

30 March 2021

PRODUCTION AT NEW ELK TO COMMENCE LATE APRIL WITH FIRST SHIPMENT TARGETED JUNE

HIGHLIGHTS

- Portal entries to existing underground workings in the Blue seam opened with no significant deterioration in underground Mine infrastructure.
 - Equipment and wash-plant refurbishment almost complete; wash-plant to be re-commissioned second week of April.
 - Production to commence the last week of April; first train to be loaded mid-May.
 - Acquisition of Alabama coal to commence in May.
 - Discussions with steel mills have commenced on sale of spot-cargoes until trial samples with selected steel mills are completed and longer term, index linked supply contracts are agreed.
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Allegiance Coal Limited (**Allegiance** or the **Company**) is pleased to provide this update on the commencement of mining at New Elk and the target date for the first sale and shipment of coal.

Mine Infrastructure and Equipment Refurbishment

Electricity supply underground along with the ventilation fan have been activated allowing the Mine portal entrance to be opened.

The pictures below show the opening of the underground portal entrance into the Blue seam with a Colorado State Mine Safety and Rescue Team preparing to enter the mine to inspect the conditions before allowing Mine staff underground.



Following the inspection, Mine staff were permitted to enter the Mine to cross-cut 10 where water had predictably accumulated. The majority of the water has since been pumped from the Mine and the Mine Safety and Rescue Team re-entered the mine to continue their inspection to the mine face.

Generally the conditions underground are very good with minimal rehabilitation required. The pictures below show some reparation work relating to minor roof falls. Mine staff also had the opportunity to visually inspect the roof and floor conditions for the first time and were encouraged by the strong roof and firm floor which validate the production assumptions relied on in the Mine plan.



The equipment required for the first production unit, including two continuous miners, three shuttle cars and one of two roof-bolters, have been refurbished at the Mine. A second roof-bolter and a feeder breaker have been purchased and will be delivered to the Mine in April.

Refurbishment of the wash-plant and rail loadout are also nearing completion (pictures below).



The Mine will be ready to produce the week commencing 19 April.

Target Sales

Based on the production schedules of New Elk and Mays Mining, it is planned that 80,000 tonnes will be delivered to Convent Marine Terminal, New Orleans, for shipment in June.

M Resources, New Elk's sales and marketing agent, has engaged with international steel mills. Initially, sales are planned to be on a spot shipment basis until samples and in some cases trial shipments are completed with selected steel mills in order that supply contracts for calendar year 2022 can be negotiated, in line with typical contract cycles for metallurgical coal procurement.

Global industrial production has seen a strong recovery from around mid-2020, with steel production returning to pre-pandemic levels outside of China by late 2020, whilst steel production in China has continued at elevated levels for the first part of 2021. The limitation placed on Australian metallurgical coal exports to China, has in particular supported higher pricing for US coals delivered to this market. In line with improved steel demand outlook, mills are continually expressing interest in new sources of stable, high quality metallurgical coal deliveries from reliable suppliers.

Authorised for release by Chairman and Managing Director, Mark Gray.

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About Allegiance Coal

Allegiance Coal is a publicly listed (ASX:AHQ) Australian company based in Vancouver, BC Canada, and is focussed on developing and mining metallurgical coal projects in North America and Western Canada. The Company is developing the Tenas metallurgical coal project, located in northwest British Columbia, in partnership with Itochu Corporation. The Tenas Project has a completed definitive feasibility study and is now in the permitting process targeting H2 2022 for the commencement of production. In October 2020, the Company completed the acquisition of the New Elk hard coking coal mine, a fully permitted and constructed mine located in southeast Colorado, US. The Company is scheduling to return the New Elk mine to production in mid-2021.
