ALLEGIANCE COAL
LIMITED

30 January 2023

ACTIVITIES REPORT FOR THE QUARTER ENDING 31 DECEMBER 2022

KEY POINTS

- Clean coal production in Q2 FY23 compared to Q2 FY22 was significantly higher although production for the quarter compared to the previous quarter did not meet expectations. On a 6 month year to date basis, clean coal production in June to December 2022 is also significantly higher than the same period in 2021. Two holiday periods, Thanksgiving in November and Christmas in December in part affected production for the quarter compared to the previous quarter.

- Coal sales for December quarter totalled 95.5kt for US$18.0M of revenue compared to 187.5kt for US$27.2M of revenue in the prior quarter.

- The Company generated cash receipts from customers in the December quarter of A$25.4M compared to A$32.1M in the prior quarter.

- Negative net cash from operating activities of A$15.4M was incurred in the December quarter compared to negative A$1.9M in the prior quarter, due to the poor quantum of coal sales achieved as well as payments to creditors above the norm. Cash at the end of the quarter does not include a US$5.2M receipt in relation to rehabilitation bonding received shortly after the close of the quarter.

- Run-of-mine (ROM) coal production for December quarter across the Group totalled 132kt down against September quarter of 171kt. Saleable coal production for December quarter totalled 89kt also down against the September quarter of 114kt.

- Average thermal coal sales prices, export and domestic average, achieved in December quarter were US$189/t against US$173/t in the prior quarter for thermal coal sales. There were no coking coal sales during the quarter.

- The thermal coal market in Europe weakened due to the unseasonably warm winter weather, gas storage levels remained high in Germany and electricity generated from wind sources was also high, reducing coal burn rates. The Company is evaluating pivoting back to metallurgical coal sales, as the metallurgical coal market indices have strengthened over the last three months.

- The Company continues to work co-operatively with Marco International Corporation with the aim of securing a 12-month off-take contract as well as engaging with other parties to explore alternatives in the metallurgical coal space.

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- The Company completed an 8 for 5 entitlement offer raising A$29 million before costs at $0.05 per share. The institutional element of the offer closed on 7 October 2022 and the retail element closed on 31 October 2022.

- The Company re-acquired a 100% interest in the Tenas Project following it acquiring Itochu of Japan's 10.1% equity interest for a non-material consideration. As a result of this transaction, Itochu's marketing rights to the Telkwa coal also terminated.

- Recruitment was finalised for the General Manager at New Elk Mine and the Chief Financial Officer for US Operations.

The Company's CEO, Jon Romcke commented that "The December 2022 quarter has been another challenging quarter for the Company. Initiatives, which have previously been advised to the market, to turn around the Company's production performance, particularly at New Elk, continue to be implemented but tangible results are not expected until the first quarter of 2023. Production at Black Warrior is in line with current expectations but cost control initiatives need to be implemented especially in light of the decline in the market price of coal which has been experienced. Management is working hard to ensure improved performance is achieved. It is very pleasing to see the average daily production rate at New Elk increase by 60% in the second two weeks of January compared to the average rate in the first two weeks of January, and the average rate for the whole of December 2022. It is also very pleasing that our proposed Black Warrior/New Elk coking coal blend has participated in a tender for coking coal at a steel mill in Europe and has been technically assessed as acceptable. We await the outcome of the tender process with keen interest."

Performance Tables

Production Metric tonnes	Quarter Jun 22	Quarter Sep 22	Quarter Dec 22	FY23 YTD
ROM coal production	219,991	170,862	132,283	303,145
Saleable coal production	114,084	113,533*	88,624	202,156
Coal purchased	14,084	4,394	-	4,394
Total coal sales	124,362	187,509	95,524	283,033
Coal stocks at end of period	128,288	57,783	50,838	50,838

* restated

FY22 & FY23 Production Comparison Metric tonnes	Quarter Dec 21	FY22 YTD	Quarter Dec 22	FY23 YTD
ROM coal production	127,570	273,594	132,283	303,145
Saleable coal production	62,566	151,891	88,624	202,156
Coal purchased	11,279	11,279	-	4,394
Total coal sales	68,207	90,707	95,524	283,033
Coal stocks at end of period	69,148	69,148	50,838	50,838

Sales & Pricing		Quarter Jun 22	Quarter Sep 22	Quarter Dec 22	FY23 YTD
Coal sales mix					
High-vol A	%	35	-	-	-
High-vol B	%	65	41	-	27
Thermal	%	-	59	100	73
Average pricing *					
High-vol A	US$/t	439	310	265	268
High-vol B	US$/t	423	302	260	264
API2	US$/t	336	358	232	302
Average price achieved					
High-vol A FOB	US$/t	330	-	-	-
High-vol B FOB	US$/t	219	108	-	108
Thermal	US$/t	-	173	189	180
Total revenue	US$'000	32,119	27,431	18,020	45,452
Total revenue	A$'000	44,943	40,128	27,429	67,557

* Source: McCloskey Average Pricing

FY22 & FY23 Sales & Pricing Comparison		Quarter Dec 21	FY22 YTD	Quarter Dec 22	FY23 YTD
Coal sales mix					
High-vol A	%	-	-	-	-
High-vol B	%	93	70	-	27
Thermal	%	7	30	100	73
Average pricing *					
High-vol A	US$/t	371	310	265	268
High-vol B	US$/t	302	252	260	264
Thermal – API2	US$/t	162	168	232	302
Average price achieved					
High-vol A FOBT	US$/t	-	-	-	-
High-vol B FOBT	US$/t	117	117	-	108
Thermal (incl domestic sales)	US$/t	137	88	189	180
Total revenue	US$'000	8,060	9,792	18,020	45,452
Total revenue	A$'000	11,060	13,417	27,429	67,557

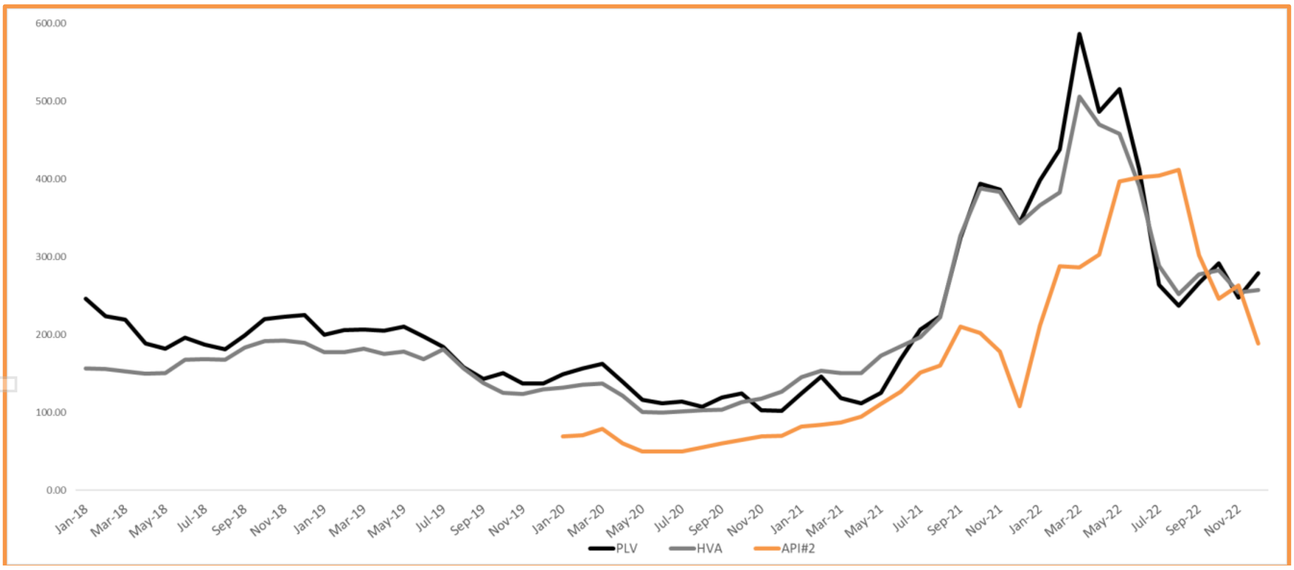
* Source: McCloskey Average Pricing

Coal Pricing & Market Update

The thermal coal market in Europe has taken a considerable fall over the quarter, and into January. In fact from 6 December 2022, over the following 31 days the API#2 Index (high CV thermal coal delivered to Rotterdam) fell US$89/tonne. The Company understands the key drivers for this change in market sentiment (supply and demand balance) to have been the unusually warm winter in Europe reducing coal consumption for heating and electricity, windy conditions providing high generation utilisation from wind farms, the ability to maintain high gas storage volumes (particularly in Germany, where they were at 83%) due to lower consumption and gas/heating conservation efforts, and additional gas imports sourced from non-Russian sources.

In comparison the coking coal indices maintained a consistent level during the quarter and HVA Coking Coal has averaged US$265/metric tonne, which is somewhat lower than the previous quarter, however the coking coal indices have strengthened in January 2023. Coking coal indexes for the Atlantic market are now trending higher than the API#2 thermal coal index.

Although the Company believes supplying into the thermal market under the Marco contract remains a good strategy for Allegiance over the next 12 months, this only holds true if the contract price can be confirmed within a reasonable range after the trial cargo assessment is finalised. The trial cargo departed Mobile in December and unloaded mid-January. There remains a risk that the falling API#2 index will impact the finalisation of the 40,000 tonne per month contract negotiations and pricing. The Company is therefore considering a 'pivot' back to the coking coal market and expressions of interest are being sought for a range of coking coal products that Allegiance can supply.



Source: McCloskey. PLV - premium low volatile ex Australia; HVA - High Vol Type A ex USA; API2 - All Purpose Index # 2 (CIF ARA) as published by Argus/IHS McCloskey. An average of the Argus CIF ARA price assessment and the IHS McCloskey NW Europe Steam Coal marker.

Black Warrior

Health, Safety and Environment

Black Warrior Mine recorded nil reportable or lost time injuries during the quarter. One minor shoulder sprain was recorded when an operator was climbing a ladder on a haul truck - no treatment or time off work was required.

In October and November, the updated water management system continued to dewater the mine pits effectively, even with additional unseasonal rainfall. The additional pumps and the use of a new pond has proven very effective.

Production

Production Metric tonnes	Quarter Jun 22	Quarter Sep 22	Quarter Dec 22	FY23 YTD
ROM coal production	84,828	84,993	73,464	158,457
Saleable coal production	52,669	67,837	57,390	125,227
Coal purchased	14,084	-	-	-
Total coal sales	97,146	89,904	51,514	141,418
Revenue US$'000	26,077	13,135	9,045	22,180

Black Warrior ROM coal production for December quarter totalled 73kt which was off the pace of the last two quarters. Saleable coal production for December quarter was 57kt which was lower than the September quarter but higher than June quarter. October production was affected at the start of the month due to the unseasonal rain in September that caused delays in mining the lowest seam in the sequence – Blue Creek seam. The upgraded pumping system and the new pond constructed to take the water to prevent discharge was effective and is still performing well. November production was 'off' budget expectation as well as the new D11T Push Dozer was not properly commissioned until November 29. During the month of November, the mine also pushed forward with overburden removal being prioritised over coal mining to create a greater area after each blast within which to work the D11T push dozer in parallel with one of the existing D10 dozers. The D11T performed very well in December and production overall achieved expectations in drill and blast, overburden removal and coal mining – very pleasing performance.

The mine also sourced a 'low-hours' CAT390 excavator to operate recovering the coal seams, which will free up the EX3600 to focus more completely on the major overburden bench above the Newcastle seam. This 'new' machine effectively replaces the old EX1200 machines that are no longer reliable and need major overhauls. The planned purchase of the ROM Crusher that was budgeted for the period was deferred in preference to the excavator purchase deemed to be the more urgent need.

January production to date has tracked against budget and it is encouraging for the Company to see repeatable and consistent performance.

Image: Black Warrior Mine: new drills on top bench; D11T dozer push paths; benching to Newcastle seam; then to Mary Lee seam

Coal Processing

Black Warrior continued to wash all the required ROM coal and completed our first full quarter of processing at the North Pratt Washer (NPW). Pleasingly, the overall washing costs have reduced compared to the budget expectations built on toll washing rates previously expected. The quality control has improved and more consistent clean coal ash performance has been achieved. Overall Q2 FY23, the wash plant yield for our Premium Thermal Coal has averaged 76.3% recovery, producing coal quality results that averaged 11.97% Ash, 0.94% Sulfur, 29.06 Vol., and 12,706 BTU. The yield on our domestic high sulfur/high ash Industrial Blend averaged 68.43% recovery at 15.13% Ash, 1.42% Sulfur, and 12,132 BTU. The Company continues to prioritize and balance plant improvements with expenses and has initiated Permit Revisions to both the Mine Safety and Health Administration (MSHA) and the Alabama Surface Mine Commission (ASMC) for the refuse disposal area. The revised design will accommodate an increase in refuse placement of an additional 1.3M short tons of refuse.

Sales

Black Warrior completed multiple coal sales in the December quarter achieving an average sales price of US$176/t generating US$9.0M of revenue, as follows:

- Export thermal coal sales of collectively 32kt sold at prices that ranged from US$170 – US$199/t
- 19kt sold to domestic suppliers of coal to US power utilities at prices that ranged from US$132-US$143/t
- Receipt of an energy credit in respect of sales achieved in the September quarter.

New Elk

Health, Safety and Environment

New Elk incurred four lost time injuries for the quarter, two strain injuries, one hand laceration, and a miner suffered a detached retina that needed surgery after hitting his head against the mine roof. Additional training and reorganisation of the training department has been implemented to improve training and communication.

Production

Production Metric tonnes	Quarter Jun 22	Quarter Sep 22	Quarter Dec 22	FY23 YTD
ROM coal production	135,163	85,870	58,818	144,688
Saleable coal production	61,960	45,696*	31,233	76,929
Coal purchased	-	4,394	-	4,394
Total coal sales	27,216	97,604	44,010	141,615
Revenue US$'000	6,042	14,296	8,975	23,271
* restated				

* Saleable coal production represents equivalent saleable production based on ROM coal produced, previously Allegiance reported saleable based on CHPP throughput

New Elk ROM coal production for December quarter totalled 58kt which is a significant disappointment compared to the previous two quarters. Saleable coal production for December quarter totalled 31kt. The Thanksgiving and Christmas holiday period were included in this quarter which accounted for two weeks of zero production.

No further roof fall incidents have occurred since those reported in the prior quarters.

By December our recruiting efforts were bearing some positive results, however the mine was undermanned for most of the quarter which contributed to the poor production performance. By the middle of December 22 new people were recruited from Colorado, Utah, New Mexico, Oklahoma, and Wyoming. Unfortunately, over the Christmas/New Year period to 16 January we had 4 employees not return to the mine after the Christmas break, however this has been offset by a further 4 new starters at the mine in 2023 up to this date. Some of our new recruits living in distant communities are now working a 2 week on one week off 7 day roster as they are focussed on earning well and supporting the needs of the mine in preference to time off work. New Elk is still recruiting operators and supervisors to reach a fully manned roster, but the labour market remains tight.

The benefits of improved productivity from the deployment of overhauled CM4 have yet to flow through to production results. The machine became operational after commissioning on 18 November, but a number of electrical teething problems caused delays into December. Performance of the machine during January 2023 has been more in line with expectations.

Over the quarter one additional second-hand bolter with rib bolting heads was purchased. The Company continues to seek to purchase further such bolters, however the revised mining layout for a trial panel at 45 degrees to the natural cleat angle of the coal will be developed to see if the rib stability improves such that the need for rib bolting is obviated.

ROM production was also affected in the quarter by:

- Poor availability of Ram Cars in the production panels mainly due to tyre failures in poor floor conditions and the inability of the supply chain to provide replacement rims and tyres;
- Electrical downtime on breaker feeders in the production panels caused unusual delays; and
- “Waiting on bolter” delays were a significant contributor to poor production – in order to address this, additional roof bolter operators have been scheduled on the maintenance ‘down’ shift to provide ‘catch-up’ capacity and further recruiting for these positions has been a focus. In addition, a trial mining panel at a new orientation is being turned away and detailed monitoring will be undertaken with MSHA to evaluate improved rib and cap rock stability.

In January, New Elk suffered a major bearing failure on an inclined vibrating screen in the ROM screening plant on the surface. This screen separates oversized coal and rock (+6 inches) so that it is not included in the ROM coal stockpile that feeds the preparation plant. The mine continued to run using a bypass chute and the repair works have been completed. This affected the production rate in the second week of January, however the average daily production rate in the second half of January has increased 60% compared to the rate achieved in the first half of January, and the average rate achieved for the whole of December.

The overhaul of continuous miner CM06 is presently underway at the Phillips Global workshop at Delta, Colorado with completion anticipated in Q3 FY23.

Mark McClure, our new General Manager, started at New Elk Mine on Monday 16 January and is relishing the challenge to create the environment for increased ROM production as required to make the mine productive. His key focus areas in the short term are:
- Keeping the belt moves in production panels advanced at all times – reduces wheeling times
- Manning up the ‘graveyard’ with additional bolter men to complete the bolt-up of places left open on the production shift
- Insisting on high standards of cleanliness and rock dusting

The New Elk Mine production from the middle of January has shown some marked improvements, with the production rate increasing to that needed to achieve 24,000 clean tonnes per month ‘run rate’. Once the new panel at the improved angle is set up properly with its dedicated conveyor, a new cut-cycle will be implemented to generate further opportunity for increased ROM production.

Sales

New Elk completed multiple coal sales totalling 44kt in the December quarter achieving an average sales price of US$204/t generating US$9.0M of revenue (which includes the energy credit referenced below), as follows:

- Export thermal coal sales of collectively 44kt sold at prices that ranged from US$170 – US$196/t
- Receipt of an energy credit in respect of sales achieved in the September quarter.

In connection with the sales contract with the legacy Asian customer, during the quarter, the customer sought to terminate the contract and claim damages for loss of profit against New Elk. New Elk has accepted the contract as terminated but denies any liability to the customer. In the event of a dispute, and absent a negotiated settlement, the contract provides for arbitration in Hong Kong subject to English law. Discussions with the customer have continued to try and reach a resolution.

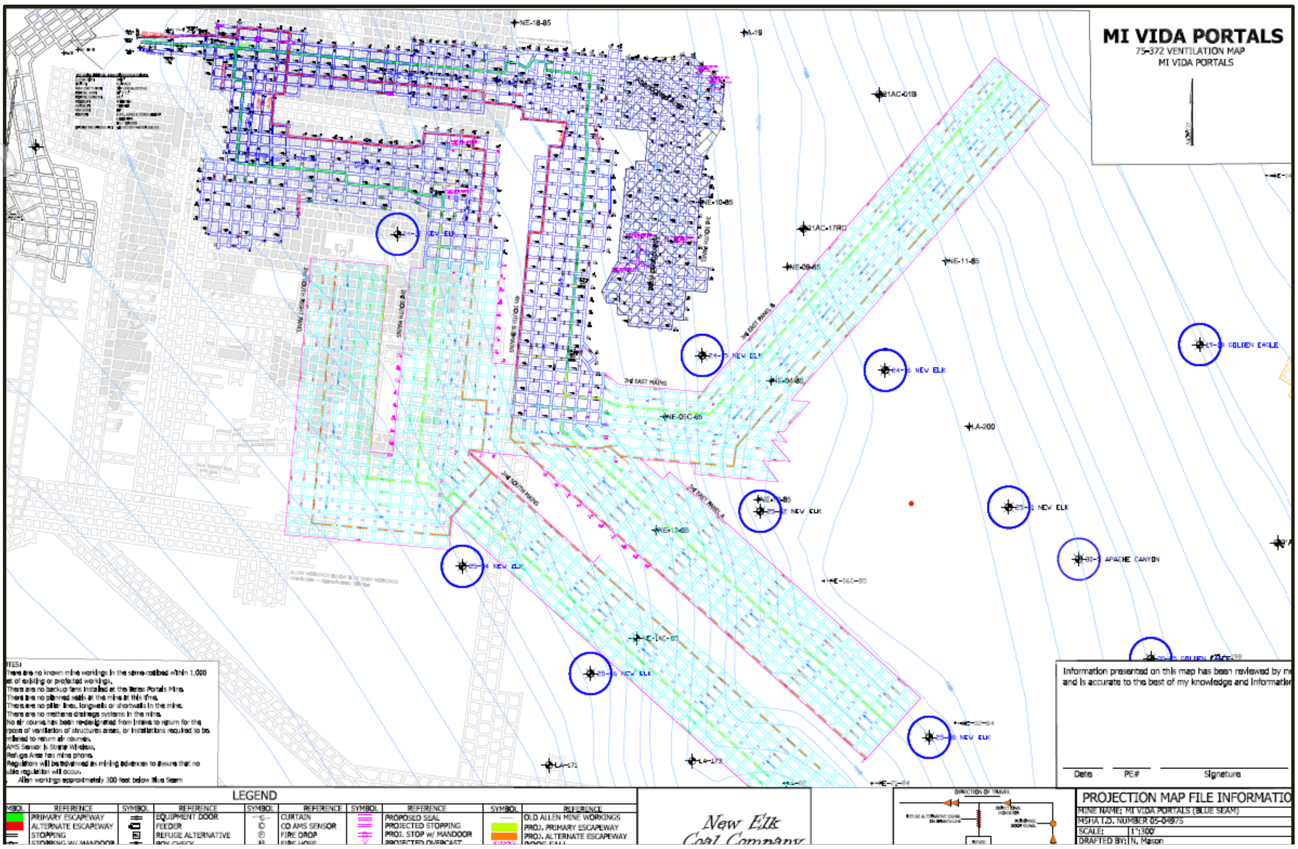


Image: New Elk showing revised mine layout with new direction of mining

Short Creek Project

The Company supported the mining lease transfer process with the State of Alabama for the Short Creek Project. The Company has commenced activities aimed at seeking funding to enable completion of the acquisition.

Tenas Project environmental assessment certificate application

As was previously referenced in the September 2022 quarterly activities report, in the December 2022 quarter we received requests for further information from the BC Environmental Assessment Office (EAO) in relation to our Application for an Environmental Assessment Certificate for the Tenas Project (Application). Detail in relation to those requests was formally received from the EAO later in the quarter and are summarised below:

- Extending the potential sensory disturbance on the Telkwa Caribou herd from a 500 metre perimeter of the pit to 3 kilometre perimeter;
- Undertake analysis on potential mitigations in relation to any potential exceedances of trace elements in the discharge of mine impacted water into the receiving environment; and
- To source primary data directly from First Nations in relation to cultural use within the project area.

Proposals have been received from our independent consultant experts in relation to Caribou and Water, while we are in discussions with First Nations defining the programme to undertake additional consultation to source primary data on cultural use.

Timing of the work will be dependent on the expenditure profile that can be achieved with limited funds available in the short term. The caribou work has commenced to deal with the request detailed above.

During the quarter, the Application transitioned to a new BC Environmental Assessment Act (New Act). The Application is sufficiently advanced that the New Act will not have a material impact on the Application timetable considering the requirement to deliver additional information (as noted above).

Lorencito exploration rights, Colorado USA

During the quarter, the lease relating to the Lorencito project and the associated exploration rights were relinquished.

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 quarter totalled $718k for investing activities (included at Item 2.1(d) of the Appendix 5B).

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 December 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 quarter totalled $29,991k for operating activities (included at Item 1.2(c) of the Appendix 5B). $15,426k of the expenditure relates to the New Elk Mine and $14,565k of the expenditure relates to the Black Warrior Mine, including $nil for the purchase of coal from third parties for on-sale. 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 $364k 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, the Company completed an 8 for 5 entitlement offer at $0.05 per share raising A$29.25 million, before costs. In conjunction with the entitlement offer, during the quarter, the Company issued 501 million bonus options to shareholders. The options are exercisable at $0.15 per share and expire on 5 December 2025.

The Company reported in the September 2022 quarterly activities that it had secured an off-take contract for 40kt per month of a blended New Elk and Black Warrior product up to 14% ash to Marco International Corporation (delivered at Port of Mobile). As disclosed on 24 October 2022, this contract was not performed by Marco during the quarter. Subsequently, the Company executed an agreement to sell an initial trial cargo of 14% ash 6500 kcal thermal coal to Marco. Subject to a successful trial cargo, and subject to the parties using their best endeavours to agree formal documentation, a 12 x 40,000 metric tonne off-take contract was envisaged for 2023. As noted above, the trial cargo for 35kt departed Mobile in

December and unloaded mid-January, with the parties yet to conclude the envisaged long term off-take contract.

The Company continues to negotiate with Marco for a loan facility of up to US$40 million, subject to the execution of long-form documentation and the completion of due diligence. The Company cautions that there can be no certainty that the loan facility will be agreed between the parties. The Company has therefore commenced discussions with alternative debt providers to secure the loan facility envisaged that will provide the ability to close out the Collins Street convertible note and provide US$10-15 million of working capital to assist in the New Elk and Black Warrior turnaround activities.

During the quarter, the Company re-acquired a 100% interest in the Tenas Project following it acquiring Itochu of Japan's 10.1% equity interest for a non-material consideration. As a result of this transaction, Itochu's marketing rights to the Telkwa coal also terminated. The amount of C$500,000 previously advanced to Telkwa Coal by Itochu falls to be repaid by 30 June 2023.

The Company has commenced activities aimed at attracting investor interest in the Tenas project to free up capital.

During the quarter, the Company finalised a surety bond in order to satisfy the rehabilitation bond required by the State of Alabama for the Black Warrior Mine. The total value of cash held by the State to cover rehabilitation requirements is US$5.2 million. As at the end of December, the cash refund due to Black Warrior Mine had not yet been received and is not recognised in the Appendix 5B numbers, although the security deposit required to establish the surety bond is included at Item 2.1(f) of the Appendix 5B.

During the quarter, Mr Mark Gray stepped down as Chairman of Allegiance. The board appointed Mr Matthew Wall as interim Non-executive Chairman, while the Company considers further board appointments.

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.

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
Colorado United States				
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	Quarter ended ("current quarter")
47 149 490 353	31 December 2022

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	25,375	57,524
1.2	Payments for		
	(a) exploration & evaluation		
	(b) development		
	(c) production	(29,991)	(53,315)
	(d) staff costs	(9,535)	(18,293)
	(e) administration and corporate costs	(181)	(362)
1.3	Dividends received (see note 3)		
1.4	Interest received	12	17
1.5	Interest and other costs of finance paid	(1,120)	(2,911)
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**	**(15,440)**	**(17,340)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	(5,626)	(7,898)
	(d) exploration & evaluation	(718)	(1,117)
	(e) investments		
	(f) other non-current assets	(3,859)	(6,586)

	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**	**(10,203)**	**(15,601)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	29,254	32,254
3.2	Proceeds from issue of convertible debt securities	-	12,157
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,818)	(2,530)
3.5	Proceeds from borrowings	-	2,007
3.6	Repayment of borrowings	(2,559)	(12,341)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	**Net cash from / (used in) financing activities**	**24,877**	**31,547**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	7,329	7,957
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(15,440)	(17,340)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(10,203)	(15,601)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	24,877	31,547

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**	**6,563**	**6,563**

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	2,115	743
5.2	Call deposits	4,448	6,586
5.3	Bank overdrafts		
5.4	Other : Term deposits		-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**6,563**	**7,329**

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	364
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

7.	**Financing facilities** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	82,071	82,071
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	**Total financing facilities**		

7.5	**Unused financing facilities available at quarter end**	nil

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.

A$42.9M 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 ($30.7 million) and 15 August 2025 ($12.2 million) and is convertible at the Noteholder's election at any time into ordinary shares in the Company at A$0.7361 per share (subject to dilutionary adjustments).

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 as at 31 December 2022 is US$26.12 million. 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 financial years ended 30 June 2020 and 2021, Itochu advanced to Telkwa Coal Ltd (TCL) C$500,000 by way of interest free loan, in addition to the tranche 1 and 2 payments received under the joint venture agreement. Following termination of the joint venture agreement, TCL has agreed to repay the loan on or before 30 June 2023.

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.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(15,440)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(718)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(16,158)
8.4	Cash and cash equivalents at quarter end (item 4.6)	6,563
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	6,563
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	0.41

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: No, this quarter was affected by low sales volumes and high cash flow payments compared to previous quarters. The cashflow payments enabled the group to catch up on payments due to creditors after the funds were generated from the entitlement offer.

In order to demonstrate it has a sustainable business plan, the Group needs to significantly increase its production and sales performance. Subject to the Group increasing the volume and value of coal sales to the seaborne market and achieving its business plan, it is anticipated that the levels of net operating cash flows this quarter will not persist.

The Group is involved in the exploration, evaluation, development and exploitation of mineral tenements. Further expenditure will be required upon these tenements to finally ascertain whether they contain economically recoverable reserves and can be commercially developed and whether the mineral reserves can be commercially and profitably exploited.

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 Group requires additional funding to meet its business objectives and intends to secure such funding from sources including but not limited to:

- Further equity capital raisings;

- The potential farm-out of participating interests in the Group's tenements and rights; and / or

- Other financing arrangements. The Group has arranged supply chain finance to assist it meet its working capital requirements. In addition, it is progressing the negotiation of the full form documentation for the proposed Marco US$40M loan, although there is no certainty that the loan agreement will be executed. These matters have been advised by way of ASX announcements. Other alternative loan arrangements are also being canvassed.

The Company currently has capacity to place, without shareholder approval, 150,734,389 ordinary shares in accordance with ASX Listing Rule 7.1 and 100,489,959 ordinary shares in accordance with ASX Listing Rule 7.1A.

The Company's officers are in regular contact with Allegiance's major shareholders, creditors and other potential financiers.

The Directors believe that the financing steps outlined above are more likely than not to be successful.

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: New Elk Mine continues to implement a turnaround plan to meet its business objectives. A New General Manager has commenced at New Elk in January and the turnaround plan involves increasing production and sales at New Elk well above that recorded in the December 2022 quarter, such that the company becomes cash positive. In the event that the assumptions underpinning the business plan do not occur as anticipated, there is material uncertainty that may cast significant doubt whether the Group will continue to operate as a going concern. However, having carefully assessed the uncertainties relating to the likelihood of increasing production and sales, securing additional funding, the Group's ability to effectively manage its expenditures and cash flows from operations and the opportunity to farm-out participating interests in existing permits and rights, the Directors believe that the Group will continue to operate as a going concern 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: 30 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.