



11 MARCH 2022

31 DECEMBER 2021 HALF YEAR RESULT

KEY POINTS

- The six months 1 July 2021 to 31 December 2021 was all about Allegiance transforming from a metallurgical coal explorer and developer to a producer, by:
 - Re-commencing mining at the previously idled New Elk Mine in Colorado; and
 - Ramping production and redirecting sales to the seaborne metallurgical coal market at the operating Black Warrior Mine in Alabama.
 - Revenue was A\$13M for H1'FY22 on 91k tonnes of coal sales with a loss of A\$27M (before interest and depreciation). A conservative approach was taken to profitability with start-up costs for New Elk Mine and ramp up costs for Black Warrior Mine expensed rather than capitalised to the balance sheet.
 - The benefits of this investment will be enjoyed in the six months 1 January 2022 to 30 June 2022 with Allegiance expecting to deliver:
 - 415k tonnes of coal sales of which 325k tonnes is already contracted generating;
 - US\$90M of revenue of which US\$57M is already contracted for delivery in H2'FY22.
 - March '22 quarter sales are expected to meet previous guidance of 133k tonnes. The Company is now at an inflection point and will reach a sales run rate in excess of 1Mtpa by 30 June 2022.
 - Coal pricing is in line with index in the near term - high-vol A index pricing is expected for Black Warrior in Q4'FY22 and the remainder of locked-in pricing at New Elk complete in Q1'FY23.
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Chairman & CEO Mark Gray commented:

We re-started the New Elk Mine late May 2021 and were met with the challenges that COVID presented to the entire mining industry in the US, battling to recruit and sustain an experienced and skilled workforce. Our staff numbers have improved dramatically in the New Year and New Elk mine is starting to achieve consistent production.

We completed the acquisition of the Black Warrior operating mine, with an established workforce, in August 2021. As identified at the time of acquisition, Allegiance has worked to optimise the asset by investing in bigger equipment and changing the marketing strategy from domestic thermal to seaborne metallurgical.

Although a delayed delivery of the large dump truck fleet impacted the speed of the ramp up, it is now progressing well making a very significant contribution to revenue and cash flow.

We are currently expecting 415k tonnes of coal sales in H2'FY22 (of which 325k tonnes is already contracted for delivery) compared to 91k tonnes in H1'FY22, generating an estimated US\$90M in revenue compared to US\$9.8M in H1'FY22.

Q3'FY22 revenue is still at discounted prices as those contracts were negotiated late 2021 prior to the completion of Black Warrior's successful coke oven tests. We expect to get, and are currently negotiating, high-vol A index pricing for Black Warrior cargos in Q4'FY22 and thereafter and at New Elk index pricing shortly follows in Q1'FY23.

As the business has a largely fixed cost base, we expect the growth in revenue generation to have a marked impact on the Company's reported earnings in H2'FY22.

Although it is evident that H2'FY22 bodes very well for Allegiance, I want to emphasise that we are on a journey of organic growth. Production in H2'FY22 is expected to see a step change from H1'FY22, such that by 30 June 2022 we expect the business to be generating comfortably in excess of 1Mtpa of coal sales with Black Warrior in particular at high-vol A index pricing. And we anticipate further step changes thereafter based on ongoing efforts to improve productivity and especially as New Elk achieves the advance rates of which it is capable.

We anticipate providing production and sales guidance for FY'23 by the end of June 2022. This will give Jon Romcke, our Chief Executive Officer designate who is to commence early May 2022, the opportunity to review operations and present figures he and the Management Team own and are committed to deliver.

We are particularly fortunate that the seaborne met coal market is presently experiencing a period of excellent demand against constrained supply. We are now at a point where we can enjoy these prices.

I believe we have the right assets in place to build a business capable of excellent organic growth and delivering superior shareholder returns over many years. I would like to thank our employees for the hard work you have put in to date and our shareholders for the support you have given in providing the capital we need to execute the business plan.

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.
