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31 October, 2015

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Quarterly Report

For period ended 30 September, 2015

Allegiance Coal Limited (Gullewa Limited 57%)

Kilmain

As part of Stage 2, further drilling is scheduled to commence on the Kilmain project in the December quarter. This programme plans to drill 2 holes this season and a further hole next year. Each cored hole will be preceded by a pilot chip hole. The total metres to be drilled will be approximately 1500 metres. All the appropriate analysis will be conducted on this core.

The full report on Stage 1 drilling was finalised and presented to JOGMEC. It was prepared by HDR Salva.

The Stage 1 phase of the Joint Venture with JOGMEC was completed.

The Kilmain Project (EPC 1298 and EPC 1917) is a 56 km² 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.

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.



Gold

Corporate

The South Darlot Gold Project area is approximately 320km North West of Kalgoorlie and includes the British King mine which is 100% owned and NI43-101 compliant. The British King mine is 5km west of Barrick Gold Corporation's Darlot Mine. The British King Mine is currently under care and maintenance.

South Darlot Gold Project

British King

On December 02, 2014, CIO announced that it has completed the AUD\$1.1 million sale of its British King Gold Mine in Western Australia to BK Gold Mines Pty Ltd. BK are in the process of commencing mining. They have all the permissions required to commence mining which is scheduled to start this quarter..

Barrick Joint Venture

As at the date of this report, the Company has earned a 70% interest in the Barrick JV Tenements in accordance with the Barrick JV and is continuing exploration on the Barrick JV Tenements. The company has currently spent to date is in excess of AUD\$700,000. A formal joint venture agreement is in the process of being drafted between Barrick and CIO but has not yet been finalised.

Eureka Gold

The Eureka Gold Project is approximately 50km North of Kalgoorlie in Western Australia and covers an area of 563 hectares. The Eureka Gold Project includes the Eureka open pit gold mine which is 100% owned by CIO and is NI43-101 compliant. The Eureka gold mine is currently under care and maintenance.

Several parties have commenced discussion with the company on Eureka.

Iron Ore

Yilgarn Iron Ore Project (IOP)

The Company currently holds one iron ore tenement in joint venture.

Minerals

Claymor Resources Pty Ltd (Gullewa 100%)

We are currently reviewing other projects.

Property

The variation to the original Development Application is progressing through Maitland Council. Further planning is also in train. We are aiming to have 56 lots available for sale.

Corporate

The Gullewa Group's cash position at the end of June, 2015 was \$3.734 million.

Repayment of Loans

Mineral and Coal Investments Pty Limited (MCI) is a fully owned subsidiary of Allegiance Coal Limited. MCI had loans to value of \$2 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.

David Deitz B.Comm, MAusIMM, CPA

Director & CEO

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