

## Marret Asset Management announces amendment to binding agreement for sale of New Elk Coal Company, LLC by Cline Mining Corporation, part of the Private Portfolio of Marret High Yield Strategies Fund and Marret Multi-Strategy Income Fund

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TORONTO, June 5, 2020 /CNW/ - Marret Asset Management Inc. (**Marret**) today announced that Cline Mining Corporation (**Cline**) has amended the binding agreement (**Agreement**) for the sale by Cline to Allegiance Coal Limited (**Allegiance**) of all the shares in New Elk Coal Company, LLC (**NECC**). NECC owns the fully permitted New Elk Coal hard coking coal mine (Mine), located in southeast Colorado. The Agreement was originally announced on January 21, 2020. The main asset of Marret High Yield Strategies Fund (**MHY**) (CSE: MHY.UN) and Marret Multi-Strategy Income Fund (**MMF**) (CSE: MMF.UN) is senior secured debt and equity issued by Cline. The Agreement reflects the term sheet originally signed by Cline and Allegiance on July 15, 2019.

The principal terms of the amendment are as follows:

- The purchase price for the shares in NECC remains unchanged and will be USD \$1, with Allegiance then arranging for the repayment of debt owed by NECC to Cline equal to CDN \$55 million (“Debt”), which represents a total acquisition cost of CDN \$55,000,001.31;
- Allegiance will now acquire NECC with a US\$5M reduction in upfront cash payments (from US\$8M to US\$3M), in exchange for US\$6M (which includes an acceleration of US\$1M of Debt repayment) to be paid upon the commencement of commercial production at the mine or by September 1, 2021, whichever is earlier;
- If commercial production of coal does not occur by March 31, 2021, Allegiance must issue US\$1M of Allegiance shares to Cline, subject to the receipt of prior shareholder approval. If the requisite shareholder approval is not obtained by March 31, 2021, this payment must be made in cash. The US\$1M (whether paid in shares or cash) will be applied towards the balance of Debt; and
- Completion is estimated to take place before the end of July 2020 (**Completion**). These amendments do not result in a change in valuation to the current debentures.

The full Debt repayment will now be as follows:

- US\$3M in cash on Completion;
- US\$3M in Allegiance shares issued on Completion, at a deemed issue price equal to the higher of A\$0.08 per share or the 20-day VWAP and subject to a voluntary 12 month hold period;

- US\$6M upon the commencement of commercial production or by September 1, 2021, whichever is earlier;
  - if commercial production of coal does not occur by March 31, 2021, Allegiance must issue US\$1M of Allegiance shares to Cline, subject to the receipt of prior shareholder approval. If the requisite shareholder approval is not obtained by March 31, 2021, this payment must be made in cash;
  - the remainder of the Debt to be repaid by Cline receiving 60% of NECC's retained earnings after NECC makes prudent provision for any preferred debt payments and obligations, and sustaining and working capital, until the Debt is paid in full, but in any event within 10 years of Completion. The Debt will not bear interest; and
  - the Debt will be reduced by the amount of Mine care and maintenance costs which Allegiance has agreed to fund until Completion. Such costs are fixed at USD \$150,000 per month.
- The Debt will be evidenced by NECC issuing a promissory note, secured against the assets of NECC and subject only to indebtedness and security granted in respect of the preferred debt issued by NECC to a maximum of USD \$40 million.

The transaction is subject to normal conditions for similar transactions and to Allegiance replacing the existing US\$5M reclamation bond in place for NECC with the State of Colorado.

### **About Allegiance**

Allegiance is a publicly listed (ASX:AHQ) Australian company advancing a metallurgical coal mine into production in British Columbia, Canada.

### **About Marret Asset Management**

Marret Asset Management Inc. is a specialist fixed-income manager. With mandates in investment grade credit, short-term cash alternatives, high yield and opportunistic distressed securities, Marret's focus is on achieving positive absolute returns with emphasis on risk management. CI Financial has a 65% ownership stake in Marret.

### **Forward-looking information**

*This press release contains forward-looking statements and information within the meaning of applicable securities legislation. Forward-looking statements can be identified by the expressions "seeks", "expects", "believes", "estimates", "will", "target" and similar expressions. The forward-looking statements are not historical facts but reflect the current expectations of Marret and the managers of the underlying portfolios regarding future results or events and are based on information currently available to them. Certain material factors and assumptions were applied in providing these forward-looking statements. All forward-looking statements in this press release are qualified by these cautionary statements. Marret believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions; however, Marret can give no assurance that the actual results or developments will be realized. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed under "Risks Factors" in the annual information forms of MHY and MMF dated March 27, 2020.*

*Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. Marret undertakes no obligation to publicly update any such statement or to reflect new information or the occurrence of future events or circumstances except as required by securities laws. These forwardlooking statements are made as of the date of this press release*

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