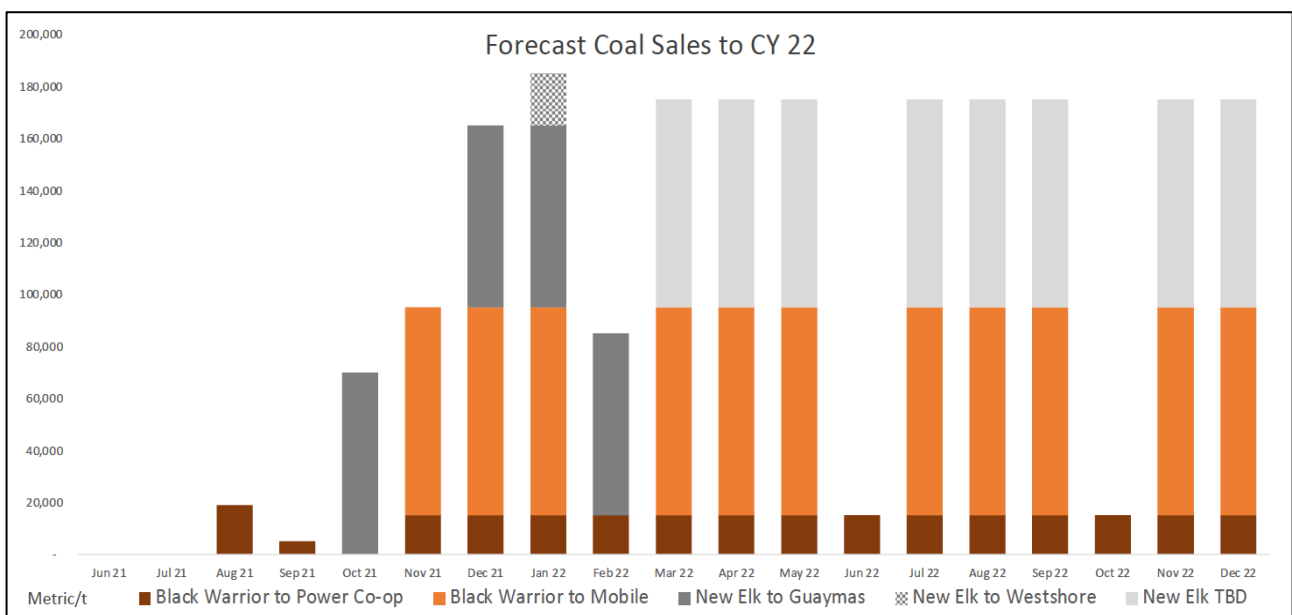
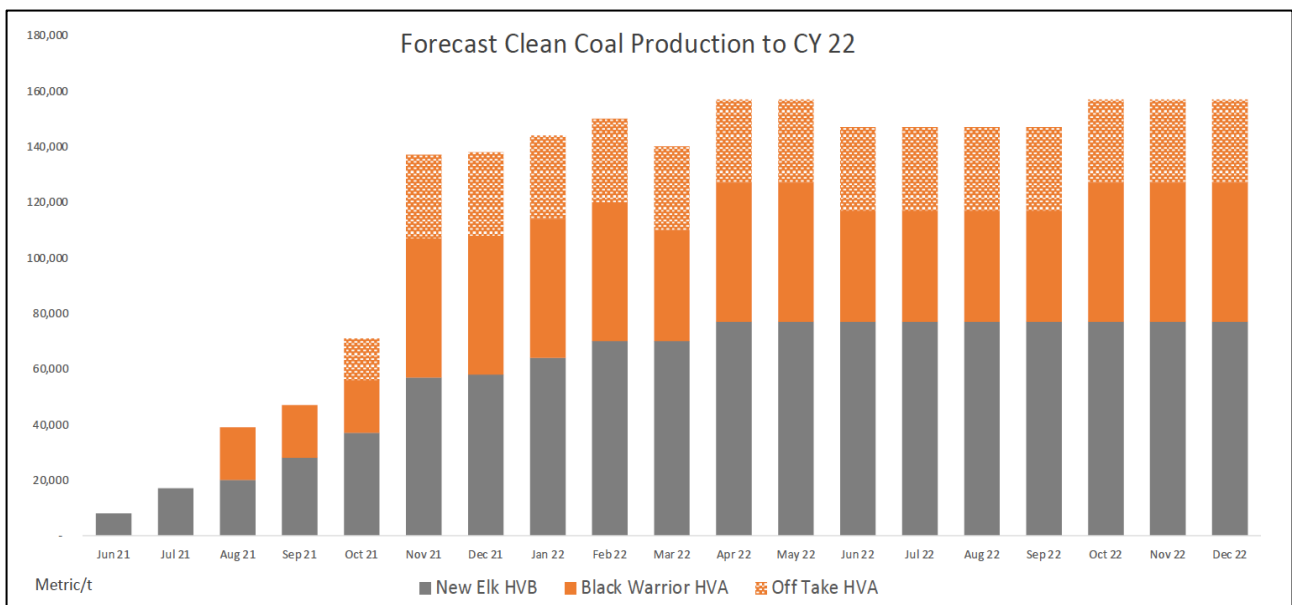


21 September 2021

## PRODUCTION AND SALES GUIDANCE FROM COAL MINING OPERATIONS

Allegiance Coal Limited (**Allegiance** or the **Company**) provides the following update to the market regarding near-term production guidance from the Black Warrior and New Elk mines. By November 2021, clean coal production from both the high vol A hard coking coal (**HVA**) Black Warrior mine and the high vol B coking coal (**HVB**) New Elk mine, is forecast to exceed 100k tonnes per month, and average around 120k tonnes per month for CY 22 equating to slightly less than 1.5M tonnes annualised. In addition, Allegiance has offtake for a further 30k tonnes per month of HVA from a neighbouring mine to Black Warrior, providing Allegiance with approximately 150k tonnes per month of saleable coal under its control, 1.8M tonnes in total, for CY 22.



## Ramping the Black Warrior Mine from 200ktpa to 700ktpa

Allegiance refers to its announcement dated 30 July 2021 relating to the acquisition of Black Warrior Minerals Inc. and the BWM Mine located 40 miles northwest of Birmingham, Alabama. Allegiance is executing its strategy to increase production from the mine, and transition from a domestic to export focus given the mine is capable of producing a high strength HVA, which is in demand in the market.

As was noted in that announcement, the BWM Mine had operated for 11 years on 5 day shifts per week, with small excavators and haul trucks, producing around 17k tonnes of ROM coal per month, and selling that coal to the Alabama Power Co-operative as a power coal.

Allegiance's strategy outlined in that announcement was to replace the majority of the equipment with larger machines, add a night shift to increase weekly production to 10 shifts, spread the current work force across both the day and night shifts, and to supply the seaborne metallurgical coal market with a premium CSR hard coking coal. In addition, Allegiance plans to introduce highwall mining.

Since completing the acquisition, Allegiance has successfully progressed towards a November 2021 production ramp-up and market transition by:

- Acquiring new large scale mining equipment, to be operational by the second half October 2021 (one new 3600 Hitachi excavator which will remove three times as much waste rock as the mine's existing 3 x 1200 Hitachi excavators, and four new 200 tonne haul trucks to replace in part the fleet of 18 x 60 tonne).
- Contracting a highwall miner to be operational late October 2021.
- Spreading the existing work force across day and night shifts, increasing weekly production shifts from 5 to 10.

Based on these improvements, the mine will be able to increase coal recovery from 17k ROM tonnes per month to 60k ROM tonnes per month, at largely the same operating cost.

Black Warrior mine sales strategy for the remainder of CY 21 and all of CY 22 encompasses:

- Export sales of approximately 80k tonnes every 1.5 months of HVA (being approximately 50% Black Warrior and 50% offtake) to the seaborne metallurgical coal market, with first shipment of this product targeted for late December this year; and
- To continue to supply lower quality coal (not suitable to produce HVA) to the Alabama Power Co-op at a slightly reduced rate of 15k tonnes per month from predominantly ROM production.

Prior to achieving steady state production of the above, Allegiance is planning an initial export shipment ex-Mobile of a 80k tonne HVB cargo in November this year.

## New Elk Mine Start-up

The start-up of the New Elk Mine has been slower than planned. In addition to disruption previously announced from COVID cases within the workforce, production rates have been hampered by the shortage of housing near the mine, forcing the work force to be based 30 miles from the mine in the City of Trinidad.

The total number of employees currently stands at 93 against a target of 154. In the last 2 months the mine lost 35% of its employees, with the non-sustainable nature of motel accommodation being a significant

factor. The mine is working with the Mayor's office of the City of Trinidad, along with the Commissioners of Las Animas County to create immediate housing capacity for mine workers with the current work force expected to be fully and adequately housed by the end of the year and further housing to continue to become available in the new year.

Currently the mine has one production unit fully manned with a day and a night shift operating 5 days per week achieving good production, along with a maintenance crew that work in the weekend. While Allegiance has been unable to restart the second production unit so far, 15 new employees are arriving this week which will enable the mine to do so on a day shift only with the night shift planned for mid-October.

This has caused a delay in the delivery dates of the 4 x 70,000 tonne cargos sold to Asian steel mills, with the first shipment now confirmed for October this year, and the next 3 shipment timings yet to be finally confirmed. Expected shipping dates are around December 2021, and through Q1 of 2022, dependent on the successful start-up of the second production unit. Beyond that, Allegiance continues to work with all customers for future sales.

Authorised for release by Chairman and CEO, Mark Gray.

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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.

**Forward-looking statements**

This announcement contains forward-looking statements. Wherever possible, words such as "forecast", "expects", "scheduled", "estimates", "anticipates", "believes", and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, have been used to identify these forward-looking statements. Although forward-looking statements contained in this announcement reflect Allegiance management's current beliefs based upon information currently available and based upon what management believes to be reasonable assumptions, Allegiance cannot be certain that actual results will be consistent with these forward-looking statements. A number of factors could cause events and achievements to differ materially from the outcomes expressed or implied in the forward-looking statements. There can be no assurance that the forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, prospective investors should not place undue reliance on forward-looking statements. Any forward-looking statements are made as of the date of this announcement, and Allegiance assumes no obligation to update or revise them to reflect new events or circumstances, unless otherwise required by law.

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