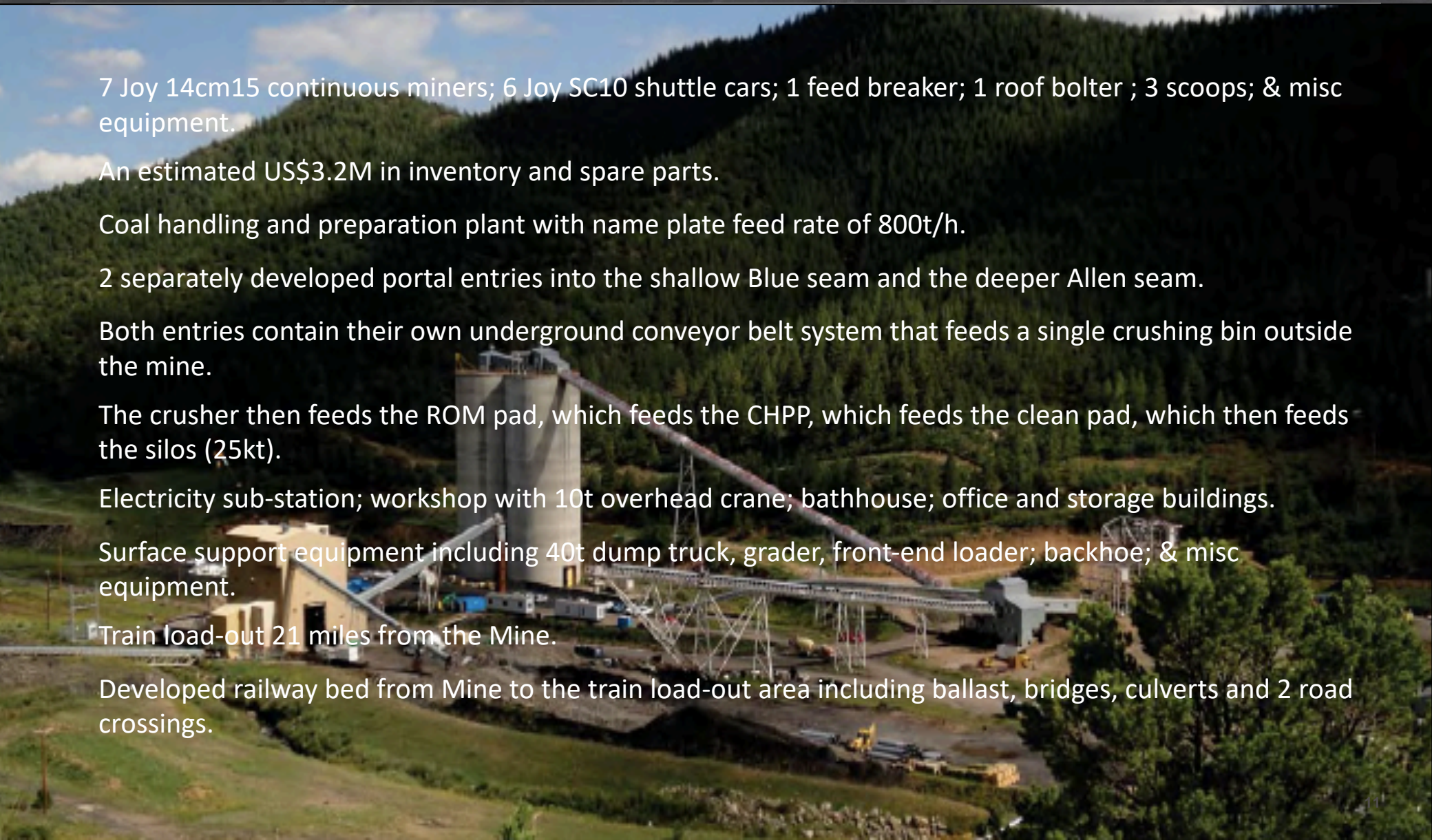
The crusher then feeds the ROM pad, which feeds the CHPP, which feeds the clean pad, which then feeds the silos (25kt).

Electricity sub-station; workshop with 10t overhead crane; bathhouse; office and storage buildings.

Surface support equipment including 40t dump truck, grader, front-end loader; backhoe; & misc equipment.

Train load-out 21 miles from the Mine.

Developed railway bed from Mine to the train load-out area including ballast, bridges, culverts and 2 road crossings.







## Examples of underground mining equipment deployed at New Elk

Joy 14cm15 Continuous Miner



Joy 10SC Shuttle Car



Fletcher Roof Bolter



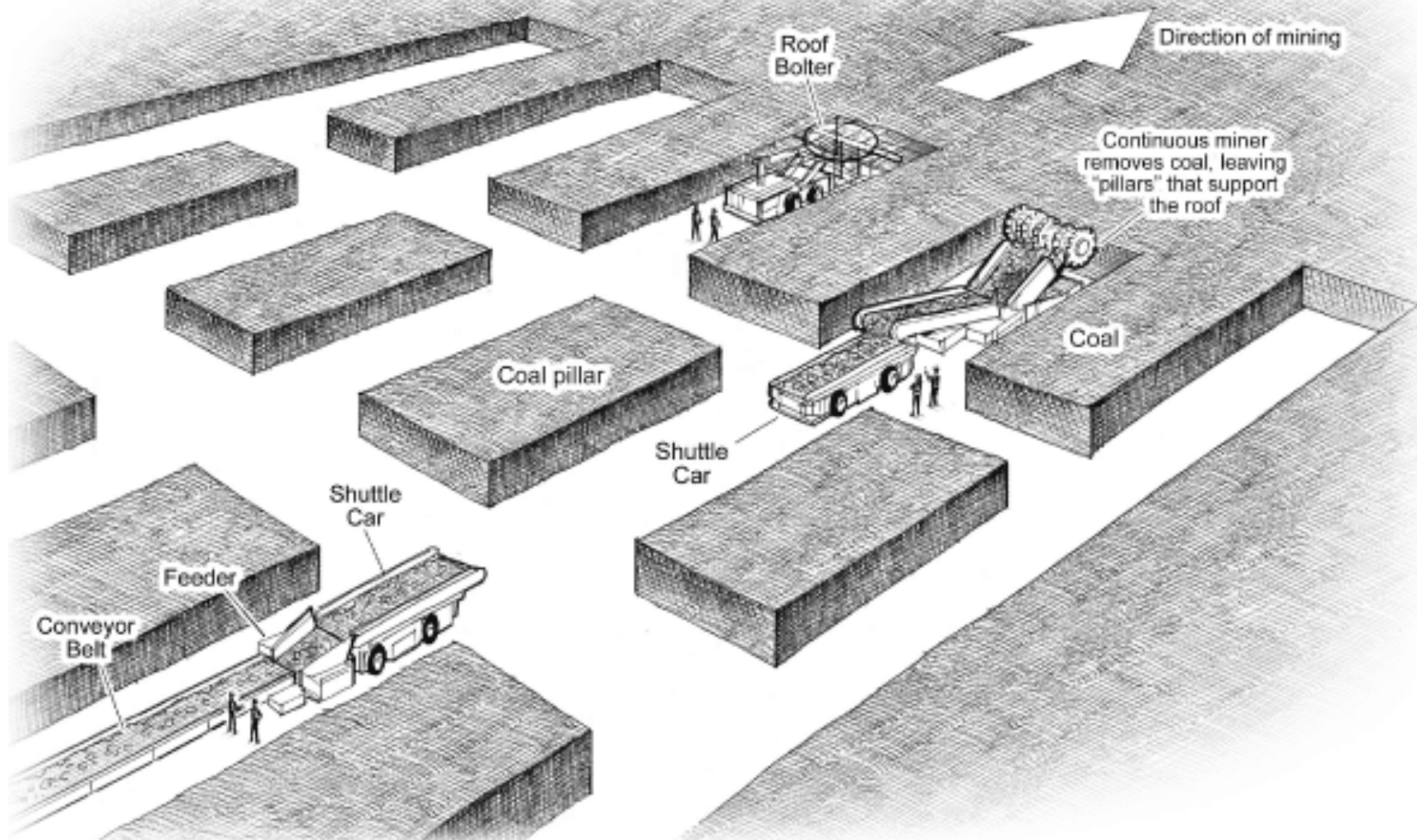
Joy Feeder Breaker







## Illustration of bord and pillar mining deployed at New Elk





## Large resource base with good quality hard coking coal

The Allen seam has the best coal quality sitting between High Vol A & High Vol B, while the remaining seams are High Vol B. The Blue seam has large areas of low phosphorous and the mine plan will focus on coal quality as much as it will on quantity.

Coal seam	Moist	Ash	VM	FC	S	FSI	Fluidity	RoMax	Phos
Allen seam	%	%	%	%	%		ddpm		%
	1.0	8.5	35	55.5	0.6	8-9	30,000+	0.85	0.06

Coal seam	Moist	Ash	VM	FC	S	FSI	Fluidity	RoMax	Phos
All others	%	%	%	%	%		ddpm		%
	1.0	8.5	35	55.5	0.5	6-7	15k to 30k	0.85	0.10

Coal Seam top down	Seam height	Measured Mt	Indicated Mt	Inferred Mt	Total Mt
Green	3 to 7 feet	29.94	24.95	0.09	53.98
Loco	3 to 4 feet	13.06	27.22	24.13	64.41
Blue	3 to 5 feet	47.36	34.56	0.82	82.74
BCU	3 to 6 feet	11.61	33.38	27.22	72.21
Red	3 to 4 feet	21.14	9.34	0.00	30.48
Maxwell	3 to 9 feet	65.41	65.05	15.79	146.24
Apache	3 to 5 feet	45.63	51.53	13.97	111.13
Allen	3 to 5 feet	38.83	43.45	12.79	95.07
<b>Total</b>		<b>271.97</b>	<b>289.48</b>	<b>94.80</b>	<b>656.26</b>

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



## Where does US high vol hard coking coal sit in the seaborne market?

	US\$/t FOB port	Fluidity (ddpm)
<b>Australian Bowen Basin</b>		
HCC Peak Downs Region	203	400
Premium Low Vol	202	500
HCC 64 Mid Vol	183	100
	US\$/t FOB port	Fluidity (ddpm)
<b>U.S Appalachian</b>		
High Vol A	195	30,000
Low Vol	178	-
High Vol B	157	25,000

Source: S&P Global Platts indicative pricing as at June 2019

Fluidity in a coal is a key component that enables steel mills to effectively blend multiple coking coals together to create the feed stock for its coke ovens.

US high vol hard coking coal is sought after by the steel mills for its fluidity, which helps determine which blends of coal are optimal for coke making.

S&P Global Platts, amongst others, publish indices with coal specifications for a variety of different coals sold on the seaborne market, and provide pricing data, both historical and forecasts.

The table compares the pricing of quoted Australia Bowen Basin hard coking coals with quoted US Appalachian hard coking coals, and the required specification for fluidity.

The table highlights the relevance and importance of US high vol hard coking coal. High Vol A typically trades above or below benchmark HCC, such as Peak Downs, depending on its availability.





## New Elk logistics: mine to loadout



New Elk has leased access to an existing rail load-out facility 21 miles east of the mine, which can be accessed on a public highway.

Cline trucked coal from the CHPP to the rail loadout in 30t road trucks when it recommenced mining in 2011.

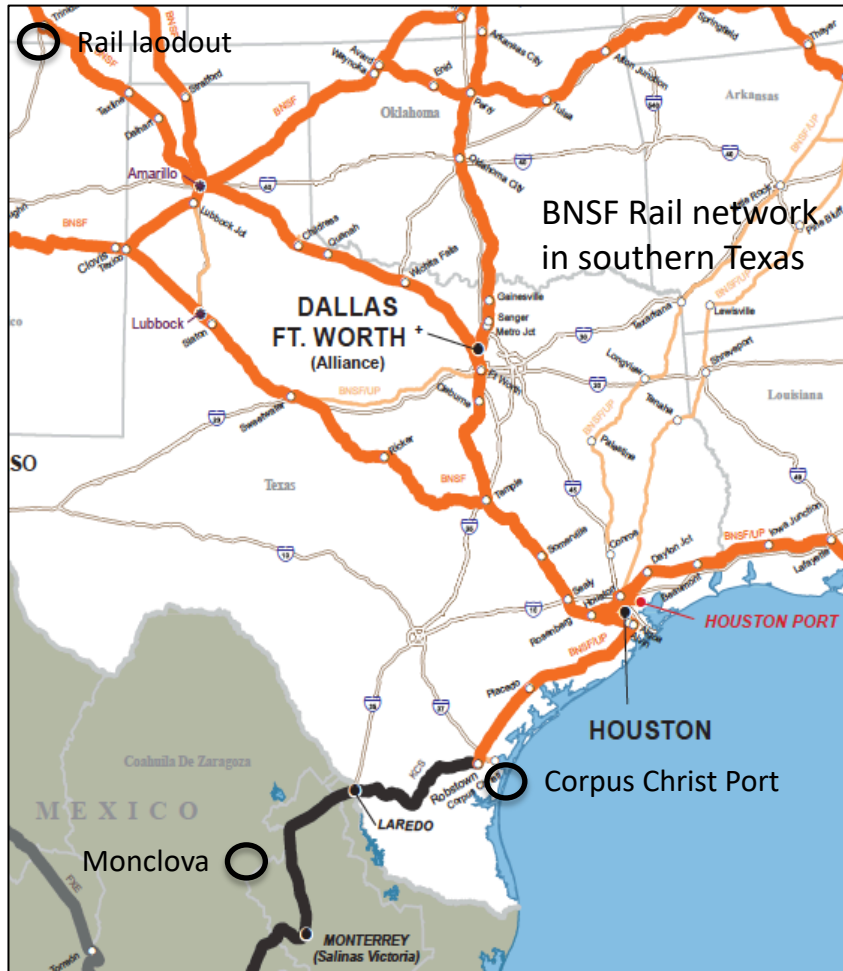
A rail line existed from the Mine to the main rail line to the Gulf of Mexico up to 2003, when the railroad owner uplifted the track after the Mine closed.

The rail bed with ballast, bridges, culverts and 2 road crossings remain intact.





## New Elk logistics: loadout or mine to Port or domestic market



The rail loadout or the point at which the rail bed meets the main rail line south to the Gulf of Mexico, is 950 miles on BNSF rail to the Port of Houston.

Two coal terminals exist in the Port of Houston operated by Kinder Morgan and handle petcoke and coal. The Pasadena Deepwater Terminal and the Houston Bulk Terminal can each handle up to 5Mtpa of petcoke and coal.

A third coal terminal with 2.5Mtpa of capacity is located in the Port of Corpus Christi with room for expansion.

Likely customers for New Elk hard coking coal will be Brazil, Europe, and Asia.

US coal traders may also wish to purchase New Elk coking coal for its low sulphur to blend with high sulphur US coals.

New Elk also has rail access to a blast furnace steel mill located in the city of Monclova, in northeast Mexico.



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