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Drilling Update (Kilmain Project)

Gullewa Limited is pleased to announce that Allegiance Coal Limited ("Allegiance"), an 80% subsidiary of Gullewa Limited, has commenced drilling operations on its Kilmain Project in EPC 1298 in the Bowen Basin.

The target seam is the potentially 3m thick Pollux Seam of the Rangal Coal Measures.

The Phase 1 drilling programme of 3 non cored and 2 cored holes will provide confirmation of seam thickness and coal quality.

Kilmain has a minimum target of 100Mt¹ of underground coking coal and/or low ash thermal coal. The Kilmain project lies between the 2 billion tonnes South Togara Project of BHP and the 200M tonnes Arcturus Project of Bandanna Coal.

On the completion of this program at Kilmain the drilling operations will refocus on the Back Creek Project in the Surat Basin where 7.2m cumulative coal was intersected. 30 open holes and 3 cored holes are planned for the next drilling phase at Back Creek.

Queensland Government

The Queensland Government has announced restrictions on exploration and mining within 2km of an urban area as well as in part of South East Queensland.

The Urban Restriction Areas of 2km from conurbations of 1,000 people or more has impacted on tenement EPC 1492 at Townsville and EPC 1820 at Bardon.

The South East Queensland restriction on exploration and mining has adversely impacted on the whole of the Mintovale Project MDL 138 near Boonah, some 87km south west of Brisbane.

The Company is considering its position in relation to these announcements.

The other 10 coal exploration prospects in Queensland remain unaffected.

David Deitz
Director & CEO

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¹ All statements as to exploration target size and potential quality and grade referred to in this announcement are conceptual in nature. 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.

The information contained in this announcement is based on information compiled by Mr Colin Randall who is a Fellow of The Australasian Institute of Mining and Metallurgy and Managing Director of Allegiance Coal Limited. Mr Randall has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Randall consents to the inclusion in this announcement of the matters based on his information in the form and the context in which it appears.

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