

## Marret Asset Management announces the completion of the 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 (October 27, 2020) – Marret Asset Management Inc. (“**Marret**”) today announced that Cline Mining Corporation (“**Cline**”) has completed the sale (“**Agreement**”) 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 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 principal terms of the Agreement, as recently amended, are as follows:

- The purchase price for the shares in NECC is US\$1, with NECC issuing a secured note (“**NECC Note**”) to Cline equal to the USD equivalent of C\$55 million (“**CDN Debt**”), with reductions for the value of Allegiance common shares issued to Cline on closing (“**Allegiance Shares**”) and amounts advanced or obligations assumed by Allegiance to support NECC care and maintenance costs since August 2019 (“**C&M Payments and Obligations**”);
- The CDN Debt was converted to USD at a USD/CAD FX rate of \$0.7628, resulting in a USD equivalent of \$41,952,707.86;
- On closing Cline received the Allegiance Shares, being US\$4 million in Allegiance common shares at a price of A\$0.08 per share and subject to a 12-month hold period, representing 70,651,405 shares and based on a USD/AUD FX rate of \$0.7077;
- The C&M Payments and Obligations totalled US\$2,832,0374;
- After adjusting for the Allegiance Shares and the C&M Payments and Obligations, the principal amount of the NECC Note received by Cline on closing is US\$35,120,670.84;
- The NECC Note will be repaid as follows:
  - US\$3 million paid in cash on the release of the NECC reclamation bonds held by the Colorado Division of Reclamation, Mining and Safety from the current bonds of approximately US\$5.5M (Allegiance has secured up to US\$10 million of insurance mine reclamation bonding to replace the existing bonds); the cash release is expected within 90 days of closing;
  - US\$6 million upon the commencement of commercial production by NECC or by December 1, 2021, whichever is earlier;
  - The remainder of the NECC Note 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 NECC Note

is paid in full, but in any event within 10 years of closing. The NECC Note will not bear interest.

- The NECC Note is 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 US\$40 million.

### **About Allegiance**

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

### **About Marret Asset Management Inc.**

Marret specializes in fixed income and particularly in high-yield debt strategies.

### **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 forward-looking statements are made as of the date of this press release.*

For further information:

Marret Investor Relations

416-214-5800

[info@marret.com](mailto:info@marret.com)