



17 February 2023

OPERATIONS UPDATE

Allegiance Coal Limited (**Allegiance** or the **Company**) is pleased to provide a general operational update to the market.

Sales, Marketing and Logistics

The Company has made the decision to pivot back to metallurgical coal production at both its operating mines. This is in response to the dramatic fall in thermal coal prices for coal delivered to Europe, and the significant recovery in metallurgical coal prices over the last two months. The Platts coking coal indexes for premium hard coking coals (both east coast Australia and east coast USA) have increased to over US\$300/tonne over the last two months.

The Company has, and continues to, work extremely well with a number of parties to market and initiate its first metallurgical coal sale for 2023. Unfortunately the Company was not successful in the first tender we participated in for metallurgical coal at a steel mill in Europe referred to in the December 2022 quarterly activities report. We will most likely participate in the next tender that the same mill issues as our coal quality has passed their acceptance at Technical Committee level in their process, but in parallel we are marketing to other customers in Europe and Asia.

The last thermal coal train from the New Elk Mine is planned to be loaded next Saturday at the Jansen rail loading facility near Trinidad, Colorado to complete a previous thermal coal sale, after which the mine will adjust the coal preparation plant settings to start producing the lower ash metallurgical coal product. At Black Warrior, the North Pratt coal preparation plant (operated by Black Warrior personnel) has already started producing the lower ash hard metallurgical coal specification, and four barges are already loaded and are floating down the Warrior River to the Port of Mobile. The coal in these barges will form the start of the build of a metallurgical coal stockpile at the port ready for loading in a ship between late March or mid-April depending on the cargo size.

New Elk Mine

No reportable injuries and no environmental incidents have been reported to date in 2023. The recruitment process at New Elk has continued well with seven people joining the mine in the first 2 weeks of February. This included two experienced roof bolters and one miner driver, as well as an experienced maintenance foreman/chief to focus on the maintenance activity on the night shift/down shift. A further 10 employees are organised to join the mine over the next two weeks from one of our sub-contracting companies. As the numbers are increased, we will have permanent roof bolting operators assigned on night shift that will provide “catch up” capacity on the down shift to reduce “waiting on bolter” delays on the scheduled production shifts.

Production from New Elk has been improving with the average daily clean tonnes produced in the first two weeks of February showing a 7% increase compared to the average daily rate achieved in January. The February rate is a substantial 38% increase compared to the average daily rate achieved in December 2022. This increase is all the more pleasing as the production Unit #1 is not in a normal repeatable pattern and

production cycle. This unit has come to the end of the 4 South panel (see mine plan below), and is now turning the mine workings at 45 degrees to the previous angle. This is being done to improve mining conditions to align the workings at an acute angle to the natural cleat angle of the coal. This will improve mining conditions and reduce the need for rib bolting activities. Once the new panel is properly set up with the new drivehead installed, a new cutting cycle will be implemented and the productivity levels will increase substantially. The regulator MSHA, also has a part to play in assessing the new mining direction and in future approving changes to the roof support plan.

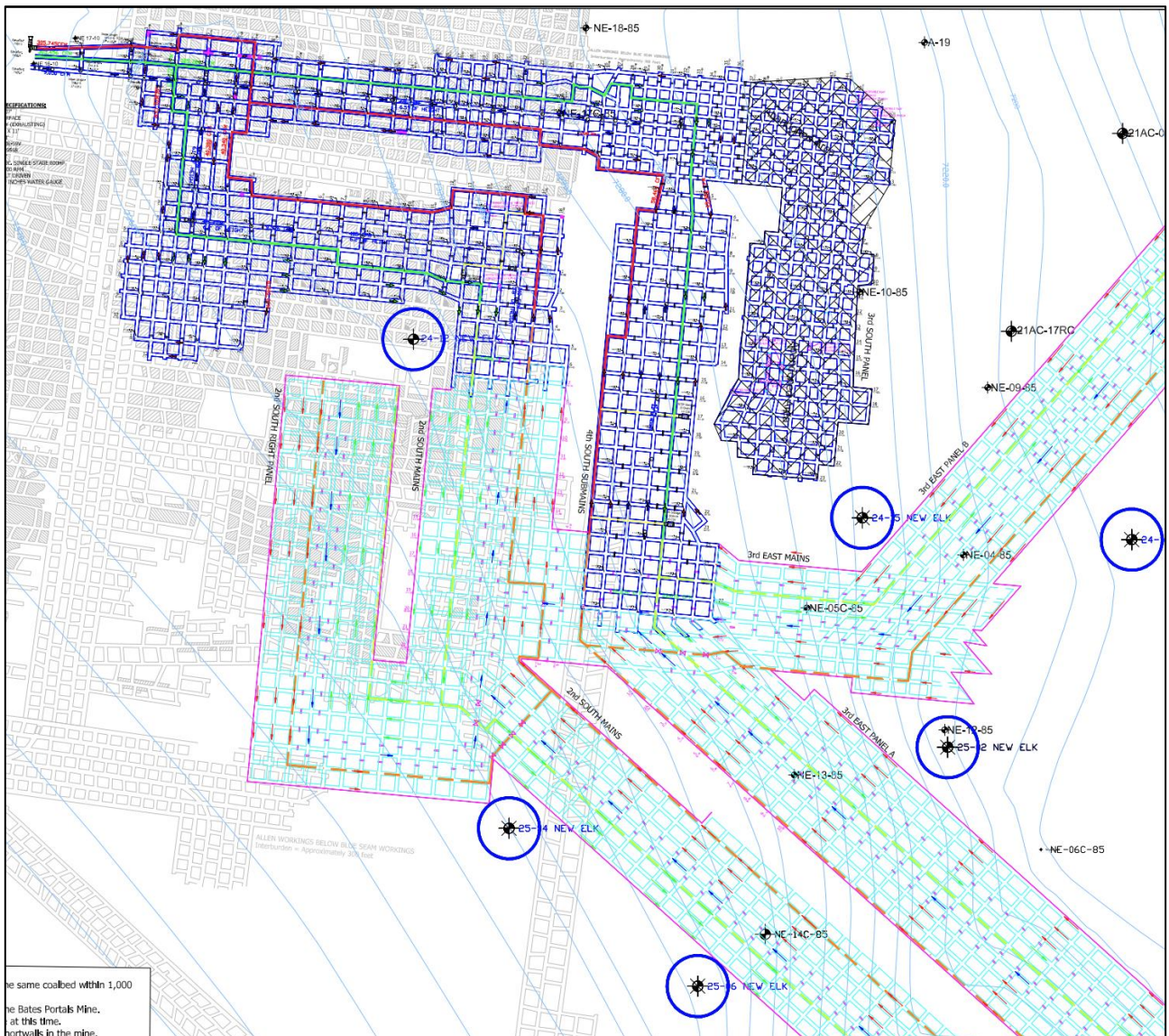


Image: Mine workings in the Blue seam (dark blue) with projected workings (light blue) and old workings in the Allen seam (in grey & 250 feet below)

Availability issues with the lack of ram car tyres for coal haulage units at the face has eased as a number of new sources for tyres have emerged. In mining panels where the floor conditions are challenging, the use of shuttle cats for coal haulage has mitigated delays. The electrical downtime reported on the feeder breakers has reduced, helped in part by having some additional skilled electricians join the mine, as well as sourcing spares from companies well known and trusted by our new General Manager.

The overhaul work on Continuous Miner CM06 is progressing well at the workshop. The chassis has been stripped and all main wear surfaces inspected using dye penetrant to confirm if or where repairs were needed and these repairs have been completed. Pleasingly the NDE crack inspection with dye penetrant confirmed no other failure to the assemblies, and the process of assembling the conveyor sections is currently in progress. All the plumbing for water and hydraulic lines is at 90% complete. All gear boxes except for the cutter head gear case have been evaluated and reassembled, with the exception of one planetary which requires some further parts to be delivered before reassembly.

All covers have been fabricated where required and ducting and covers are ready for installation. Approved bushing repairs are currently being completed. Electricians are being received in Beckley and will be shipped to Delta for early March installation. The overhaul is presently anticipated to be completed by the end of March.



Image: CM06 from New Elk Mine and an overhaul workshop at Delta, Colorado – major components sandblasted and repaired ready for re-assembly



Image: CM06 conveyor tailpiece re-worked and re-assembled at the Delta workshop

Black Warrior Mine

No reportable injuries and no environmental incidents have been reported to date in 2023. Production at the Black Warrior Mine has also commenced well in February. As at 14 February, overburden volumes moved were tracking at 4% greater than budget expectations and ROM coal was tracking at 8% greater than budget. An issue with our Ex3600 excavator that was slowing production was corrected in January, and the machine in February broke its record for 'shiftly material moved' at 18,060 cubic yards of rock moved, compared to a standard target expectation of 11,350 cu. yards. The CAT993K front end loader also achieved excellent results in the first two weeks for February achieving shiftly result of 8,540 cubic yards in one shift compared to a target of 4,600 cu. yards.



Image: Aerial shot of Black Warrior with Ex3600 in orange and CAT390 in yellow on far left – Newcastle seam bench on left and Mary Lee seam bench on the right

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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.
