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Quarterly Report For period ended 31 March, 2016

Kilmain Project

JOGMEC have advised that they are withdrawing from the Joint Venture

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.

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.

CORPORATE

Cash:

At 31 March 2016 the company held \$1.6 Million in cash.

Loans

Mineral and Coal Investments Pty Limited (MCI) is a fully owned subsidiary of Allegiance Coal Limited. MCI had loans valued \$2.13 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:

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28 April, 2015

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