



## Quarterly Report For period ended 30 September, 2011

### Highlights

#### Allegiance Coal Limited (Gullewa 80%)

- Announced plans to seek up to \$2.0 million of pre-IPO capital.
- Drilling at Back Creek recovered 7.2m cumulative thickness of cored coal.
- Drilling of 3 holes at Kilmain commenced mid-September.

### Subsequent events

- Drilling at Kilmain intersected the 3.1m thick coalesced Castor/Pollux Seam, resulting in a revised target of 200Mt<sup>(1)</sup>.

#### Central Iron Ore (Gullewa 36.1%)

##### Gold

- Completed geological database which integrated the British King data with the Barrick JV data.
- Internal engineering and options studies were conducted to evaluate different options for progressing the Eureka Gold Project.

##### Iron Ore

- A high-resolution heli-magnetic survey was completed over the Pernivale South Iron Ore Hub.
- Detailed regolith mapping and rockchip sampling was completed on the Pernivale South and the Diemals Iron Ore Hubs.

### Coal

#### Allegiance Coal Limited (Gullewa 80%)

##### General Activities

The following activities were achieved or initiated in the September, 2011 quarter:

- There were no injuries or incidents whilst undertaking field activities associated with tenement inspections, geological investigations and drilling.
- Drilling of 18 holes to test the northern part of the Back Creek tenement was completed with coal being intersected in 4 holes (see details below).
- Drilling of 3 deep holes at Kilmain commenced towards the end of the quarter (see details below).
- Plans have been made for drilling within the Lochaber Project later in the year.
- An initial evaluation of the potential impact of Strategic Cropping Land on granted tenements and tenement applications was undertaken. Monitoring of the Company projects will continue as more detailed soil knowledge continues to be made available by Authorities.

31 October, 2011

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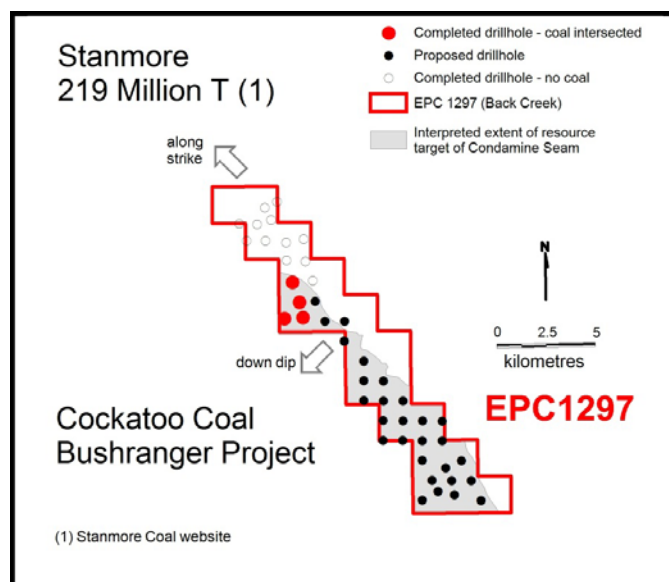
- The announcement by the Queensland Government of a 2km Urban Restriction Area has impacted on the Boldon and Townsville exploration areas. Applications for the relinquishment of affected portions of these tenement areas will be submitted in the next quarter.
- The announcement by the Queensland Government of a ban on exploration and mining within SE Queensland has impacted on the Mintovale project. The Company is reviewing its alternatives regarding this project.
- Applications to amalgamate the Kilmain and Kilmain South as well as Calen South and Boldon tenements.
- MCI is still waiting for the outcome of numerous EPC applications previously submitted to the Queensland Government.

### **Back Creek (EPC1297)**

An Initial drilling programme of 18 holes was completed in the northern part of the tenement on privately owned land. Two holes, BC 17 and BC19 were twinned so that the bottom coal-bearing sections could be diamond core drilled to enable coal quality testwork to be undertaken. The total programme completed involved 1,348m of drilling including 34.16m of core drilling.

Four holes, holes BC15, 17, 19 and 20, intersected coal. The remaining holes intersected carbonaceous shale and have constrained the northwestern perimeter of the Condamine Coal Seam within the tenement.

In Hole BC19C, diamond core drilling recovered an intersection of 7.2m of cumulative coal to a depth of 69.9m within the Condamine and Bulwer Coal Seams. Previous Company announcements regarding the depth were prior to detailed accurate downhole gamma probe logging of the holes. The maximum depth to the base of the coal in the four holes is 69.9m. The results of the drilling completed to-date has confirmed that the project has excellent potential to host a target of 80Mt of low ratio open cut thermal coal.



**Back Creek - Drilling programme showing coal-bearing drillholes**



Hole	MGA94E Zone 56	MGA94N Zone 56	Elevation (m ASL)	Total Hole Depth (m)	Metres of Diamond core drilled
BC15	227848.446	7090950.762	373.542	64	
BC17	228207.858	7089953.922	358.544	64	
BC17C	228207.858	7089953.922	358.544	53	12.19
BC19	227445.393	7089120.691	366.330	82	
BC19C	227445.393	7089120.691	366.330	72	21.96
BC20	228387.983	7089176.535	363.822	65	

**Back Creek - Drill collar specifications of coal-bearing holes**

Hole	MGA94E Zone 56	MGA94N Zone 56	Elevation (m ASL)	Total Hole Depth (m)
BC03	226420.421	7094696.977	354.121	100
BC04	227039.133	7095012.095	352.501	76
BC06	225111.588	7093878.951	360.629	94
BC07	226028.880	7093852.300	362.219	91
BC08	226730.312	7094081.353	359.580	88
BC09	225496.410	7093012.140	370.824	100
BC10	226449.195	7093018.763	365.305	100
BC11	227509.730	7092949.797	359.303	82
BC12	228404.267	7093128.836	353.523	52
BC13	227525.100	7092044.691	363.709	100
BC14	228495.725	7092007.125	364.879	31
BC16	228869.821	7091042.040	371.062	34

**Back Creek - Drill collar specifications of non coal-bearing holes**

Proposed holes to the south are located within the Barakula State Forest. Flora/fauna surveys are required prior to submission of approval requests for civil works which will include track and drill pad preparation. The Company is endeavouring to obtain the authorisations regarding the remaining holes by the end of the next quarter.

This planned drilling is anticipated to enable the Company to commission a resource estimation in accordance with the JORC Code 2004 by mid-2012.

***Kilmain (EPCs 1298 and 1917)***

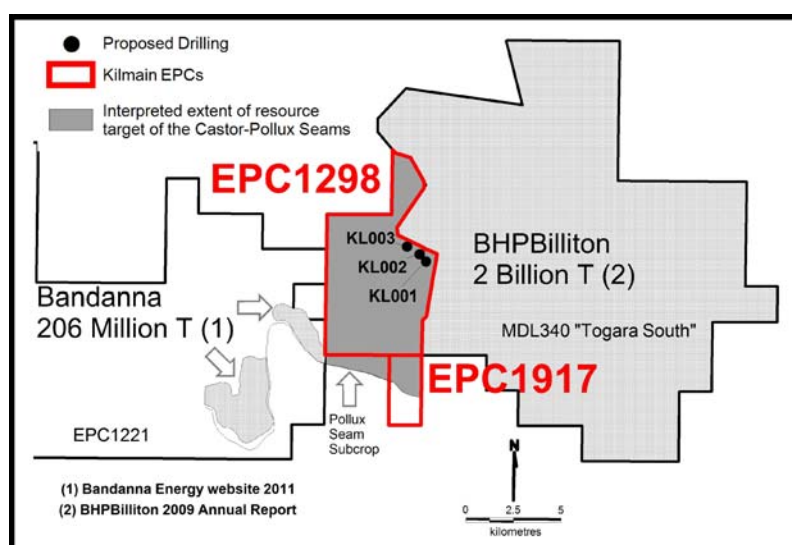
A drilling programme of three deep holes on the eastern side of the, still flowing, Comet River was initiated towards the end of the quarter. Target depths for the holes are between 250m and 450m. The holes will be partially cored to enable detailed evaluation of the Rangal Coal Sequence which includes the Aries, Castor, Pollux and Orion seams.



The Kilmain tenement has an underground target of 200Mt<sup>(1)</sup> of coking and low-as thermal coal.

The area is adjacent and down dip of BHP's Togara South that has total JORC resources of 2.015Bt. It is also adjacent to Bandanna Energy's Arcturus project that has open cut and underground resources of 206.3Mt. The planned Arcturus underground mine's eastern longwall blocks are truncated by the Kilmain western boundary.

Subject to access approvals, additional drilling to the north and/or west of the current three-hole drilling programme, will be initiated next quarter.



Kilmain Project - proposed drillhole locations

### Hydromining Coal Australia Pty Ltd "HCA" (Gullewa 80%)

HCA submitted an application for an exploration permit for coal in Queensland, however, this application is the subject of a competing application. The company continues to seek opportunities in Queensland, New South Wales and South Australia.

No field activities took place during the quarter.

## Iron Ore and Gold

### Central Iron Ore (Gullewa 36.1%)

The Company believes its greater Yilgarn Iron Ore Province tenement package provides a significant platform for the exploration for iron ore and will provide a significant, new future phase of growth for the Company.

The initial strategy and objective of the Company is to evaluate the occurrence of both magnetite ore and direct shipping ore within the above tenements to gain an initial understanding of their respective resource potential.



***Pernivale South Iron Ore Hub (E30/414 and P30/1084)***

The Pernivale South Iron Ore Hub is located approximately 85km west of Menzies and between 140km and 180km northwest of Kalgoorlie. A helicopter low-level high-resolution airborne magnetic survey was conducted over the central and eastern part of the Pernivale South tenement, E30/414. The survey involved 917 line-kilometres of flying with lines spaced at 100m. The data revealed several magnetic anomalies with a combined strike length in excess of 12km. This data is currently being processed and reviewed by an independent geophysical consulting firm.

Detailed regolith mapping and rockchip sampling was also completed on the Pernivale South Iron Ore Hub tenements E30/414 and P30/1084. The mapping confirmed the occurrence of banded iron formations ('BIF') with true thickness of up to 50m.

The results of the geophysical interpretation and the mapping and associated sampling will be used to develop exploration drilling targets.

***Diemals Iron Ore Hub (E77/1749 and E77/1757)***

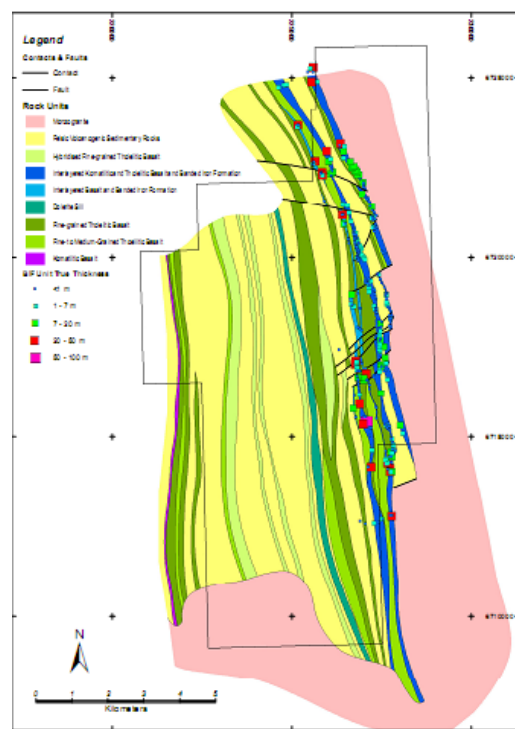
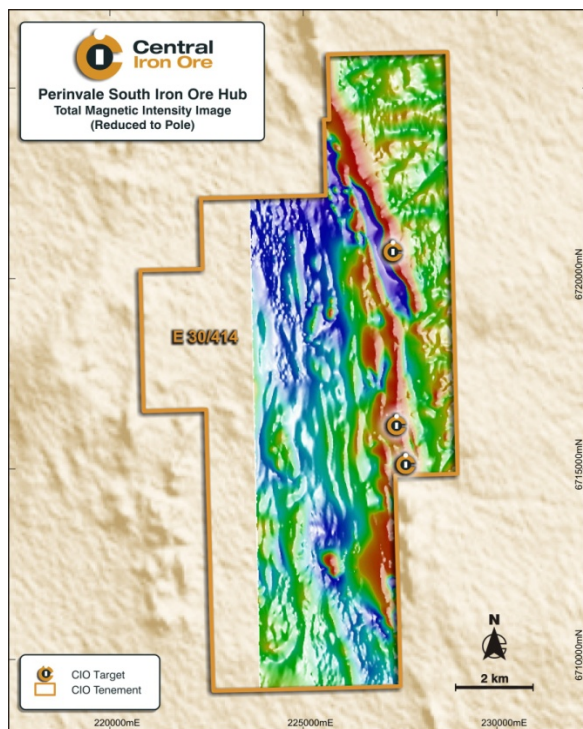
The Diemals Iron ore Hub is located approximately 230km northwest of Kalgoorlie and is about 25km northeast of Portman's Iron Ore Mine. Regolith mapping and sampling were undertaken during the quarter. A preliminary report on these activities has indicated that some BIF units, up to 85m thick, are located within the project areas. A number of rock chip samples were taken and results are still pending.



Iron Ore



Gold



Perinvale South – Total Magnetic Intensity Image and geological map



### ***South Darlot Gold Project***

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

The Barrick Joint Venture Project is an agreement ('Agreement') between Central Iron Ore Ltd (through a 100% CIO owned subsidiary, South Darlot Mines Pty Ltd) and Barrick (Plutonic) Limited and Barrick (Darlot) NL (together 'Barrick') to joint venture by way of earn-in into Barrick's Southern Darlot Gold Project area ('Joint Venture'). Under the terms of the Agreement, CIO may earn an initial 51% interest, and management of the Joint Venture area by spending \$450,000 within 24 months.

The Joint Venture tenements are situated southwest of Barrick's Darlot gold mine and are contiguous with CIO's current holdings in the area.

In addition to substantially increasing its effective contiguous tenement interests within its South Darlot Gold Project Area, the Agreement gives CIO access to Barrick's extensive project data base and knowledge over the area of the Joint Venture tenements. It consolidates and gives the Company access to a number of known anomalies within the area of the Joint Venture tenements. CIO is hopeful it can and will advance these to the point they might be exploited to the benefit of the Joint Venture parties.

During the quarter, the Company completed an integration of the geological databases for the British King data with the Barrick Joint Venture data. This will now enable a thorough analysis of the region to identify drill targets and the possible estimation of resources.

### ***Eureka Gold Project***

The Eureka gold project is approximately 50km north of Kalgoorlie and includes the Eureka open pit gold mine, currently under care and maintenance.

Activities during the quarter included a geological site visit, a geophysical review to merge and process the available open file geophysical data over the project area, commissioning of satellite imagery and a digital terrain model to provide an accurate topographic model. In addition, internal engineering and options studies were conducted to evaluate different options for progressing the Eureka Gold Project.

## **Minerals**

### **(Gullewa 100%)**

#### ***New South Wales***

A proposed drilling programme at Dandaloo involving two angled holes to test coincident soil geochemical anomalies and ground magnetic features has been delayed until early 2012.

No field activities were undertaken on any of the Company's NSW projects during the quarter.



## Property

### **St Ives**

The property settled on 8 July, 2011 with Gullewa's receiving \$1,052,115.15.

### **Normanhurst**

A contract for one of the four lots was exchanged on 7 October, 2011.

### **Statement of Qualified Persons**

*(1) The exploration target is conceptual in nature and there has been insufficient exploration to determine a mineral resource and it is uncertain if further exploration will result in the determination of a mineral resource.*

*The information in this quarterly report relating to exploration results were written by Colin Randall and Garry Baglin. Both have sufficient experience in the field of activity being reported on to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.*

*Colin Randall is Managing Director of Allegiance Coal Limited and is a Fellow of the Australasian Institute of Mining and Metallurgy. Garry Baglin is a full-time employee of Gullewa Limited and is a Member of the Australasian Institute of Mining and Metallurgy and a Member the Australasian Institute of Geoscientists. This announcement accurately summarises and fairly reports their assessments and where required, they have consented to the report in the form and context in which it appears.*

David Deitz  
**Director & CEO**  
B.Comm, MAusIMM, CPA

For any enquiries :

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# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

GULLEWA LIMITED

ABN

30 007 547 480

Quarter ended ("current quarter")

30 September, 2011

### Consolidated statement of cash flows

#### Cash flows related to operating activities

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	3	3
1.2 Payments for (a) exploration and evaluation	(296)	(296)
(b) development		
(c) production		
(d) administration	(635)	(635)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	461	461
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(467)</b>	<b>(467)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects		
(b) equity investments	(71)	(71)
(c) other fixed assets	(29)	(29)
1.9 Proceeds from sale of: (a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities	(17)	(17)
1.11 Loans repaid by other entities	488	488
1.12 Other (property) and security deposit	(22)	(22)
<b>Net investing cash flows</b>	<b>349</b>	<b>349</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(118)</b>	<b>(118)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(118)	(118)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	138	138
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	<b>Net financing cash flows</b>	138	138
	<b>Net increase (decrease) in cash held</b>	20	20
1.20	Cash at beginning of quarter/year to date	3,542	3,542
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	3,562	3,562

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	96
1.24	Aggregate amount of loans to the parties included in item 1.10	17

1.25 Explanation necessary for an understanding of the transactions

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**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL
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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NIL
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+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities – Property loan for Pymble property	595	590
3.2 Credit standby arrangements		

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	450
4.2 Development	
4.3 Production	
4.4 Administration	700
<b>Total</b>	<b>1,150</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	3,562	3,542
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	<b>3,562</b>	<b>3,542</b>

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+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference securities</b> <i>(description)</i>			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	<b>+Ordinary securities</b>	145,723,100	145,723,100	
7.4	Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs			
7.5	<b>+Convertible debt securities</b> <i>(description)</i>			

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+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> (description and conversion factor)	10,340,000 5,480,000 4,475,000 1,000,000	Nil Nil Nil Nil	<i>Exercise price</i> 7.25 cents 11.87 cents 22.30 cents 22.30 cents	<i>Expiry date</i> <b>30.11.2011</b> <b>30.11.2014</b> <b>07.03.2016</b> <b>16.05.2016</b>
7.8	Issued during quarter	0	Nil		
7.9	Exercised during quarter	0	Nil		
7.10	Expired during quarter				
7.11	<b>Debentures</b> (totals only)				
7.12	<b>Unsecured notes</b> (totals only)				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does /does not\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: ..... Date: 31 OCTOBER, 2011  
(Company secretary)

Print name: GRAHAM HURWITZ

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.