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Resumption of Drilling at Back Creek

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Allegiance Coal Limited is pleased to advise that drilling has recommenced at its Back Creek Project at Drill Hole Site BC034 – see *attached map*.

The protracted wet weather during winter and slow drying conditions had delayed the restarting of drilling operations.

The program is designed to enable a JORC Inferred Resource to be reported in Quarter 4, 2012.

The Back Creek Project has a target tonnage of 60 to 80 million tonnes⁽¹⁾.

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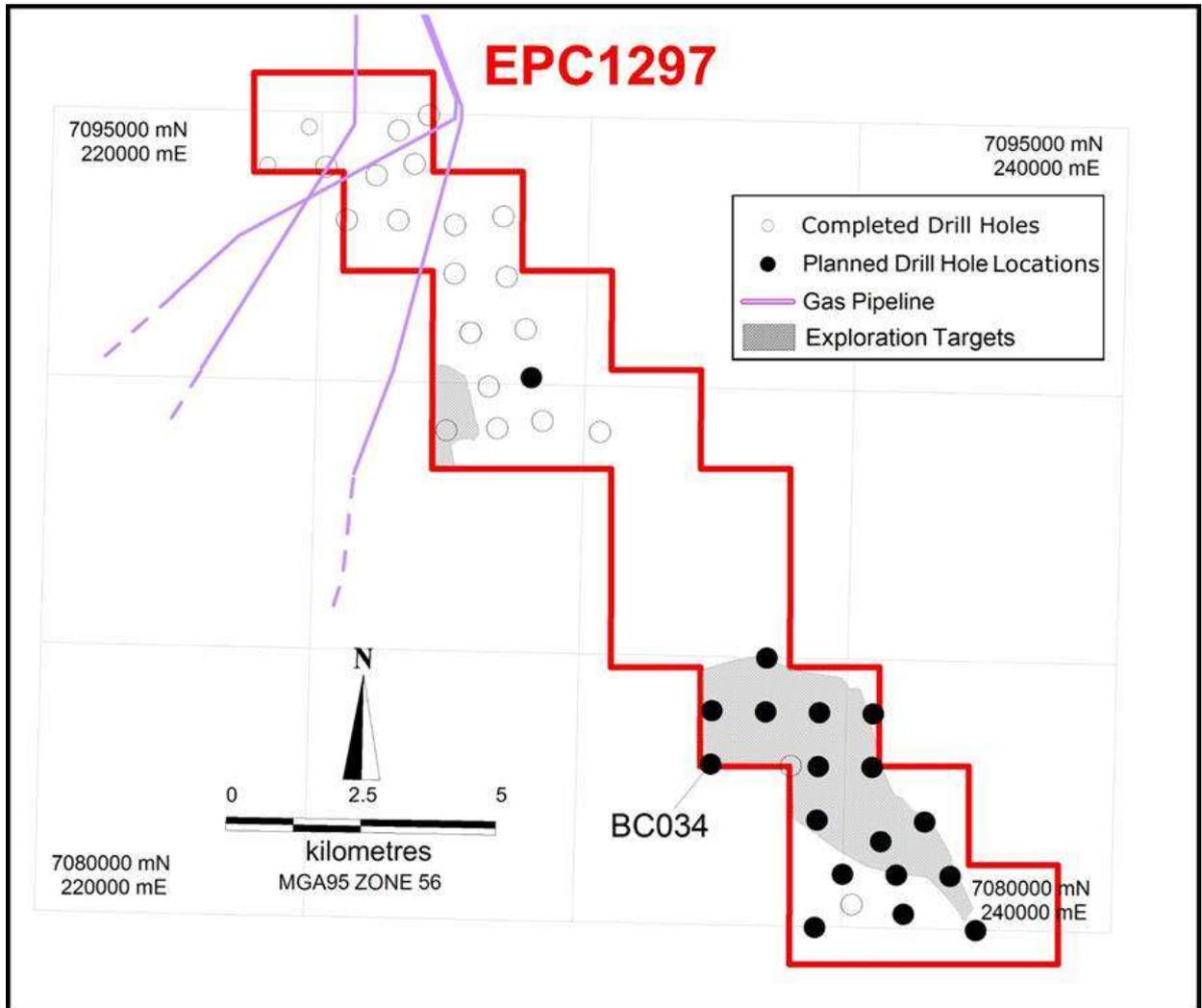
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(1) Exploration Target Clarification

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.



Drill Hole Location Map