



19 July 2022

## ACTIVITIES REPORT FOR THE QUARTER ENDING 30 JUNE 2022

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### KEY POINTS

- Coal sales revenue for June quarter totalled US\$32.1M compared to US\$14.5M in the prior quarter. Ongoing delays at McDuffie Coal Terminal caused a New Elk 80kt vessel scheduled to load on 25 June to be delayed with loading now scheduled in July.
  - The Company generated cash receipts from customers in the June quarter of A\$50.5M (approximately A\$6.2M was carry over receipts from the previous quarter revenue) leading to positive net cash from operating activities of A\$13.6M (noting some payments to suppliers were deferred into this quarter).
  - Run-of-mine (**ROM**) coal production for June quarter across the Group totalled 220kt against 148kt for March quarter, an increase of 48% continuing the strong upward trend, but still considerably below our target.
  - Black Warrior ROM coal production for June quarter totalled 85kt compared to 56kt in the prior quarter while New Elk ROM coal production for June quarter totalled 135kt compared to 92kt for the prior quarter.
  - Severe labour shortage within BNSF and Union Pacific rail systems due to COVID lay-offs has caused a build-up of coal inventory at New Elk's rail load-out and mine stockpiles and, more critically, a delay in getting coal to port for sale. New Elk is due to receive a second rail set end of this month which will double capacity to move coal to port notwithstanding an increase in train cycle times.
  - Average coal sales prices in June quarter were US\$258/t against US\$261/t in the prior quarter ranging from US\$360/t for high-vol A to US\$222/t for a trial cargo of high-vol B product.
  - The price for premium low-vol hard coking coal continues a recent downward trend although still at historically high levels. Thermal coal prices however look extremely strong due to the European ban on Russian coal purchases, and the threat of imported Russian gas disruptions, offering excellent opportunities for high energy low sulphur coals sales into Europe.
  - Strategic review underway, expected to be completed within a month, focusing on optimising each of the Company's assets and enhancing liquidity profile. A\$5 million equity facility secured to assist in the near term during the strategic review.
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Comments from CEO Jon Romcke:

"The results for the June quarter demonstrate the impact of strong coal prices coupled with improvement in the production capability of both the Black Warrior and New Elk mines where the quarterly ROM production figures were the best on record since Allegiance commenced operations. Unfortunately, the ability of the mine to port logistics chain to keep pace with production has affected the timeliness of cashflow receipts for the Company from sales and inventory finance arrangements. We are working to address the logistics constraints and improve the working capital position at Allegiance. As we manage the challenges of our assets, the Board has commenced a strategic review with the purpose of assessing the optimal approach to each of its assets and the overall liquidity profile of the Company."

## Production Totals

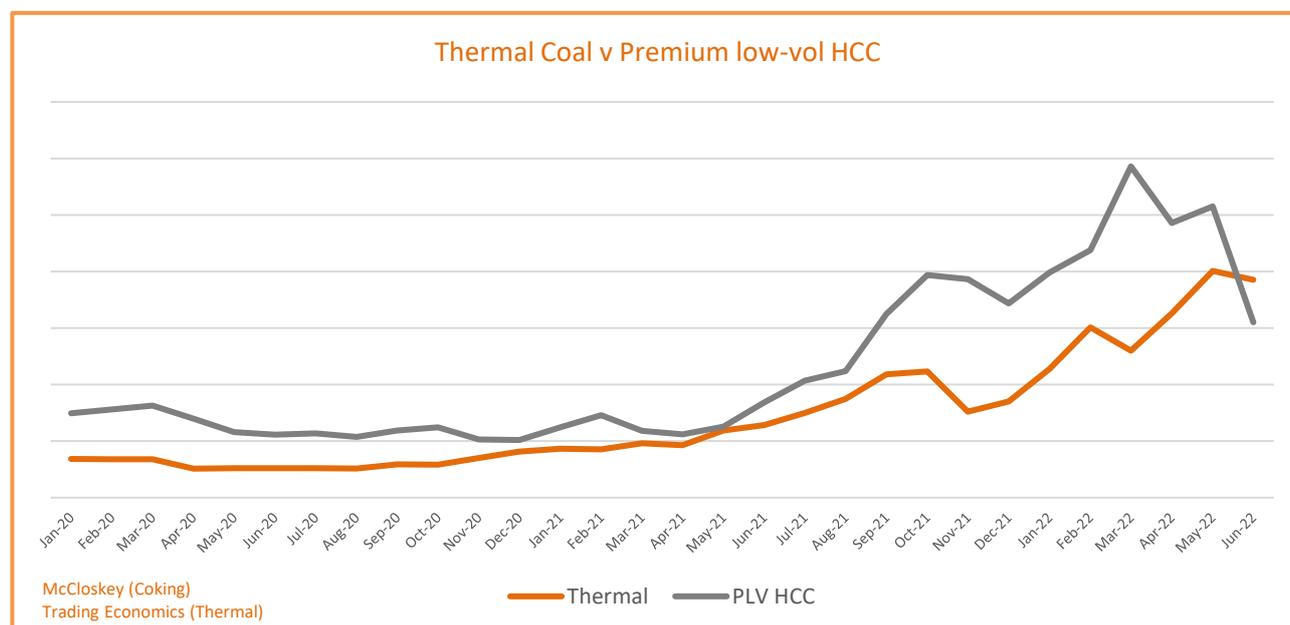
Metric tonnes	Prior Quarter Mar 2022	Quarter Ended Jun 2022	FY22 YTD
ROM coal production	148,864	219,991	642,449
Saleable coal production	87,568	114,084	354,088
Coal purchased	44,160	14,084	69,523
Total coal sales	55,603	124,362	270,671
Coal stocks at end of period	133,015	128,288	128,288

## Sales and pricing

		Prior Quarter Mar 2022	Quarter Ended Jun 2022	FY22 YTD
<b>Coal sales mix</b>				
High-vol A	%	36	35	23
High-vol B	%	64	65	67
Thermal	%	-	-	10
<b>Average pricing – index*</b>				
HCC PLV	US\$/t	465	471	298
High-vol A	US\$/t	421	439	369
High-vol B	US\$/t	395	423	329
<b>Average price achieved</b>				
High-vol A FOBT	US\$/t	229	336	302
High-vol B FOBT	US\$/t	275	219	194
Thermal FOBR	US\$/t	-	-	94
<b>Total revenue</b>	<b>US\$'000</b>	<b>14,510</b>	<b>32,119</b>	<b>56,421</b>
<b>Total revenue</b>	<b>A\$'000</b>	<b>20,034</b>	<b>44,943</b>	<b>78,394</b>

\*McCloskey

## Coal Market Update



The increase in energy coal prices has been nothing short of meteoric. The war in Eastern Europe and associated sanctions has created a forecasted energy shortage in Europe and exacerbated concerns over thermal coal supplies in a market already in a tight balance. The analysts believe this is unlikely to change in the short to medium term.

Weakening demand for steel in Asia and Europe amid recession fears has resulted in coking coal prices falling quite dramatically over the last three months to the point where thermal coal prices now out-perform coking coal. We have already taken advantage of the strong prices for thermal coal contracting two small cargoes for delivery in H1 FY 23 into Europe and are assessing medium-term opportunities in this market.

## Black Warrior

### Health and Safety

Calendar year to end June Black Warrior had zero lost time incidents and one reportable injury.

### Production

Metric tonnes	Prior Quarter Mar 2022	Quarter Ended Jun 2022	FY22 YTD
ROM coal production	56,411	84,828	224,462
Saleable coal production	47,902	52,669	156,579
Coal purchased	44,160	14,084	69,523
Total coal sales	44,818	97,146	169,029
Revenue US\$'000	11,547	26,077	40,000

The benefit of our four 150t dump trucks which arrived in March to replace our 50t dump trucks in waste rock removal, is clearly visible in ROM coal production increasing from 56kt to 85kt in the quarter. However, this is still well below our previous target of 150kt of quarterly ROM coal production. The Company budgeted to enhance production at the mine with additional equipment funded by asset financing. These medium term facilities are currently unavailable and the Company is considering alternative strategies to optimise mine performance.

To reach our target production we need (in addition to more labour):

- Three more 150t dump trucks;
- Two additional drill rigs to increase blasting capacity; and
- Two D11 dozers to replace our D10 dozers and increase waste rock push from the increased blasting.

Sourcing of these last additional items of equipment is all but complete except for the two drill rigs.

We have reduced the number of 50t dump trucks operating from 18 to now just 9, and have commenced re-deployment of our labour force to a night shift. We have 41 operators on day shift and currently 18 on night shift. We need to add 3 more operators to the day shift to achieve our production target.

Clean coal production was recorded at the mine at 53kt for the quarter, although on reconciliation with March quarter clean coal (which was overstated by the mine), we assessed around 60kt of clean coal for the June quarter at a recovery of around 70%.

## Sales

Black Warrior completed three coal sales in June quarter achieving an average sales price of US\$268/t ranging from US\$360/t to US\$222/t:

- 79kt sold to an Asian commodity trader of a low specification high-vol B coking coal, which included 27kt of New Elk coal;
- 21kt sold to a major commodity trading house of premium Mary Lee Blue Creek for three separate small deliveries in April, May and June, respectively; and another
- 22kt sold to the same trading house of the same premium product.

Less coal was purchased in June quarter as we focussed more on establishing the Mary Lee Blue Creek brand in the market. Sales contracted for delivery in September quarter include 25kt of high ash Black Warrior across all coal seams priced against thermal to a major commodity trading house. Advanced discussions are taking place with several counterparties for further higher ash sales into the European energy market.

During the quarter, the Company appointed Javelin Global Commodities (UK) Ltd as the exclusive marketing and sales agent for its Mary Lee and Blue Creek coal produced at its Black Warrior mine, and its proposed Short Creek mine.

## New Elk

### Health and Safety

Calendar year to date New Elk has one reportable injury, which also recorded as a lost time injury. A mineworker fell while dragging roof mesh and injured his elbow requiring 3 days to recover.

### Production

Metric tonnes	Prior Quarter Mar 2021	Quarter Ended Jun 2022	FY22 YTD
ROM coal production	92,453	135,163	401,798
Saleable coal production	39,666	61,960	177,650
Coal purchased	-	-	-
Total coal sales	10,785	27,216	101,544
Revenue US\$'000	2,963	6,042	16,426

ROM coal production at New Elk continued to improve in June quarter, but like Black Warrior, still below our target of 250kt per quarter for this mine. Issues affecting production include the following.

- General labour remains an ongoing issue. While we have largely solved accommodation issues, keeping skilled workers predominantly from the US east coast remains a challenge and staff turnover continues to be high. We have begun to recruit more unskilled local workers and are focussing our efforts on training them alongside the experienced workers in the knowledge that they are less likely to leave. While we appreciate this is not an immediate fix, we have already had good success with several unskilled local workers now very capable underground equipment operators. It is a longer-term investment but one which will ultimately solve this issue.

- Qualified mechanics and electricians certified as such in the State of Colorado who are critical to equipment performance, maintenance, and availability, are also difficult to source. This is a challenge across the industry.
- Equipment performance and availability fell in the quarter losing around 20% of available production time. As production has increased and with that a greater demand on equipment performance and reliability, equipment availability has dropped, particularly in relation to our continuous miners (cutting machines). These are machines we inherited on acquisition of the mine and are now at a stage where we need to upgrade aspects of the machines. We have a continuous miner upgrade and rebuild programme underway with the first machine to return to the mine this quarter with upgraded electrics.
- The Company budgeted to enhance its equipment performance with the use of asset financing facilities. These facilities are currently unavailable and the Company is considering alternative options to seek to improve production at the mine. With legacy contracts being serviced the mine is currently running at a loss.
- Production unit #1 suffered a 7-day outage in June when roof conditions in #3 South panel deteriorated in a localised area resulting in several roof falls and coal rib sloughing. The production unit was relocated to the #4 South panel to avoid exposure to ongoing risks in keeping the panel open for an extended period.
- During the quarter the mine built coal stocks at the mine and at the port to service a legacy coal sales contract where the sales price is materially below the cost of production. This issue, along with the logistic delays in transporting coal to port, contribute to the cashflow liquidity problem.

Clean coal recovery generally trended slightly less than 50% for a 9.5% ash coking coal product due to consistent mining of between 6 to 24 inches of unstable roof rock before we reach competent stone for sound roof bolting. We expect recoveries to increase this quarter as the mine fills an order for a higher ash, low sulphur coal into the European energy market, discussed below.

Roof control issues continue to be monitored as two new falls of roof have occurred in Unit #2 in the East Headings. No workers have been injured by these events. The cause of these problems is being investigated with MSHA involvement as well as experienced ground control consultants/suppliers.

## **Sales**

Only one coal sale for New Elk was completed in June quarter due to the delayed loading of an 80kt sale at McDuffie Coal Terminal, Alabama, which will now appear in the September quarter. In the quarter, 27kt of New Elk was sold to an Asian commodity trader. A 55kt sale of high ash, low sulphur coal has been contracted into the European energy market for delivery in the December quarter.

We have received additional expressions of interest for this type of coal, but we are currently facing challenges with BNSF Rail to move New Elk coal from the mine's rail loadout to Mobile in the time cycle originally promised by the carrier.

For most of June quarter, New Elk has maintained a 25kt stockpile at its rail loadout (that is two trains of coal), as BNSF has increased cycle times from the loadout to Mobile and back from 12 days to up to 22 days. This is due to an inability on its part to crew its engines following major staff lay-offs during the COVID pandemic. Both BNSF and Union Pacific are now experiencing a serious shortage of skilled labour to operate their trains which they assure us will be resolved from their current recruitment efforts within the next six months.

We currently operate one unit train but have leased a second set of wagons which will be assembled near the mine rail loadout towards the end of this month. Once operating, the second train will in-part mitigate this issue. We are assessing the availability of a third set of wagons which we will commit to once we have

assurance from either BNSF or UP that they can get engines to power the trains. If we can do this, we can move the coal we produce as we produce it.

### **Short Creek Underground Project**

Completion of the acquisition of the Short Creek underground remains delayed as the vendor continues to seek the splitting of the water discharge permit between existing surface mining coal leases and the underground coal leases which we have acquired. In the meantime, during the quarter we engaged with Marshall Millar and Associates to detail the feasibility study work scope for the Short Creek underground, and have begun to assess the decline options from the surface to the underground coal seams.

### **Tenas Project environmental assessment certificate application**

During the quarter we held an Open House and an on-line virtual Open House with the local community to facilitate public comment on the Application for an Environmental Assessment Certificate for the Tenas Project (**Tenas Project**), which we filed with the British Columbia Environmental Assessment Office in February this year (**EA Application**).

The public review period has now ended leaving us to answer questions submitted in relation to the EA Application. Subject to any voluntary suspension of the review process, it is currently on course to be completed by the end of this year.

We have been advised that following a review of the EA Application by the Canadian Federal Minister of Environment and Climate Change, initiated by an individual request from the public along with concerns raised from other groups, the Minister has concluded that the Tenas Project does not warrant review by the Federal Impact Assessment Agency of Canada and will remain subject to review only by the BC Environmental Assessment Office.

### **Expenditure on mining exploration activities**

In accordance with ASX Listing Rule 5.3.1, the Company advises its exploration and evaluation expenditure during the March quarter totalled \$258k for operating activities (included at Item 1.2(a) of the Appendix 5B) and \$443k for investing activities (included at Item 2.1(d) of the Appendix 5B).

Operating activities payments relate to costs associated with New Elk, Black Warrior and Short Creek development activities and include \$101k in relation to drilling work and \$157k for various engineering and consulting services. Investing activities payments relate to environmental/engineering consulting services related to progressing the Environmental Assessment Certificate documentation for the Tenas Project. In accordance with ASX Listing Rule 5.3.2, the Company advises its mining development activities expenditure during the March quarter totalled \$nil for operating activities (included at Item 1.2(b) of the Appendix 5B).

In accordance with ASX Listing Rule 5.3.2, the Company advises its mining production activities expenditure during the March quarter totalled \$26,970k for operating activities (included at Item 1.2(c) of the Appendix 5B). \$8,539k of the expenditure relates to the New Elk Mine and \$18,432k of the expenditure relates to the Black Warrior Mine, including \$4,495k for the purchase of coal from third parties for on-sale in the June and September quarters. Activities conducted during the quarter are described in further detail in sections above.

## Payments to Related Parties and their Associates

In accordance with ASX Listing Rule 5.3.5, payments to related parties of the Company and their associates during the quarter totalled \$401k and related to remuneration to executive and non-executive directors. Refer to the Remuneration Report in the Annual Report for further details on director remuneration. These amounts are included at Item 6.1 of the Appendix 5B.

## Corporate

During the quarter Paul Vining and Jon Romcke joined the Board, Paul as Non-executive Chairman and Jon as Chief Executive Officer. Regrettably, following the Company's decision to enter the thermal coal market, which contradicted Paul's waiver from Westmoreland Coal where he also occupies the Chair, Paul resigned from the Board. Following Paul's resignation Bernie Mason, who has served as a Non-Executive Director since February 2021, was elected to Chair the Company.

During the quarter, Larry Cook stepped down from the Board following his decision to retire as Technical Director. Larry joined the Board in 2019 bringing a wealth of much needed underground coal mining experience during the technical assessment and acquisition of the New Elk coking coal mine. Larry was instrumental in guiding the Board through the acquisition and commissioning of the New Elk mine, as well as the acquisition and development of Allegiance's Alabama assets.

During the quarter the Company 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. Tranche 1 of the Note closed during the quarter, raising gross proceeds of A\$30.7 million, which was applied to the repayment of the loan from the Nebari Natural Resources Credit Fund 1, LP and to working capital. The Note, which matures on 24 May 2025 and is convertible at the Noteholder's election at any time into ordinary shares in the Company at A\$0.816 per share (subject to dilutionary adjustments), bears interest at 10% per annum, payable monthly in advance. The Company and the Fund are presently working on the legal security documentation required to close Tranche 2, which has a face value of A\$12.2 million. Tranche 2 was to provide additional working capital but has been delayed by the Fund requiring an additional independent valuation of the Group's plant and equipment assets, as well as third party leasees not providing timely agreement to security provisions / recognition requested by the Fund.

Following completion of the quarter the Group entered into an equity facility of A\$5 million with Regal Funds Management (on behalf of its funds) to provide the required liquidity for the Company to complete its strategic review of the Company's assets. Under the facility, the Group can draw funds in exchange for the issue of Allegiance ordinary shares at a discount to the 10 day volume weighted average price up to the date of issue. Further information is provided in the ASX announcement dated 19 July 2022.

During the quarter, the Group has drawn US\$4.4 million in supply chain finance, secured by inventory holdings, and repayable, together with the cost of funds of US\$0.26 million, from coal sales revenue in the September quarter. Funds drawn in the March quarter, amounting to US\$13.7 million together with the cost of funds of US\$0.96 million were repaid in the June quarter.

Authorised for release by the Board of Directors.

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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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## Tenement Summary

Tenure Number	Owner	Project	Tenure Type	Area (ha)
<b>British Columbia Canada</b>				
DL 230; PID - 014-958-724	Telkwa Coal Ltd	Telkwa	Freehold	259
DL 237; PID - 014-958-732	Telkwa Coal Ltd	Telkwa	Freehold	259
DL 389; PID - 014-965-666	Telkwa Coal Ltd	Telkwa	Freehold	262
DL 391; PID - 014-965-674	Telkwa Coal Ltd	Telkwa	Freehold	262
DL 401; PID - 014-965-682	Telkwa Coal Ltd	Telkwa	Freehold	259
353440	Telkwa Coal Ltd	Telkwa	Coal License	259
334059	Telkwa Coal Ltd	Telkwa	Coal License	269
327972	Telkwa Coal Ltd	Telkwa	Coal License	259
327836	Buckley Valley Coal Ltd	Telkwa	Coal License	259
327837	Buckley Valley Coal Ltd	Telkwa	Coal License	259
327838	Buckley Valley Coal Ltd	Telkwa	Coal License	259
327839	Buckley Valley Coal Ltd	Telkwa	Coal License	259
327845	Buckley Valley Coal Ltd	Telkwa	Coal License	259
328672	Buckley Valley Coal Ltd	Telkwa	Coal License	259
327834	Telkwa Coal Ltd	Telkwa	Coal License	130
327840	Telkwa Coal Ltd	Telkwa	Coal License	259
327865	Telkwa Coal Ltd	Telkwa	Coal License	259
327866	Telkwa Coal Ltd	Telkwa	Coal License	259
327936	Telkwa Coal Ltd	Telkwa	Coal License	259
327944	Telkwa Coal Ltd	Telkwa	Coal License	259
327951	Telkwa Coal Ltd	Telkwa	Coal License	259
327952	Telkwa Coal Ltd	Telkwa	Coal License	259
327953	Telkwa Coal Ltd	Telkwa	Coal License	259
327954	Telkwa Coal Ltd	Telkwa	Coal License	259
327964	Telkwa Coal Ltd	Telkwa	Coal License	259
327965	Telkwa Coal Ltd	Telkwa	Coal License	259
<b>Queensland Australia</b>				
1298	Mineral & Coal Investments PL	Kilmain	Exploration Permit	2800
1917	Mineral & Coal Investments PL	Kilmain	Exploration Permit	2800
<b>Colorado United States</b>				
607075	New Elk Coal Company LLC	Lorencito	Coal Lease	7228
635047	New Elk Coal Company LLC	New Elk	Coal Lease	12,116
635047	New Elk Coal Company LLC	New Elk	Coal Lease	729
635047	New Elk Coal Company LLC	New Elk	Freehold	477
635047	New Elk Coal Company LLC	New Elk	Freehold	101
<b>Alabama United States</b>				
Privately owned	Black Warrior Minerals, Inc	Black Warrior	3 Coal Leases	510
Privately owned	Black Warrior Minerals, Inc	Black Warrior	7 Land Leases	510

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Allegiance Coal Limited

ABN

47 149 490 353

Quarter ended ("current quarter")

30 June 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12.months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	50,486	77,775
1.2 Payments for		
(a) exploration & evaluation	(258)	(2,698)
(b) development		
(c) production	(26,970)	(80,511)
(d) staff costs	(7,828)	(27,896)
(e) administration and corporate costs	(123)	(479)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1,661)	(1,809)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>13,646</b>	<b>(35,618)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	(3,773)	(28,524)
(d) exploration & evaluation	(443)	(2,677)
(e) investments		
(f) other non-current assets	(6,124)	(16,817)

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12.months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(10,340)</b>	<b>(48,018)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	61,510
3.2	Proceeds from issue of convertible debt securities	30,700	30,700
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,398)	(5,897)
3.5	Proceeds from borrowings	6,000	37,052
3.6	Repayment of borrowings	(35,994)	(48,926)
3.7	Transaction costs related to loans and borrowings	(412)	(1,535)
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(1,104)</b>	<b>72,904</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	5,755	18,689
4.2	Net cash from / (used in) operating activities (item 1.9 above)	13,646	(35,618)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(10,340)	(48,018)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,104)	72,904

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12.months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held		
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>7,957</b>	<b>7,957</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	4,905	5,004
5.2	Call deposits	51	751
5.3	Bank overdrafts		
5.4	Other : Term deposits	3,001	
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>7,957</b>	<b>5,755</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	401
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

Directors' remuneration

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	75,033	75,033
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 <b>Total financing facilities</b>		
7.5 <b>Unused financing facilities available at quarter end</b>		0
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	<p>A\$30.7M convertible note from the Collins Street Convertible Note Fund (Collins St Note), secured over the assets of the Company. The Note bears interest at 10% per annum, payable monthly in advance. The Note matures on 24 May 2025 and is convertible at the Noteholder's election at any time into ordinary shares in the Company at A\$0.816 per share (subject to dilutionary adjustments).</p> <p>As at 30 June 2022, the Group has drawn US\$4.4 million in supply chain finance, secured by inventory holdings, and repayable, together with the cost of funds of US\$0.26 million, from coal sales revenue in the September 2022 quarter.</p> <p>In October 2020, in connection with the acquisition of New Elk Coal Company LLC (New Elk), the Group has assumed a note, maturing 1 July 2030, in favour of Cline Mining Corporation. The note is interest free and secured against the assets of New Elk, but subordinated to the Collins St Note. The face value of the note, net of US\$4 million of Allegiance shares issued on closing, is US\$35.12 million. US\$3 million of the note was repaid in January 2021 and a further US\$6 million of the note was repaid in December 2021. The balance of the note is repayable in quarterly instalments from 60% of New Elk's net cash flow after providing for preferred debt payments and for sustaining and working capital requirements.</p> <p>In September 2020, the Group received a C\$40,000 loan from the Canadian government as part of its response to Covid-19. The loan is unsecured, interest free and repayable on or before 31 December 2023.</p> <p>In July 2022, the Group entered into a A\$5 million equity facility with Regal Funds Management (on behalf of its funds). Further information is provided in the ASX announcement dated 19 July 2022.</p>	

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	13,646
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(443)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	13,203
8.4 Cash and cash equivalents at quarter end (item 4.6)	7,957
8.5 Unused finance facilities available at quarter end (item 7.5)	0
8.6 Total available funding (item 8.4 + item 8.5)	7,957

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.7 **Estimated quarters of funding available (item 8.6 divided by item 8.3)**

N/A

*Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.*

## 8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

*Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.*

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 19 July 2022

Authorised by: Board of directors  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.