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9.3 METRES OF CUMULATIVE COAL ENCOURAGING START TO THE BACK CREEK DRILLING PROGRAM

Allegiance Coal Limited (ASX:AHQ) is pleased to announce that its current drilling program at its Back Creek Project in the Surat Basin has brought its first results.

As of last Friday, Allegiance had completed 2 holes in the northern section of the tenement, holes BC002 and BC005. Both of these holes have intersected potentially significant coal. In particular **hole BC005 has intersected 9.3m of cumulative coal to a depth of 69.05m.** See *Figure 1*. This hole is the second in the current program and is testing the northern end of the tenement area where additional drilling was required to delineate exploration potential.

The Company's current exploration target of 60-80 million tonnes of shallow, open cut low ash thermal coal ⁽¹⁾ is located in the central and southern portions of the tenement. See *Figure 2*.

As a result of the nature of the intersections in these two holes the Company will undertake a detailed review of all earlier and historic drilling data in this northern section of the tenement with the objective of testing the area with closer-spaced drill holes.

Details of the drill hole intersections in BC002 and BC005 as well as holes previously drilled by Allegiance in the northern area are appended. See *Table 1*.

The current Back Creek drill program is expected to be completed by August 2012 (weather permitting), and has been designed to provide sufficient information to allow the reporting of a JORC resource in or before Q4 2012 for EPC 1297.

Colin Randall
BE (Mining), FAusIMM (CP)
Managing Director

Exploration Target Clarification

(1) All statements pertaining to the Company's exploration target and statements as to the potential quantity and grade made in this Statement are conceptual in nature. There has been insufficient exploration undertaken to date to define a coal resource in accordance with the JORC Code, and it is uncertain if further exploration will result in the definition of a coal resource in accordance with the JORC Code.

Competent Person Statement

Mr Colin Randall is the Managing Director of Allegiance Coal Limited and is a Fellow of the Australasian Institute of Mining and Metallurgy. He has a minimum of 15 years experience in the field of activity being reported on and is a Competent Person as defined in the JORC Code. This announcement accurately summarises and fairly reports his assessment and where required, has consented to the report in the form and context in which it appears.

Enquiries for Allegiance Coal Limited – 02 9299 5007

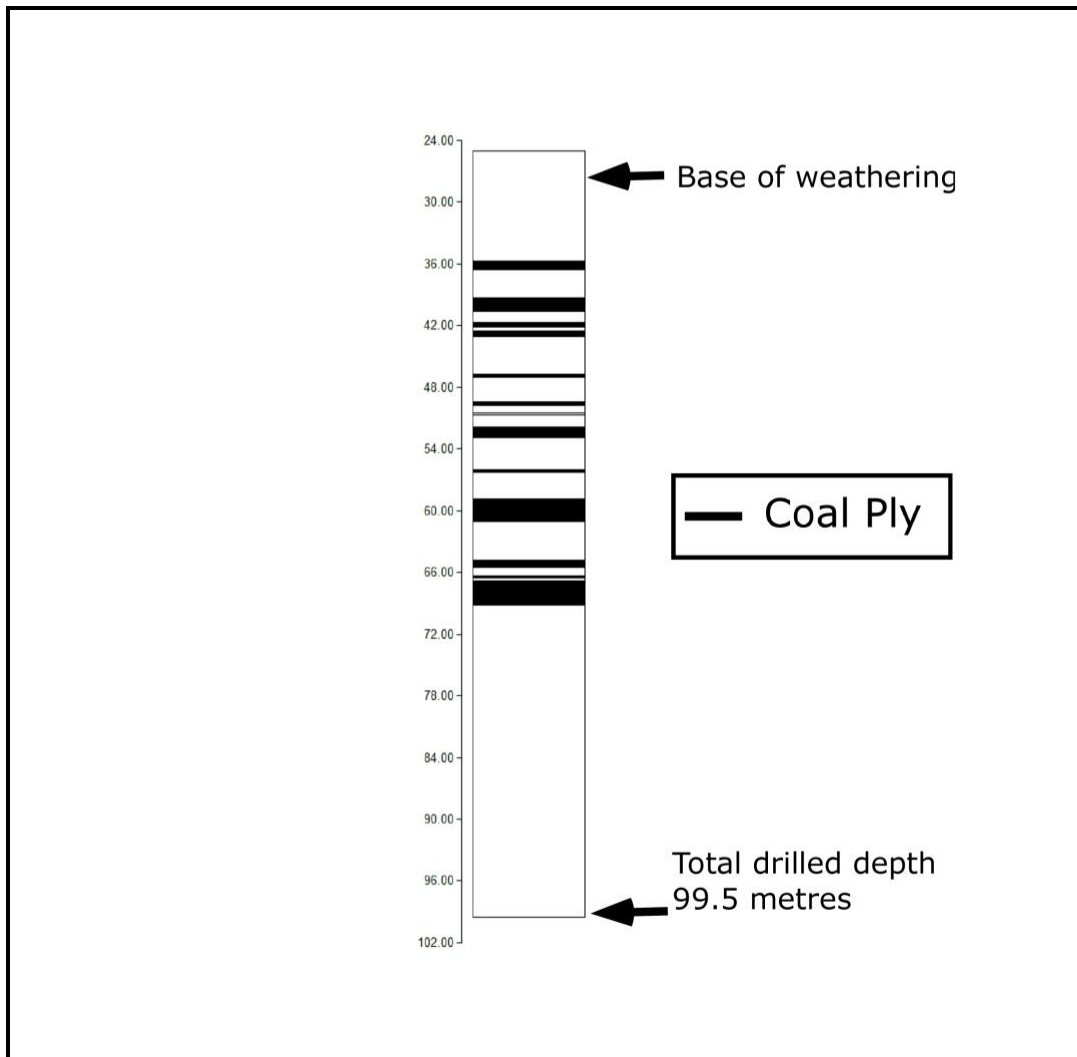


Figure 1 – Partial Strip Log BC005

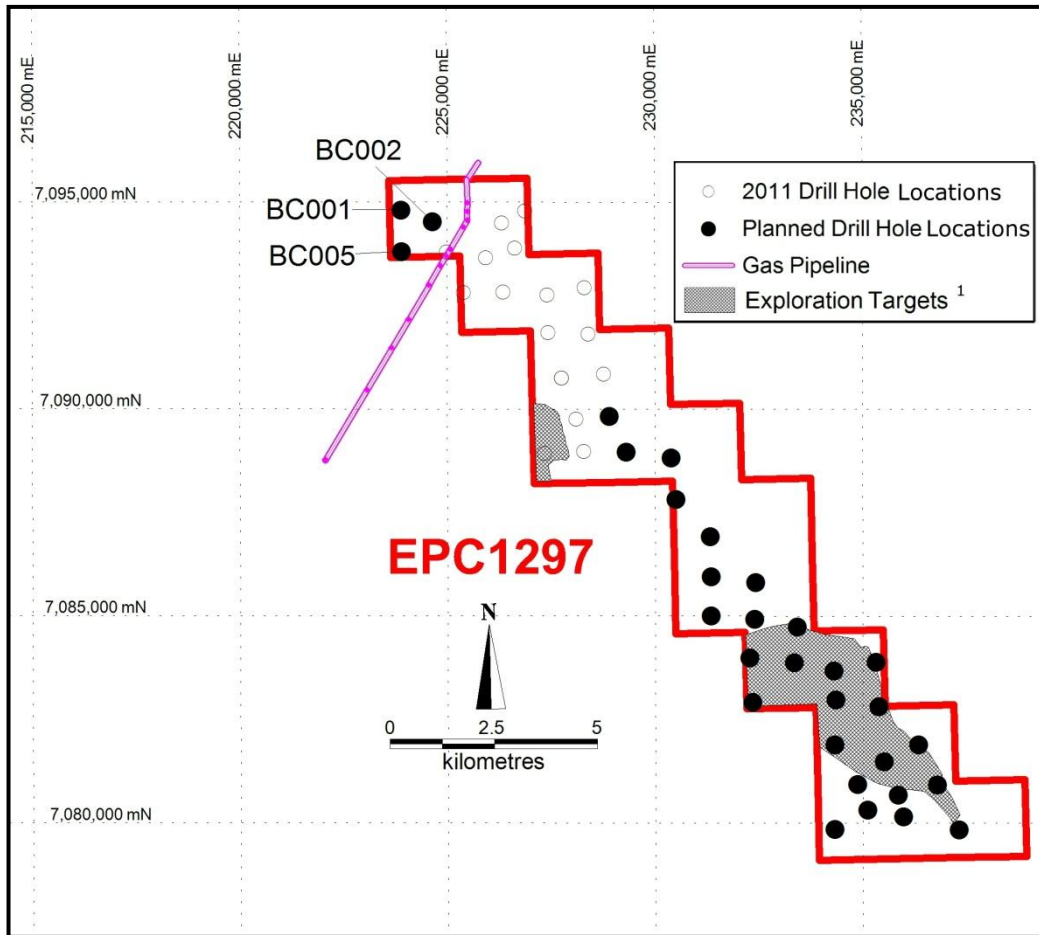


Figure 2 – Drill Hole Locations

LOCATION (GDA 94 MGA 56)				COAL INFORMATION				
HOLE NUMBER	EASTING	NORTHING	ELEVATION (metres ASL)	TOTAL DRILLED DEPTH (m)	CUMULATIVE SEAM THICKNESS	DEPTH TO BASE OF COAL (m)	YEAR DRILLED	COMMENT
BC001							N/A	NOT YET DRILLED
BC002	224752	7094723	362	99.5	3.1	34.1	2012	
BC003	226420	7094696	354.12	100.0	0.45	20.5	2011	Minor coal seam development in possible upper seam within zone of oxidation
BC004	227039	7095012	352.50	76.0	0.0	No coal intersected	2011	Collared below the coal measures.
BC005	224000	7094000	370	112.0	9.3	66.7	2012	This intercept includes 2 seams each greater than 2.0 metres thickness.
BC006	225111	7093878	360.62	88.5	3.9	45.8	2011	0.75 metres of coal above the level of oxidation was excluded from the seam thickness.
BC007	226000	7094000	362.21	91.0	1.6	42.6	2011	

Table 1 : Allegiance Coal Limited Drilling – Northern Portion of EPC 1297