

26 July 2021

## NEW ELK REPLACES ALABAMA PRATT COAL OFF-TAKE WITH HIGHER QUALITY ALABAMA COALS

### HIGHLIGHTS

- Mays Mining (**Mays**), New Elk's Alabama coal off-take supplier, has agreed to swap supply of its Pratt coal with the Nickel Plate and #1 American coals owned by a Mays related entity.
- The Nickel Plate and #1 American coal seams (**NPA**) geologically sit immediately below the Pratt seam and are typically mined together.
- The NPA coal seams are ultra-low ash, ultra-low phosphorous, have lower sulphur than the Pratt seam but still relatively high, and exhibit higher coke strength characteristics that will materially improve the quality and value of the blended product.

On 1 December 2020, Allegiance Coal Limited (**Allegiance or the Company**) announced a four year off-take contract with Mays to acquire 30,000 tonnes per month of Pratt seam coal increasing to 60,000 tonnes per month, to blend with New Elk's Blue seam coal at a ratio of ~53% Blue to ~47% Pratt.

Following CSR tests undertaken on the Pratt, lower than expected results were received reducing the status and value of the Blue Pratt blend – the calculated CSR was 50 against a CSR test result of <40. Mays could not therefore deliver the CSR specification of 50 under the terms of the off-take contract.

Allegiance and Mays have agreed to replace Pratt coal with NPA coal supplied by Yellowhammer Energy Solutions, LLC., a Mays related entity, on generally the same terms and conditions except the fixed price component increased by around 20% reflecting the significantly better coal quality, off-set in part by an increase in the bonus payment threshold from >US\$110 per tonne to >US\$115 per tonne.

The table below summarises key coal quality parameters for New Elk Blue, Pratt and NPA comparing the two blended products, and highlights the improved coal quality characteristics of the Blue NPA blend.

Key Parameters		Blue	Pratt	Blue Pratt	Blue	NPA	Blue NPA
Blend ratio	%	53	47	100	50	50	100
Ash	%	9	9	9	9	6	7.5
Volatile Matter	%	36	32	34	36	29.5	32.7
Sulphur	%	0.5	1.5	<1%	0.5	1.0	0.75
FSI		7	8	7.5	7	8	7.5
Fluidity	ddpm	25,000+	30,000+	30,000	25,000+	30,000	30,000
Phosphorous	%	0.08	0.04	0.06	0.08	0.007	0.04
Reflectance	%	0.87	0.94	0.91	0.87	1.13	1.0
CSR		45	<40	42	45	63*	54

\*Calculated

The Blue NPA blend is less complex at 50:50, and materially improves the quality of the blended product to the point where the blend is on the cusp of high vol A coking coal, likely to be priced as a tier two high vol A (due mostly to the CSR not being closer to or in excess of 60).

Platts quotes for high vol A and B (FOB US East Coast) at the close of last week were US\$190/tonne and US\$167/tonne, respectively. Platts guideline specifications for high vol A and B are:

- HVA: ash 7.5%; vols 32.25%; sulphur 0.9%; and
- HVB: ash 8.0%; vols 36.00%; sulphur 1.0%.

The target date for first sale of the Blue NPA blended product (ex-Gulf of Mexico ports as previously announced), is dependent in the short term on the availability of surplus New Elk production which is currently being directed to fill the four 70,000 metric tonne cargoes pre-sold to Asia for delivery late August, October, November and December 2021. At this stage the Company expects the first sale of the Blue NPA blend to commence calendar Q4 2021.

### New Elk Production Update

Production recommencement at New Elk is progressing well with the first production unit beginning to achieve consistency and progressing towards hitting production targets. The second production unit previously planned to commence November 2021, will commence first week of August with a day shift only, and a night shift to be added later in the month once it is fully manned.



Image: New Elk coal loading with the train split in half each with two locos due to the length of the siding

The first train was loaded last week. Production is around three weeks behind the Mine's original production schedule due to the three week delay in commencing mining, but should be recovered and exceeded by early September with the second production unit commencing three months earlier.

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 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 acquired the New Elk coking coal mine, a fully permitted and constructed mine located in southeast Colorado, US, returning the mine to production in 2021.

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