



**ALLEGIANCE COAL**  
LIMITED

**TENAS METALLURGICAL COAL PROJECT**  
**TELKWA BC, CANADA**

**FLAGSHIP PROJECT OF THE TELKWA MET COAL JOINT VENTURE**

INVESTOR PRESENTATION | NOVEMBER 2018



# 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 first reported in the Company's 18 June 2018 Announcement, supplemented by the Company's 26 June 2018 Announcement (together the **18 June 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 (**3 July Announcement**). The Company confirms that it is not aware of any new information or data that materially affects the information included in the 18 June Announcement or the 3 July Announcement and that all material assumptions and technical parameters underpinning the estimates in the 18 June Announcement and the 3 July Announcement continue to apply and have not materially changed.

## Production Target

The production target referred to in this presentation (unless otherwise stated in this presentation) was first reported in the Company's release of its Tenas Metallurgical Coal Project Description and Production Target on 3 July 2018 (3 July 2018 Announcement). The Company confirms that all the material assumptions underpinning the production target in the 3 July 2018 Announcement continue to apply and have not materially changed.



# The Telkwa Met Coal Joint Venture

## Allegiance - 80% of Telkwa Coal Ltd

AHQ number of shares on issue	510M
AHQ share price (Oct 18)	A\$0.055
ASX listed market capitalization	A\$28M
Share price on acquisition (Nov 16)	A\$0.025
Share price high (Feb 18)	A\$0.077
Share price low (Apr 17)	A\$0.020

## Top 10 Shareholders

Altius Minerals Corp. (10.9%)	55.7M
Maguire family interests (5.4%)	27.9M
John Ashton Trust (4.9%)	25.1M
Doug Gray Trust (4.9%)	25.1M
Monaco Family Office (4.8%)	24.6M
Bernard Laverty (4.8%)	24.4M
Mark Gray interests (4.6%)*	23.3M
John Wardman interests (3.9%)	20.1M
Doug Grice Super Fund (3.8%)	19.3M
Michael White Trust (3.1%)	15.6M
Total (51%)	261.1M

\*Mark Gray holds 2M options @ 7.5c strike price

## Telkwa Met Coal Project 100% owned by Telkwa Coal Limited

- > 126Mt JORC resource
- > 750ktpa of MV SSCC
- > 20+ year mine life
- > Cash cost ~US\$55/t FOB
- > Initial CAPEX ~US\$70M
- > Settle initial CAPEX funding with Itochu Q4 19
- > Fully funded to grant of permits to mine
- > Completing DFS Q1 19
- > Commenced permitting
- > Target permits by Q3 20
- > Target first coal by Q3 21

## Itochu - 20% of Telkwa Coal Ltd

Founded as a commodity trading business in	1858
Fortune 500 global company ranked	204th
JPY listed market capitalization	A\$40B
Total assets (Mar 18)	A\$111B
Total annual revenue pa (Mar 18)	A\$80B

## Itochu invests C\$6.6M to earn 20%

Earn-in EV for Telkwa Coal Ltd	A\$35M
Equivalent value per Allegiance share	A\$0.068
C\$1.5M on section 10 order (mid-Nov 18)	5.3%
C\$1.5M on completion of DFS (Q1 19)	4.8%
C\$3.6M on lodging EIA application (Q3 19)	9.9%

## Itochu may earn-in up to 50%

Once permits granted, Itochu may increase holding up to 50% on a valuation with permits granted. It is envisaged a significant proportion of project equity funding (or all) will be derived from this.

## Itochu appointed coal sales agent

Itochu is the sole and exclusive agent for all coal marketing, sales and delivery to point of sale.



## The Project enjoys exceptional location to rail and port ...

### Simple access to rail

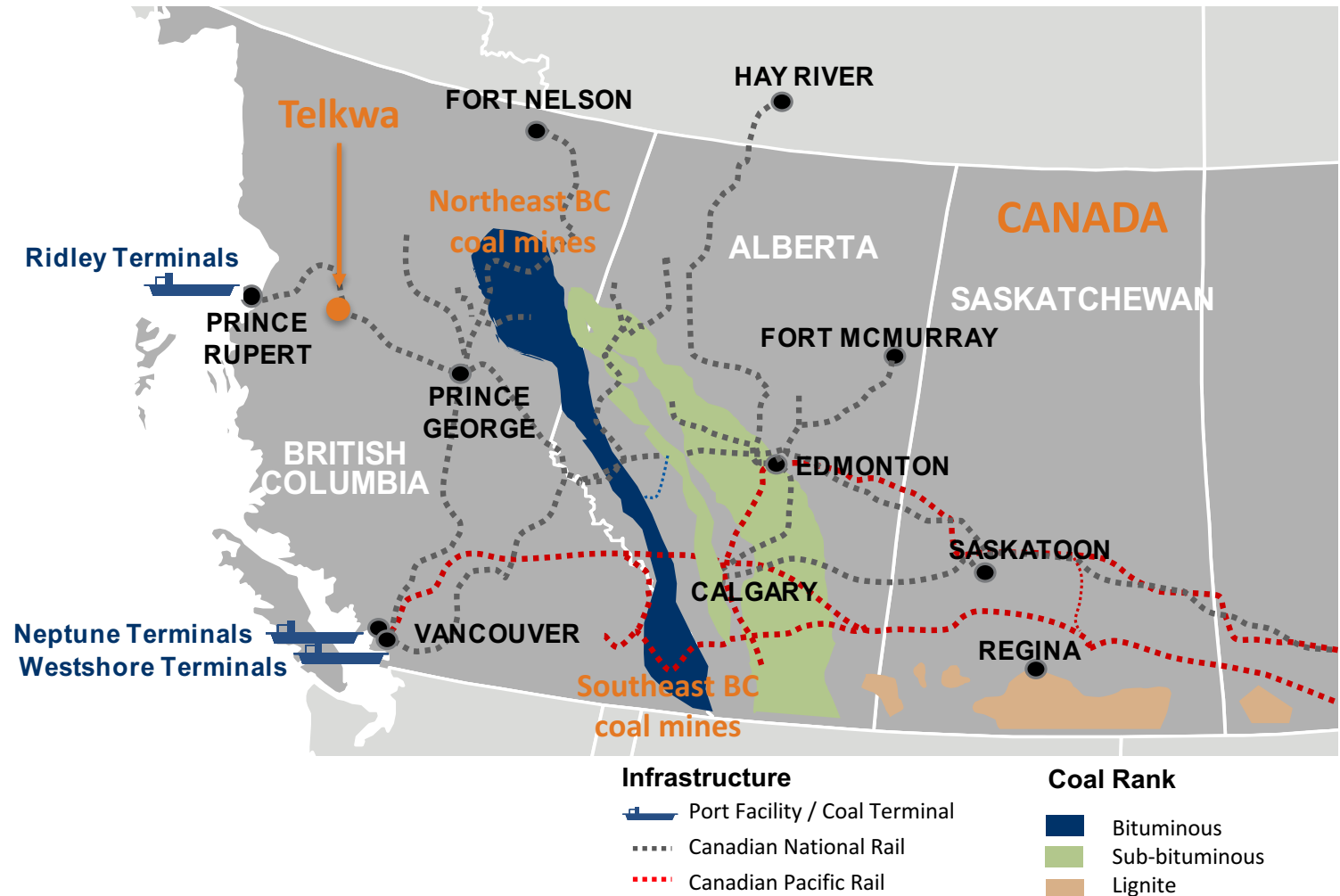
The Project sits adjacent to CN Rail's main line to Prince Rupert.

### Short rail haul to port

The rail haul from the Project rail loadout to Ridley Island Coal Terminal is 375km along a flat track with little or no grade.

### Uncongested port

Ridley has 18Mtpa capacity currently using:  
~8Mtpa planning to reach  
~12Mtpa in 2019.  
Ridley can expand to  
25Mtpa within 24 months.







... and the shortest shipping distance to the north-Asian steel mills

### BC: a leader in Met Coal

BC is 3rd largest exporter of met coal to the seaborne market behind Australia & the US. Teck Resources is the second largest exporter behind BHP.

### Australia: supply issues

The north-Asian steel mills are searching for alternative met coal supply to Australia. Weather events, infrastructure limitations (rail and port) and historical differences with BHP, have prompted the north-Asian steel mills to look elsewhere.

### BC is on the rise

BC is an excellent alternative with a ready, long term supply of good quality met coal, less impacted infrastructure, and a shorter shipping distance compared to both Australia and the US.





## Key success drivers

### A\$50M of data

- 849 drill holes, 2 bulk samples and multiple studies completed (inherited A\$40M of exploration data from previous owners)

### Fully funded

- Telkwa Coal Ltd is fully funded through to the completion of permitting and has a joint venture partner with the capacity to fund through to production

### Low start-up CAPEX

- US\$70M estimated start-up CAPEX for 750kctpa

### Low OPEX

- US\$55/t estimated all in average cash operating cost FOB Ridley Coal Terminal. Almost the lowest cost producer on the seaborne met coal cost curve

### Low strip ratio

- Average strip ratio of 3.7:1 BCM/ROMt to recover 20Mt of Tenas deposit coal

### Excellent yield for low ash product

- 74% yield for a 9% ash product and clean strip ratio of 5:1 BCM/PRODt

### A simple project

- Simple mining, processing, access to rail, port, power, water, workforce & services

### Natural hedge to price volatility

- Well placed at ~US\$55/t FOB to withstand a major downturn in HCC prices

### MV SSCC is a niche product

- Mid vol semi-soft coking coal is limited in supply on the seaborne market and is highly sought after by the steel mills - there is no non-Australian producer

### Long mine life

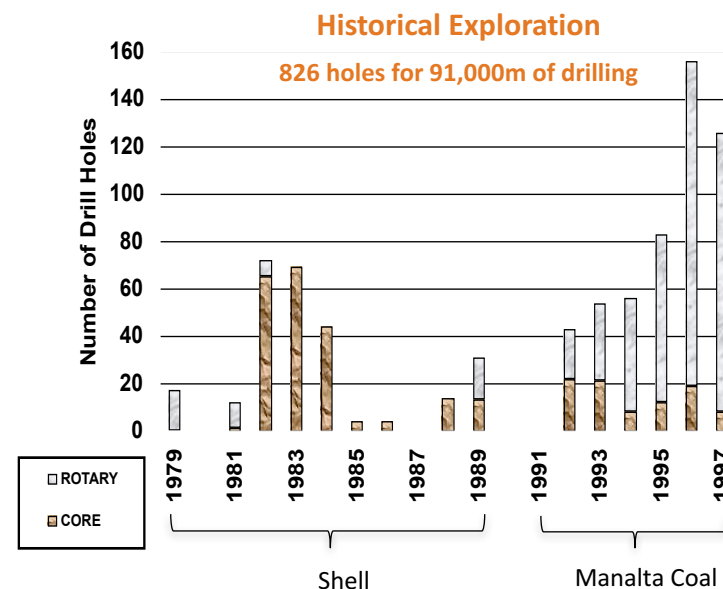
- 20+ years of mining at 750kctpa in the Tenas deposit with an additional 75Mt of measured resources in the two neighboring deposits



# 125.8Mt of resource & 42.5Mt of saleable reserves of MV SSCC

Resources & Reserves	Measured	Indicated	Inferred	Total
Tenas resources	27.1	9.4	-	36.5
Tenas saleable reserves				21.0
Goathorn resources	59.5	9.2	0.2	68.9
Goathorn saleable reserves				13.9
Telkwa Nth resources	15.7	3.7	1.0	20.4
Telkwa Nth saleable reserves				7.5
<b>Total Resources</b>	<b>102.3</b>	<b>22.3</b>	<b>1.2</b>	<b>125.8</b>
<b>Total Saleable Reserves</b>				<b>42.5</b>

The reserves were determined up to a strip ratio of 5.8:1 BCM/ROMt



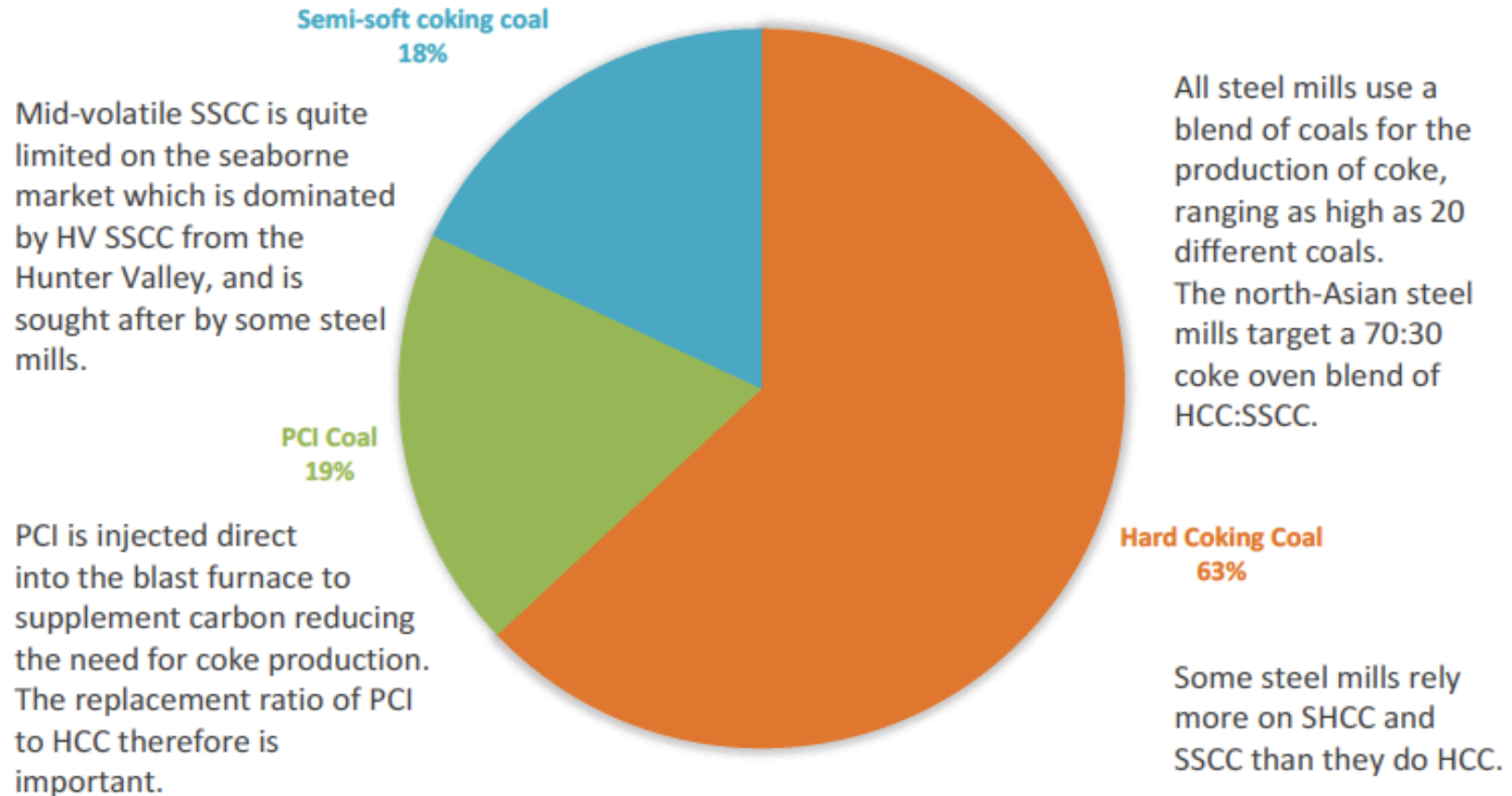
## Coal Quality a mid-volatile semi-soft coking coal

Moist.	Ash	VM	Sul.	FC	CV	RoMax	Fluidity	FSI	CSR	Phos.
1.1	9.4	25.8	0.95	64.1	7600	0.95	10	3-5	30	0.045
%	%	%	%	%	Kcal/kg		ddpm			%



## Understanding the mix of metallurgical coals

They all have a part to play in blast furnace steel production

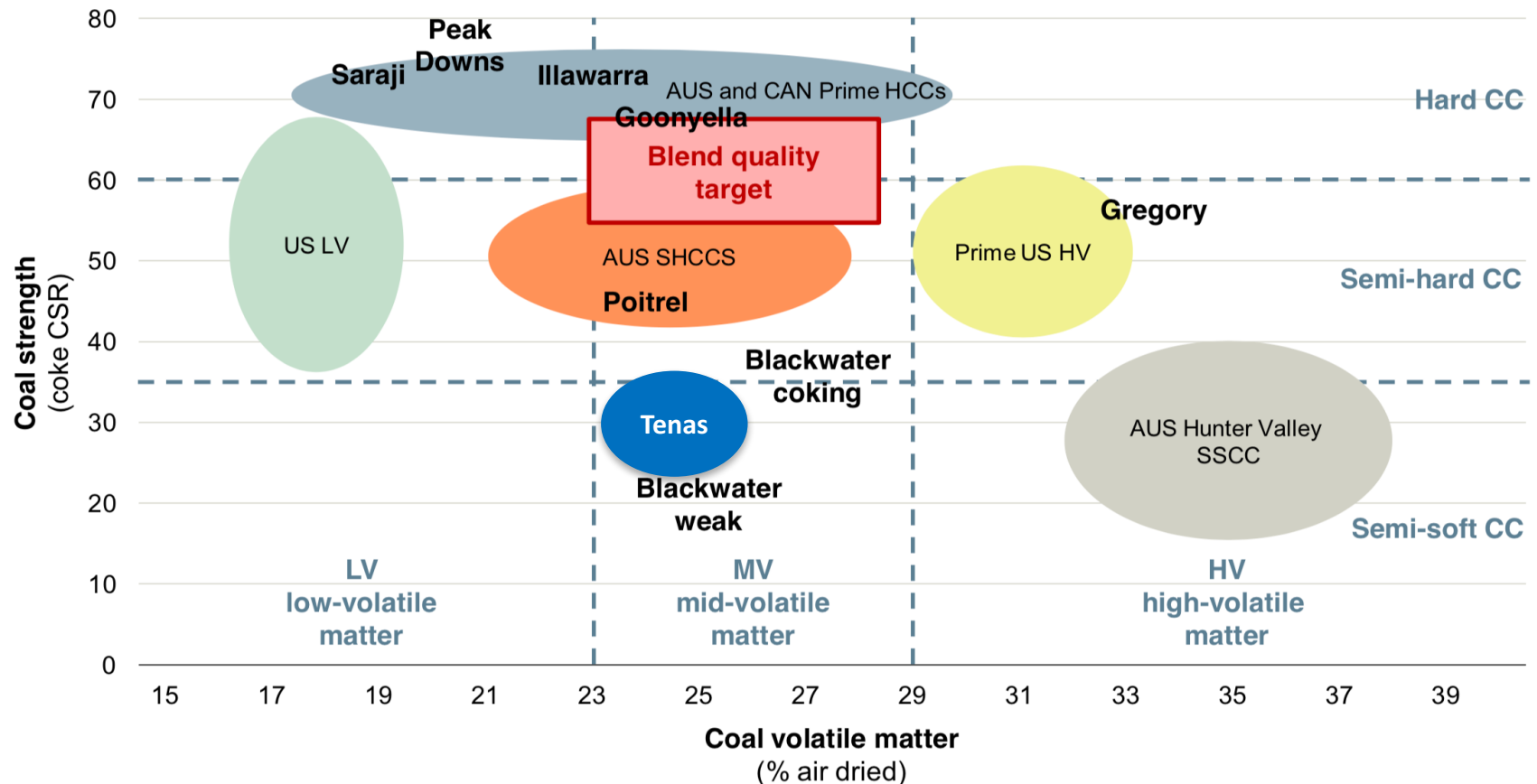






# Tenas coal sits in the 'sweet spot' for SSCCs

**BHP Billiton brands<sup>1</sup> and coal basins**

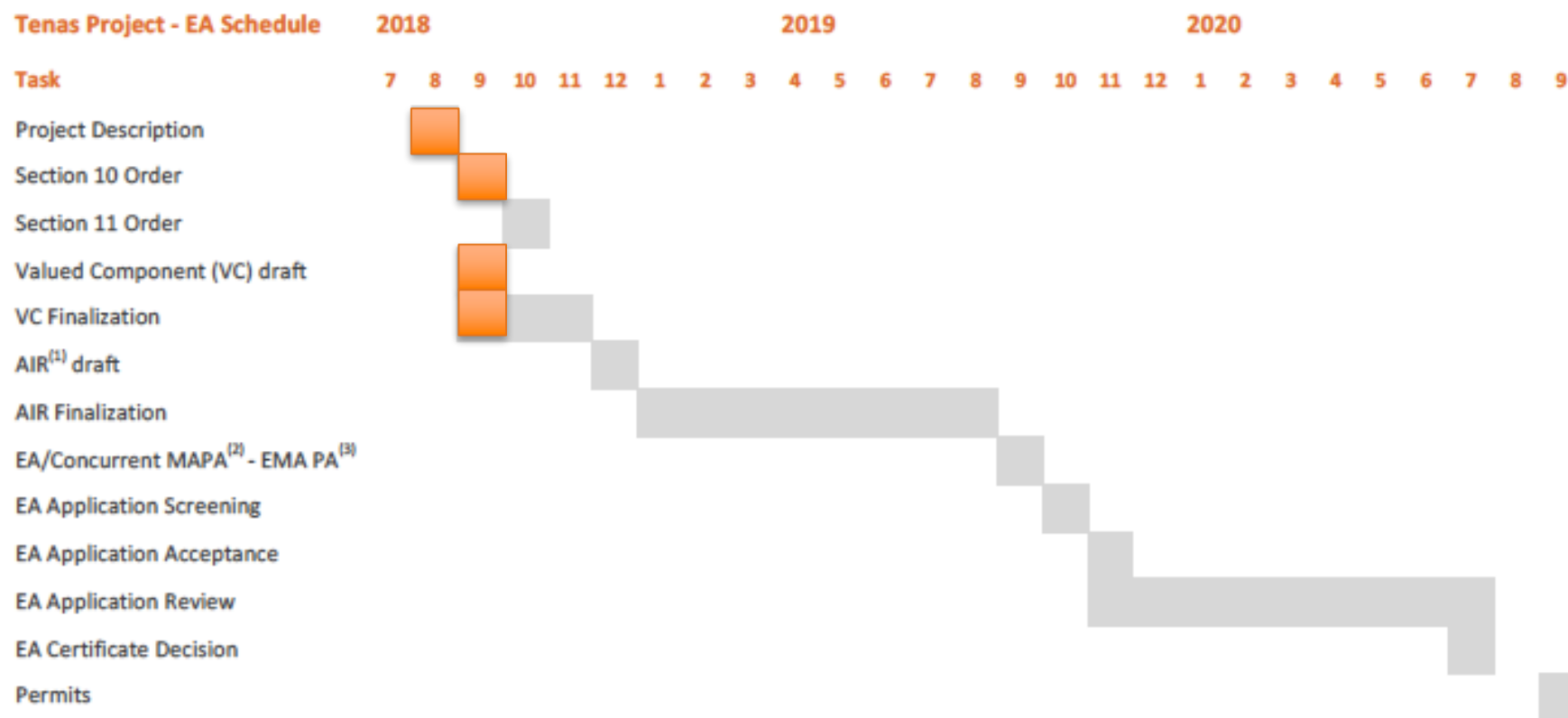


Source: BHP Billiton.

1. BHP Billiton coking coal brands in bold text.



# Proposed environmental assessment & permitting schedule



## Notes:

<sup>1</sup> AIR = Application Information Requirements or Terms of Reference.

<sup>2</sup> MAPA = Mines Act Permit Application.

<sup>3</sup> EMA PA = Environmental Management Act Permit Application.

<sup>4</sup> BC Government EA Revitalization Process is in progress, with new legislation and regulation expected in the fall of 2019.



## Fear not ... coal mines get permitted in BC

Company	Project	Production	Status
Anglo American	Roman	2.5Mctpa	2010 – December permitted
Teck Resources	Line Creek	6.6Mctpa	2013 – October permitted
Teck Resources	Swift	10.0Mctpa	2015 – September permitted
Teck Resources	Baldy Ridge	6.0Mctpa	2016 – September permitted
HD Mining	Murray River	6.0Mctpa	2017 – December permitted
Glencore	Sukunka	2.5Mctpa	EA lodged
Jameson Resources	Crown Mountain	1.7Mctpa	Pre-EA lodgment
Centre Mountain Coal	Bingay	1.0Mctpa	Pre-EA lodgment
North Coal (Pacroad)	Michel	2.0Mktpa	Pre-EA lodgment
Telkwa Coal	Tenas	750kctpa	Target EA lodgment Q3 19



# ALLEGIANCE COAL

LIMITED

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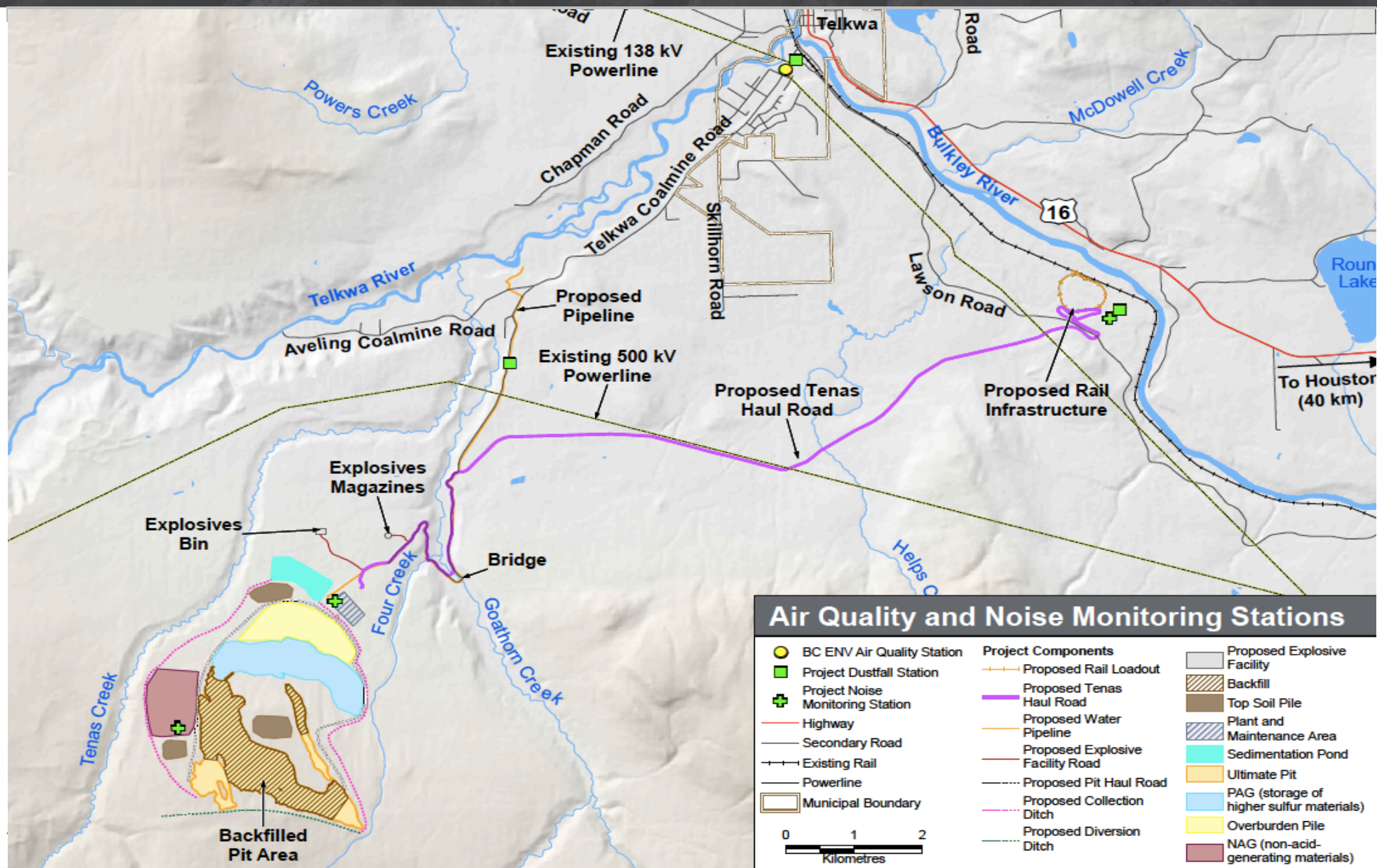
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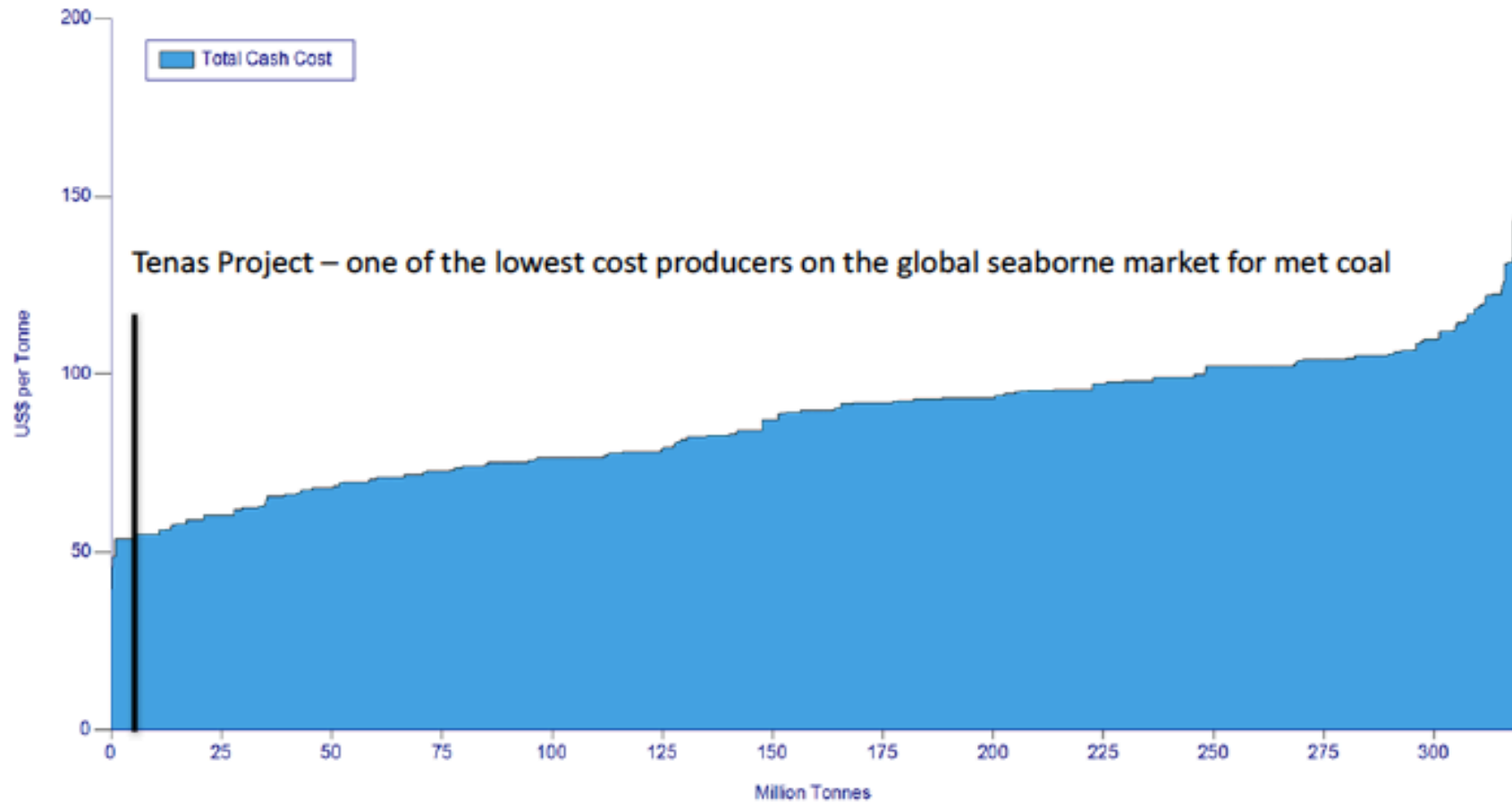
## Appendix 1: Tenas project mine and infrastructure





## Appendix 2: almost the lowest cost producer!

Seaborne Export Metallurgical Curve 2018



Source: Wood Mackenzie Ltd, Dataset: May 2018



## Appendix 3: historical timeline & key milestones achieved

It's taken us just 2 years to get to the permitting table and secure project funding

- Acquisition of Telkwa scrip for scrip by Allegiance
- \$3M capital raising
- Environmental baselines commence

- Communication & Engagement Agreement signed with First Nations
- Staged Production PFS completed

- \$3.6M capital raising

- Receipt of coal wash and coal quality test results
- Japanese and South Korea steel mills complete coke oven tests
- First public 'open house' held in Telkwa

