ALLEGIANCE COAL
LIMITED

30 July 2021

ALLEGIANCE TO ACQUIRE OPERATING ALABAMA OPEN CUT MINE PRODUCING PREMIUM CSR BLUE CREEK AND MARY LEE COKING COALS CURRENTLY SOLD TO THE ALABAMA POWER MARKET AND COMPLETES A$30 MILLION PLACEMENT

HIGHLIGHTS

- Allegiance, via its wholly owned subsidiary Allegiance Coal USA Limited, has unconditionally agreed to acquire all the shares in Black Warrior Minerals Inc., a family owned company that owns and has mined the BWM Mine located 40 miles northeast of Birmingham Alabama for more than a decade. Completion is expected to take place the week commencing 2 August 2021.

- The BWM Mine comprises 9.6M tons of in-place coal and currently produces around 220,000 tonnes per annum of high CSR coking coal including globally recognized brands Blue Creek and Mary Lee (**BCML**), operating just five ten hour day shifts per week. Production is sold as a thermal coal, run-of-mine (**ROM**), to the Alabama power market.

- The purchase price is:

    - US$4M in cash; and
    - US$5.3M to replace the reclamation bond.

- The purchase price is intended to be funded by:

    - US$6.21M of Allegiance cash;
    - US$3.18M insurance bond (60% of the reclamation bond).

- Allegiance will continue to supply the power market in the near term during which time it will convert the BWM mine into a met coal producer and focus in particular on the following:

    - Trading the current equipment fleet for larger machinery;
    - Highwall mining higher ratio coal to drive down the average cost of coal recovery;
    - Spreading the workforce over 5 day and night shifts pw to more than double production;
    - Building a CHPP to deliver a washed product to be blended with New Elk Blue and NPA;
    - Presenting an on-spec high vol A coking coal for sale on the seaborne market thus ending supply to the power market.

- To fund the acquisition and assist in transforming the BWM Mine into a met coal producer for the seaborne market, Allegiance has raised A$30M through a placement with institutional and sophisticated investors. Demand for the placement was 2.5 times what was sought.

Following a two month due diligence period which included engaging Marshall Miller & Associates to deliver a JORC resource statement, Allegiance Coal Limited (**Allegiance or the Company**) has unconditionally agreed to acquire all the shares in Black Warrior Minerals Inc. (**BWM**), target date for completion is the week commencing 2 August 2021 (**Acquisition**).

BWM is a family owned company that has mined coal in the Black Warrior Basin, Alabama, for more than 35 years, and at the BWM Mine for the last 11 years. The head of the family is now 82 years old and wants to retire opening the acquisition opportunity.

Acquisition Strategy

Allegiance's strategy is to offer for supply a variety of coals to both the Pacific and Atlantic seaborne met coal markets. Creating optionality in the products that the Group can deliver is a hedge to demand volatility and provides an opportunity to optimise value based on product demand at any point in time.

The key drivers for the acquisition of BWM are to present an on-spec high vol A coking coal utilising the strengths of a variety of coals under Allegiance's control, as well as bringing supply in-house. In addition to that, Allegiance could see very quickly during its due diligence that there were many areas in BWM's operation of the BWM Mine that operating costs could be significantly reduced.

High Level Game Plan

- Develop a life-of-mine mine plan for BWM Mine including CAPEX (choice of equipment), OPEX and washplant which amongst other things will allow Allegiance to release JORC 2012 compliant proven and probable reserves.

- Trade the majority of existing equipment for larger excavators and haul trucks to significantly reduce the size of the fleet and increase the hourly capacity to remove more material.

- Add 5 night shifts to the 5 day shifts per week and spread the existing workforce over the reduced fleet.

- Build a washplant on site and wash both the MLBC coals at the same time. The BWM Mine is permitted for a washplant but the mine permit will require a revision to include the location of the washplant onsite. The Newcastle will be either sold as a thermal coal to the power market or washed, stock piled and added to the MLBC coal in small quantities, or both.

- Truck the washed MLBC coal to the Port of Birmingham (**POB**) 10 miles from the BWM Mine, and blend it 50:50 with NPA at the POB as it is loaded into a barge on the Black Warrior River (refer to Allegiance's prior announcement dated 26 July 2021 in relation to the off-take of NPA). The POB is set up to front-end load a barge which is ideal for coal blending allowing the loader to alternate between the two MLBC and NPA stockpiles with each bucket load.

- Coal is then barged to either McDuffie Terminal in Mobile, or Covent Marine Terminal in New Orleans.

- New Elk Blue coal is railed to either of those terminals for blending when the ship is loaded.

- Ultimately the plan is to present an on-spec high vol A coking coal for sale on the seaborne market.

BWM Mine Production & Sales

The BWM Mine produces around 220,000 tons per annum of coal operating just five ten hour day shifts per week with a total workforce of around 60 employees.

BWM has a large fleet of smaller production equipment including amongst many other machines:

- 4 Hitachi EX1200 excavators plus several smaller models;

- 22 CAT 775 and 773 haul trucks;

- 18 CAT 910 to 992 loaders

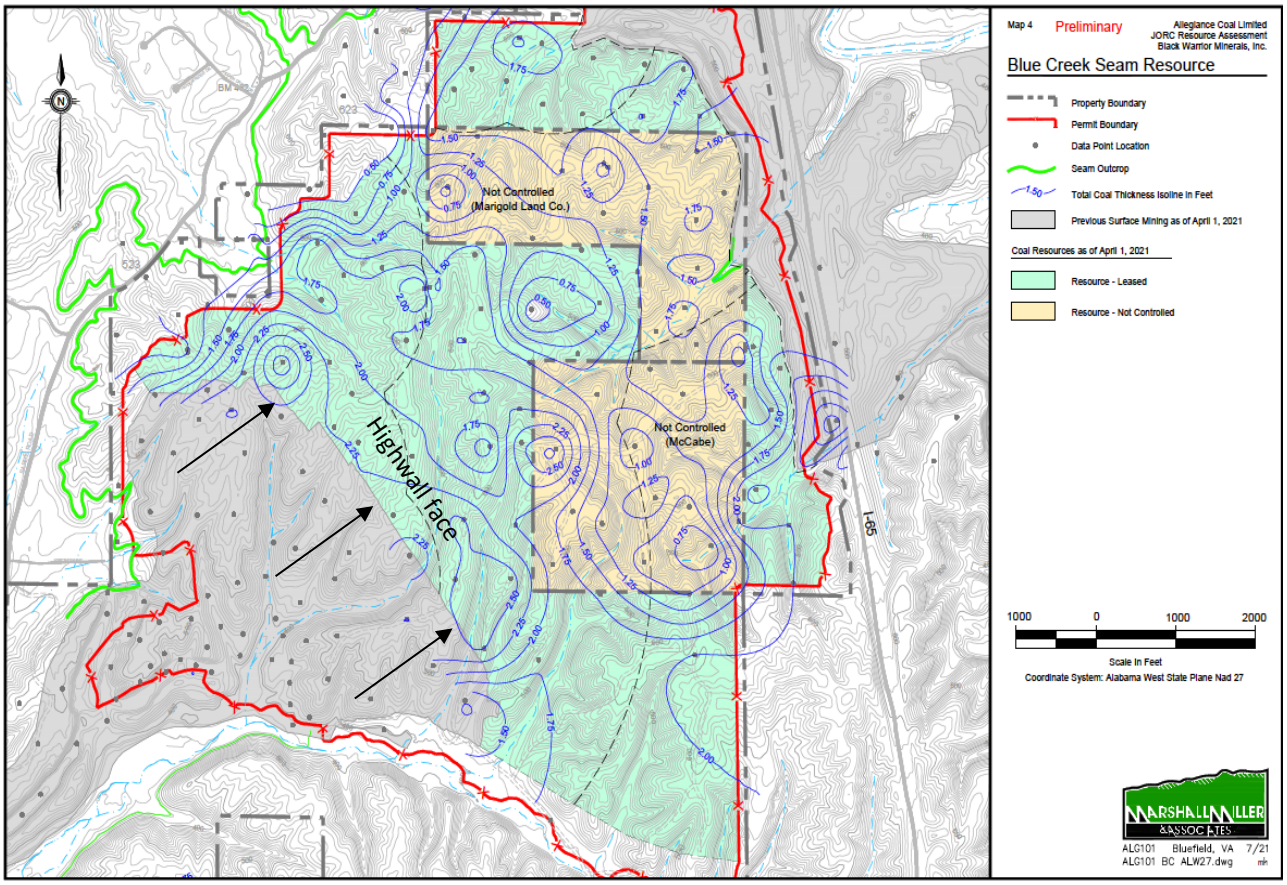
- 11 CAT D10 dozers.

In April 2020 the equipment fleet was independently valued at US$5.9 million, fair market value. Other than a small equipment finance facility to CAT of around US$200,000, all equipment is unencumbered.

Coal is mined and sold ROM to the domestic power market, via the Alabama Power Cooperative, on an annual supply contract.

Title to coal and permits to mine

The BWM Mine is made up of a combination of several different landowners and mineral rights owners. The map below displays the mine boundary and highlights among other things the land leased and unleased. The areas in yellow cover two leases.



Allegiance has spoken to Marigold Land Co. and they have agreed in principle to grant a lease, and BWM has spoken to the other lessee who also agrees in principle but would like to see the mine plan so that they can assess when the coal in the lease will be mined.

The reason BWM did not lease these areas earlier is that it will require advance royalty payments (which get deducted from actual mined royalties when paid), something BWM did not want to do but which is something Allegiance has no objection to doing.

The surface leases and minerals rights are five years with continuing rights of renewal. Royalties are paid to land owners and minerals rights owners where surface and mineral ownership is split. Typically in the State of Alabama royalty payments are around 8% of coal sale price with some leases allowing the cost of coal processing and logistics to point of sale to be deducted from the sales price. All key operating permits including the permits to mine, discharge water and air, are in good standing with the State of Alabama.

Coal Resources

During the due diligence period, Allegiance engaged Marshall Miller to deliver a JORC 2012 compliant resource statement in relation to the coal within BWM Mine, summarised below.

Leased	Measured Mt	Indicated Mt	Inferred Mt	Total Mt
Newcastle	0.436	0.715	0.141	1.289
Mary Lee	0.991	1.449	745.8	3.186
Blue Creek	0.748	0.997	0.557.2	2.303
Total	**2.175**	**3.161**	**1.441**	**6.779**

Unleased	Measured	Indicated	Inferred	Total Mt
Newcastle	0.002	0.212	0.119	1.333
Mary Lee	0.006	1.073	0.513	1.592
Blue Creek	0.004	0.635	0.235	0.874
Total	**0.012**	**1.921**	**0.867**	**2.800**

For further details, please refer to the information required to be included in this announcement under Table 1 of Appendix 5A (JORC Code) contained in the Appendix.

Coal resources comprise three seams in the order listed above.

The seam height for all three coals vary across the deposit:

- Newcastle is very thin and ranges from 0.5 foot to 1 foot seam height;
- Mary Lee ranges from 1.25 foot to 3 foot seam height; and
- Blue Creek ranges from 1.25 foot to 2.75 foot seam height.

The Newcastle sits around 20 foot above the Mary Lee and the Mary Lee is around 2 foot above the Blue Creek.

Waste rock is removed by Hitachi 1200 excavators and coal is recovered from each seam with the same machine and loaded into haul trucks. Coal is then trucked half a mile to the top of the pit area where it is screened then loaded on road trucks and hauled 10 miles to a rail loadout operated by the Alabama Power Cooperative.

Frequently at the BWM Mine waste removal and coal recovery is double handled with excavators and front end loaders as opposed to loading direct into haul trucks.

Coal Resource Estimation Methodology

The coal deposits are Carboniferous in age, being of the Pennsylvanian system, located within the Black Warrior Coal Basin. The regional structure is typically characterized by gently dipping strata to the southeast at less than 2 degrees towards the axis of the Coalburg Syncline. Seams of economic significance typically range between 0.5 feet and 3.1 feet of coal thickness, with relatively little structural deformation.

Due to the relative structural simplicity of the deposits and the reasonable continuity of the tabular coal beds, the principal geological interpretation necessary to define the geometry of the coal deposits is the proper modelling of their thickness and elevation. Both coal thickness and quality data are insufficient to categorize all of the resource as measured and indicated. Additional exploration will be required to convert areas that are currently classified as inferred into measured and/or indicated status. Therefore, there is a reasonable level of confidence in the geologic interpretations required for coal resource determination based on the available data and the techniques applied to the data.

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. 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. Only those analyses that are representative of the coal quality parameters for the appropriate mining type for each sample has been used.

The property has been subject to historic drilling programs, all undertaken by prior owners. The majority of the drilling was accomplished using vertical continuous (diamond) coring, with relatively few air rotary holes. Core drilling methods typically utilize NX-size (2-inch / 5.4 centimetre) or similar-sized core cylinders to recover core samples, which can be used to delineate geologic characteristics, and for coal quality testing. All pertinent data was reviewed and entered into a digital geologic database. All drill holes in the database are provided with a collar elevation and the State Plane Coordinate System easting and northing coordinate. After proper coal seam thickness was confirmed and correlated, the seam data was modelled and compiled into coal resource maps.

The Resource has been classified based on suitable distances from points of observations prescribed in the common United States classification system (as modified). The use of the United States standards is considered appropriate for this resource jurisdiction and deposition type. A geostatistical analysis test of coal thickness data was performed for the Blue Creek seam. This analysis demonstrates normality in the subject data, without much skewness, and there is no obvious trending. Based on the analysis, the measured, indicated, and inferred arc distances are appropriate for classification of coal resources on the property. All relevant factors have been accounted for and reflect Marshall Miller's view of the deposit.

The resource cut-off parameters were tailored for the property to be in accordance with potential mining capabilities. Examples include minimum coal thickness (0.5 feet) and acceptable ash; however, overburden to coal ratio cut-offs for potentially surface-mineable coal has not been estimated nor considered in this resource estimate. Mining factors such as dilution, overburden to coal ratio for potentially surface-mineable coal, mining and washing recovery have not been applied. Factors that would typically preclude conversion of a coal resource to coal reserve include the following: inferred resource classification; excessive overburden to coal ratios; absence of coal quality; poor mine recovery; lack of access; insufficient exploration; or uncontrolled surface property for areas of proposed for surface mining. The extensive history of mining on and adjacent to the property, as well as current mining activity, would suggest that there are reasonable prospects for eventual economic extraction of a portion of the coal resources under favourable market conditions.

Coal Quality and Optimisation

The Blue Creek and Mary Lee coal seams are premium CSR coking coals highly recognized, regarded and sought after on the seaborne met coal market. The Newcastle while still a good CSR coking coal is typically not exported because of its high sulphur. The coal quality parameters are for washed coal, stated on an air-dried basis, and are listed in the table below.

ADB		Newcastle	Mary Lee	Blue Creek
Proportion	%	18	37	45
Ash	%	10.42	11.50	9.96
VM	%	32.30	30.65	30.97
Sulphur	%	1.40	1.06	0.88
FSI		8.0	8.5	8.0
Fluidity	ddpm	30,000	27,000	27,000
Phos	%	0.02	0.01	0.12
RoMax	%	0.96	1.03	1.02
CSR calc.		58	66	65

But for the ash and the sulphur, all three coking coals present as high vol A coking coals with the Blue Creek and Mary Lee seams displaying very high CSR placing them in the tier 1 category for high vol A. Near gravity material in the coal seams, in particular the Mary Lee, limits what ash can be achieved by washing.

The raw ash coal quality for these seams varies from 12% to 24% which would suggest the coal can be washed to a low ash at a good yield. The coal results above were washed to a 1.4 SG and as such should produce a lower ash result but for the near gravity material.

As was discussed earlier in this announcement, BWM sell this coal ROM to the power market (occasionally the mine is required to wash the Newcastle). Even after washing however, the ash and sulphur remains high making it difficult to sell this coal, standalone or blended with all three seams, as a premium high vol A coal.

The table below summaries a blended Mary Lee and Blue Creek based on the proportion of coal recovered from mining. Allegiance excluded the Newcastle as its sulphur was too high.

ADB		Newcastle	Mary Lee	Blue Creek	Blend
Blend	%	Excluded	45	55	**100**
Ash	%		11.50	9.96	**10.60**
VM	%		30.65	30.97	**30.8**
Sulphur	%		1.06	0.88	**1.04**
FSI			8.5	8.0	**8-8.5**
Fluidity	ddpm		27,000	27,000	**27,000**
Phos	%		0.01	0.12	**0.06**
RoMax	%		1.03	1.02	**1.03**
CSR*			66*	64*	**65***

* calculated

Blended, the MLBC presents a premium CSR high vol A coking coal but for, again, high ash and high sulphur. To this end, the opportunity that Allegiance identified with MLBC was to add it to its Blue NPA blend. A summary of those specifications is summarised in the table below assuming a 20:40:40 blend.

		Blue	NPA	BWM	Blend
Blend	%	20	40	40	**100**
Ash	%	9.0	6.0	10.60	**8.43**
VM	%	36.0	29.5	30.8	**31.44**
Sulphur	%	0.5	1.0	1.04	**0.85**
FSI		7.0	8.0	8-8.5	**8.0**
Fluidity	ddpm	>25,000	>30,000	27,000	**30,000**
Phos	%	0.08	0.007	0.06	**0.04**
RoMax	%	0.87	1.13	1.03	**1.03**
CSR*		45	63*	65*	**60***

* calculated

Blended at this ratio, the coals present an on spec high vol A coking.

Terms of Acquisition

Allegiance, via its wholly owned subsidiary Allegiance Coal USA Limited, has agreed with the family member shareholders (**Vendors**) to acquire all of the shares in Black Warrior Minerals Inc (**Acquisition**).

The key terms for the Acquisition are as follows:

- The purchase price is:
    - US$4M in cash; and
    - US$5.3M to replace a reclamation bond with the State of Alabama.

In addition, Allegiance will make an ongoing payment of US$1 per tonne for any coal sold by BWM to the Alabama Coal Cooperative.

- The purchase price is intended to be funded by:
    - US$4.0M of Allegiance cash to the Vendors;
    - US$2.12M of Allegiance cash as a deposit to secure an insurance surety bond to be placed with the State of Alabama.
    - US$3.18M insurance surety bond (60% of the reclamation bond).

Capital Raising

In conjunction with the Acquisition, the Company is pleased to confirm the completion of a $30 million placement at $0.67 per share (**Placement**).

Funds raised from the Placement will be applied towards the 100% acquisition of the BWM operating coal mine in Alabama, USA, owned by Black Warrior Minerals, Inc, purchase of a wash plant & larger equipment at the BWM mine and working capital.

Petra Capital Pty Limited acted as sole lead manager and sole bookrunner to the Placement.

The Placement price of $0.67 per share represents a 6.9% discount to the last close price, a 7.1% discount to the 5 day VWAP and a 6.3% discount to the 15 day VWAP (both calculated over the period ending 27 July 2021). The offering was made to both institutional investors pursuant to section 708(11) of the Corporations Act 2001 (Cth) (Act), and sophisticated investors pursuant to section 708(8) of the Act.

Placement shares are intended to be issued on 5 August 2021, consisting of 16,374,127 shares utilising Allegiance's placement capacity under ASX Listing Rules 7.1 and 28,401,992 shares utilising Allegiance's placement capacity under ASX Listing Rules 7.1A. The Company will also issue 1,343,283 broker options utilising Allegiance's placement capacity under ASX Listing Rule 7.1 (exercisable at $0.8375 each, on or before 5 August 2024).

Authorised for release by Chairman and CEO, Mark Gray.

For more information, please contact:

Mr Mark Gray
Chairman & Managing Director
Mobile : +61 412 899979
Email : mgray@allegiancecoal.com.au

Mr Jonathan Reynolds
Finance Director
Mobile : +61 408 229 953
Email: jreynolds@allegiancecoal.com.au

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.

Competent Persons Statement

The information in this announcement that relates to mineral resources in respect of the BWM 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	> 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 representivity 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.	> A majority of the 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.
Drilling techniques	> 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.).	> The Property has been explored by subsurface drilling efforts, all of which was completed prior to acquisition by Allegiance. The majority of the drilling was accomplished using vertical continuous (diamond) coring, with relatively few air rotary holes. > 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. > Geophysical logging has not been conducted for any of the holes.
Drill sample recovery	> 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.	> 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	> 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.	> 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.

Criteria	JORC Code explanation	Commentary
Sub-sampling techniques and sample preparation	> 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 representivity 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.	> 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	> 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.	> Majority of sample analyses was carried out by Drummond Coal Company's laboratory during its 1979 – 1980 exploration program. > 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	> 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.	> All coal intersection data used to generate the geologic model has been cross referenced with lithological logs by MM&A. > Laboratory quality is reported herein on a dry basis. > Coal quality results were verified by spot-checking with laboratory analytical sheets by MM&A before inclusion into the geologic model and use in the resource estimate.
Location of data points	> 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.	> Much of the exploration drilling on the Property was conducted by Drummond Coal Company, which were surveyed by Drummond. Hole locations were plotted on Drummond 1" = 100' scale mapping; scanned maps were subsequently imported and georeferenced into the reserve base map, and drill hole locations for the geologic model were digitized from the maps. > More recently completed drill holes were surveyed. > Geographic grid system used is the Alabama West NAD27 State Plane Coordinate System. > Topography is based on LIDAR photogrammetry.

Criteria	JORC Code explanation	Commentary
Data spacing and distribution	> 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.	> Spacing and distribution of data point information vary from seam to seam across the Property. The area estimated for coal resource tons is defined by the Black Warrior Minerals, Inc. Mine No. 2 permit boundary; the data spacing and distribution within this area is sufficient to establish the degree of geological continuity appropriate for the estimation and classification of the coal resource tons. > All of the coal resource tons are in the measured, indicated, and inferred categories in accordance with the JORC Code and USGS standards (with property-specific adjustments).
Orientation of data in relation to geological structure	> 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.	> 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	> The measures taken to ensure sample security.	> 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	> The results of any audits or reviews of sampling techniques and data.	> MM&A has reviewed all available geological information for the Property in developing the geologic model. Only that data deemed suitable has been used for the purpose of generating resource estimates.

Section 2 Reporting of Exploration Results

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	> 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.	> Allegiance coal resources are located within Jefferson County, State of Alabama. Control of this Property is governed by various lease agreements. > 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 resources. > Allegiance 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 Allegiance. The TR assumes the properties are developed under responsible and experienced management. > Interior tracts are located within the Property that are not presently controlled by Allegiance and are, therefore, not included as part of the Allegiance resource estimate. > In the event the aforementioned uncontrolled mineral tracts are not acquired, there are additional controlled resources that would not be accessible. > A separate tonnage estimate is shown for the non-controlled tracts for informational purposes only.

Criteria	JORC Code explanation	Commentary
Exploration done by other parties	> Acknowledgment and appraisal of exploration by other parties.	> The Property has been explored by subsurface drilling efforts carried out by other entities, all of which were completed prior to 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 this TR.
Geology	> Deposit type, geological setting, and style of mineralisation.	> The Allegiance coal resources are located within Black Warrior Coal Basin. > The coal deposits are Carboniferous in age, being of the Pennsylvanian system. > Seams of economic significance typically range between 0.5 feet and 3.1 feet of coal thickness, with relatively little structural deformation. > Regional structure is typically characterized by gently dipping strata to the southeast at less than 2 degrees towards the axis of the Coalburg Syncline.
Drill hole Information	> 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: - 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.	> MM&A reviewed and entered 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, the seam data was modelled and compiled into coal resource maps.
Data aggregation methods	> 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.	> Where a coal seam has been bench sampled (typically for surface mining) 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 TR. Average coal quality on a per-seam basis is used to represent the coal resources within the Property. > No other data aggregations methods are used.
Relationship between mineralisation widths and intercept lengths	> 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').	> Coal thickness values from all coal intersections are considered to be vertical thicknesses. Seam dip of approximately 1.2 to 1.7 degrees has negligible effect on the vertical thickness of the seam.
Diagrams	> 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.	> Diagrams and maps showing the coal seam intercepts are presented in the TR.

Criteria	JORC Code explanation	Commentary
Balanced reporting	> 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.	> All of the available, qualified exploration data has been included within the tabulations, maps, and diagrams for this TR. > Both coal thickness and quality data are deemed by MM&A to be reasonably sufficient within the resource area. Therefore, there is a reasonable level of confidence in the geologic interpretations required for coal resource determination based on the available data and the techniques applied to the data.
Other substantive exploration data	> 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.	> Informational material available from the U.S. Geological Survey and the Alabama State Survey were, to the extent available, used to assist in the Resource estimate.
Further work	> 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.	> Further work is expected to include additional exploration, geotechnical testing, coal quality analyses, and coal property acquisition.

Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Database integrity	> Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes. > Data validation procedures used.	> MM&A confirmed coal seam thickness and correlations in databases used for coal deposit modelling. Representative records were spot-checked for data entry validation. > Geophysical logs were unavailable to assist in confirming the seam correlation or to verify proper seam thickness measurements and recovery of coal samples.
Site visits	> Comment on any site visits undertaken by the Competent Person and the outcome of those visits. > If no site visits have been undertaken indicate why this is the case.	> MM&A is familiar with the Property having conducted a site visit of the Black Warrior Minerals, Inc. Mine No. 2 in the company of Mr. Rodney May, a representative of Allegiance, on June 8, 2021. > During that visit, surface facilities, mining equipment, coal stockpile areas, and the active pit area were observed and photographed.
Geological interpretation	> Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit. > Nature of the data used and of any assumptions made. > The effect, if any, of alternative interpretations on Mineral Resource estimation. > The use of geology in guiding and controlling Mineral Resource estimation. > The factors affecting continuity both of grade and geology.	> Due to the relative structural simplicity of the deposits and the reasonable continuity of the tabular coal beds, the principal geological interpretation necessary to define the geometry of the coal deposits is the proper modeling of their thickness and elevation. > Both coal thickness and quality data are insufficient to categorize all of the resource as measured and indicated. Additional exploration will be required to convert areas that are currently classified as inferred into measured and/or indicated status. > Therefore, there is a reasonable level of confidence in the geologic interpretations required for coal resource determination based on the available data and the techniques applied to the data.

Criteria	JORC Code explanation	Commentary
Dimensions	> The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.	> The subject coal resource areas exist in discreet, individual deposits with variable dimensions, shapes, and depth below the ground surface. > Such factors are best depicted in the maps contained in the TR. > Details of the resource parameters are cited within the TR and included in the table Resource Estimation Criteria listed in Section 14 of the TR.
Estimation and modelling techniques	> The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used. > The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data. > The assumptions made regarding recovery of by-products. > Estimation of deleterious elements or other non-grade variables of economic significance (e.g., sulphur for acid mine drainage characterisation). > In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed. > Any assumptions behind modelling of selective mining units. > Any assumptions about correlation between variables. > Description of how the geological interpretation was used to control the resource estimates. > Discussion of basis for using or not using grade cutting or capping. > The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.	> Geological data was imported into Carlson Mining® (formerly SurvCADD®) geological modelling software in the form of Microsoft® Excel files incorporating, drill hole collars, seam and thickness picks, and bottom seam elevations. These data files were validated prior to importing into the software. > Once imported, a geologic model was created. > The geological model was verified and reviewed. > Resources were estimated by defining seam thickness at each point of observation and by defining resource confidence arcs around the points of observation *for holes with representative coal quality*. > Points of observation for Measured and Indicated confidence arcs were defined for all drill holes that intersected the seam *with representative coal quality*, introducing a level of conservatism in the coal classification. > Due to the uneven distribution of coal quality data along the western portions of the Property, a modification of the common practice in the United States resource classification system has been applied to the Property. > The following distances from points of observation with thickness and representative coal quality data were used to define the corresponding Resource category arcs: - Inferred Resources – greater than 3,960 feet (1.2 kilometers) but less than 15,840 feet (4.8 kilometers) - Indicated Resources – 3,960 feet (1.2 kilometers) - Measured Resources – 1,320 feet (0.4 kilometers) > The use of the standards commonly used in the United States (as modified) are appropriate for this resource jurisdiction and deposition type. > MM&A performed a geostatistical analysis test of Allegiance *coal thickness* data for the Blue Creek seam. This analysis demonstrates normality in the subject data, without much skewness; there is no evidence of obvious trending to the data. > Based on MM&A's analysis, the aforementioned measured, indicated, and inferred arc distances are appropriate for classification of coal resources on the Property.
Moisture	> Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.	> Coal resource tons are presented on a dry, in-situ basis.
Cut-off Parameters	> The basis of the adopted cut-off grade(s) or quality parameters applied.	> The resource cut-off parameters were tailored for the Property to be in accordance with potential mining capabilities. > Examples include minimum coal thickness (0.5 feet) and acceptable ash; however, overburden to coal ratio cut-offs for potentially surface-mineable coal has not been estimated nor considered in this resource estimate.

Criteria	JORC Code explanation	Commentary
		> Details of the resource parameters are cited within the TR and included in the table Resource Estimation Criteria listed in Section 14 of the TR. > These parameters have been developed by MM&A based on its experience with other mining operations of the Eastern US. This experience includes technical and economic evaluations of numerous properties in the region for the purposes of determining the economic viability of coal reserves.
Mining factors or assumptions	> Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.	> Mining factors such as dilution, overburden to coal ratio for potentially surface-mineable coal, mining and washing recovery have not been applied to these coal deposits. > Details of the factors are cited within the TR. > Factors that would typically preclude conversion of a coal resource to coal reserve include the following: inferred resource classification; excessive overburden to coal ratios; absence of coal quality; poor mine recovery; lack of access; insufficient exploration; or uncontrolled surface property for areas of proposed for surface mining. > The extensive history of mining on and adjacent to the Property, as well as current mining activity, would suggest that there are reasonable prospects for eventual economic extraction of a portion of the coal resources under favorable market conditions.
Metallurgical factors or assumptions	> The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.	> The products mined from coal resources controlled by Allegiance may potentially qualify in the high-volatile metallurgical coal markets, however, additional exploration and analysis will be required to confirm.
Environmental factors or assumptions	> Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a Greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.	> An Environmental Site Assessment (ESA) has not been conducted on the Property.
Bulk density	> Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size, and representativeness of the samples. > The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit. > Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.	> Laboratory derived seam densities were not available. As needed, these data were supplemented by estimated seam density values based on the relative proportion of coal and non-coal material within the seam (typically at 1.30 and 2.25 specific gravity, respectively). > Average seam density was determined for each coal deposit and used to convert coal volumes into coal tonnage estimates.

Criteria	JORC Code explanation	Commentary
Classification	> The basis for the classification of the Mineral Resources into varying confidence categories. > Whether appropriate account has been taken of all relevant factors (i.e., relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity, and distribution of the data). > Whether the result appropriately reflects the Competent Person's view of the deposit.	> The Resource has been classified based on suitable distances from points of observations prescribed in the common United States classification system (as modified). > The use of the United States standards is appropriate for this resource jurisdiction and deposition type. > MM&A performed a geostatistical analysis test of Allegiance *coal thickness* data for the Blue Creek seam. This analysis demonstrates normality in the subject data, without much skewness, and there is no obvious trending. > Based on MM&A's analysis, the aforementioned measured, indicated, and inferred arc distances are appropriate for classification of coal resources on the Property. > All relevant factors have been accounted for and reflect the Competent Person's view of the deposit.
Audits or reviews	> The results of any audits or reviews of Mineral Resource estimates.	> MM&A completed and prepared an estimate of coal resources for the Property in accordance with the JORC Code as of April 1, 2021.
Discussion of relative accuracy/ confidence	> Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate. > The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. > These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.	> The relative accuracy of and confidence in the coal tonnage and quality estimates provided herein are ajudged to be in conformance with current industry best-practices. > The representation of average coal quality characteristics should be understood to represent a reasonably representative sampling, with greater confidence within measured areas, and lesser confidence within inferred areas. The average is generally indicative of coal quality across the entire resource area, and does not represent a statistically rigorous approach to coal quality modeling. > Resource estimation has been completed using standard coal estimation methods which are deemed appropriate for this deposit.