

## Quarterly Report For period ended 31 December, 2015

### Kilmain Project

As part of the Stage 2 program, further drilling occurred comprising of 2 partially cored holes each preceded by a pilot chip hole. A total of 985 metres were drilled in the cored holes and 1207 metres in the pilot holes. All holes were geophysically logged. The core is currently at the laboratory for coal quality analysis. Rock samples of roof and floors of coal seams have been taken and dispatched for geotechnical analysis.

Stage 2 has been managed by HDR and approximately \$500,000 has been spent to date. A further cored hole with a pilot chip hole is planned for late May 2016 at an estimated cost of \$300,000

The Kilmain Project (EPC 1298 and EPC 1917) is a 56 km<sup>2</sup> area within the Bowen Basin with coal seams within the Rangal Coal Measures.

Activities on the Kilmain Project commenced in mid September, 2014 with seismic survey and ground magnetometer surveys.

Total length of seismic surveys was 11.25 km with the first program being 7.75 km and the second phase completed on 15 October of 3.5km. Ground magnetometer surveys to locate basalt involved 12 km of survey lines.

Drilling on three selected sites followed the seismic and magnetometer surveys.

#### Joint Exploration for Kilmain Project with JOGMEC

On 29 August, 2014 the Australian Government's Federal Investment Review Board approved of the Joint Exploration Agreement ("JEA"), in which **Japan Oil, Gas and Metals National Corporation (JOGMEC)** will provide up to \$3 million of exploration expenditure to Allegiance Coal over a 3 year period for the Kilmain Coal Project in three stages.

At the end of this quarter, JOGMEC have spent over \$2 Million on the Joint Venture.

JOGMEC, a Japanese government owned corporation, will earn up to a 40% economic interest in the Kilmain Project and has the right to assign that interest to a Japanese nominee company in the future, in order to progress the project to development.

#### Back Creek Project

The Back Creek project in the Surat Basin is well suited to gain benefit from development of Surat Basin infrastructure. However under the current market condition the potential rate of development of the required infrastructure is unknown and thus the future for the project is under review.

31 January, 2015

ASX Code : AHQ

ACN 149 490 535  
Level 2  
49-51 York Street  
Sydney NSW 2000  
Australia

Tele : +61 2 9299 5007  
Fax : +61 2 9299 5006

www.allegiancecoal.com  
info@allegiancecoal.com

## **CORPORATE**

### **Substantial Shareholder**

C. Randall & Associates Pty Ltd ceased to be a substantial shareholder on 4 December 2015

#### *Cash:*

At 31 December, 2015 the company held \$1.5 Million in cash.

### **Loans**

Mineral and Coal Investments Pty Limited (MCI) is a fully owned subsidiary of Allegiance Coal Limited. MCI had loans valued \$2.1 Million owing to Gullewa Limited and C. Randall & Associates Pty Ltd, which were due for repayment on 30 September 2015 under certain conditions.

C. Randall & Associates Pty Ltd has requested that its loan be repaid.

#### **Contacts:**

For further information please contact:

**Mr David Deitz**

Director

02 9299 5007