



GULLEWA LIMITED

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29 July, 2014

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Quarterly Report For period ended 30 June, 2014

Highlights

Allegiance Coal Limited (Gullewa 56.6%)

- Company maintains focus on cost control and cash
- Joint Venture discussions progressing on the Kilmain project.

Central Iron Ore (Gullewa 36.1%)

Barrick Joint Venture :

- The Company has earned a 70% interest in the Barrick JV tenements.
- A formal joint venture agreement is in the process of being drafted.

Eureka Gold :

- Discussions ongoing for Eureka Gold Project sale.

British King

- Discussions commenced for British King sale.

Hydromining Coal Limited (Gullewa 50%)

- It was decided to cease future expenditure and a decision made to relinquish, joint venture or sell the projects.

New South Wales

Dandaloo

- No activities undertaken.

Coal

Allegiance Coal Limited (Gullewa 56.6%)

Allegiance Coal Limited has continued to critically examine its cash position and portfolio of tenements.

As a result, the Company has decided to relinquish a further two tenements, i.e. Pinetree and Normanby in Far North Queensland, both of which are greenfield and would have very long lead times to bring to production. The company has already commenced the process of relinquishing Mobs Creek, Cedar Creek, Lochaber and Mintovalle tenements.

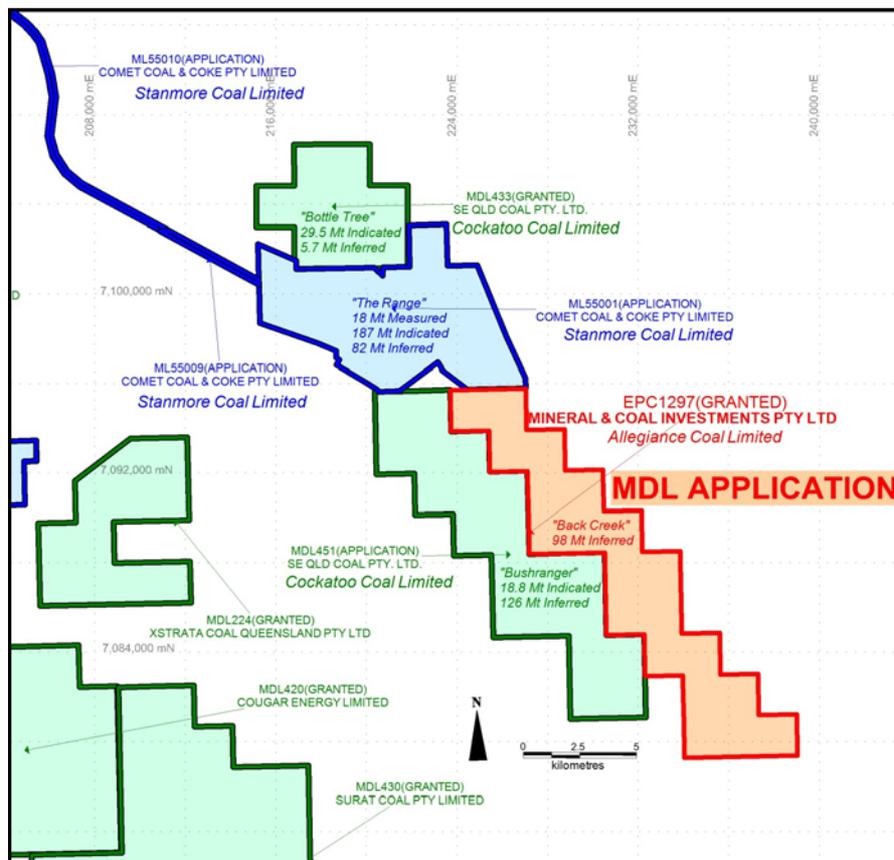


Project Status

Back Creek Project

The posting of the maiden 98 Mt JORC Inferred Resource in November, 2012 ⁽¹⁾ enabled the Company to progress the Project to the stage of lodging a Mineral Development Licence Application (MDLA) in March, 2013. Following discussions with DNRM it has been decided to resubmit the MDLA utilising data and geological concepts that were either not available or considered in making the original MDLA. The preparation of the resubmittal of the MDLA was continued during the Quarter. See *Plan 1*

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



Plan 1 - Back Creek Project – MDL Application

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



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.*

Kilmain Project

Prospective JV partners with a specific interest in the Kilmain coal project have held discussions with your company during the Quarter. The discussions were based on a detailed two/three year drilling program to bring the Kilmain project to JORC Indicated Resources status. While none of these discussions have come to fruition at this time, discussions are continuing. The presence of low ash thermal/coking coal and proximity to existing rail infrastructure are two of the features that interest prospective JV partners.

The Senior Geologist and contract Field Manager undertook a joint site inspection of the Kilmain tenements with potential JV partner’s representatives. The inspection included drill sites across the Comet River and was held in company with the land owner.

Aurizon’s (ASX:AJZ) electrification of the Rolleston rail line continued during the Quarter.

The electrification of the Rolleston rail line to meet the planned increase in production from Glencore’s Rolleston Mine to the south will enhance the Kilmain project since there is the potential for lower cost rail transportation in the future. ⁽²⁾

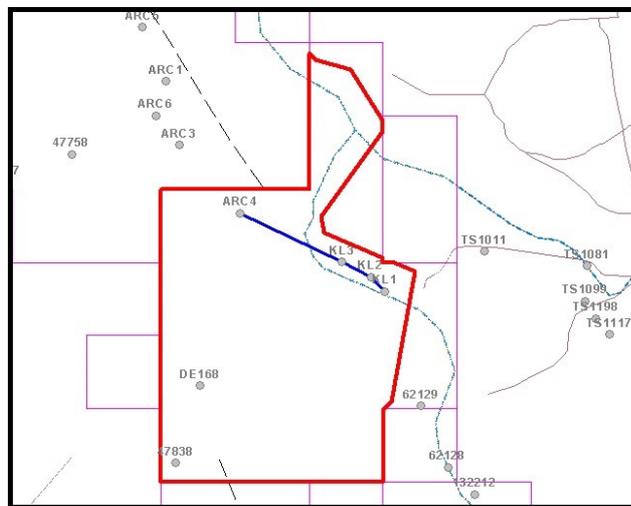
The Kilmain Project has potential for an underground deposit of coking/PCI/thermal coal within the Rangal Coal Measures and has an exploration target of 100 to 200 Mt of coal. The Exploration Target was announced on 12th October 2011 by Gullewa Limited prior to the listing of Allegiance Coal Limited. 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 in sufficient 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 over page.

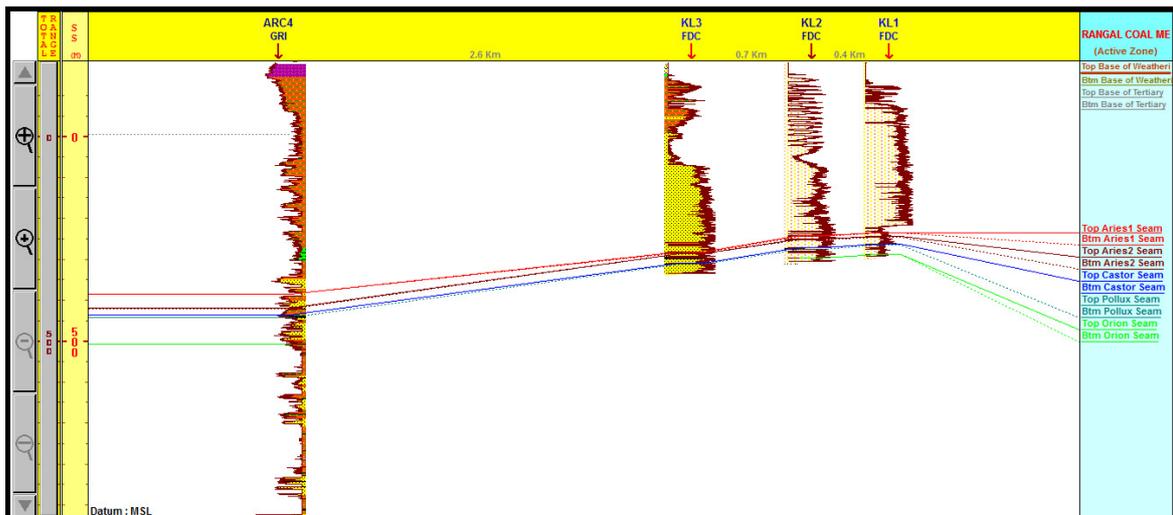


a) **Current Process and Data Supporting The Exploration Target**

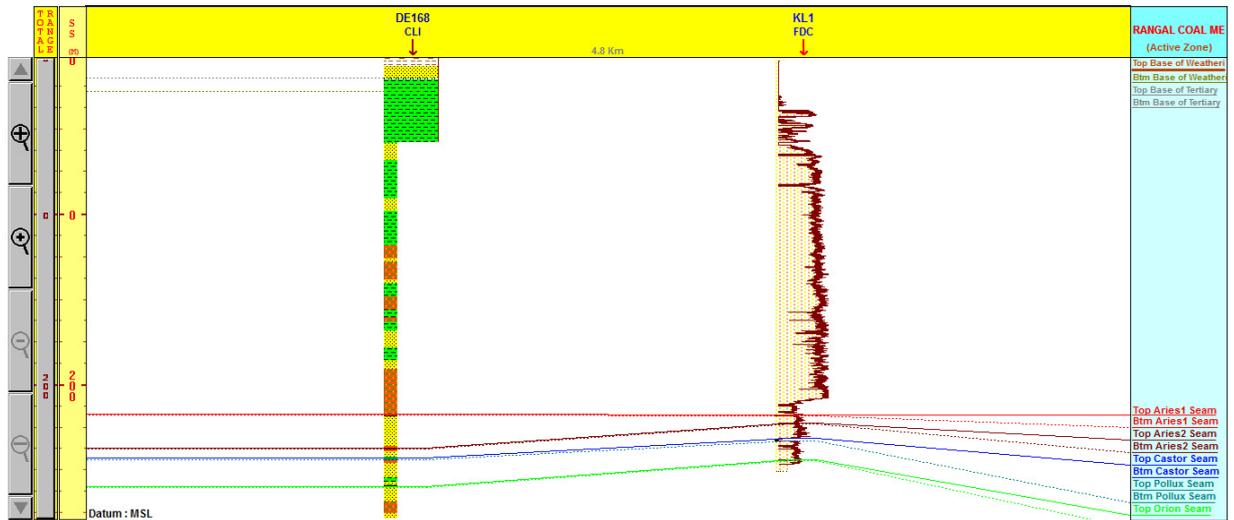
As stated above the Exploration Target was estimated using MCI drill hole KL001 as well as existing holes ARC4 and DE168. Figures showing the location of these holes and drill sections containing these holes showing the respective seam correlations are shown below in Plans 2-5. The inter-hole distance (Km) is clearly shown in the headers of the two drill sections. The 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. The location of the N-S aligned Albinia Fault is however, clearly shown in Plan 6 as is its displacement effect on the depth contours for the base of the target Castor-Pollux Seam. 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 2 - Kilmain Project – Drill holes (in sections) used for Exploration Target



Plan 3 - Kilmain Project – Section looking NE showing seam extension to NW corner of tenement (ARC4)



Plan 4 - 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 9 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 5 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 – Raw Coal Quality Summary Data for Drill Hole KL001

SEAM NAME	From	To (m)	Length (m)	#	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

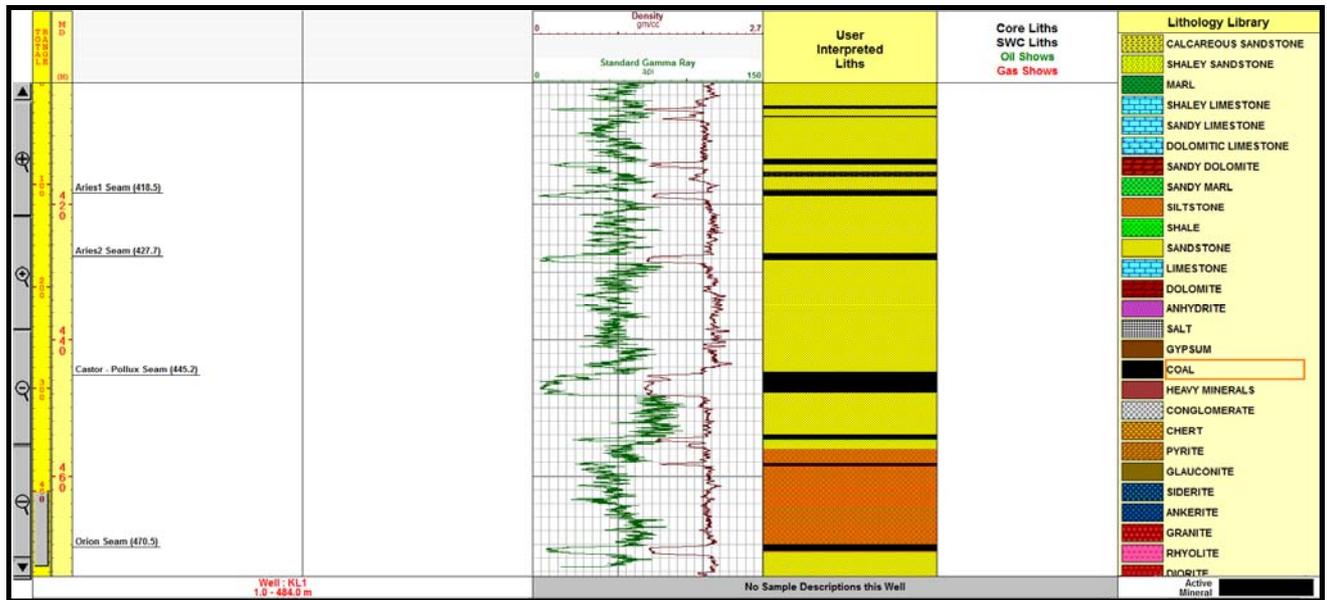


Notes:

1. Aries 1 seam comprises 2 samples (414.66-414.74, 418.47-419.25). Sample No.s 129361,129364.
2. Aries 2 seam comprises 3 samples (427.69-427.80, 427.80- 428.95, 427.95-428.72). Sample No.s 129367-129369.
3. Castor –Pollux seam comprises 9 samples (Sample Numbers 129372 to 129380).
4. Orion seam comprises 2 samples (470.48 – 471.01, 471.01 – 471.54). Sample No.s 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 and air dried basis. Daf values were also assayed but are not included in Table 1.
15. CSN mean raw crucible swelling number which is used for coking coal property assessment. The best result is tabulated above rather than the average.
16. NA means not assayed
17. One assay from a thin (0.10m) 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 KLO01 and KLO02.
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 composed of 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 5 - Kilmain Project – Seam Section for Drill hole KL001

Calen Project

Detailed planning for exploration on a limited number of drill sites within the Calen tenements was undertaken by Square Holdings with whom the Company has a farm-out and joint venture agreement. A shareholder in Square Holdings is Japanese coal trader Mitsui Matsushima.

The Calen Joint Venture meeting agreed the drilling program for 2014 calendar year. Drilling is expected to commence in the next Quarter. With drilling of 3000m, Square Resources will earn a 51% share in the joint venture.

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

Areas for Relinquishment

Six tenements are now in the process of relinquishments i.e. Pinetree, Normanby, Mintovale, Cedar Creek, Mobs Creek and Lochaber.



Subsequent Events

Mineral and Coal Investments Pty. Limited ('MCI') is a fully owned subsidiary of Allegiance Coal Limited ('Allegiance Coal'). MCI has loans to a value of \$3,086,164 (as at 30 June 2014) owing to Gullewa Limited and C. Randall & Associates Pty. Ltd, which were due for repayment on 30 June 2014, either in full or in part depending on certain conditions.

Allegiance Coal has negotiated the partial repayment of those loans by the repayment to Gullewa Limited of \$1,000,000 and the repayment to C. Randall & Associates Pty Ltd of \$200,000.

Allegiance Coal has also negotiated an extension of the repayment dates of the balance of the loans to 30 September 2015, subject to certain conditions.

These include that if MCI does not have sufficient cash to cover its 12 month operating budget at the repayment date, then the repayment date will be extended by a further 90 days. The repayment date can continue to be extended by 90 day periods in this manner if that condition cannot be met, until a sunset repayment date of 30 June 2017, at which time all of the debts must be repaid in full.

Interest is charged on the loans calculated on the 90 day bank bill swap rate plus 4%.

Cash at Bank

Allegiance Coal will have approximately two million dollars in cash at bank after this repayment.

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

It was decided to cease further expenditure on these projects and seek a buyer.

Iron Ore and Gold

Central Iron Ore (Gullewa 36.1%)

GOLD

- *Barrick Joint Venture* :
 - The Company has earned a 70% interest in the Barrick JV tenements.
 - A formal joint venture agreement is in the process of being drafted.
- *Eureka Gold* :
 - Ongoing discussions for Eureka Gold Project sale.
 - Discussions commenced for British King sale.

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 and is preserving cash. It has significantly reduced its tenement position over the past 18 months. Accordingly, given its strong financial position, your company is monitoring and reviewing investment possibilities in alternative jurisdictions as the exploration and mining sector improves.

Corporate

Cash

The Gullewa Group's cash at bank at the end of March, 2014 was \$5.326 million.

David Deitz

Director & CEO

B.Comm, MAusIMM, CPA

For any enquiries :

David Deitz

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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 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.