



GULLEWA LIMITED

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31 January, 2014

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Quarterly Report For period ended 31 December, 2013

Highlights

Allegiance Coal Limited (Gullewa 56.6%)

- Company maintains focus on cost control and cash preservation.
- Decision made to relinquish Lochaber, Mintovalle, Cedar Creek and Mobs Creek projects.
- Stratigraphic hole drilled at Connemarra.
- Joint Venture discussions continue on tenements, in particular on Kilmain.
- Continuing to work on additional value-creating opportunities where free carried interest is created by initiating work on external near term coal projects.

Central Iron Ore (Gullewa 36.1%)

Barrick Joint Venture

- The company has currently spent in excess of AUD\$675,000.
- A formal joint venture agreement is in the process of being drafted.

Eureka Gold

- Discussions ongoing for Eureka Gold Project sale.

Hydromining Coal Limited (Gullewa 50%)

- EPCA 2643 (Elatum) was granted in December.

New South Wales

Dandaloo

- No activities undertaken.

Coal

Allegiance Coal Limited (Gullewa 56.6%)

Cost Control Initiatives

Allegiance Coal Limited has continued to maintain close cost control on its exploration activities and corporate overheads.

As the downturn in the Australian coal industry has continued Allegiance has continued to critically examine its cash position and portfolio of tenements.



As a result the Company has decided to relinquish three greenfield thermal coal tenements, Mobs Creek, Cedar Creek and Lochaber, which have very long lead times to bring to production. It has also decided to relinquish the Mintovale thermal coal project which has challenging economics as well as environmental issues.

Additional Value Creating Opportunities

The company has identified a number of opportunities to utilise the company's expertise in the development of coal projects.

The accessing of archived geological data that is not in the general public domain has enabled the Company to have insights in the geology of areas in the West Moreton Coalfield and now the Bowen Basin. The Company, using this new information, is investigating external near term production coal projects that are viable under current coal pricing and have a low capital profile. The company would earn a free carried interest.

Project Status

Back Creek Project

The posting of the maiden 98 Mt JORC Inferred Resource in November, 2012 ⁽¹⁾ enabled the Company to progress the Project by lodging a Mineral Development Licence Application in March, 2013. *See Plan 1*

The Project is now well suited to gain benefit from further development of Surat Basin infrastructure.

Kilmain Project

Prospective JV partners with a specific interest in the Kilmain coking coal project have approached and held discussions with your company during the quarter. While none of these have come to fruition at this time, discussions are continuing. The presence of low ash coking coal and proximity to existing rail infrastructure are two of the features that interest prospective JV partners.

A detailed two year drilling program to bring the Kilmain project to JORC Indicated Resources status was prepared in December and supplied to two prospective JV partners. Further discussions are planned with these potential JV partners in the New Year.

The decision by Aurizon (ASX:AJZ) to electrify the Rolleston rail line to meet the planned increase in production from Xtrata's Rolleston Mine to the south enhances the Kilmain project. ⁽²⁾

The Kilmain Project has potential for an underground deposit of coking/PCI/thermal coal within the Rangal Coal Measures and has an exploration target of 100 to 200 Mt of coal. The Exploration Target was announced on 12th October 2011 by Gullewa Limited prior to the listing of Allegiance Coal Limited. The Exploration Target was estimated by Competent Person Colin Randall, utilising the results of drilling of KL001 as well as existing drill holes (ARC4 and DE168) within the tenement from earlier exploration. The potential quantity and quality of the Exploration Target is conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

Further technical details supporting the Exploration Target as per clause 17 of the JORC Code 2012 are discussed below.

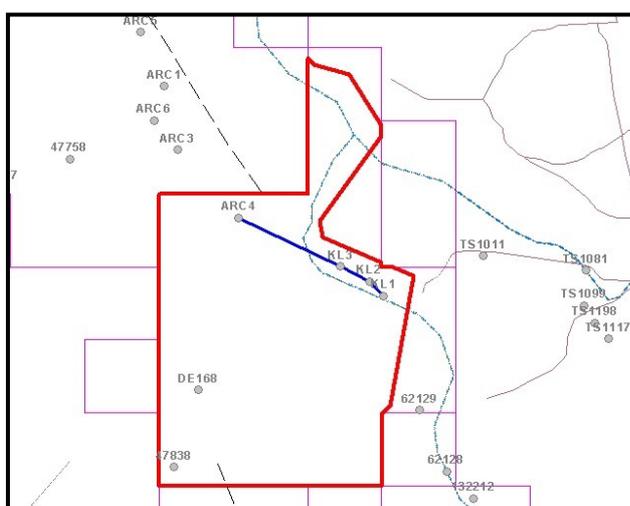
(1) Allegiance Coal Limited ASX Announcement 26/11/2012

(2) Aurizon Holdings Limited ASX Announcement 13/04/2013

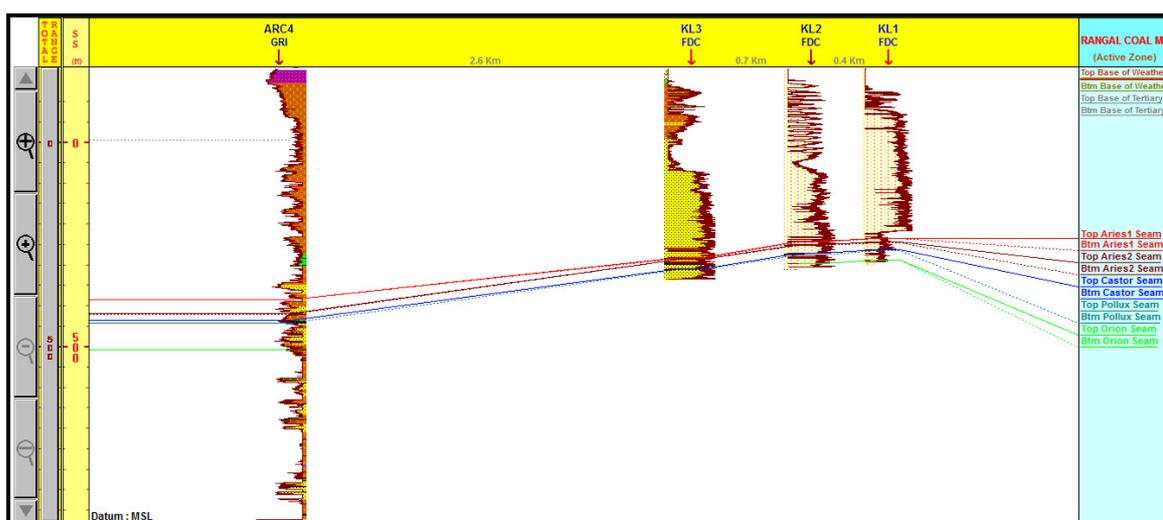


a) Current Process and Data Supporting The Exploration Target

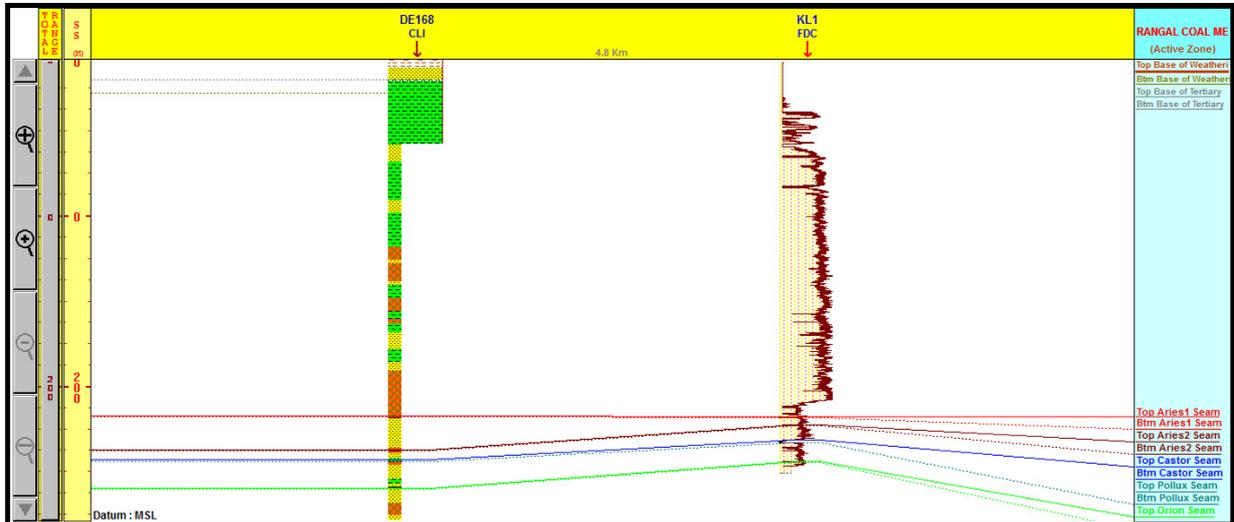
As stated above the Exploration Target was estimated using MCI drill hole KL001 as well as existing holes ARC4 and DE168. Figures showing the location of these holes and drill sections containing these holes showing the respective seam correlations are shown below in Plans 2-5. The inter-hole distance (km) is clearly shown in the headers of the two drill sections. The N-S aligned Albinia Fault is not shown on these sections as the average known displacement (based on the adjacent Arcturus deposit of some tens of metres) would not be visible at the vertical scale used in these drill sections. An internal drift is a typical standard underground mining engineering method for maintaining access to coal seams which have been moved due to the effects of such geological structures.



Plan 3 - Kilmain Project – Drill holes (in sections) used for Exploration Target



Plan 4 - Kilmain Project – Section looking NE showing seam extension to NW corner of tenement (ARC4)



Plan 5 - Kilmain Project – Section looking NW showing seam extension to SW corner of tenement (DE168)

The following table (Table 1) summarises coal quality data obtained from MCI drill hole KL001 used to define the Exploration Target. Subsequent drilling of holes KL002 and KL003 confirmed these coal quality data. As seen in the table below the range of raw ash content varies from 11% to 15% on an air dried basis. The tonnage calculation for the Exploration Target was based on the average thickness of the coalesced Castor-Pollux Seams at approximately 3 metres thickness as well as thickness of the Aries Seam plies above 1.5 metres over the area of the tenement which is approximately 50 square kilometres. A density factor of 1.5 grams per cubic centimetre was used in the calculation as was a mining dilution factor of 50%. A detailed seam section of drill hole KL001 is shown below in Plan 6 with the respective seam names clearly indicated. Numerous unnamed thin coal seam plies are also seen in this seam section, which have not been used in the target tonnage calculation.

Table 1: Kilmain Project – Coal Quality Summary Data for drill hole KL001

SEAM NAME	From (m)	To (m)	Length (m)	# N	RD	A	FC	VM	IM	S	SE	CSN
ARIES 1	414.66	419.25	0.86	2	1.42	11.0	52.2	30.10	6.7	0.52	5404	NA
ARIES 2	427.69	428.72	1.03	3	1.45	15.1	49.4	30.4	5.1	0.27	6738	1.0
CASTOR-POLLUX	445.22	448.35	3.13	8	1.45	14.4	51.5	27.8	6.3	0.34	6460	3.0
ORION	470.48	471.54	1.06	2	1.41	11.8	52.1	28.9	7.1	0.36	6130	1.0

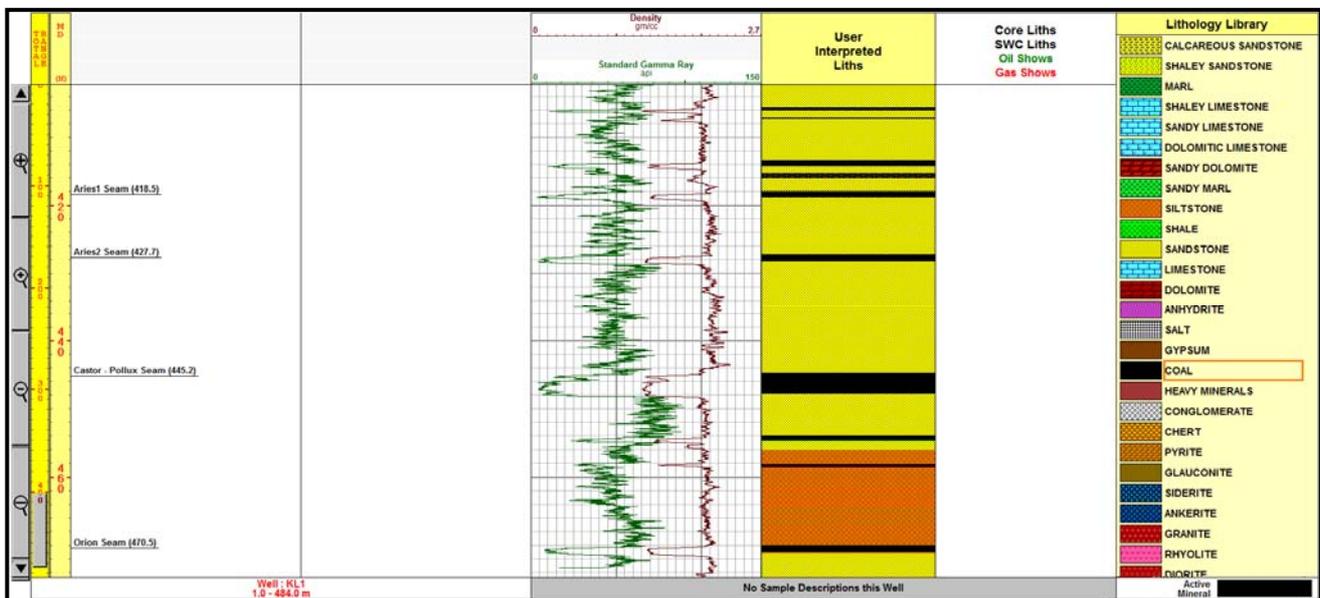


Notes:

1. Aries 1 seam comprises 2 samples (414.66-414.74, 418.47-419.25). Sample Nos 129361,129364.
2. Aries 2 seam comprises 3 samples (427.69-427.80, 427.80- 428.95, 427.95-428.72). Sample Nos 129367-129369.
3. Castor – Pollux seam comprises 9 samples (Nos 129372 to 129380).
4. Orion seam comprises 2 samples (470.48 – 471.01, 471.01 – 471.54). Sample Nos 129392,129393.
5. Core recovery across all seams averaged > 95%.
6. #N means number of samples on which the simple average was based. Sample variance was low which precluded the need for a weighted average calculation.
7. Due to sample mass restrictions 6 samples for HGI determination were obtained out of the 9 samples from the Castor-Pollux seam. The average HGI value is based on these 6 samples. HGI means Hardgrove Grindability Index and is a test of the coal's hardness which is important when transporting the coal.
8. RD means relative density measured in grams per cubic centimetre.
9. A means % ash content from proximate analysis on an air dried basis.
10. FC means % fixed carbon from proximate analysis on an air dried basis.
11. VM means % volatile matter from proximate analysis on an air dried basis.
12. IM means inherent moisture from proximate analysis on an air dried basis.
13. S means % total sulphur.
14. SE means specific energy (a.k.a calorific value) measured in kilocalories per kilogram on an air dried basis. Daf values were also assayed but are not included in Table 1.
15. CSN means raw crucible swelling number which is used for coking coal property assessment.
16. NA means not assayed.
17. One assay from a thin (0.10 metres) carbonaceous shale band at the base of the Castor-Pollux seam was omitted from the average calculation for this seam.
18. Aries 1 seam contained a thin internal stone band which was not assayed.

Notes on washability analyses :

1. Coal quality test work from the three holes tested to date has determined that the combined Castor-Pollux seam is capable of producing three products comprising a semi hard coking coal, PCI and a high energy thermal coal.
2. Float sink analyses were conducted on a ply-by-ply basis on KL001 and KL002.
3. From analyses of the float sink data and with testing for crucible swell index (CSN) a low ash coking coal fraction was identified. The washed CSN values on average show a 1 to 2 point lift compared to raw CSN values. The best value of washed CSN from the Castor-Pollux seam was 5.
4. The coking coal fraction was recovered as F1.30 and had ash less than 5% with CSN 5 and almost entirely composed of pure vitrinite. A yield of 38% was estimated.
5. With recovery of further fraction at F1.40 A PCI coal with an ash of 9% with estimated yield of 28%.
6. With recovery of a further fraction at F 1.50 a thermal coal with ash of 15% with estimated yield of 20%.
7. Overall yield of 86% is expected.
8. Indicative specifications for all 3 coal products have been prepared.



Plan 6 - Kilmain Project – Seam Section for Drill hole KL001

b) Future Process Planned to Test the Exploration Target

At this stage, while partners are sought, there are no plans for work to be undertaken to test the exploration target.

Prospective JV partners have held discussions on potential involvement in the Kilmain Project. A detailed two-year drilling program to bring the Kilmain project to JORC Indicated Resources status was prepared in December and supplied to two prospective JV partners. Further discussions are planned in the New Year with these potential partners.

The decision by Aurizon (ASX:AJZ) to electrify the Rolleston rail line to meet the planned increase in production from Xtrata’s Rolleston Mine to the south enhances the Kilmain project. ⁽²⁾

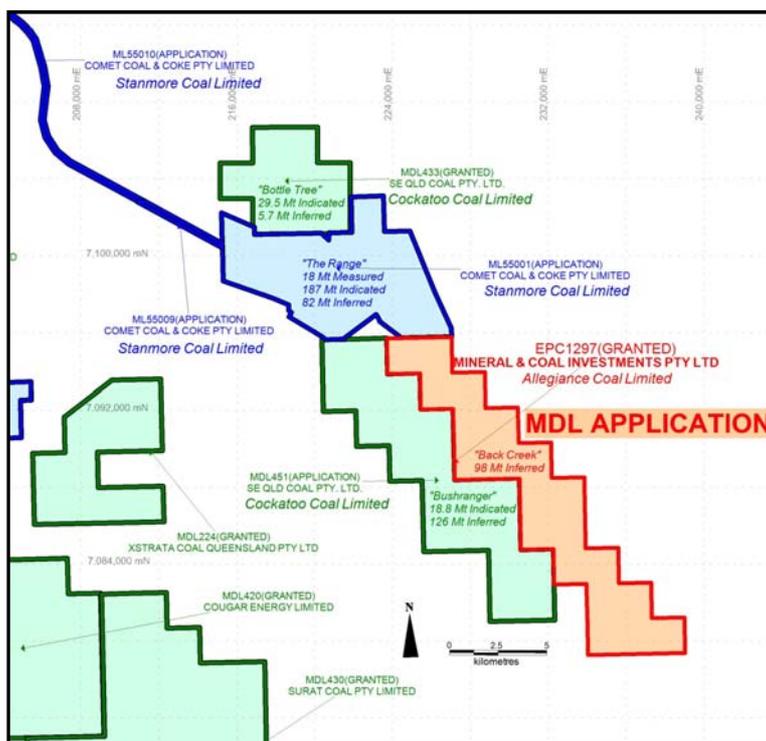
The presence of low ash coking coal and proximity to existing rail infrastructure are two of the features that interest prospective JV partners.

The Kilmain Project has potential for an underground deposit of coking/PCI/thermal coal within the Rangal Coal Measures and has an exploration target of 200 Mt of coal. ⁽³⁾

(2) Aurizon Holdings Limited ASX Announcement 13/04/2013

(3) 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 were conceptual in nature. There was insufficient exploration undertaken at that date to define a coal resource in accordance with the JORC Code, and it was uncertain if further exploration would result in the definition of a coal resource in accordance with the JORC Code.



Plan 1 - Back Creek Project – MDL Application

Sources of information in Plan 1:

- “Bottle Tree” and “Bushranger” resources are from www.cockatoocoal.com.au.
- “The Range” resource is from www.stanmorecoal.com.au.
- “Back Creek” resource is from www.allegiancecoal.com.au.
- Mt = Million tonnes.
- Measured, Indicated and Inferred are resource categories defined by the Joint Ore Reserve Committee (JORC) of the Australasian Institute of Mining and Metallurgy (AusIMM).
- Map projection is Map Grid of Australia Datum 1994, Zone 56.



Mt Marrow

The Company was granted EPC 2374, Mt Marrow, on 14 January, 2013.

This tenement is located within the West Moreton coalfield west of Ipswich and hosts sequences from the Walloon Coal Measures and the Company believes that the project is very significant because :

- It is close to existing rail infrastructure (only 90 kilometres from Port of Brisbane);
- Walloon coal is export quality thermal coal with low sulphur and low nitrogen;
- It has the potential to become a near term producer;
- It has the potential to be a low capital cost project.

Indicative Specifications for washed West Moreton Coal and a selectively mined coal have been developed for the Mt Marrow Project.

In December, a potential JV partner for the Mt Marrow project requested a detailed two year drilling program to bring the project to JORC Indicated Resources status. This program is planned to be prepared and supplied by early February, 2014.

Connemarra Project

Following a review of all available geological data within and adjacent to the Connemarra tenement and with the potential for an intersection of 5m of coal at underground mining depth it was decided to drill a stratigraphic hole at Connemarra to a depth of 450 metres -550 metres.

The hole was completed to a depth of 620 metres in December, 2013 and while no coal was intersected it has provided valuable information on the geological setting for the Connemarra tenements.

Additional palynological studies will be undertaken in Q1 2014 to further investigate the coal potential and to continue the research and Development programme commenced on this project last year.

The Company considers that the Connemarra Project EPC 1296 remains a speculative exploration area.

Other Projects and Further Information

Additional information regarding the activities by Allegiance Coal Limited is available in that companies December Quarterly Report for the period ended 31 December, 2013.

Hydromining Coal Australia Pty Ltd "HCA" (Gullewa 50%)

Patent applications for the company's non-entry mining method were lodged in October, 2013 to cover Australia and the USA.

EPC 2643 (Elatum Project), near Biloela in Central Queensland, was granted to HCA during December, 2013. The company has started to identify potential JV partners who may have an interest in a lignite to humic fertilizer plant that would utilize the targeted lignite as a feedstock.

The Company has, during the Quarter, confirmed with the NSW Department of Trade and Investment its request to be invited to apply for an exploration area, now identified as the Jarrow Project, over the closed Hebburn No 2 Colliery in the Cessnock coalfield west of Newcastle. There are areas within the closed colliery of unmined coal seams that would be suitable for hydromining techniques.

The company commenced preparing its R & D application for a tax refund for the 2012-2013 tax year.



Iron Ore and Gold

Central Iron Ore (Gullewa 36.1%)

Corporate

On October 25, 2013, CIO announced that Mr David Taylor has resigned as a director of CIO and Mr Graham Hurwitz has resigned from the role of Chief Financial Officer. Mr David Deitz has been appointed to the role of Chief Financial Officer.

GOLD

South Darlot Gold Project

As at the date of this report, the Company has earned an initial 51% interest in the Barrick JV tenements in accordance with the Barrick JV and is continuing exploration on the Barrick JV tenements with a view to earning an additional 19% interest (equal to a total interest of 70%) by spending a further AUD\$250,000 as required under the terms and conditions set out in the Barrick JV.

The company has currently spent to date in excess of AUD\$675,000. A formal joint venture agreement is in the process of being drafted between Barrick and CIO but has not yet been finalised.

Eureka Sale

The Eureka Gold Project is approximately 50 kilometres 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.

CIO is currently negotiating for the sale of its Eureka Gold Project up to a value of AUD\$2.15m.

Minerals

Claymor Resources Pty Ltd (Gullewa 100%)

Dandaloo Project - New South Wales

No field activities were undertaken.

Tenement Table

Holder	Project Name	Tenement	Equity at Beginning Quarter	Equity at End of Quarter	Nature of Interest	Location
Claymor Resources Pty Ltd	Dandaloo	EL 7022	100%	100%	Granted	Narromine, NSW

Gullewa is continuing to maintain tight controls on costs. It has significantly reduced its tenement position over the past 15 months. An increase in the complexity of the regulatory framework in NSW over the past few years combined with decreasing security of project development has resulted in increased sovereign risk in NSW. Accordingly, given its strong financial position, we are monitoring and reviewing investment possibilities in alternative jurisdictions as the exploration and mining sector improves.



Corporate

The Gullewa Group's cash at bank at the end of December, 2013 was \$5.8 million.

Competent Persons Statements

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 2012 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.

The information in this report as it relates to Exploration Targets for the Kilmain Project is based on information compiled by Colin Randall who is the Managing Director of Allegiance Coal Limited and is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Randall has sufficient expertise in mineral resources estimation, which is relevant to the style of mineralisation and type of deposit under consideration and is qualified as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves. Mr Randall consent to the inclusion in the report of the information in the form and context in which it appears.

The information in this report as it to relates to the coal resources for the Back Creek Project is based on information compiled by Colin Randall who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Randall has sufficient expertise in mineral resources estimation, which is relevant to the style of mineralisation and type of deposit under consideration and is qualified as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves. Mr Randall consent to the inclusion in the report of the information in the form and context in which it appears.

David Deitz

Director & CEO

B.Comm, MAusIMM, CPA

For any enquiries :

David Deitz

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