



26 September 2022

ALLEGIANCE EXECUTES FORMAL AGREEMENT FOR COAL OFF-TAKE CONTRACT WITH MARCO INTERNATIONAL

Allegiance Coal Limited (**Allegiance**) refers to its ASX Announcement dated 15 August 2022 (**15 August Announcement**), and is pleased to advise that it has, on behalf of its wholly owned subsidiary companies, New Elk Coal Company, LLC (**NEC**) and Black Warrior Minerals, Inc. (**BWM**), executed a formal coal sale agreement with Marco International Corporation (**Marco**).

The key terms of the executed sale contract are set out below.

Coal Off-take

- The sale by NEC and BWM of up to 40,000 metric tonnes per month of coal to Marco for one year, commencing immediately.
- Marco has the right to extend the contract for another year at the expiry of year one, and if renewed, at the expiry of year two, for a total possible contract term of three years.
- The price for the coal for the term of the contract will be as follows:
 - US\$250/t basis 11,300 BTU/lb GAR for the first 80,000 metric tonnes delivered;
 - US\$214/t basis 11,300 BTU/lb GAR for the remaining 400,000 metric tonnes delivered over the first year of the contract; and
 - If the term is extended at Marco's option, US\$220/t basis 11,300 BTU/lb GAR for all further coal delivered under the contract.
- The target coal specifications (gross as received basis) is:
 - 14 % ash;
 - 0.85% sulphur;
 - 7% total moisture;
 - 32% volatile matter;
 - 11,800 BTU/lb;
 - HGI 65.
- The sale will be DAP (delivered at port) where title and risk will transfer.

The following key terms, have been revised from those set out in the 15 August Announcement:

- Allegiance has foregone the right in each renewal period to reduce 10,000 metric tonnes per month of supply for the new term, in exchange for which Marco has agreed to improved payment terms.
- The selling price for the first 480,000 metric tonnes delivered under the contract is as set out above.

- The final agreed coal quality parameters have been refined to be those as set out above.

Loan

The 15 August Announcement also referred to a US\$40M loan from Marco to Allegiance Coal USA Ltd to be utilised to repay the Collins Street Convertible Note and provide additional funds to Allegiance for its capital expenditure programmes and working capital requirements.

Marco and Allegiance are currently working on the long form loan agreement and Allegiance will update the market once the loan and security documentation is completed. Although the parties have agreed the key commercial terms of the loan (as set out in the 15 August Announcement), the Company cautions that there is no certainty that the definitive agreement will be executed on consistent terms, or at all.

Authorised for release by the Board of Allegiance Coal Limited.

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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.
