



ALLEGIANCE COAL
LIMITED

ACQUISITION OF A TIER 1 ALABAMA HARD COKING COAL ASSET

PRESENTATION | 21 OCTOBER 2021



Cautionary Statements

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.

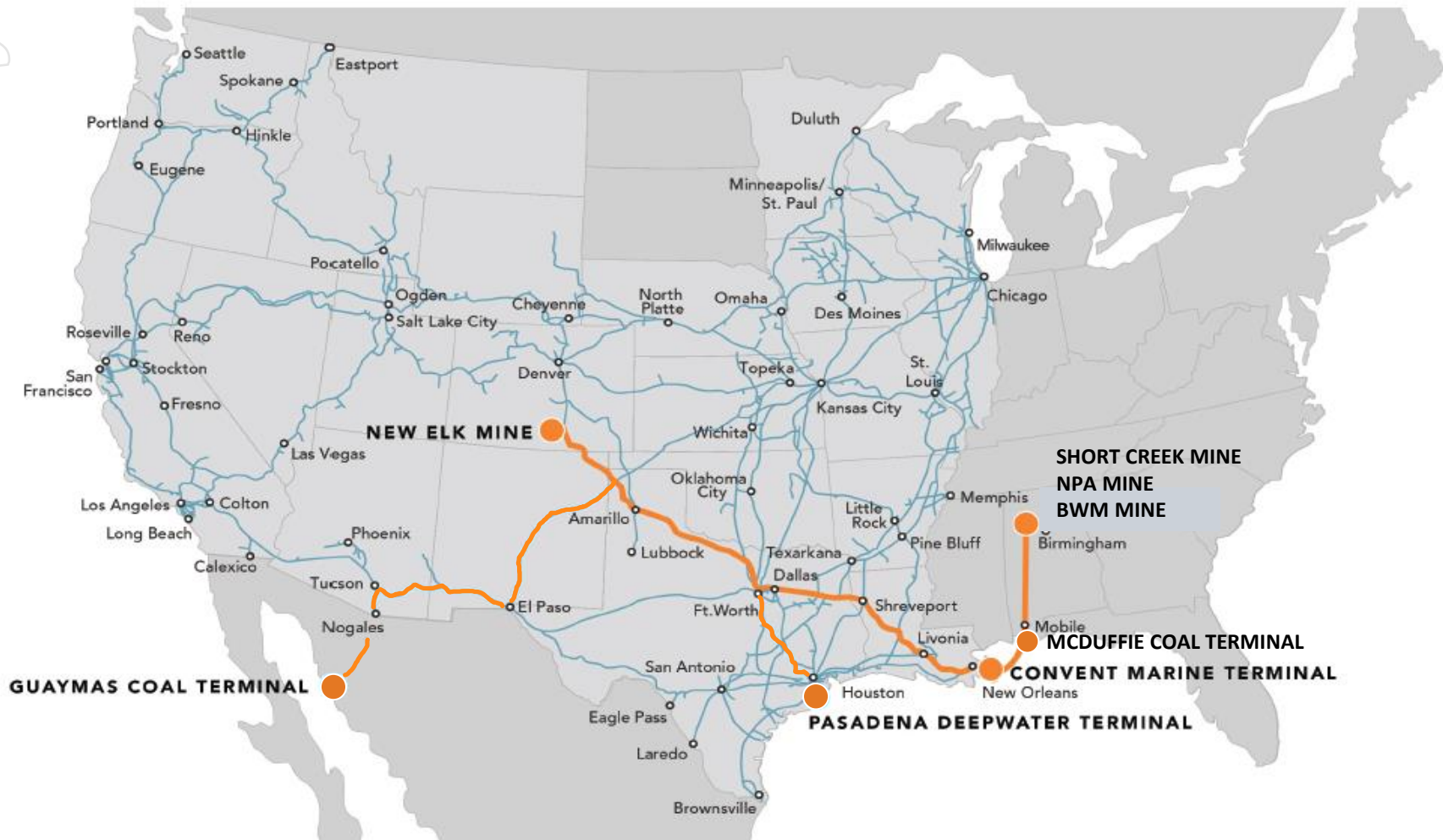
New Elk Coal Resources & Reserves. Allegiance refers to its announcement of 28 November 2019 regarding the reserve estimates for the New Elk mine. Allegiance confirms that it is not aware of any new information or data that materially affects the information included in that announcement and that all material assumptions and technical parameters underpinning the estimates in the previous announcement continue to apply and has not materially changed. Allegiance refers to its announcements of 15 July 2019 and 28 November 2019 regarding the resource estimates for the New Elk Mine insofar as they relate to the estimates other than the Green, Blue and Allen seams. Allegiance 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.

Cautionary Statement. Investors should note that the mineral resource estimates for Lorencito 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.

Competent Persons Statement The information in this presentation that relates to an exploration target or exploration results in respect of the Short Creek Mine is based on information compiled by Mr Justin Douthat, PE, MBA and Mr Mike McClure, CPG, each a Competent Person who is a member of a ‘Recognised Professional Organisation’ included in a list that is posted on the ASX website from time to time. Mr. Douthat is a registered member of the Society for Mining, Metallurgy & Exploration (SME) and is licensed as a professional engineer in the States of Arkansas, Colorado, Illinois, Kansas, Kentucky, Louisiana, Mississippi, North Carolina, Virginia, and West Virginia and has nearly 24 years of experience related to the development of mineral deposits both domestically and internationally. Mr McClure is a Certified Professional Geologist. Mr Douthat and Mr McClure are independent consultants to the Company and are employed by Marshall Miller & Associates Inc, and have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they undertook to qualify as Competent Persons as defined in the JORC Code (2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”). Mr Douthat and Mr McClure as Competent Persons for this presentation have consented to the inclusion of the information in the form and context in which it appears herein.



Building coking coal supply to access both Pacific & Atlantic markets ...





... and capitalising on strong demand for US seaborne met coal supply

Growing a substantial coking coal resource

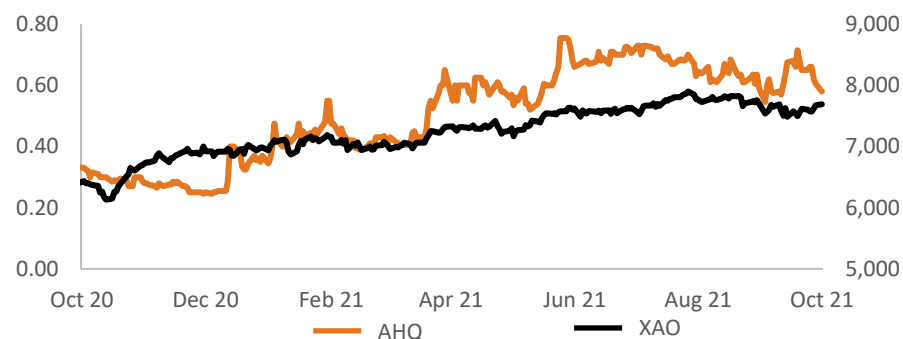
	Ownership	Status	Mt
New Elk Mine	100%	Operating	673
BWM Mine	100%	Operating	9
Short Creek Mine	*100%	Partly permitted	TBC
Short Creek Mine	**Offtake	Starting up	4
Lorencito Project	100%	Unpermitted	88
Telkwa Project	90%	Unpermitted	125

Top 10 shareholders

Golden Energy and Resources Ltd	14.85%	48.8M
Regal Funds Management	7.33%	24.1M
Ascend Global Investment Fund (Asia Opp SP)	5.84%	15.0M
Cline Mining Corporation	4.30%	14.1M
Delphi Unternehmensberatung AG	3.96%	13.0M
2Invest AG	3.05%	10.0M
Deutsche Balaton AG	2.78%	9.1M
Mark Gray	1.70%	5.6M
Clive Thomas	1.52%	5.0M
JA Ashton Nominees (QLD) Pty	1.50%	4.9M
Total	47.77%	147.2M

*Blue Creek, Mary Lee & Newcastle seams **Nickel Plate & American #1 seams

AHQ share price



Capital Structure

Share price at 18 October 21	A\$	0.58
Number of shares on issue		328.8M
Market capitalisation	A\$	190.7M
Cash in AHQ at 30 September 21	A\$	9.8M
Performance rights		1.5M
Options expire various dates ex various prices		4.18M
Options expire 3 March 24 ex \$0.50		1.125M
Options expire 11 May 24 ex \$0.5625		1.033M
Convertible notes mature 20 January 22	A\$	1.7M



Allegiance to acquire the Short Creek Mine in Alabama

- Allegiance has entered into an agreement with Drummond Coal Inc. and related entities to acquire the Short Creek Mine.
- Acquisition will complete upon Marshall Miller & Associates delivering a JORC compliant resource statement and upon completion of the transfer of land and assets, existing permits, and the coal lease to the Blue Creek, Mary Lee and Newcastle coal seams.
- The Mine is a tier one asset, a deposit with scale and premium quality coal, that consolidates and compliments Allegiance's investment in Alabama and Colorado.
- While Mine permits exist and are in good standing for open pit production and the operation of the wash-plant and the barge load-out, Allegiance will have to permit the underground mine estimated to take 6 to 9 months.
- Allegiance will purchase the land over the deposit and the fixed assets (CHPP, barge load-out, conveyors and stackers).
- The acquisition cost is:
 - US\$4.4M in cash to Drummond and related entities to acquire the land and assets; and
 - US\$11.5M to replace the reclamation bond with the State of Alabama that follows the land and assets.
- Drummond and related entities will retain ownership of the mineral rights to the Blue Creek, Mary Lee and Newcastle seams, and Allegiance will be granted a license to mine those seams in consideration for the payment of royalties ranging from 7% to 10% based on a sliding scale of the FOB sales price achieved.
- The cost of the acquisition, totaling US\$15.9M, is intended to be funded from equity capital raised by Allegiance.



A neighborhood of major underground coking coal mines

All of these mines produce high CSR
Blue Creek and Mary Lee coal

Short Creek Mine

Shoal Creek Mine

750k tonnes in 2020
Longwall
Peabody Energy
On care & maintenance

Oak Grove Mine

1.5M tonnes in 2020
Longwall
Javelin Commodities and others

Birmingham

7 Mine

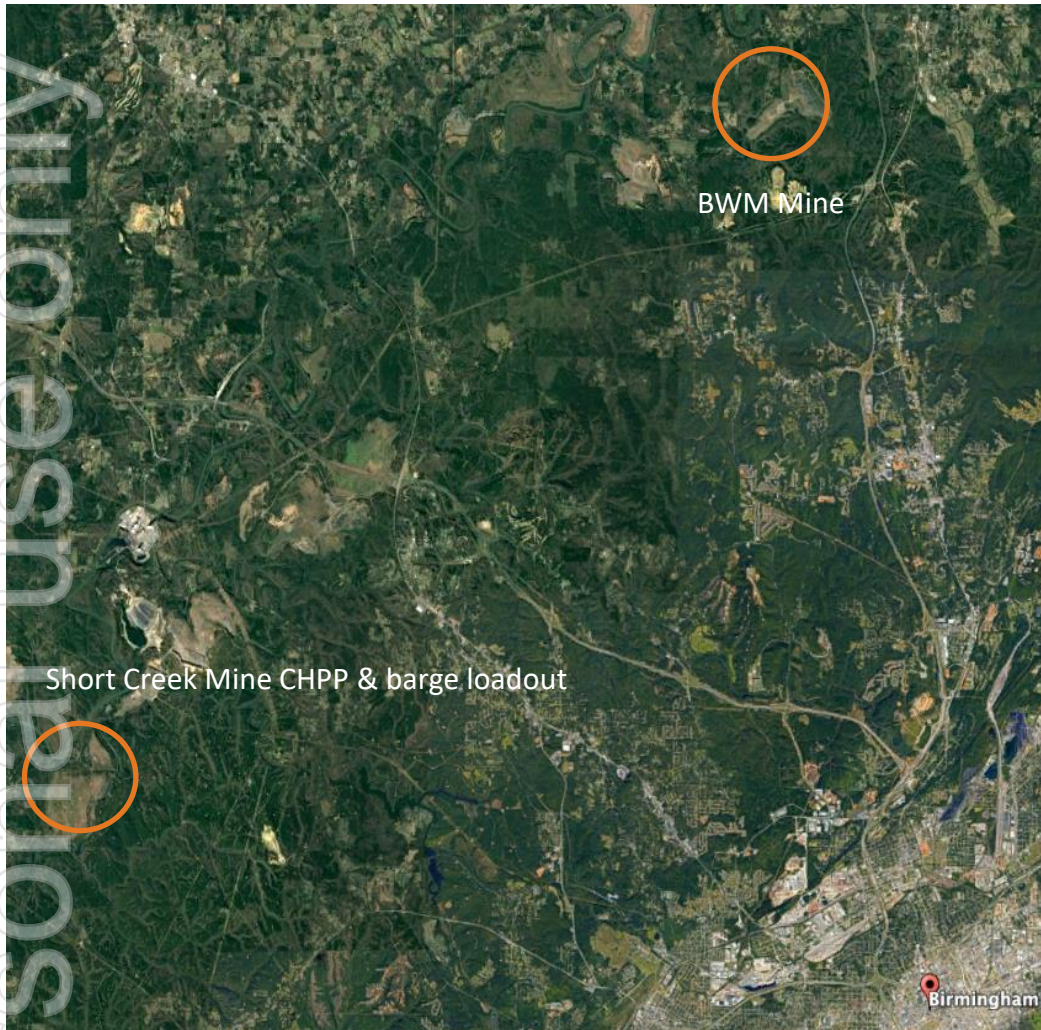
5.2M tonnes in 2020
Longwall
Warrior Met

#4 Mine

1.95M tonnes in 2020
Longwall
Warrior Met



Project location provides simple low-cost logistics

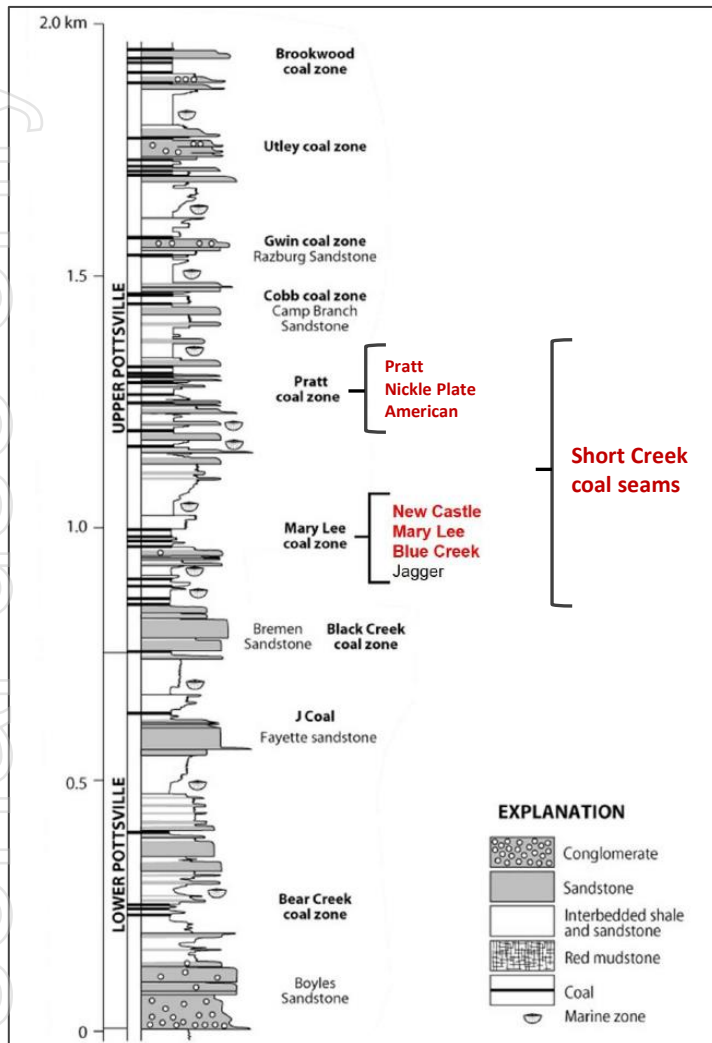


- Short Creek Mine is 27km from the Black Warrior Mine and 25km from Downtown Birmingham.
- It operated as a dragline open pit for many years mining mid-vol Pratt, Nickel Plate and American coal seams.
- It is adjacent to the Black Warrior River where a conveyor feeds a barge loadout direct from the CHPP clean pad.
- From there barges transport coal to McDuffie Coal Terminal in the Port of Mobile for all-in barge and port cost of ~US\$22/ton.





Regional and local stratigraphy



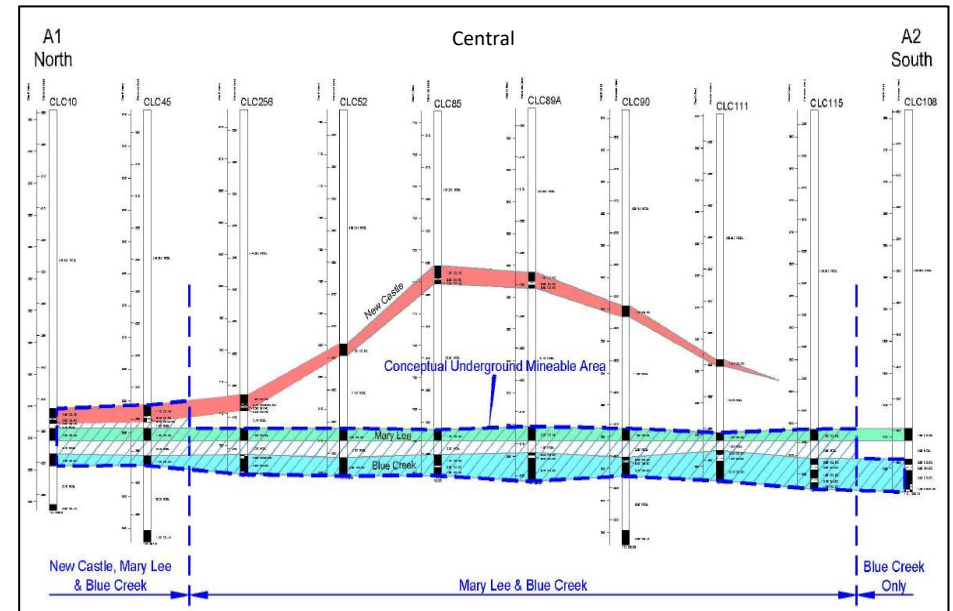
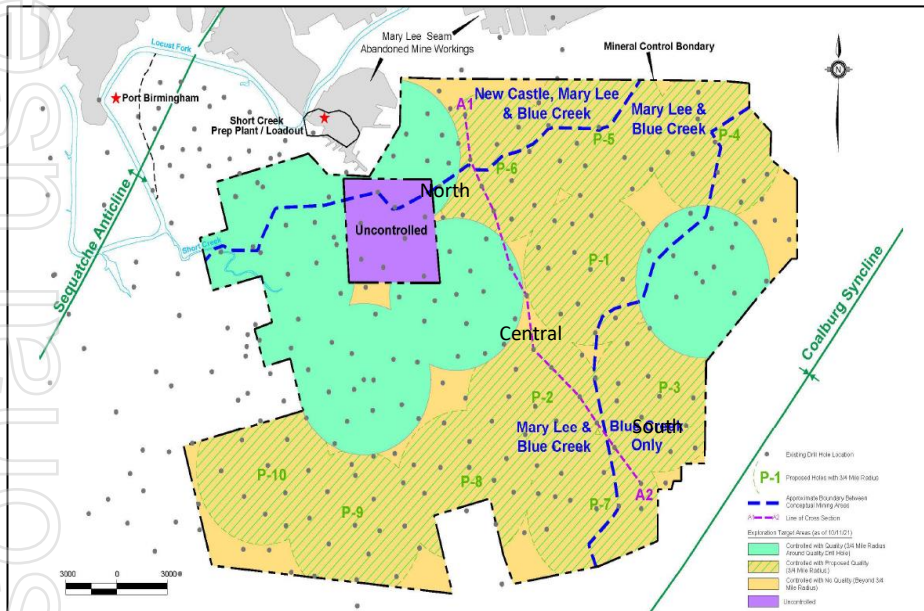
- The Short Creek Mine target coal seams are the Pratt, Nickel Plate and American seams (of which there are several with the #1 American being the seam of interest), and the Newcastle, Mary Lee and Blue Creek seams.
- The Pratt, Nickel Plate and American were surface mined by Drummond for several decades and a coal lease for the future mining of these coals has been granted by Drummond to Yellowhammer Energy.
- Allegiance has the off-take rights from Yellowhammer Energy for 30,000 tonnes per month over 4 years, of Nickel Plate and #1 American coal. These are low ash coals (~4%) which Allegiance will blend with its Black Warrior Mine, Mary Lee and Blue Creek coals.
- Historically the Nickel Plate and #1 American coals were supplied to local coke batteries and were exported on the met coal seaborne market.
- Around 150 to 600 feet (45 to 180 metres) below the surface is the Mary Lee coal zone comprising the Newcastle, Mary Lee and Blue Creek coals, the subject of this acquisition.
- Following completion of the acquisition, Allegiance will control all coal produced at the Short Creek mining complex.



Geology

- There are 212 historical exploration drill holes within the deposit along with 185 gas wells and drill holes from adjacent properties.
- 9 of those 212 drill holes were undertaken by Drummond in 2019 and 2020 from which quality tests were taken from 7 of the drill holes.

- The deposit has been interpreted with 3 potential mining zones, North, Central and South, based on the in-seam partings of the 2 upper seams. In the north the parting is not significant suggesting all 3 seams should be mined as one; in the central the parting between the NC and the ML increases allowing the ML-BC to be mined as one; and in the south the parting between the ML-BC increases allowing the BC to be mined on its own, if necessary.





Resource exploration target

Prior to completing a JORC Resource Statement, Marshall Miller & Associates delivered a JORC Exploration Target by reference to the potential mining zones. The target indicates a substantial deposit with the premium Mary Lee and Blue Creek seams representing 87% of the target.

The exploration target is presented as a range of tonnages. It should be noted that the potential quantity and quality of an exploration target is conceptual in nature. At this stage there has been insufficient review of exploration data to estimate a coal resource in accordance with the JORC Code, and it is uncertain if further exploration will result in the estimation of a mineral resource.

Mine Area	Mining Type	Low Short tons	High Short tons	Average Short tons
Short Creek Mine (controlled)				
Newcastle + Mary Lee + Blue Creek	Underground	20,978,000	21,572,000	21,275,000
Mary Lee + Blue Creek	Underground	109,882,000	110,631,000	110,256,500
Blue Creek	Underground	32,318,000	40,773,000	36,545,500
Total	Underground	163,178,000	172,976,000	168,077,000
Contiguous to Short Creek Mine (uncontrolled)				
Newcastle + Mary Lee + Blue Creek	Underground	1,720,000	1,667,000	1,693,500
Mary Lee + Blue Creek	Underground	4,141,000	4,431,000	4,286,000
Blue Creek	Underground	-	-	-
Total	Underground	5,861,000	6,098,000	5,979,500



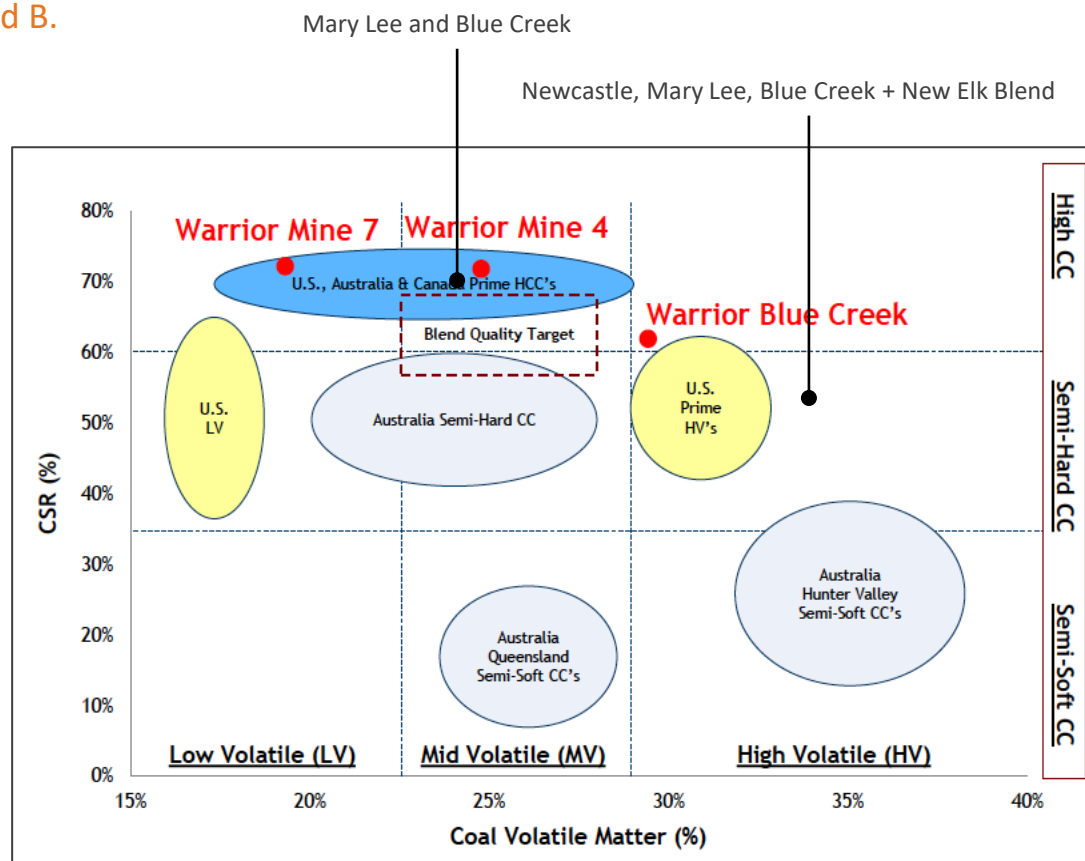
Product options

The Mary Lee and Blue Creek coals whether standalone or blended, are premium CSR mid-vol hard coking coals amongst the best in the world, and the Newcastle, Mary Lee and Blue Creek coals when mined together, can be blended with New Elk coal to deliver a product positioned between high-vol A and B.

Short Creek Premium mid-vol Product

		BC	ML-BC
Ash	%	8.9	9.9
VM	%	24.9	25.2
Sul	%	0.7	0.8
FSI		8.8	8.8
Fluidity	ddpm	25,836	22,304
RoMax	%	1.3	1.3
CSR		-	69

- While the ML-BC ash is a little high, when a coal has a CSR +/-70, the ash is less of a problem to the steel mills as they are buying it for its coke strength.
- The CSR test was undertaken in a pilot oven at DMT, Germany, highly regarded by the steel mills.



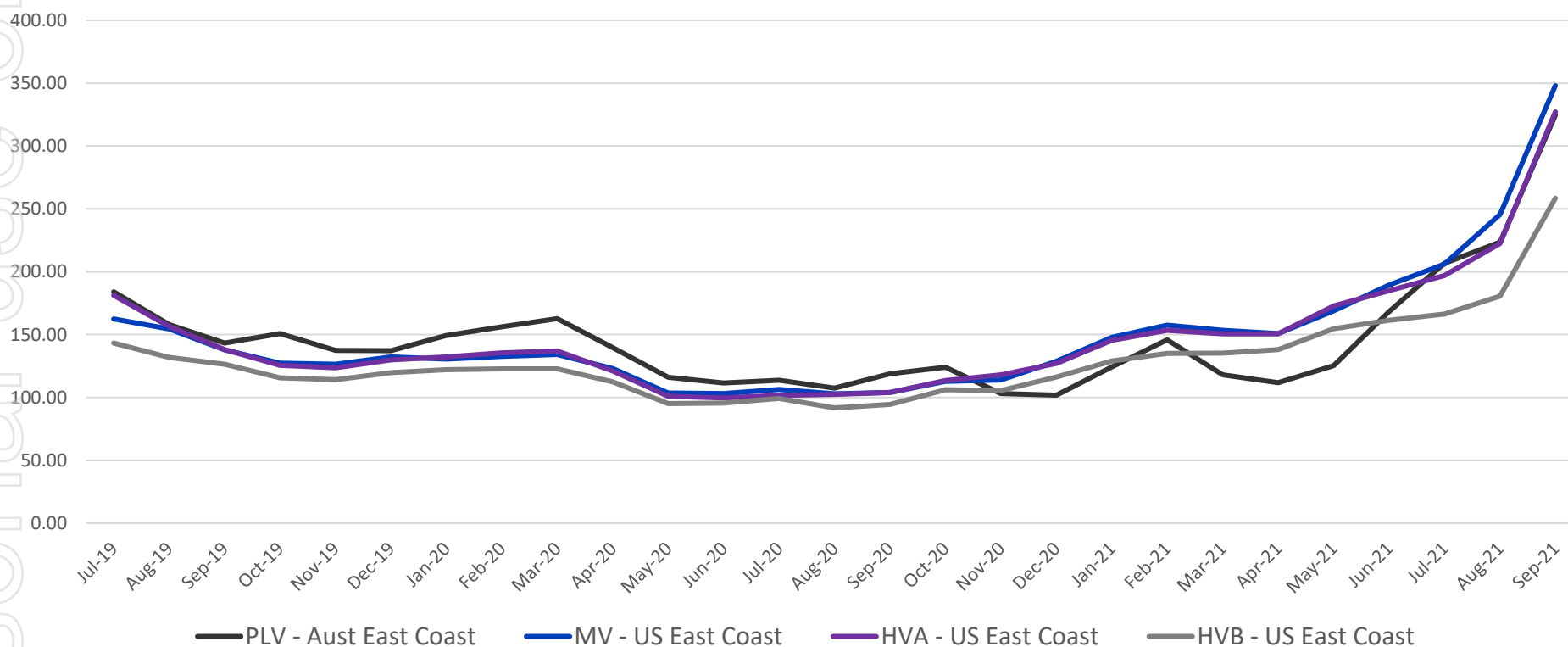
Source: Warrior Met Presentation February 2020



Mid-vol Blue Creek and Mary Lee coals priced at a premium

Premium CSR US mid-vol hard coking coals like Short Creek Mine's Blue Creek and Mary Lee, eclipsed US\$400 per tonne in the first week of October, leading the price curve along with US low-vol.

US\$ FOB Price per tonne for PLV - MV - HVA - HVB



Source: IHS Market 21 September 2021



The timeline forward post acquisition

	2021	2022				2023			
	Dec	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Feasibility Study									
Permit UG mine									
Order UG equipment									
Rehab. loadout									
Rehab. conveyors									
Rehab. CHPP									
Develop drift									
Commence mining									

Indicative subject to change



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).

Bernie Mason

Non Executive Director

Bernie is a 40+ year geologist across many commodities though mostly US coal. For the last 15 years Bernie has assumed senior management roles in some very large coal mining companies including the fourth largest producer in the US operating 50 surface and underground mines and producing in excess of 54Mtpa.

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 a mining engineer with 30 years experience in Canadian coal including as the Operations Manager of Anglo American's coal mines in British Columbia. While Dan is responsible for managing Allegiance's Tenas Project, Dan is also managing New Elk's logistics (trucking rail and port), minesite drilling, and coal quality testing



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