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## Market Update

- **Coal seam outcrops uncovered at Townsville**
- **New streamlined budget – increased focus on cost control and cash preservation**
- **Additional value creation through provision of expertise in return for free carried interests in external projects**

### New coal seams identified

Allegiance Coal Limited (“**Allegiance Coal**” or “**the Company**”) is pleased to announce that it has confirmed the presence of coal seams within one of its Townsville tenements (EPC1492). Following extensive archival investigation, all previous reports of coal occurrences within the Townsville area were located and placed on current topographic and cadastral maps. The field investigations then homed in on the reported occurrences. As a result, an outcropping one (1) metre thick coal seam was located by Allegiance Coal’s field staff, see Figures 1 & 2.

The exposure of the seam in an adjacent quarry has provided the Company with sufficient data to make an application for a Mineral Development Licence, the granting of which would enable Allegiance Coal to excavate a bulk sample for testing purposes. The success of the Company’s low cost exploration approach of using extensive archival research before spending exploration dollars in the field has once again proven to be the right approach for the Company.

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**Figure 1: Outcropping coal in EPC1492**

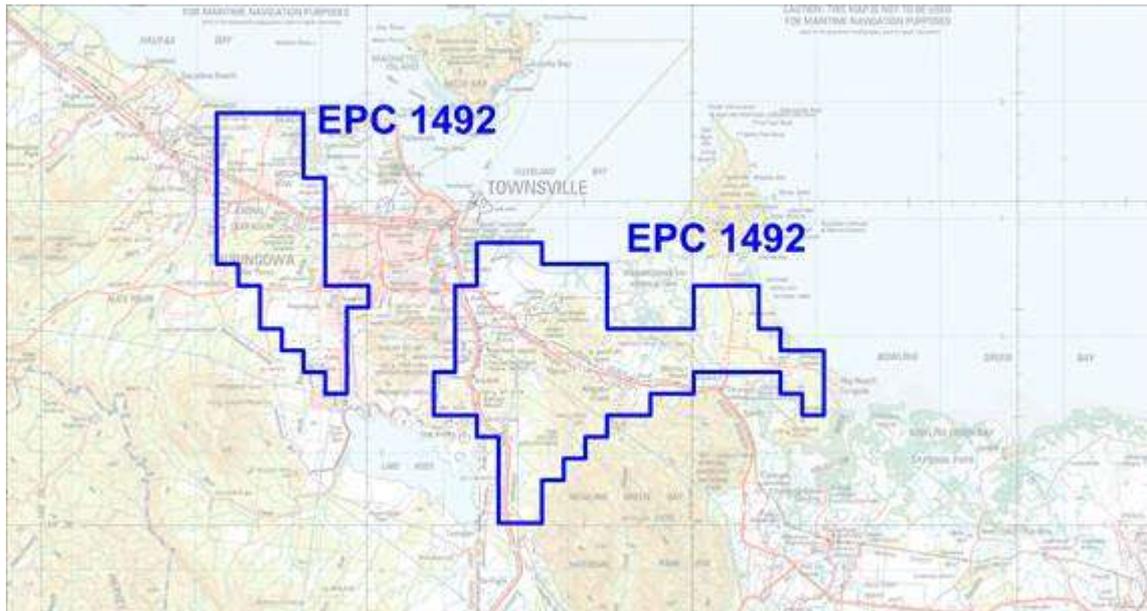


Figure 2: EPC1492

### Cost control initiatives

Allegiance Coal has always been very mindful of maintaining close cost control on its exploration activities.

As the downturn in the Australian coal industry has continued to unfold, Allegiance Coal Limited has undertaken a further critical examination of its current cash position (\$3.3 million as at 24 June 2013) and its portfolio of coal tenements.

This review has resulted in the Company approving a new two year budget (1 July 2013 to 30 June 2015) that substantially reduces the Company's overheads (to circa \$450,000 per annum) while focussing attention on tenements with medium term development potential.

Tenements with very long lead times, in taking them from greenfield exploration through to production, are being considered for outright sale or relinquishment.

The Company continues to maintain focus on its two lead projects, Kilmain, a coking/PCI/thermal project in the Bowen Basin, and the Back Creek Thermal Project in the Surat Basin.

At the same time significant activity is taking place to source joint venture partners for all tenements, with joint venture discussions currently progressing in relation to a number of the Company's projects. The Company announced a joint venture with Square Exploration Pty Ltd, a coal exploration and development company jointly owned by Square Resources Holding Pty Ltd and Mitsui Matsushima International Pty Ltd, in relation to its Calen Project in February 2013. Square Exploration is currently funding a drilling program on the Project.

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### **Additional value creating opportunities**

Whilst recognising that the coal industry is in a very low point of the industry cycle, Allegiance Coal has identified a number of opportunities to utilise the Company's expertise in the development of coal projects.

In return for a free carried interest, the Company is working on an external near term production coal project that is viable under current coal pricing and has a low capital profile. Allegiance Coal is bringing its expertise in the development of coal projects and its contacts with overseas coal buyers to advance these projects.

### **New office location**

Allegiance Coal is now located at  
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### **Contacts**

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