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30 January, 2015

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Quarterly Report

For period ended 31st December, 2014

Coal

- Commenced on site works within Kilmain with JOGMEC
- Completed 12km of ground magnetometer surveys
- Completed 11.25 km of seismic surveys
- Completed drilling of three partially cored holes.
- Cores sent for coal quality analyses
- Relinquishing tenements on all but three projects
- Maintaining focus on cost control and cash preservation.

Site works within Kilmain Project

During the December quarter Allegiance Coal Limited ("Allegiance Coal") commenced on site works within its Kilmain project.

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.

Completion of the drilling of three partially cored holes occurred just prior to Christmas and just prior to the setting-in of the wet weather.

Coal cores from the three drill holes' seam intersections were sent for laboratory testing.

The analytical results from the three drill holes will be assessed along with results of previous company drilling, historic drill hole data from within the tenement and adjacent drill hole data provided under a data swap arrangements with Bandanna Energy's Arcturus Project.

Assessment of the coal quality is expected to be completed during the next quarter.

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.



Relinquishment of tenements

Following a critical review of all tenements a decision has been taken to relinquish all tenements other than those associated with three projects i.e. Kilmain (EPC 1298 and EPC 1917), Back Creek (EPC 1297) and Calen (EPC 1631) projects.

Gold

Corporate

- On November 10, 2014, CIO announced that it has entered into an agreement for the AUD\$1.1 million sale of its British King Gold Mine in Western Australia to BK Gold Mines Pty Ltd.
- 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.

Gold

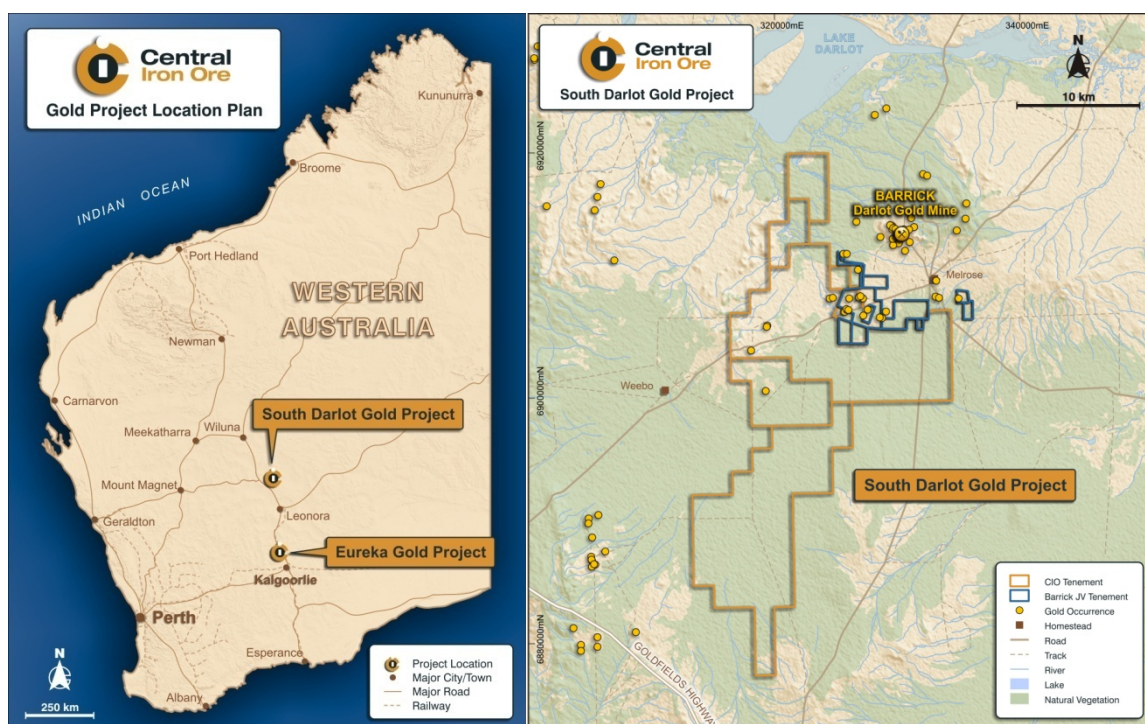
- South Darlot
 - Annual reporting obligations.
- Barrick Joint Venture
 - The Company has earned a 70% interest in the Barrick JV tenements.
 - A formal joint venture agreement is in the process of being drafted.
- Eureka Gold
 - Quarterly HSE sit inspection and annual reporting obligations.
 - Ongoing discussions for Eureka Gold Project sale.

Iron Ore

- Annual reporting obligations for tenements.
- Reduction in tenement holdings to 5 tenements.

South Darlot Gold Project

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.



The Company has re-focused the gold strategy and is actively working towards a greater tenement expansion in the South Darlot region which will allow for regional and mine site exploration to commence. The Company's current tenement package is 336km².

Barrick JV Project

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.

Quarterly Activity

Annual reporting obligations for tenements.

British King Sale

On November 10, 2014, CIO announced that it has entered into an agreement for the AUD\$1.1 million sale of its British King Gold Mine ("Project") in Western Australia to BK Gold Mines Pty Ltd ("Purchaser").

The consideration payable by the Purchaser for the acquisition of the Project includes a AUD\$250,000 payment on completion of the acquisition, with the balance of the consideration to be paid in three tranches upon the satisfaction of certain production milestones from the Project, as set out below.

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|------------|---|
| Tranche 1: | The Purchaser must deliver to CIO 150 troy ounces of gold upon the production and sale of 5,000 troy ounces of gold from the Project, upon which the Purchaser will acquire a further 14% interest in the Project (resulting in a total interest for the Purchaser of 65%). |
| Tranche 2: | The Purchaser must deliver to CIO 175 troy ounces of gold upon the production and sale of 7,500 troy ounces of gold from the Project, upon which the Purchaser will acquire a further 15% interest in the Project (resulting in a total interest for the Purchaser of 80%). |
| Tranche 3: | The Purchaser must deliver to CIO 215 troy ounces of gold upon the production and sale of 10,000 troy ounces of gold from the Project, upon which the Purchaser will acquire a further 20% interest in the Project (resulting in a total interest for the Purchaser of 100%). |



In the event that the Purchaser fails to make any of the payments referred to above by the date required under the agreement, the Purchaser will be required to transfer back to CIO all of its then existing percentage interest in the Project and CIO will grant to the Purchaser a gross value royalty in respect of gold extracted from the Project. The percentage royalty interest will be determined as follows:

Purchaser Project interest	Gross Value Royalty
51%	1.25%
65%	1.625%
80%	2%
100%	2.5%

In addition to the consideration set out above, the Purchaser will pay AUD\$5,000 per month to CIO for rental of the equipment located at the Project site, until such time as the Purchaser acquires a 100% interest in the Project (subject to the earlier termination of the agreement).

On December 02, 2014, the Company 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.

Eureka Gold Project

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.

Project	Tenement	Status	Area (ha)
Eureka Gold	M24/189	Granted	218.15
Eureka Gold	M24/584	Granted	110.5
Eureka Gold	M24/585	Granted	104.5
Eureka Gold	M24/586	Granted	130

Iron Ore

Yilgarn Iron Ore Project (IOP)

The Company continued its strategy into iron ore via applying for further tenements in the Yilgarn IOP in Western Australia during the year. The applications have been made through the Company's 100% owned subsidiary Central West Resources Pty Ltd. The Company has a total of 5 iron ore tenements covering 1,407km² that are located within the Yilgarn IOP. The Yilgarn IOP is considered highly prospective, given its history of large-scale iron ore production, with the Cliffs Natural Resources Ltd-owned Koolyanobbing operation (formerly operated by Portman Limited) currently producing at a rate of approximately 8Mtpa of Direct Shipping Ore ("DSO").

Perinvale South Iron Ore Hub

Quarterly Activity :

- Annual reporting obligations
- Continued tenement reduction



Minerals

Claymor Resources Pty Ltd (Gullewa 100%)

Dandaloo Project - New South Wales

The tenement has been relinquished.

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

Property

A fully owned subsidiary has entered into a joint venture with two other parties to subdivide and sell housing lots at Aberglasslyn in the Hunter Valley. The property settlement on purchase should occur this quarter.

Corporate

The Gullewa Group's cash position at the end of December, 2014 was \$4.372 million.

Repayment of Loans

Mineral and Coal Investments Pty Limited (MCI) is a fully owned subsidiary of Allegiance Coal Limited. MCI has a loan to the value of \$1.6 million owing to Gullewa Limited.

The company had negotiated an extension of the balance of this loan to 30 September, 2015, subject to certain conditions.

These conditions include 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 a 90 day bank bill swap rate plus 4%.

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