



6 April 2020

ALLEGIANCE FINALISES A SALES AND MARKETING AGREEMENT WITH M RESOURCES TRADING FOR NEW ELK COKING COAL PRODUCTION AND SECURES OFF-TAKE FINANCING

HIGHLIGHTS

- Allegiance has finalised an exclusive sales and marketing agreement with M Resources Trading Pty Ltd (**M Resources**) in relation to coal produced from the New Elk coking coal mine (**New Elk Mine**).
 - M Resources was established in 2011 by Mr Matthew Latimore and to date has managed close to 400 shipments globally of mostly metallurgical coal and since then has built up a strong global customer base in Asia, India, South America and Europe, including the natural targets for New Elk coking coals such as Brazil, Europe as well as Japan, Korea and Taiwan.
 - As part of the agreement, M Resources will provide up to US\$15M of off-take financing mitigating overseas customer credit risk and bridging the cashflow gap for Allegiance between coal loaded on a vessel at port, and delivered to the customer.
-

Allegiance Coal Limited (**Allegiance**) is pleased to announce the granting of the sales and marketing agreement for New Elk coking coal to M Resources.

M Resources specialises in the marketing of metallurgical coal for steel making. The company was founded in 2011 by Mr Matthew Latimore who is currently its Managing Director. Prior to establishing M Resources, Mr Latimore held the position of General Manager Sales and Marketing for Wesfarmers Curragh mine and was responsible for global sales of Curragh metallurgical coal products to international steel mills, and thermal coal to domestic and international power utilities, rail and port and quality and finance functions. Mr Latimore was a Director of Curragh Coal Sales. Prior to joining Wesfarmers in early 2001, he held various positions with Mitsui & Co (Australia) Pty Ltd.

In addition to Mr Latimore, Mr Marcelo Matos, the Chief Commercial Officer for M Resources, brings an enormous amount of coal business experience with strong relationships into global steel markets, including the South America and Europe. Mr Matos spent approximately 20 years with mining giant Vale in various senior roles including sales and marketing, business development, M&A, strategic planning and general management including the role of Chief Marketing and Strategy officer for Vale's global coal businesses and Managing Director and Country Manager for Vale in Australia.

M Resources has strong credentials in coal marketing, sales, rail, port and chartering management, blending, and technical marketing (coal characterisation, testing, and value-in use analysis), with its team members having a proven track record in the market development and successful establishment of various metallurgical coal brands into global markets.



Mr Mark Gray, Chairman and Managing Director commented:

“Having settled the mine to port rail contract last week, and finalising the sales and marketing contract this week, we’ve put the supply chain in place from coal face to customer. Matt and Marcelo, along with the team at M Resources, have the skills and experience that align with the target markets for New Elk coking coals. M Resources has established itself in the met coal market and has built an enviable global client base. We look forward to working with Matt and his team in returning the New Elk Mine into production and becoming a reliable producer and supplier of coking coal to the world’s steel mills”.

Mr Matt Latimore, Managing Director of M Resources commented:

“M Resources is pleased to conclude this new exclusive marketing agreement with Allegiance for all coal produced from the New Elk mine in Colorado. The M Resources team and I look forward to working with Mark and his team in adding value through sales and marketing to international steel mills”.

The agreement is legally binding and provides for an exclusive global sales and marketing arrangement for a term of five years. M Resources marketing fees will be based on a percentage rate of the FOB coal sales price multiplied by the tonnes of coal sold.

M Resources will provide up to US\$15M in off-take financing at an agreed percentage above its cost of funds for doing so. M Resources will pay Allegiance its FOB port price for the coal when it is placed on the ground at the port of departure and export up to a maximum amount of US\$15M. Off-take financing takes away the credit and payment risk for Allegiance, and enables Allegiance to receive funds up to two months in advance of when it would otherwise be paid.

Authorised for issue by Mark Gray, Chairman and Managing Director.

For more information, please contact:

Mr Mark Gray

Chairman & Managing Director

Mobile : +61 412 899979

Email : mgray@allegiancecoal.com.au

Mr Jonathan Reynolds

Finance Director

Mobile : +61 408 229 953

Email: jreynolds@allegiancecoal.com.au

About Allegiance Coal

Allegiance Coal is a publicly listed (ASX:AHQ) Australian company based in Vancouver, BC Canada, and is focussed on developing and mining metallurgical coal projects in North America and Western Canada. The Company is developing the Tenas metallurgical coal project, located in northwest British Columbia, in partnership with Itochu Corporation. The Tenas Project has a completed definitive feasibility study and is now in the permitting process targeting H2 2022 for the commencement of production. On 15 July 2019, the Company announced the planned acquisition of the New Elk hard coking coal mine, a fully permitted and constructed mine located in southeast Colorado, US. The Company is targeting to return the New Elk mine to production mid-2020.
