



21 October 2021

ALLEGIANCE TO ACQUIRE THE SHORT CREEK UNDERGROUND MINE A TIER 1 ALABAMA MID-VOL COKING COAL ASSET AND COMPLETES A\$30 MILLION PLACEMENT

HIGHLIGHTS

- Allegiance has entered into an agreement with Drummond Coal Inc. (and related entities) (**Drummond**) to acquire the Short Creek Mine located west of Birmingham, Alabama.
- The Mine is a tier one asset, a deposit with scale and premium hard coking quality coal, that consolidates and complements Allegiance's investment in Alabama and Colorado.
- The Acquisition will complete upon Marshall Miller & Associates delivering a JORC compliant resource statement and upon completion of the transfer of land and fixed assets, existing permits, and the coal lease to the Mary Lee, Blue Creek and Newcastle coal seams.
- While Mine permits exist and are in good standing for open pit production and the operation of the wash-plant and the barge load-out, Allegiance will have to permit the underground mine estimated to take 6 to 9 months after completion of the Acquisition.
- The Acquisition from Drummond involves:
 - The purchase of the land over the deposit, the fixed assets (primarily a CHPP, a barge load-out, conveyors and stackers), and all existing permits to operate; and
 - The lease of the mineral rights to the Mary Lee, Blue Creek and Newcastle seams under the Land for up to 23 years, in consideration for the payment of royalties ranging from 7% to 10% based on a sliding scale of the FOB sales price achieved.
- The Acquisition cost is:
 - US\$4.4M in cash to Drummond and related entities to acquire the land and assets; and
 - US\$11.5M to replace the reclamation bond with the State of Alabama that follows the land and assets.
- Allegiance has raised A\$30M through a placement with institutional and professional shareholders which will be applied to the Acquisition, to advance the Short Creek Mine into development and to working capital.

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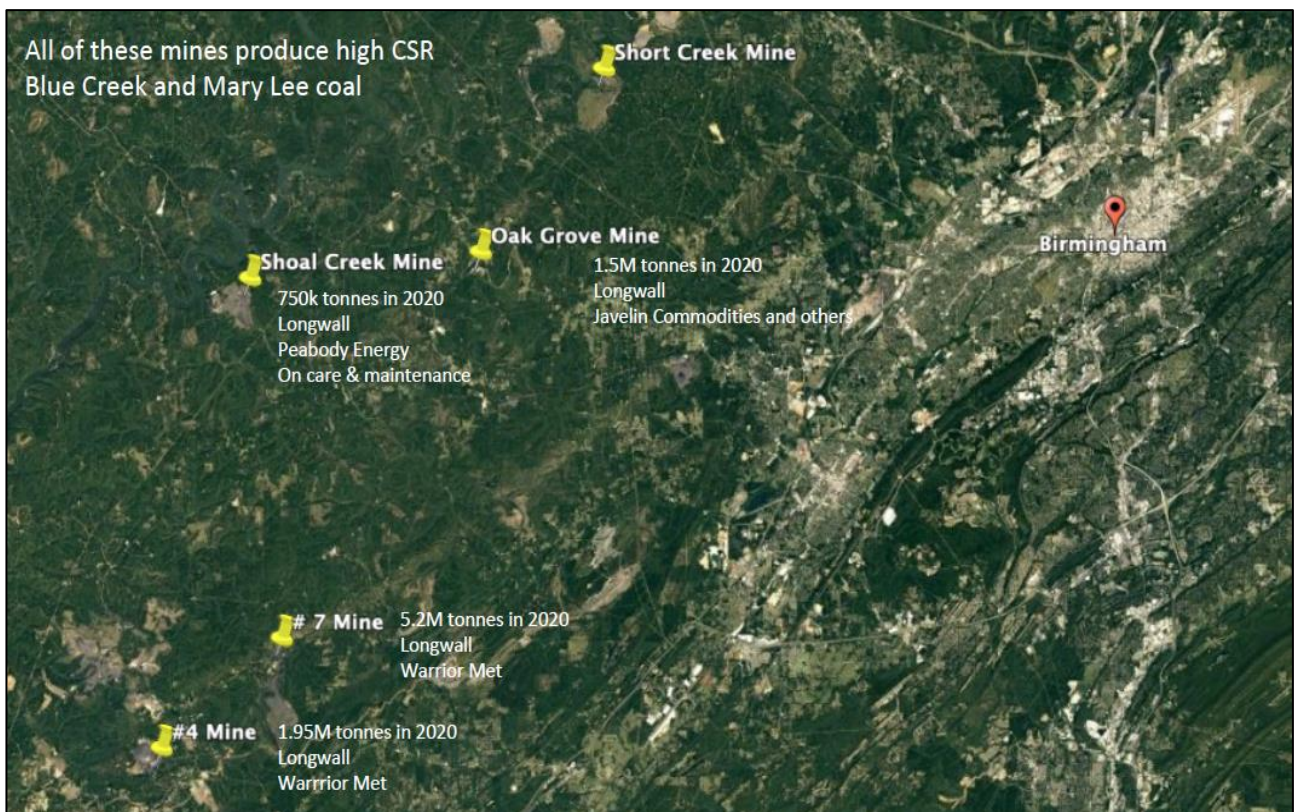
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Allegiance Coal Limited (**Allegiance or the Company**) is pleased to announce the acquisition of the Short Creek Mine (**Short Creek**) located 25km west of Birmingham Alabama and 27km southwest of the Black Warrior Mine (**Acquisition**).

Chairman and CEO, Mr. Mark Gray commented:

“Short Creek is a tier one asset - it has scale, exceptional coal quality, and provides Allegiance with a long life mine delivering premium CSR coking coal to the seaborne market. The acquisition positions Allegiance alongside the major producers of high quality hard coking coal in the Black Warrior Basin including Peabody, Warrior Met and Javelin Commodities. It both complements and consolidates our investment in Alabama coking coal and sets a pathway to Allegiance becoming a producer of a variety of US coking coals from New Elk, Black Warrior and now Short Creek”.



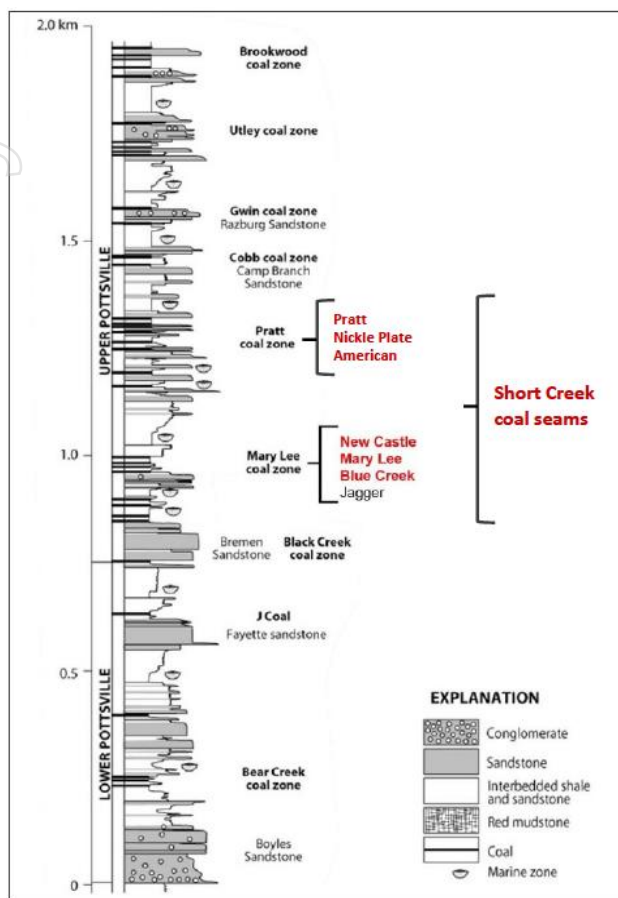
Geology

The Short Creek Mine is located within Black Warrior Coal Basin. The coal deposits are Carboniferous in age, being of the Pennsylvanian system. Overburden depths typically vary from 350 feet in the west to more than 1,000 feet in the east.

Seams of economic significance including the Mary Lee, Blue Creek and Newcastle, typically range from 1.0 to 6.0 feet of coal thickness, with relatively little structural deformation. Regional structure is typically characterized by gently dipping strata to the southeast, from the Sequatchie Anticline in the northwest towards the axis of the Coalburg Syncline in the southeast.

The Mary Lee and Blue Creek seams dip gently at 2 degrees or less.

As is typical in this portion of the Warrior Basin, coal rank increases from northeast (High Volatile Bituminous) to the southwest (Low Volatile Bituminous). The Short Creek Mine is located regionally within Medium Volatile Bituminous deposits.



The Short Creek target coal seams are the Pratt, Nickel Plate and American (of which there are several with the #1 American being the seam of interest), and the Newcastle, Mary Lee and Blue Creek seams.

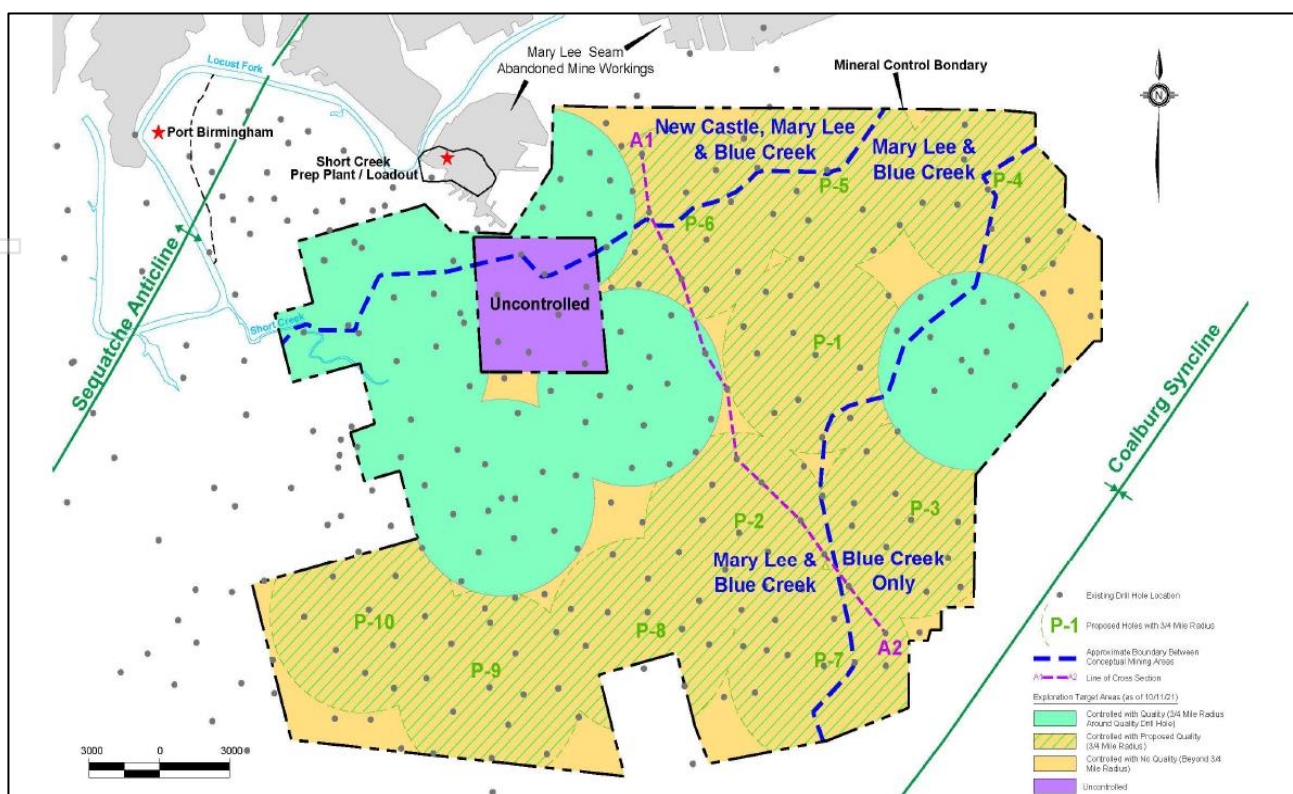
The Pratt, Nickel Plate and American were surface mined by Drummond for several decades and a coal lease for the future mining of these coals has been granted by Drummond to Yellowhammer Energy.

Allegiance has offtake rights from Yellowhammer Energy for 30,000 tonnes per month over 4 years, of Nickel Plate and #1 American coal. These are low ash coals (~4%) which Allegiance will blend with its Black Warrior Mine, Mary Lee and Blue Creek coals.

The Mary Lee coal zone including the Newcastle, Mary Lee and Blue Creek coals (the subject of this acquisition) sit some 145 metres below the Pratt Coal zone.

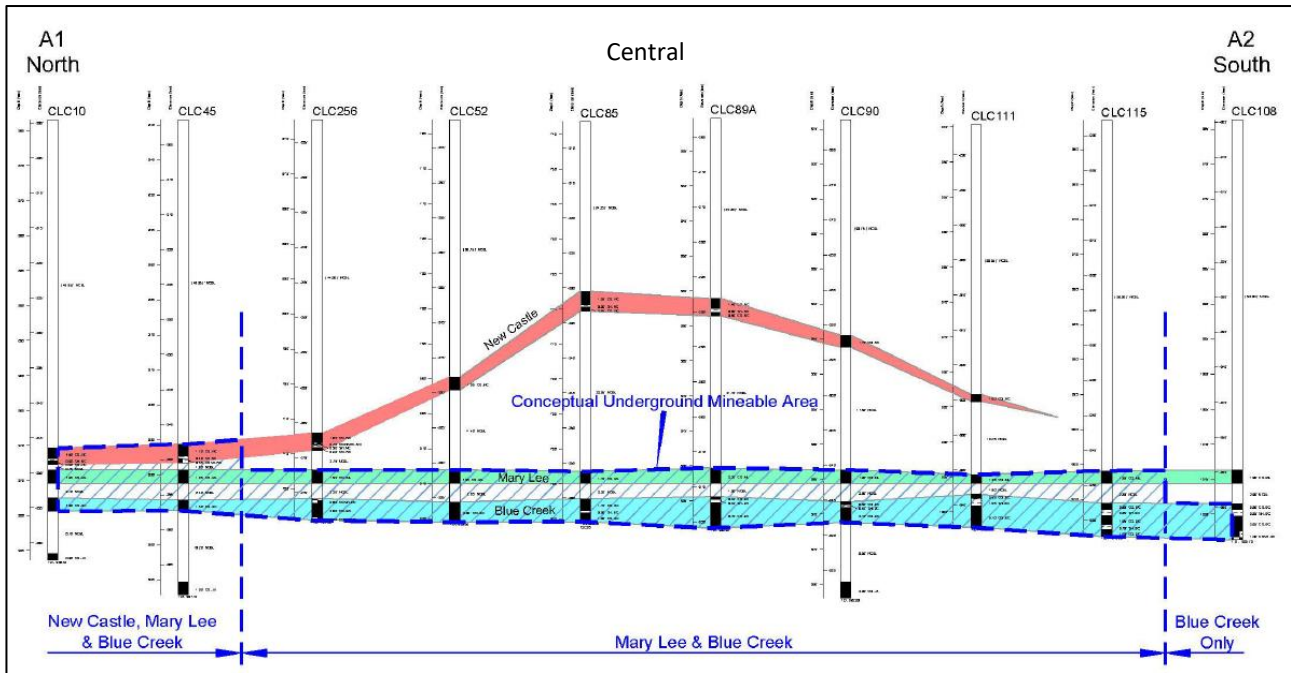
Following completion of the acquisition, Allegiance will control all coal produced at the Short Creek mining complex.

The deposit area has been drilled extensively by prior coal mine owners including Drummond and includes more than 200 coal bed methane gas wells.



The coal seams typically dip northeast to southwest in the Black Warrior basin as evidenced at Allegiance's Black Warrior mine where the Newcastle, Mary Lee and Blue Creek are surface mined whereas at Warrior Met's #4 and #7 mines are more than 500 metres deep.

Locally, the presence of the Sequatchie anticline elevates the coal-bearing strata such that the surface cover of the Mary Lee seam along the northwestern edge of the Property is ~100 metres, and to the south the surface cover increases to ~300 metres near axis of the Coalburg syncline.



The above cross section illustrates the coal seam stratigraphy noting in particular;

- The North zone where the in-seam partings are less than 2 foot requiring all seams to be mined together;
- The Central zone where the parting between the Newcastle and Mary Lee exceeds 2 foot and greater where mining will then focus on just the Mary Lee and Blue Creek together; and
- The South zone where the parting between the Mary Lee and Blue Creek exceeds 5 foot allowing the Blue Creek to be mined on its own, if preferred.

Coal Resources

Allegiance has engaged Marshall Miller & Associates (**MMA**) to deliver a JORC 2012 compliant resource statement in relation to the Newcastle, Mary Lee and Blue Creek coal seams. The resource statement is expected to be completed by late-November 2021.

Initially however, MMA prepared an exploration target (as defined in the JORC Code 2012) to quickly assess the scale of the deposit. In accordance with clause 17 of the JORC Code, it noted, among other things, that the potential quantity and quality of an exploration target is conceptual in nature. There has been insufficient exploration to estimate a coal resource in accordance with the JORC Code, and it is uncertain if further exploration will result in the estimation of a mineral resource.

Allegiance notes in this clause that, 'insufficient exploration' does not necessarily mean there has been insufficient drilling, but that there has for example, been insufficient review of drill hole data in accordance with the JORC Code which Allegiance believes is the case with this deposit.

MMA's exploration target is summarised in the tables below by reference to the three zones highlighted on the prior page North, Central and South. These are reported as a range of tonnages.

Controlled	Low tons	High tons	Average tons
North: Newcastle - Mary Lee - Blue Creek	20,978,000	21,572,000	21,275,000
Central: Mary Lee - Blue Creek	109,882,000	110,631,000	110,256,000
South: Blue Creek	32,318,000	40,773,000	36,545,000
Total	163,178,000	172,976,000	168,077,000

Uncontrolled	Low tons	High tons	Average tons
Northg: Newcastle - Mary Lee - Blue Creek	1,720,000	1,667,000	1,693,000
Central: Mary Lee - Blue Creek	4,141,000	4,431,000	4,286,000
South: Blue Creek	-	-	-
Total	5,861,000	6,098,000	5,979,000

The exploration target is based on existing exploration results as opposed to proposed exploration programmes. The relevant exploration activities include:

- 212 exploration holes within the property boundary, with the expectation of additional data to be forthcoming. The drilling was accomplished using a combination of vertical continuous (diamond) coring, along with coalbed methane gas wells typically drilled via air rotary methods along with geophysical logging;
- Additional core holes including coal quality data located immediately west of and adjacent to the property; and
- 185 gas wells all of which have been geophysically logged.

Once MMA completes the resource statement Allegiance intends to undertake additional drilling in the new year to better understand the coal quality across the entire deposit and to increase the resource categorisation under JORC, if required. Allegiance also intends to undertake a JORC compliant feasibility in the first half of 2022.

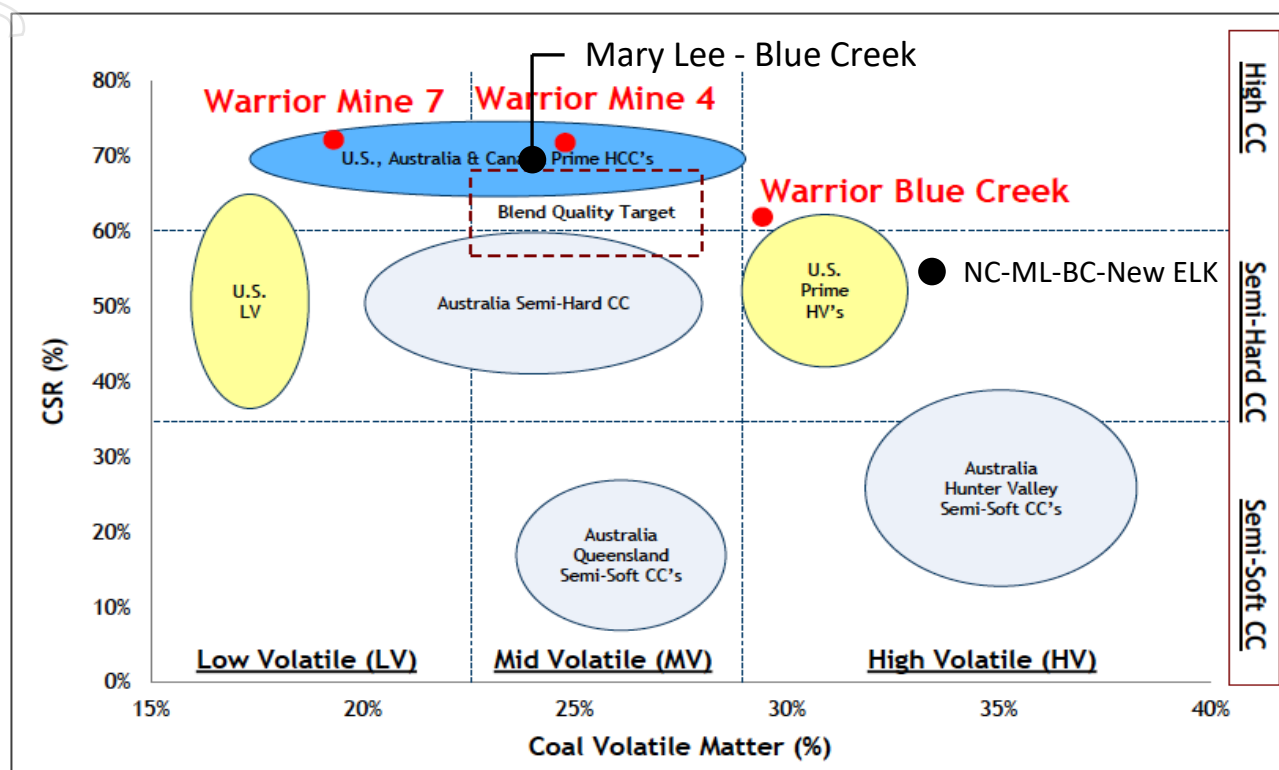
Coal Quality

Clean coal quality averages are presented by Drummond below within the exploration target that it has defined for its conceptual mine plan area. This coal quality data is based on seven drill holes taken by Drummond in 2019.

@ 1.5 SG adb		NC-ML-BC	ML-BC	BC only
Ash	%	10.3	9.9	8.8
VM	%	25.9	25.2	24.9
SulphurSulfur	%	1.403	0.82	0.71
FSI		8.8	8.8	8.8
Fluidity	ddpm	26,990	22,304	25,836
Phos	%	0.004	0.03	0.03
RoMax	%	0.96	1.3	1.3
CSR calc.		56-59	62	63
CSR pilot oven test			69	

Further details relating to the drilling and sampling is included in this announcement under Table 1 of Appendix 5A (JORC Code) contained in the Appendix.

The Mary Lee - Blue Creek coals, whether blended or standalone, are premium CSR mid-vol coking coals, amongst the very best in the world and represent 87% of the exploration target. The ML-BC CSR test was taken in a pilot coke oven at DMT Germany, whose results are highly regarded by steel mills.



Source: Warrior Met February 2020 Presentation

The graphic above categorizes the variety of coking coals supplied to the seaborne market by reference to CSR (coke strength after reaction) and volatile matter. Steel mills use a blend of coking coals in their coke oven feed with a target blend quality highlighted in this graphic.

As is clearly evident from this graphic, Short Creek's Mary Lee - Blue Creek, based on the pilot coke oven CSR result, sits comfortably in the middle of the market's prime hard coking coals and as a consequence, will attract premium pricing.

The Newcastle seam is high- sulphur, standalone >2%. When mined with Mary Lee and Blue Creek averages down to around 1.3% sulfur, which while lower is typically above rejection limits for most steel mills.

adb		NC-ML-BC	New Elk	NC-ML-BC-New Elk
Ash	%	10.3	9.0	9.7
VM	%	25.9	36.0	34.2
Sulfur	%	1.3	0.50	0.95
FSI		8.8	7.0	7.5
Fluidity	ddpm	26,990	30,000	30,000
Phos	%	0.004	0.10	0.05
RoMax	%	0.96	0.85	0.9
CSR calc.		56 - 59	45	>50

The NC-ML-BC high sulphur coal offers an excellent blending opportunity for New Elk low sulphur coal potentially delivering a good quality high-vol B coking coal.

Mine infrastructure

The Short Creek Mine operated as a surface mine for many decades with key mine infrastructure including a wash-plant, direct feed barge loadout from the wash-plant, and all materials handling (illustrated below). The acquisition involves the acquisition of these fixed assets as well.



The wash-plant is largely a shell with most operating parts removed. The concrete slab and the metal frame are in good condition. The estimated cost to rehabilitate the wash-plant to 700tph is between US\$5M to US\$10M depending on the extent to which Allegiance can source second-hand equipment for the wash-plant. This would comfortably handle up to 3 million ROM tonnes per annum of coal.

The barge loadout and materials handling infrastructure including conveyors and two spiral stackers are in good condition. The main piece of mine infrastructure which is required is a drift from the wash-plant down to the target coal seams. A drift generally includes one to three separate roadway declines providing for underground access for men, machinery and materials, a conveyor road to carry the coal out of the mine, and two ventilation airways to allow air into the mine and air to exit the mine.

Schedule

	2021	2022				2023			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Feasibility Study									
Permit UG mine									
Order equipment									
Rehab. Loadout									
Rehab. Conveyors									
Rehab. CHPP									
Develop drift									
Commence mining									

The target date for the commencement of mining at Short Creek is H2 2023. The table above, which is indicative and subject to change, summarises the key milestones required to commence mining following completion of the Acquisition.

Capital Raising

In conjunction with the Acquisition, the Company is pleased to confirm the completion of a \$30 million two tranche placement at \$0.50 per share (**Placement**). Funds raised from the Placement will be applied towards the acquisition of the Short Creek Mine operating coal mine:

- A\$6.0M to Drummond for the acquisition of land and assets;
- A\$15.8M to the State of Alabama to replace the reclamation bond;
- A\$8.3M working capital.

Petra Capital Pty Limited acted as sole lead manager and sole bookrunner to the Placement. 23,542,295 shares (A\$11.8 million) and 706,268 Lead Manager options, will be issued under the Company's placement capacity under ASX LR7.1 and 36,457,705 shares (A\$18.2 million), along with 1,093,732 Lead Manager options, will be issued subject to shareholder approval at the annual general meeting of the Company.

Tranche one placement shares are expected to be issued on 29 October 2021, with tranche two shares expected to be issued following the AGM on 3 December 2021, on or around 9 December 2021.

Authorised for release by Chairman and CEO, 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.

Competent Persons Statement

The information in this announcement that relates to an exploration target or exploration results in respect of the Short Creek Mine is based on information compiled by Mr Justin Douthat, PE, MBA and Mr Mike McClure, CPG, each a Competent Person who is a member of a 'Recognised Professional Organisation' included in a list that is posted on the ASX website from time to time. Mr. Douthat is a registered member of the Society for Mining, Metallurgy & Exploration (SME) and is licensed as a professional engineer in the States of Arkansas, Colorado, Illinois, Kansas, Kentucky, Louisiana, Mississippi, North Carolina, Virginia, and West Virginia and has nearly 24 years of experience related to the development of mineral deposits both domestically and internationally. Mr McClure is a Certified Professional Geologist. Mr Douthat and Mr McClure are independent consultants to the Company and are employed by Marshall Miller & Associates Inc, and have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they undertook to qualify as Competent Persons as defined in the JORC Code (2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves"). Mr Douthat and Mr McClure as Competent Persons for this announcement have consented to the inclusion of the information in the form and context in which it appears herein.

APPENDIX - TABLE 1 OF APPENDIX 5A (JORC CODE)

Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> > Nature and quality of sampling (e.g., cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as downhole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling. > Include reference to measures taken to ensure sample representativity and the appropriate calibration of any measurement tools or systems used. > Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g., 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases, more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g., submarine nodules) may warrant disclosure of detailed information. 	<ul style="list-style-type: none"> > Coal samples have been obtained from the Property by subsurface exploration using core holes. The protocol for preparing and testing the samples has varied over time and is not well documented for the holes drilled on the Property. > Typical USA core drilling sampling technique at present, is for the coal core sample, once recovered from the core barrel, to be described then wrapped in a sealed plastic sleeve and placed into a covered core box, which is the length of the sample so that the core can be delivered to a laboratory in relatively intact condition and with original moisture content. > It is reasonable to assume, that these samples were generally collected and processed under industry best-practices prevailing during the era in which they were collected. This assumption is based on MM&A's familiarity with coal mining companies and the companies used to perform analysis. > Coal samples that were deemed by MM&A geologists to be unrepresentative were not used for statistical analysis of coal quality, as documented in the tabulations. A representative group of drill hole samples from the Property was checked against the original drill laboratory reports to verify accuracy and correctness.

Criteria	JORC Code explanation	Commentary
Drilling techniques	<ul style="list-style-type: none"> > Drill type (e.g., core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g., core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.). 	<ul style="list-style-type: none"> > The Property has been explored by subsurface drilling efforts, all of which was completed prior to acquisition by Allegiance. A total of 212 exploration holes are presently available within the Property boundary, with the expectation of additional data to be forthcoming. The drilling was accomplished using a combination of vertical continuous (diamond) coring, along with coalbed methane gas wells typically drilled via air rotary methods along with geophysically logging. > Core drilling methods typically utilize NX-size (2-inch / 5.4 centimeter) or similar-sized core cylinders to recover core samples, which can be used to delineate geologic characteristics, and for coal quality testing. 27 core holes with varying levels of lithologic and coal quality detail are located within the Property. > Additional core holes with coal quality data (including legacy and recent holes) are located immediately west of and adjacent to the Property, 4 of which have been included in the coal quality table that accompanies this report, from which Exploration Target coal tonnage is estimated. > Geophysical logging has been conducted for the gas wells; however, none of the core holes have been geophysically logged. 185 gas wells with varying levels of detail have been provided within the Property, while more geophysical data is anticipated to be provided within the Property boundaries. Additional gas wells are located to the west and south, which are adjacent to the Property. > The available drilling data for the Property was utilized in estimating the Exploration Target coal tonnage. > An Exploration Target is conceptual in nature. Additional analysis and coal quality is required in order to estimate coal resources for the Property.
Drill sample recovery	<ul style="list-style-type: none"> > Method of recording and assessing core and chip sample recoveries and results assessed. > Measures taken to maximise sample recovery and ensure representative nature of the samples. > Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	<ul style="list-style-type: none"> > Core recovery is sometimes not well-documented: however, when the laboratory results for such holes had anomalous values, the data was disqualified and not used.
Logging	<ul style="list-style-type: none"> > Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. > Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography. > The total length and percentage of the relevant intersections logged. 	<ul style="list-style-type: none"> > For most of the core holes, the primary data source is a generalized lithologic description by the driller. > The logging of core thickness and depth is quantitative. With the exception of the coal seams, logging of rock strata type is more subjective and best considered as qualitative. > Geophysical logs were provided for a majority of the CBM gas wells.

Criteria	JORC Code explanation	Commentary
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> > If core, whether cut or sawn and whether quarter, half or all core taken. > If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry. > For all sample types, the nature, quality, and appropriateness of the sample preparation technique. > Quality control procedures adopted for all sub-sampling stages to maximise representativity of samples. > Measures taken to ensure that the sampling is representative of the in-situ material collected, including for instance results for field duplicate/second-half sampling. > Whether sample sizes are appropriate to the grain size of the material being sampled. 	<ul style="list-style-type: none"> > Typical US practice is that core samples for deep mineable core samples are not sawn or subsampled (since seams are not of great thickness and the entire seam is mined and co-mingled). > Typically, core for surface-mineable coal seams is bench sampled separately by the various coal and rock layers (plies), allowing compositing with or without rock layers. > MM&A has exercised diligence to use only those analyses that are representative of the coal quality parameters for the appropriate mining type for each sample.
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> > The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. > For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. > Nature of quality control procedures adopted (e.g., standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e., lack of bias) and precision have been established. 	<ul style="list-style-type: none"> > Coal sample analyses were carried out by SAI Gulf, LLC during Drummond Company's 2019 - 2020 exploration programs, and by Drummond's Jasper laboratory in earlier exploration campaigns. > Standard procedure upon receipt of core samples by the testing laboratory is to log the depth and thickness of the sample, then perform testing as specified by a representative of the operating company. Each sample is then analyzed in accordance with procedures defined under American Society for Testing and Materials (ASTM) standards including, but not limited to; washability (ASTM D4371); ash (ASTM D3174); sulfur (ASTM D4239); Btu/lb. (ASTM D5865); volatile matter (ASTM D3175); Free Swell Index (FSI) (ASTM D720).
Verification of sampling and assaying	<ul style="list-style-type: none"> > The verification of significant intersections by either independent or alternative company personnel. > The use of twinned holes. > Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. > Discuss any adjustment to assay data. 	<ul style="list-style-type: none"> > All coal intersection data used in the Exploration Target estimates has been cross referenced with lithological logs by MM&A, to the extent that such data is available. > Where available, coal intersection data used to generate the Exploration Target estimates was cross referenced with geophysical logs (from gas wells). > Laboratory quality is reported herein on a dry basis. > Coal quality results are in the process of verification by spot-checking with laboratory analytical sheets by MM&A; this data is included in the Exploration Target estimate.

Criteria	JORC Code explanation	Commentary
Location of data points	<ul style="list-style-type: none"> > Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. > Specification of the grid system used. > Quality and adequacy of topographic control. 	<ul style="list-style-type: none"> > Most of the exploration core drilling on the Property was conducted by Drummond Company, and its predecessors; Tutwiler Coal, Coke, and Iron Company; Birmingham Iron Company; US Steel, and Woodward Iron Company. Gas wells were surveyed either by the gas companies commissioning the drilling of those wells, or their contractors. > More recently completed drill holes were surveyed. > Geographic grid system used is the Alabama West NAD27 State Plane Coordinate System. > Topography is based on the United States Geological Survey's topographic 7.5-minute quadrangle maps for the Sylvan Springs and Adamsville quadrangles.
Data spacing and distribution	<ul style="list-style-type: none"> > Data spacing for reporting of Exploration Results. > Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource estimation procedure(s) and classifications applied. > Whether sample compositing has been applied. 	<ul style="list-style-type: none"> > Spacing and distribution of data point information vary from seam to seam across the Property. The area estimated for Exploration Target is defined by the property boundary provided by Drummond Company; the data spacing and distribution within this area is sufficient to establish the degree of geological continuity appropriate for the estimation of Exploration Target tons. > Coal quality results are currently undergoing review and verification with laboratory analytical sheets that have been provided to MM&A; this data is utilized in the statistical calculations used to prepare the Exploration Target tonnage estimate.
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> > Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. > If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	<ul style="list-style-type: none"> > Drill holes have been vertically drilled. No downhole deviation logs have been collected and it is therefore not known if the drill holes have deviated away from vertical. Based on the relatively shallow seam depths, any deviation is expected to be minimal and immaterial to the geologic characterization of the Property. > The dip of the coal seams is relatively minor and not a material issue for representation of seam thickness or quality.
Sample security	<ul style="list-style-type: none"> > The measures taken to ensure sample security. 	<ul style="list-style-type: none"> > Sample handling procedures employed by explorationists followed typical US protocol that prevailed during that era and should be adequate to ensure sample security.
Audits or reviews	<ul style="list-style-type: none"> > The results of any audits or reviews of sampling techniques and data. 	<ul style="list-style-type: none"> > MM&A is in the process of reviewing all available geological information for the Property in developing the Exploration Target estimates. Only that data deemed suitable has been used for the purpose of generating Exploration Target tonnage estimates.

Section 2 Reporting of Exploration Results

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> > Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. > The security of the tenure held during at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	<ul style="list-style-type: none"> > Coal Exploration Target tonnages for the Property are located within Jefferson County, State of Alabama. Control of this Property by the Drummond Company is governed by various lease agreements. Within the Exploration Target boundary, mineral is entirely Drummond Company controlled, except for a single 640-acre section which is owned by the State of Alabama. > MM&A has not carried out separate title verification for the coal properties and has not verified leases, deeds, surveys, or other property control instruments pertinent to the subject Exploration Target estimates. > Drummond Company has represented to MM&A that it controls the mining rights to the coal deposits as shown on its property maps, and MM&A has accepted these as being a true and accurate depiction of the mineral rights controlled by Drummond Company and being acquired by Allegiance. > The 640-acre tract located within the Property that is not presently controlled by Drummond Company is not included as part of the Exploration Target tonnage estimate; a separate tonnage estimate is shown for the non-controlled tract for informational purposes only.
Exploration done by other parties	<ul style="list-style-type: none"> > Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> > The Property has been explored by subsurface drilling efforts carried out by other entities, all of which were completed prior to the planned acquisition by Allegiance. > This exploration work has generally been performed to US best practice standards prevailing during the era in which the work was conducted, and deemed adequate for the purposes of the Exploration Target.

Criteria	JORC Code explanation	Commentary
Geology	<ul style="list-style-type: none"> > Deposit type, geological setting, and style of mineralisation. 	<ul style="list-style-type: none"> > The Exploration Target coal tonnages are located within Black Warrior Coal Basin. > The coal deposits are Carboniferous in age, being of the Pennsylvanian system. > Overburden depths typically vary from 350 feet in the west to more than 1,000 feet in the east. > Seams of economic significance typically range from 1.0 to 6.0 feet of coal thickness, with relatively little structural deformation. > Regional structure is typically characterized by gently dipping strata to the southeast, from the Sequatchie Anticline in the northwest towards the axis of the Coalburg Syncline in the southeast. The Exploration Target lies in the northeastern portion of the Warrior Coalfield between the axes of these two folds. > Multiple faults have been identified, generally oriented from southeast to northwest, with displacements ranging from a few feet to more than 100 feet. > As is typical in this portion of the Warrior Basin, coal rank increases from northeast (High Volatile Bituminous) to the southwest (Low Volatile Bituminous). The subject property is located regionally within Medium Volatile Bituminous deposits.
Drill hole Information	<ul style="list-style-type: none"> > A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> - easting and northing of the drill hole collar - elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar - dip and azimuth of the hole - down hole length and interception depth - hole length. > If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	<ul style="list-style-type: none"> > MM&A is reviewing and entering all pertinent data into a digital geologic database for the Property. > All drill holes in the database are provided with a collar elevation and the State Plane Coordinate System easting and northing coordinate. > After MM&A confirmed proper coal seam thickness and correlation from the currently available data, minimum and maximum seam thickness data were estimated from the coal Exploration Target maps.

Criteria	JORC Code explanation	Commentary
Data aggregation methods	<ul style="list-style-type: none"> > In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g., cutting of high grades) and cut-off grades are usually Material and should be stated. > Where aggregate intercepts incorporate short lengths of high-grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. > The assumptions used for any reporting of metal equivalent values should be clearly stated. 	<ul style="list-style-type: none"> > Where coal seams have been bench sampled, the individual analyses for the coal plies are normally weight-averaged to represent the total of recoverable coal. > Coal quality summary results by seam have been documented in the Exploration Target report. Average coal quality on a per-seam basis is used to represent the coal Exploration Target estimates within the Property. > No other data aggregations methods are used.
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> > These relationships are particularly important in the reporting of Exploration Results. > If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. > If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g., 'down hole length, true width not known'). 	<ul style="list-style-type: none"> > Coal thickness values from all coal intersections are considered to be vertical thicknesses. Seam dip of approximately 2.0 degrees has negligible effect on the vertical thickness of the seam.
Diagrams	<ul style="list-style-type: none"> > Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. 	<ul style="list-style-type: none"> > Diagrams and maps showing the coal seam intercepts are presented in the Exploration Target report.
Balanced reporting	<ul style="list-style-type: none"> > Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. 	<ul style="list-style-type: none"> > All of the available, qualified exploration data has been included within the tabulations, maps, and diagrams for this Exploration Target report. > Both coal thickness and quality data are deemed by MM&A to be reasonably sufficient within the Exploration Target area. Therefore, there is a reasonable level of confidence in the geologic interpretations required for Exploration Target tonnage estimates based on the available data and the techniques applied to the data.
Other substantive exploration data	<ul style="list-style-type: none"> > Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances. 	<ul style="list-style-type: none"> > Informational material available from the U.S. Geological Survey and the Alabama State Survey were, to the extent available, used to assist in the Exploration Target estimates.
Further work	<ul style="list-style-type: none"> > The nature and scale of planned further work (e.g., tests for lateral extensions or depth extensions or large-scale step-out drilling). > Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive. 	<ul style="list-style-type: none"> > Further work is expected to include additional exploration, geophysical logging, geotechnical testing, and coal quality analyses. > The additional exploration and coal quality analysis work will be incorporated into future estimates of coal resources and coal reserves and potentiala feasibility study for the Property.