



31 January 2022

ACTIVITIES REPORT FOR THE QUARTER ENDING 31 DECEMBER 2021

KEY POINTS

- Coal sales for the December quarter totalled 68kt generating US\$8M in revenue, a significant increase from US\$1.7M generated in the September quarter driven by the commencement of export sales. Coal sales for the March quarter are forecast to be 133kt based on coal sold and committed for delivery with revenue forecast to increase threefold on the December quarter.
 - Black Warrior run-of-mine production (**ROM**) for the quarter totalled 51kt versus 48kt for the prior quarter. The increase was due in part to the arrival in November of the new 3600 Hitachi excavator replacing the 1200 Hitachi in waste rock removal. More significant productivity gains are anticipated with the arrival of our 150t dump truck fleet in January and February.
 - New Elk ROM production for the quarter totalled 77kt, down 21% from 98kt in the prior quarter. The reduction was due to a decision to realign the underground Main headings. Realignment of the headings will provide quicker access to panel mining and overall better mine development and production. The decision was taken to do this in the December quarter while the mine continued to build its work force and manage the impact of COVID so that when both production units are fully manned, the mine would be set up for both units to optimise productivity.
 - That was a prudent decision with New Elk underground production work force numbers increasing substantially over the last month following a sustained recruitment campaign in the December quarter to the point where the mine is now fully manned with two production units, delivering four production shifts per 24 hour day, five days per week as of 1 February 2022. The increase in production shifts coupled with a better mine layout is anticipated to lead to a significant improvement in production both immediate and long term, subject of course to successfully managing the ongoing impact of COVID.
 - Carbonisation tests undertaken on Black Warrior's premium Mary Lee Blue Creek seams confirmed a CSR greater than 60% validating the coals' status as a hard coking coal and has led to a 20kt trial shipment to a European steel mill this quarter which if successful could lead to a term supply contract based on high vol A index pricing.
 - The Tenas EA application due to be lodged in December 2021 is now likely to be lodged in February as we await the last two environmental impact reports to be delivered by consultants.
 - The price outlook for both high vol A and high vol B remains strong currently sitting at US\$388/t and US\$348/t respectively.
 - While the COVID pandemic continues to impact our operations we have effectively pivoted to optimise opportunities making good progress in setting up our operations for a major step change this quarter.
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Comments from Chairman and CEO Mark Gray:

"I am very pleased with progress to date despite the challenges we face due to the COVID pandemic. Loading our first cargo and completing our first sale on the seaborne market was a significant event and I thank our staff for their efforts notwithstanding the challenges around us. We have two cargos sold for delivery this quarter (one already loaded and delivered) plus a trial cargo agreed subject to documentation for delivery this quarter as well, enabling revenue to more than triple this quarter."

"It proved a wise decision to realign our two underground main headings at New Elk in the quarter enabling our two fully manned production units to now enjoy long straight driveage this year. That coupled with excellent progress at Black Warrior gives me great confidence we will achieve our quarter-to-quarter production and revenue targets very quickly this quarter. While Black Warrior is already tracking very close to its targets, we will revise New Elk's targets in February once our two production units have settled into production and our work force numbers have settled following the recent arrivals."

"It goes without saying, March quarter '22 will be a very significant step in Allegiance Coal's growth."

Production Totals

Metric tonnes	Prior Quarter Sep 2021	Quarter Ended Dec 2021	FY22 YTD
ROM coal production	146,024	127,570	273,594
Saleable coal production	89,325	62,566	151,891
Coal purchased	-	11,279	11,279
Total coal sales	22,500	68,207	90,707
Coal stocks at end of period	63,621	69,148	69,148

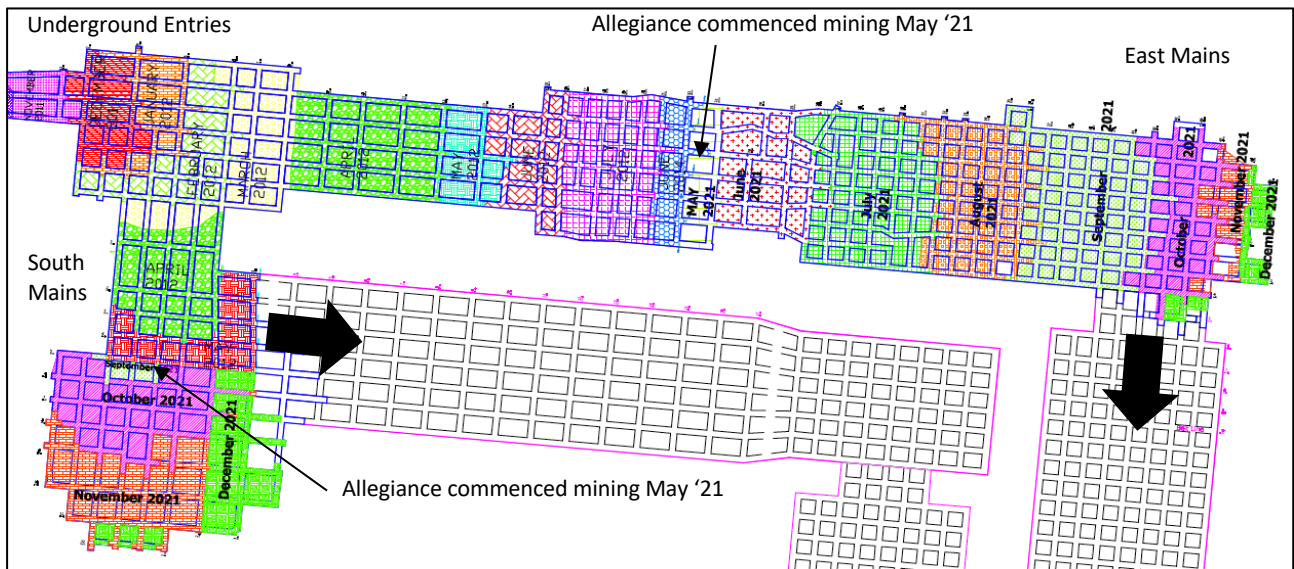
Sales and pricing

		Prior Quarter Sep 2021	Quarter Ended Dec 2021	FY22 YTD
Total coal sales				
Own coal sales	tonnes	22,500	68,207	90,707
Purchased coal	tonnes	-	-	-
Coal sales mix				
High-vol A	%	-	-	-
High-vol B	%	-	93	70
Thermal	%	100	7	30
Average pricing				
Platts PLV	US\$/t	252	375	313
Platts high-vol A	US\$/t	249	371	310
Platts high-vol B	US\$/t	202	302	252
US domestic thermal	US\$/t	-	-	-
Average price achieved				
High-vol A FOBT	US\$/t	-	-	-
High-vol B FOBT	US\$/t	-	117	117
Thermal FOBR	US\$/t	77	136	88
Total revenue	US\$	1,732,500	8,060,000	9,792,000
Total revenue	A\$	2,357,000	11,060,000	13,417,000

New Elk Update

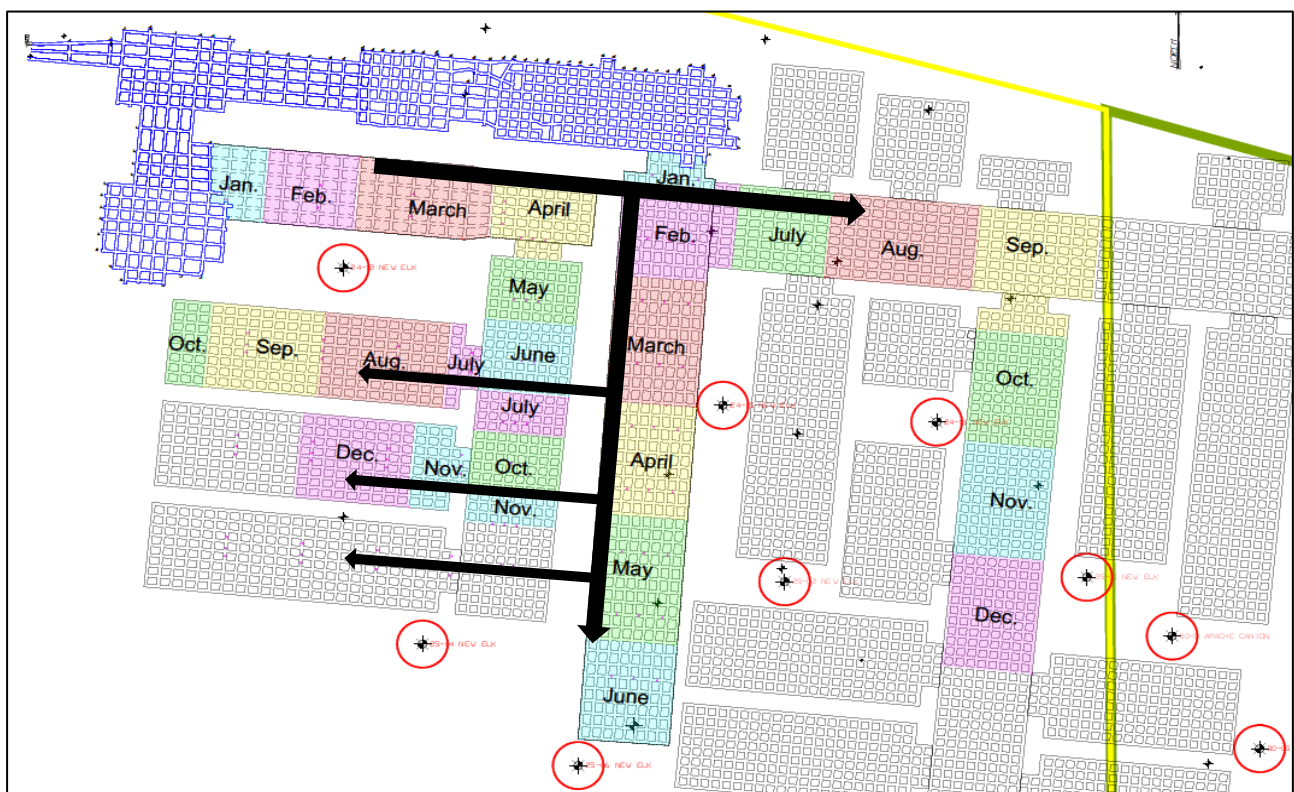
Production

ROM production in the December quarter tracked as planned with October surpassing September. A decision however was made in the quarter to realign the Main headings rather than later this year. We are delighted with the realignment, a one-off event, that will improve productivity in the short, medium, and long term.



New Elk mine plan at 31 December 2021

The point of developing two sets of Mains was to accelerate the introduction of a second production unit to increase overall production tonnes before sub-mains and panels could be established.



New Elk mine plan projected for 2022 highlighting long straight driveage and panel mining

Mains are life-of-mine infrastructure that require better and higher cost roof support, road construction, belting and structure, and overall higher maintenance costs. Sub-mains and panels are temporary structures closed and sealed when mining is complete and therefore are lower cost and significantly more productive.

While confronted with manning constraints in the quarter, management decided to re-align the Mains by undertaking 90 degree turns in both the East and South Mains to accelerate sub-mains development and panel mining and improve the overall mine-layout. This exercise required lower manning numbers while we were still building our work force, and it made sense to utilise our resources to better prepare the mine for the benefit of two fully manned production units, when we can man them, which of course we have now done.

When the South Mains reach the East Mains, the two Mains will be connected (as per the black arrow), the East Mains will be closed and sealed, the conveyor belt and structure recovered, and the South Mains will service the mine standalone simplifying materials handling, ventilation, and underground infrastructure maintenance. A single set of sub-mains will then drive south (again as per the black arrow), from which panels will be developed for low-cost high productivity mining, and so the sequence continues throughout the mine plan.

Labour

As has been previously announced, attracting and retaining labour at New Elk has been the mine's single biggest challenge.

Since commissioning the mine in May/June 2021, we have only been able to retain enough underground crew to support one production unit, day and night shift, slightly less than 50 personnel. Our turnover rate for most of H2'21 has been around 45 percent meaning every new arrival was off-set by a departure, coupled of course with the ongoing impact of COVID isolation requirements.

There appear to be several reasons for high staff turnover ratios, including accommodation issues as previously reported, but management is hopeful that the turnover ratio will decline with the availability of better housing now under our control and as the mine matures.

A single production unit (day and night shift) generally requires 30 production crew supported by non-production crew of around 15 for a total of +/- 45. Following a sustained recruitment campaign in the quarter together with securing around 50 rental properties in the nearby city of Trinidad (for those who are not already adequately housed), we have been able to engage another 26 production crew for a complement of 71, which will allow us to fully man two production units both day and night shifts. This will commence in the first week of February and continue thereafter provided we can sustain the work force.

Another feature of the new workers is that nearly all have at least 5 years underground coal mining experience increasing the overall skill level in our production crew. Our initial recruitment efforts did not attract experienced operators, with management compromising on skillsets to chase coal. To mitigate the risk of turnover we will continue our successful recruiting efforts to reach a steady state. It is extremely pleasing nonetheless, that we can now operate two units two shifts per day.

Our work force has been exposed to COVID with 42 cases during the month of January, and a consequent impact on production crews due to the isolation requirements. Those cases plus those who have already had COVID and or are vaccinated, suggests to us it may be less of an issue for the mine going forward with a high level of natural and vaccinated immunity. Regardless, we continue to comply with strict mine-site COVID protocols to minimise transmission.

Equipment

Allegiance inherited a large fleet of mining equipment upon completing the acquisition of New Elk. After more than 6 months operating the equipment, we are strongly positioned to improve equipment performance and utilisation to mitigate equipment downtime. In that regard:

- We are changing the electrics in one of the continuous miners and progressively undertaking rebuilds of two continuous miners (we have five operating continuous miners in our fleet); and
- We are investigating the replacement of our electric shuttle cars with battery powered haulers, which management find are more flexible in terms of which route they can select for haulage, and importantly eliminates the existence and presence of an electric cable which follows and precedes a shuttle car in its haulage route.

Management anticipates productivity gains to follow such an investment.



Electric cable shuttle car underground at New Elk



Battery powered hauler being tested at New Elk

Sales

One cargo of four contracted cargos of New Elk coal was delivered in the December quarter ex-Guaymas, Mexico, with the delivery dates for the remaining three re-negotiated to Q2'22 to allow for the return to full production following the Mains realignment.

Large drum samples were delivered to several steel mills in Japan, South Korea and Europe in respect of which we are waiting for feedback from those mills.

Management

Mr Amon Mahon who was the New Elk Chief Operating Officer from mine acquisition through to December 2021 has relocated to Alabama to direct the Alabama operations while Mr. Randy Wiles who was previously the Production Manager at New Elk has been promoted to General Manager.

Randy spent a significant part of his underground coal mining career with Murray Energy as the General Manager of multiple underground mines achieving exceptional productivity. He joined New Elk in June 2021 and has played a significant role in attracting proven operators many of whom worked under him at Murray Energy and elsewhere.

In addition, Mr. Bill Storms joined the team in January 2022 as the Chief Mining Engineer for both New Elk and Alabama. Bill has had an extensive career in coal with Walter Energy and Peabody Energy and is highly regarded in the industry. His immediate task is to assist Randy at New Elk to reach and sustain production targets, safely.

Mr Larry Cook, who has a lifetime of experience in thin seam underground coal mining and who has served as a non-executive director since July 2019, has agreed to increase his time commitment to assist the Company in this critical phase and will serve as an executive director for the foreseeable future.

Black Warrior Update

Production

December quarter represented the first full quarter of production of Black Warrior under Allegiance's ownership and management. Excellent progress has been made transitioning the business away from a 15kt per month supplier of domestic thermal coal to a 20kt per month supplier of coking coal to the seaborne market, with the ultimate goal of 45kt per month production.

Increasing weekly production shifts from 5 to 10 by spreading the existing work force over fewer but larger machines is the simple strategy and we are on track to achieve that this quarter.

During the quarter, we acquired an interest in the McCabe land lease over an area previously uncontrolled, covering 65 hectares, together with the mineral rights under the land lease. The uncontrolled area was highlighted in a map on page 4 of our 30 July 2021 ASX Announcement and as is evident in that map, enables us to advance our highwall and maintain production in an uninterrupted fashion.

Equipment

Modest gains in productivity were achieved in the quarter following the acquisition and commissioning of a 3600 Hitachi excavator (pictured below) replacing a 1200 Hitachi excavator in waste rock removal. The 3600 machine has four times capacity to remove waste rock.

As was announced previously, Black Warrior operated a mix of 18 x 50t and 60t dump trucks and following the acquisition, we contracted to acquire four new Hitachi 200t dump trucks for November delivery. During the quarter however, six second hand 150t CAT dump trucks became available, and management decided to purchase these machines, which are less costly and operationally less complex. These trucks have begun to arrive at the mine and will be in production mid-February. This will provide the step-up from our current average of 20kt per month to 45kt per month target.



3600 Hitach Excavator operating at Black Warrior



150t CAT dump truck being assembled at Black Warrior

As is clearly evident in the image above, the 3600 machine is too large for the 60t dump trucks. Once the 150t dump trucks are in operation, the step change will be significant and immediate because the 3600 is already set-up and operating in the pit.

Labour

Following the retirement of Black Warrior's Mine Superintendent, Mr. Stan Cupps, we recruited Mr. Mike Engle, an experienced mine manager and Alabama native, to control pit operations. Mike is an excellent addition and we welcome him to our team.

In addition to Amon arriving in Alabama as its Director of Operations, we recruited Mr. Bobby Hypes as our Operations Manager responsible for co-ordinating operations which not only include mine planning, but logistics from mine to wash-plant, to barge loadout and Port. Bobby is an experienced coal mining engineer and like Mike adds strength and substance to our Alabama team.

Although Mr. Bill Storms immediate focus is to assist Randy Wiles in New Elk's ramp up, Bill is also the principal engineer for our Alabama operations.

Management presented production crew with a new remuneration package focussing on staff retention and aligning our overall package at or above market rates. We commenced the transition towards day and night shifts and this will be fully operational in February once all 150t dump trucks are operating.

While experiencing some COVID cases, production at the Black Warrior has not been seriously impacted.

Sales

Black Warrior loaded and delivered its first sale of export coal this month ex-McDuffie Terminal, Port of Mobile via a major international commodity trading house.

What was initially a 55kt sale into a 80kt vessel, was reduced at the last minute to a 33kt sale because of a delay in two Black Warrior barges arriving at McDuffie due to a third party vessel sinking and temporarily blocking traffic in the Black Warrior River.

Rather than Black Warrior suffering demurrage on its coal, the trading house supplemented the cargo with its own stock held at McDuffie and the vessel was loaded and departed on time. The two barges have since arrived at McDuffie, have been unloaded, and will go into Black Warrior's next cargo. The 21kt shortfall on that cargo remains committed to that trading house for delivery in equal parcels of 6.7kt in the months of April, May and June 2022.

The next cargo already sold is an 80kt cargo of Black Warrior coals for a 20 February to 3 March laycan ex-McDuffie Terminal. We are on track with that cargo with 41kt already at port, and production on schedule to deliver the balance before 20 February.

In addition, a 20kt trial shipment to a major European steel mill has been agreed, subject to documentation, for delivery in the same laycan of 20 February to 3 March. We are in discussions with the buyer of the 80kt cargo to delay that laycan by 15 days to allow the trial shipment to be loaded first since it is sharing a vessel with 60kt of coking coal from one of Alabama's major producers.

The trial shipment is a direct result of the successful carbonisation tests of Black Warrior's premium Mary Lee Blue Creek coals delivering a CSR greater than 60%, and validating the coals' hard coking coal status. If

the trial shipment is successful, we are hopeful that this will lead to a supply contract priced against high Vol A indices.

The coal off-take contract for 30kt per month with Yellowhammer Energy has not yet commenced with Yellowhammer awaiting the issue of a mine permit for the deposit in respect of which coal will be supplied. The permit is not an issue of a new permit, but rather the splitting of an existing permit between two different coal leases. We believe that permit will be issued in March 2022 and coal supply from Yellowhammer will commence late calendar Q2'22.

In the meantime, during the quarter informal off-take supply arrangements with Alabama based vendors of high vol A coking coals was bedded down and we believe we now have a solid basis for reliable supply of Alabama coking coals from small mine owners that we can trade on the seaborne market.

Short Creek

During the quarter we announced the acquisition of a tier one underground coking coal asset, Short Creek, comprising a substantial coal deposit of the world recognised mid-vol Blue Creek brand.

In that announcement we reported an exploration target. Marshall Millar & Associates are close to finalising a JORC 2012 compliant resource statement which we expect to announce in February 2022.

Completion of the acquisition is to take place on the transfer of the mining permit which is due to occur in March 2022.

We have requested Marshall Millar & Associates (along with Sedgman in relation to the wash-plant and materials handling) to submit proposals to undertake a feasibility study for the development of a 1.5Mtpa underground coal mine. We expect to have the study complete during Q3'22.

To support the feasibility study we will be undertaking some drilling to update the resource statement, obtain geo-technical data for roof and floor stability and to obtain more coal quality data across the deposit.

Tenas Project environmental assessment certificate application

The EA application, due to be lodged in December 2021, is now likely to be lodged in February as we await the last two environmental impact reports to be delivered by consultants.

Expenditure on mining exploration activities

In accordance with ASX Listing Rule 5.3.1, the Company advises its exploration and evaluation expenditure during the December 2021 quarter totalled \$754k for operating activities (included at Item 1.2(a) of the Appendix 5B) and \$862k for investing activities (included at Item 2.1(d) of the Appendix 5B).

Operating activities payments relates to costs associated with the New Elk Project and include \$692k in relation to drilling work and \$62k for various engineering and consulting services. \$34k of the investing activities payments relates to geotechnical drilling at Tenas with the balance of payments relating principally to various environmental and 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 December 2021 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 December 2021 quarter totalled \$16,211k for operating activities (included at Item 1.2(c) of the Appendix 5B). \$8,937k of the expenditure relates to the New Elk Mine and \$7,274k of the expenditure relates to the Black Warrior Mine.

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 \$245k 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 we completed the \$30 million placement at \$0.50 per share to sophisticated and professional investors, as announced on 21 October 2021.

During the quarter we closed out the Mercer Street Global Opportunity Fund LLC secured convertible note. Notes with a face value of \$510k were converted into shares and a redemption payment of \$1.2M was made.

In December 2021, the Company made the required Initial Debt Repayment of US\$6M to Cline Mining Corporation. 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.

During the quarter, the Company secured a US\$8.9M loan from long standing debt financier of the Company, the Nebari Natural Resources Credit Fund 1 LP (Nebari) secured over the assets of the Company. The loan does not bear interest but is repayable by paying the amount of US\$11.48M to Nebari on 24 May 2022.

To assist it meet its working capital requirements, the Company has entered an agreement with a supply chain financier to finance coal inventory on delivery to port. The first drawdown under the agreement was received in January 2022.

Authorised for release by Chairman and Chief Executive Officer, 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.

Tenement Summary

Tenure Number	Owner	Project	Tenure Type	Area (ha)
British Columbia Canada				
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
Queensland Australia				
1298	Mineral & Coal Investments PL	Kilmain	Exploration Permit	2800
1917	Mineral & Coal Investments PL	Kilmain	Exploration Permit	2800
Colorado United States				
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
Alabama United States				
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")

31 December 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6.months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	12,269	13,626
1.2	Payments for		
	(a) exploration & evaluation	(754)	(1,726)
	(b) development		
	(c) production	(16,211)	(23,868)
	(d) staff costs	(7,432)	(12,514)
	(e) administration and corporate costs	(104)	(275)
1.3	Dividends received (see note 3)		
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(4)	(148)
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)		
1.9	Net cash from / (used in) operating activities	(12,236)	(24,905)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	(6,534)	(21,623)
	(d) exploration & evaluation	(862)	(1,317)
	(e) investments		
	(f) other non-current assets	(2,581)	(10,951)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6.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)		
2.6	Net cash from / (used in) investing activities	(9,977)	(33,891)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	30,510	61,510
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2,348)	(4,499)
3.5	Proceeds from borrowings	12,188	12,188
3.6	Repayment of borrowings	(10,308)	(11,359)
3.7	Transaction costs related to loans and borrowings	(343)	(343)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	29,699	57,497

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,904	18,689
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(12,236)	(24,905)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(9,977)	(33,891)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	29,699	57,497

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 (6.months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	17,390	17,390

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	14,139	4,903
5.2	Call deposits	3,251	5,001
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	17,390	9,904

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	245
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>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.</i>		

Directors' remuneration

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

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<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	48,294	48,294
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		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>US\$8.9M loan from the Nebari Natural Resources Credit Fund 1 LP (Nebari) secured over the assets of the Company, does not bear interest but is repayable by paying the amount of US\$11.48M to Nebari on 24 May 2022.</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 up to US\$40 million of project debt. 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 2022.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(12,236)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(862)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(13,098)
8.4	Cash and cash equivalents at quarter end (item 4.6)	17,390
8.5	Unused finance facilities available at quarter end (item 7.5)	0
8.6	Total available funding (item 8.4 + item 8.5)	17,390
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.33
	<i>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.</i>	

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: As the Company continues to grow the volume of coal sales to the seaborne market in the forthcoming quarters, it is anticipated that the current levels of net operating cash flows will not persist.

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: The Company has arranged supply chain finance to assist it meet its working capital requirements.

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: Having carefully assessed the likely future operating and financing cash flows (as set out in the answer to question 1 and 2 above), the Directors believe that the Company will be able to continue its operations and meet its business objectives for the foreseeable future.

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: 31 January 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.