



19 July 2022

## EQUITY FACILITY AND STRATEGIC REVIEW

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Allegiance Coal Limited (**Allegiance** or the **Company**) is pleased to announce that the Company has entered into a A\$5 million equity facility with Regal Funds Management (on behalf of its funds) (**Fund**) (**Facility**).

In light of performance at the Company's operating mines, New Elk and Black Warrior, the Board has also commenced a strategic review to consider the management of its portfolio and ongoing liquidity requirements.

### Equity Facility

Under the Facility, the Company will have access to A\$5 million of capital following a drawdown request, with an initial drawdown of A\$3 million. In exchange, the Fund will be issued with shares at the lower of:

- A 15% discount to the volume weighted average price of Allegiance shares prior to the settlement date; and
- The ASX closing price of Allegiance shares on the day prior to the settlement date.

In each case subject to a minimum price being a 25% discount to the 15 trading date volume weighted average price of Allegiance shares up to the issue date (as required under ASX Listing Rule 7.1A3).

Following the issue of shares under the Facility, the Facility automatically refreshes for a period of up to 6 months.

The Facility will provide the Company with necessary liquidity for the Board to complete a strategic review of its portfolio and establish a path to manage Allegiance's ongoing liquidity needs.

The shares the subject of the Facility will be issued using the Company's placement capacity under ASX Listing Rule 7.1A. An Appendix 3B in connection with the initial drawdown will be released to ASX today.

### Strategic Review

The Company has been unable to successfully ramp up production to previous expectations at its two operating mines. In addition, the Company has been unable to secure medium term equipment financing at both Black Warrior and New Elk, which has driven lower than expected performance. In light of the lack of available financing, the Company is considering different capital initiatives to fund equipment acquisition and upgrades at both mines.

Legacy coal sales contracts at New Elk, coupled with production constraints, staffing issues and poor logistics performance in transporting coal to port, have meant that the mine is running at an operating cash flow loss which has significantly constrained cash flows.

It is currently unclear if Black Warrior or New Elk have the capability to meet, within a material margin, previously advised target production rates. As such the Board has made the decision to commence a strategic review. The outcome of the strategic review is expected before the end of August 2022.

CEO, Mr. Jon Romcke commented:

“We are pleased to have secured the equity facility, which will provide the Board with time to consider its strategic alternatives and address liquidity constraints. Whilst performance has been below the Board’s previous expectations, the strategic review will provide the Company with the ability to reset production and profitability targets and appropriately capitalise the Company.”

Authorised for release by Jon Romcke, Chief Executive Officer.

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**About Allegiance Coal**

Allegiance Coal is a publicly listed (ASX:AHQ) Australian company focused on the development, operation and supply of steel making coal to the seaborne market. With operating mines in southeast Colorado, central Alabama, as well as a development project in northwest British Columbia, Allegiance is well placed to supply steel making coal to both the Pacific and Atlantic markets.

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