



GULLEWA LIMITED

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31 July, 2012

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Quarterly Report

For period ended 30 June, 2010

Highlights

Allegiance Coal Limited (Gullewa 56.6%)

- Raised \$7.0 million and listed on the ASX (ASX:AHQ) on 29 May, 2012.
- Drilling recommenced at the Back Creek Project, Surat Basin.
- Six holes completed prior to heavy rains postponing the program.
- 9.3m cumulative coal to a depth of 69.05m intersected in BC005 in the northern part of the tenement.
- Balance Resources completes infrastructure requirement review, including port, rail, water and power for Back Creek and Kilmain projects.
- The Company is reviewing several farm-out opportunities on some of its projects.

Central Iron Ore (Gullewa 36.1%)

Iron Ore

- A Programme of Work was approved for a first phase drilling program at Perinvale South Iron Ore Hub.
- Surveying was completed for access and drill pad access at Perinvale South Iron Ore Hub.
- Detailed regolith mapping of E77/1737, E77/1820 and E77/1963 at Windarling Iron Ore Hub.
- A low-level high-resolution airborne magnetic survey was flown at E77/1757 at Diemals Iron Ore Hub.
- A low-level high-resolution airborne magnetic survey was flown at E30/415 at Perinvale South Iron Ore Hub.

Gold

- Ground-based gravity survey was completed at E37/882 and E37/1054.
- A Programme of Work was lodged for a first phase drilling program and was approved by the Department of Mines and Petroleum.
- BM Geological Services continued the review and analysis of South Darlot Gold Project data.



Coal

Allegiance Coal Limited (Gullewa 56.6%)

General Activities

The June Quarter saw the listing of Allegiance Coal Limited (ASX:AHQ) on the ASX, on 29 May 2012. Allegiance Coal raised \$7 million for exploration of its coal projects in Queensland.

Subsequent to the listing, drilling recommenced at the Back Creek project in the Surat Basin with drilling on 31 selected sites proposed. This drilling intersected potentially significant coal in the northern part of Back Creek. Drill hole BC005 intersected 9.3m cumulative of coal to a depth of 69.05m. Heavy rains in the Back Creek area led to a suspension of the drilling but is expected to recommence in August.

Considerable attention has been given to the long term planning needs for infrastructure requirements for power, water, rail and port facilities to support the two lead projects Back Creek and Kilmain.

Project Status

Back Creek Project (EPC 1297)

The 2012 drilling program at Back Creek entails drilling at 31 drill locations, including the drilling of 5 cored holes. The original program was expected to be completed by August, 2012 (weather permitting) and has been designed to provide sufficient information to allow the reporting of JORC Resources in or before Quarter 4 2012.

Widely spaced drilling was completed in the northern section by other companies in the 1960s and 1980s, and by Allegiance in 2011. The current drilling has been planned to infill the historic drilling to a spacing of approximately one (1) km, both in the north as well as in the Company's high priority areas to the south.

Drilling recommenced on the project on 8 June, 2012 and 6 holes were completed prior to postponing the drilling because of heavy rains in late June. Details of the six (6) drill hole completed in June 2012 as well as holes previously drilled by Allegiance in the northern area are appended.

Two (2) holes were completed in this northern section of the tenement, holes BC002 and BC005. Both of these holes intersected potentially significant coal with hole BC005 intersecting 9.3m of cumulative coal a depth of 69.05m. Two additional cored holes have been proposed in this northern section to provide additional coal quality data.

At Back Creek the Company's current exploration target of 60-80 million tonnes ⁽¹⁾ of shallow, open cut low ash thermal coal is located in the central and southern portions of the tenement. See attached plan.

Kilmain Project (EPCs 1298 and 1917)

Final test results for washability and coal quality have been obtained by the Company for KL001, KL002 and KL003, enabling commencement of a detailed review of the data. In addition, final gas data results were also obtained. The gas concentrations were considered too low to be of commercial interest by way of pre drainage prior to mining.

During the Quarter advice was received from the Queensland Department of Natural Resources and Mines that the amalgamation of EPC 1298 and EPC 1917 would proceed with the combined tenement to be granted for a period of four years (previously two years).

Drilling is planned to recommence in September, 2012 with first JORC resources planned to be announced in Quarter 1 2013.

The Kilmain Project has potential for an underground deposit of coking/thermal coal within the Rangal Coal Measures and has an initial target of 100-200 million tonnes(1) of coal.

(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.



Mintovale Project (MDL 138)

While the new LNP Queensland State Government made statements before the election that there would be no mining within the Scenic Rim Council area, no legislation has yet been enacted to prohibit Moreton Coal Pty Ltd (wholly owned by AHQ) from continuing to exercise its rights under the existing legislation regarding its Mintovale MDL 138.

The Company held meetings with a group of landowners from the Mintovale area and with the Mayor of Scenic Rim Council.

Potential exists for Mintovale to be a small open cut direct shipping thermal coal by road and by rail to the port of Brisbane.

Connemarra Project

While a potential farm-out of the project was considered, the level of knowledge on the potential of the tenement was considered to be insufficient to value the project. The company plans to drill within the Connemarra tenement by end Quarter 4 2012.

The Connemarra Project EPC 1296 remains a speculative exploration area due to the lack of current geological data.

Calen Project

During the quarter, a potential farm-out was under negotiation with the holder of other tenements in the Calen Basin.

The Calen Project, EPC 1631 and EPC 1820, has potential for underground PCI coal deposits.

Lochaber (EPC 1672)

A field mapping program was completed during the quarter and has provided further definition to planned drilling within the area which is proposed to involve some 6 holes in a central prospective area.

The company, as a member of the North Burnett Mineral Group, has been considering rail transport options for bulk commodities from the North Burnett region.

The Lochaber Project EPC 1672 has potential for open pit thermal coal deposits.

Other Projects

The Company is considering possible farm-out opportunities on several of its remaining projects. This would allow the Company greater flexibility in pursuing its lead projects.

Infrastructure

Queensland infrastructure consultants Balance Resources completed a review during the quarter of the infrastructure needs of the Back Creek and Kilmain projects. The infrastructure requirements included port, rail, water and power for both projects.

In relation to the potential coal export tonnage from the Mintovale, Mobs Creek, Cedar Creek and Mt Marrow projects, the Company responded to a request for 'Expressions of Interest' for access to increased port capacity through Brisbane.

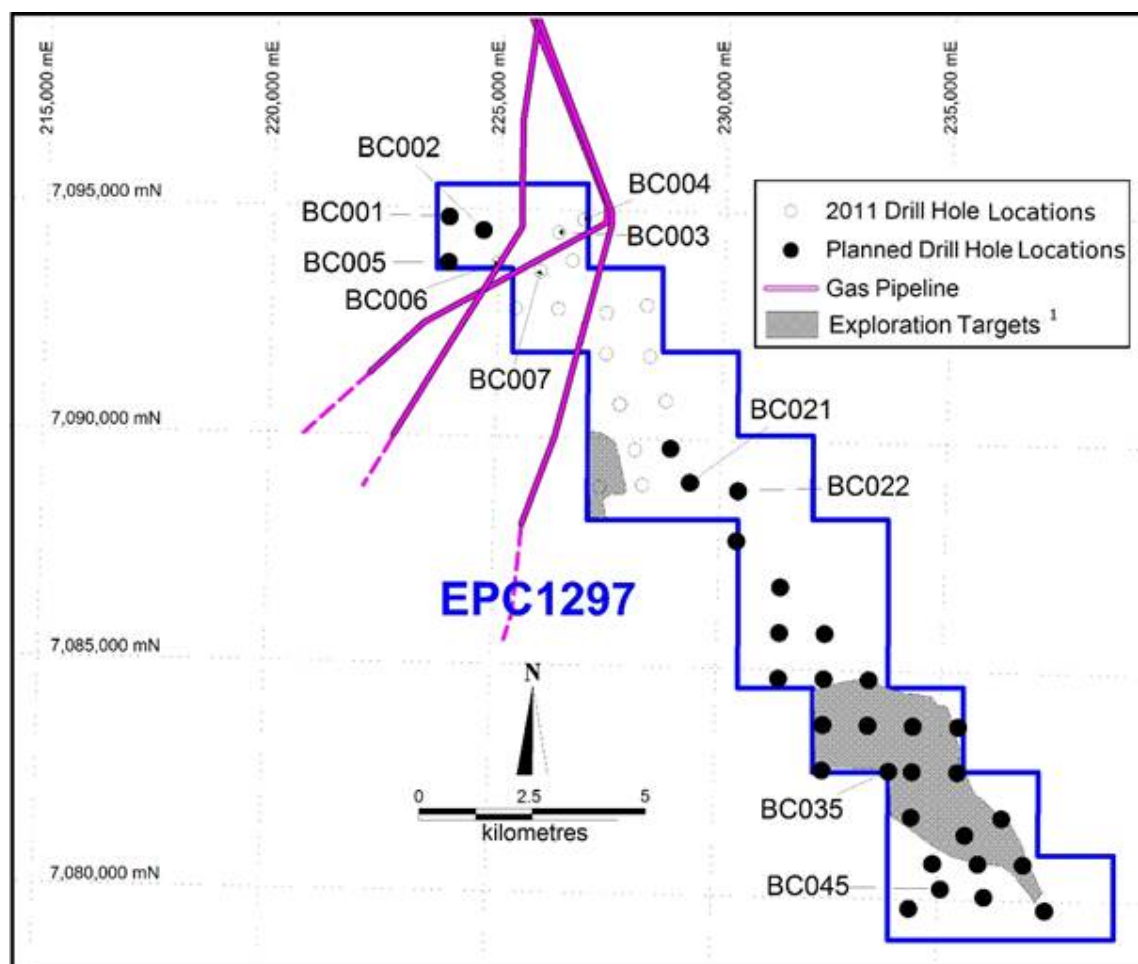


Figure 1 – Drill Hole Locations



DRILL HOLE LOCATIONS (GDA 94 MGA 56)					COAL INFORMATION			
HOLE NUMBER	EASTING	NORTHING	ELEVATION (metres ASL)	TOTAL DRILLED DEPTH (m)	CUMULATIVE SEAM THICKNESS	DEPTH TO BASE OF COAL (m)	YEAR DRILLED	COMMENT
BC001							N/A	NOT YET DRILLED
BC002	224752	7094723	362	99.5	3.1	34.1	2012	
BC003	226420	7094696	354.12	100.0	0.45	20.5	2011	Minor coal seam development in possible upper seam within zone of oxidation
BC004	227039	7095012	352.50	76.0	0.0	No coal intersected	2011	Collared below the coal measures.
BC005	224000	7094000	370	112.0	9.3	66.7	2012	This intercept includes 2 seams each greater than 2.0 metres thickness.
BC006	225111	7093878	360.62	88.5	3.9	45.8	2011	0.75 metres of coal above the level of oxidation was excluded from the seam thickness.
BC007	226000	7094000	362.21	91.0	1.6	42.6	2011	
BC021	229448	7089238	365	107	3.15	52.35	2012	
BC022	230516	7089084	366	88	0.9	37.2	2012	
BC035	233998	7082983	349	52.98	4.55	64.4	2012	Core hole 4.2 metres in top portion of hole.
BC045	235179	7082987	357	103.69	1.0	53.45	2012	

Table 1 : Allegiance Coal Limited Drilling – EPC 1297



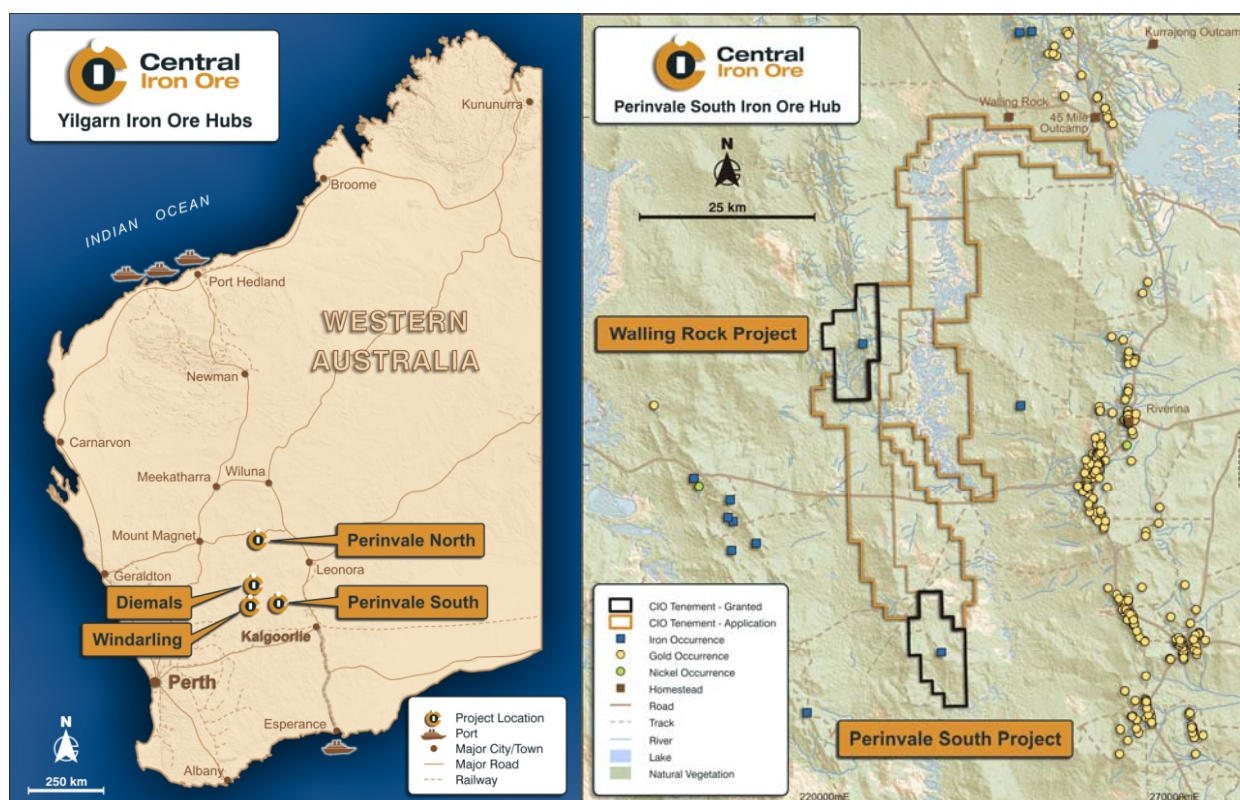
Iron Ore and Gold

Central Iron Ore (Gullewa 36.1%)

IRON ORE

Yilgarn Iron Ore Project Area

The Company now has a total of 16 iron ore tenements covering 1,594km² that are located within the Yilgarn Iron Ore Province ("Yilgarn IOP") in Western Australia, of which nine tenements are granted and six tenements are pending applications. .



Perinvale South Iron Ore Hub

Walling Rock Project –E30/414

A Planned Order of Works (POW) has been approved for a first phase of drilling of identified targets. Surveying of tracks and drill pads has been completed and drilling is proposed in the next quarter.

Perinvale South Project (E30/415)

Airborne Magnetic Survey

A low-level high-resolution airborne magnetic survey was conducted over the entire portion of the Perinvale South project in the Perinvale South Iron Ore hub. The survey involved 2,248 line-kilometres of flying with lines spaces at 100m. The data has been processed and reviewed by an independent geophysical company.



Perinvale North Iron Ore Hub

Perinvale North Project - E57/818

The Perinvale North Project consists of Exploration Licence E57/818 covering an area of 120km² and is located approximately 550km North East of Perth, Western Australia in the Southern Cross Domain of the Yilgarn Craton. CIO has a joint venture with Pacific Ore Limited ("Pacific") (ASX:PSF) in relation to the Perinvale North Project which is currently 100% owned by CIO. Pacific can earn an interest in the Project as follows:

Pacific had completed mapping and associated rock chip sampling as well as a high-resolution aeromagnetic survey in previous quarters and is continuing with its assessment of the project.

Diemals Iron Ore Hub

Diemals Project – E77/1757

Airborne Magnetic Survey

A low-level high-resolution airborne magnetic survey was conducted by CIO over the entire portion of the E77/1757 project in the Diemals Iron Ore hub. The survey involved 2,750 line-kilometres of flying with lines spaces at 100m. The data has been processed and reviewed by an independent geophysical company.

Windarling Iron Ore Hub

Windarling Project – E77/1737, 1820 and 1963

Regolith Mapping and rock chip sampling (E77/1737)

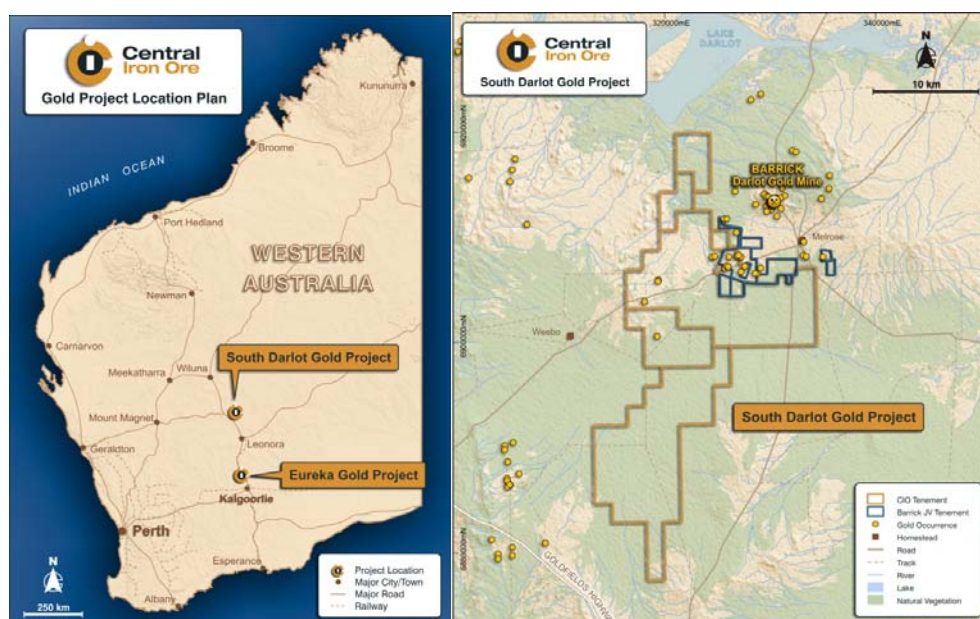
Detailed regolith mapping and rockchip sampling was completed each of these tenements by a geological consultant, Dr Mike Grigson of Arc minerals during the quarter. Reports on the activities are awaited.

GOLD

South Darlot Gold Project

A ground based gravity survey was completed during the quarter. The survey included E37/882 and E37/1054. The survey consisted of 2187 gravity stations on 35 W-E lines with line intervals of 100/200m and station intervals of 50m. An interpretation of the data will be completed during the September Quarter.

Additional activities on the project during the quarter included planning of an initial drilling program, submission of a Planned Order of Works (POW) for future drilling programs, preparation and lodging of the 2012 Annual Environmental report on M37/030 and a Quarterly HSE sit inspection. An approval for the drilling program was received from the Department of Mines and Petroleum.





Eureka Gold Project

A Quarterly HSE sit inspection was undertaken.

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

Hydromining Coal Australia is pleased to announce that it has been advised by the Queensland Government that it is the priority applicant for the allocation of EPCA 2643 'Elatum'. The competing application was lodged in July 2011 over 30 sub blocks in the Biloela Sub-Basin of the Bowen Basin and the target is lignite within the Biloela Formation of Tertiary Age. When granted, the area would be a potential test bed for the non-entry mining method under development by the company.

To advance the development of the non-entry mining method, the company has employed a mechanical engineer on a three month contract.

Meanwhile the company has been approached by a number of companies that have deposits in South Australia and Queensland that may be suitable for use of the non-entry mining method.

There were no field activities during the month.

Minerals

(Gullewa 100%)

New South Wales

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

Statement of Qualified Persons

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.

Sections of this quarterly report relating to the reporting of exploration information were written by Colin Randall and Garry Baglin in accordance with the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code").

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. Both have a minimum of fifteen years experience in the field of activity being reported on and are Competent Persons as defined in the JORC Code. This announcement accurately summarizes 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 : David Deitz

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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 June, 2012

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
1.2 Payments for (a) exploration and evaluation	(240)	(2,026)
(b) development		
(c) production		
(d) administration	(673)	(2,752)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	106	716
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		308
1.7 Other (provide details if material) – IPO expenditure	(802)	(1,093)
Net Operating Cash Flows	(1,609)	(4,844)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects		
(b) equity investments	(457)	(528)
(c) other fixed assets	(19)	(61)
1.9 Proceeds from sale of: (a) prospects		
(b) equity investments		
(c) other fixed assets		758
1.10 Loans to other entities	(6)	(52)
1.11 Loans repaid by other entities		525
1.12 Other (property) and security deposit	37	(45)
Net investing cash flows	(445)	597
1.13 Total operating and investing cash flows (carried forward)	(2,054)	(4,247)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,054)	(4,247)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	7,000	9,790
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		149
1.17	Repayment of borrowings	(11)	(67)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	6,989	9,872
	Net increase (decrease) in cash held	4,935	5,625
1.20	Cash at beginning of quarter/year to date	4,232	3,542
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	9,167	9,167

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	344
1.24	Aggregate amount of loans to the parties included in item 1.10	6

1.25 Explanation necessary for an understanding of the transactions

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

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

+ 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	588
Loan facilities – C Randall & Associates – Float	100	100
Loan facilities – C Randall & Associates – Operating	320	311
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,000
4.2 Development	
4.3 Production	
4.4 Administration	750
Total	1,750

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	9,167	4,232
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	9,167	4,232

+ See chapter 19 for defined terms.

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 Preference securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	149,723,100	149,723,100		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (description)				

+ 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	Options (description and conversion factor)	5,480,000 4,475,000 1,000,000 1,300,000	Nil Nil Nil Nil	<i>Exercise price</i> 11.87 cents 22.30 cents 22.30 cents 10.00 cents	<i>Expiry date</i> 30.11.2014 07.03.2016 16.05.2016 16.05.2017
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (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 give a true and fair view of the matters disclosed.

Sign here: Date: 31 JULY, 2012
(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.

+ See chapter 19 for defined terms.