



24 May 2022

ALLEGIANCE SECURES CONVERTIBLE NOTE RAISING A\$42.9M

Allegiance Coal Limited (**Allegiance**) advises that it has agreed to issue a secured convertible note (**Note**) to the Collins Street Convertible Note Fund (**Fund**), managed by Collins Street Asset Management, an Australian wholesale investment management company based in Melbourne, Australia. The Note enables Allegiance to repay its loan from the Nebari Natural Resources Credit Fund 1, LP and to strengthen its working capital as it continues to ramp production at both its Black Warrior and New Elk steel making coal mines.

Key components of the Note are:

▪ Issuer	Allegiance Coal USA Limited
▪ Subscriber	Collins Street Convertible Note Fund
▪ Term	3 years
▪ Amount	A\$42,857,143
▪ Interest rate	10% per annum payable monthly in advance
▪ Conversion Price	A\$0.816 per share (subject to dilutionary adjustments)
▪ Establishment Fee	2.5% of the funds drawn

The Note is to be drawn in two tranches:

- Tranche 1 totals A\$30.7M and will be applied as follows:
 - A\$16.4M to repay the secured loan to the Nebari Natural Resources Credit Fund 1, LP;
 - A\$6.1M to cover the interest cost for two years;
 - A\$7.4M to working capital; and
 - Is secured against the plant and equipment of both the Black Warrior and New Elk mines and by a guarantee and PPSA security interest from Allegiance (**Tranche 1 Security**).
- Tranche 2 totals A\$12.2M, is subject the Fund completing its full due diligence of the Black Warrior and New Elk mines including a valuation of those assets and if approved, will be applied as follows:
 - A\$2.4M to cover the interest cost for two years;
 - A\$9.4M to working capital; and
 - In addition to Tranche 1 Security, is secured against the other assets of the Black Warrior and New Elk mines which relate primarily to the coal leases underpinning those mines.

Additional material terms of the Note are:

- Allegiance must maintain a cash balance of no less A\$5.7M post tranche 1, increasing to A\$7.1M post tranche 2 and for the remainder of the Term;
- The Fund may convert the Note at any time during the Term; and

- Allegiance may redeem the Note prior to the expiry of the Term provided however, the Fund's conversion rights will continue for the Term pursuant to an option to acquire shares at the Conversion Price and Allegiance must pay a redemption premium of 2.5%.

The Note is being issued pursuant to Allegiance's placement capacity under ASX Listing Rule 7.1.

The Note bears a reasonable borrowing cost with conversion rights at a premium to the current share price, potentially limiting dilution. Allegiance considered alternatives including an equity placement, rights issue and sourcing loans from alternative debt providers.

The Note was selected due to its certainty and efficiency of completion; relatively low potentially dilutionary impact; its relatively low cost of funds; and that upon conversion the underlying shares are anticipated to be held by a long equity fund, introducing a new institutional shareholder to Allegiance's share register. Overall, as compared to the alternative sources of finance, the Board considered the arrangement to be in the best interests of the body of shareholders

Authorised for release by Chief Executive Officer, Jon Romcke.

For more information, please contact:

Mr Jon Romcke

Chief Executive Officer

Mobile : +61 436 660 934

Email : jromcke@allegiancecoal.com.au

Mr Jonathan Reynolds

Company Secretary

Mobile : +61 408 229 953

Email: jreynolds@allegiancecoal.com.au

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.
