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KILMAIN NOW A 200 MILLION TONNE TARGET*

The directors of Gullewa Limited are pleased to announce that Gullewa Limited's 80% subsidiary, Allegiance Coal Limited ("**Allegiance Coal**"), has completed drilling its first hole at its Kilmain project in the Bowen Basin in Queensland.

The Kilmain project is an underground project targeting coking/thermal/pulverised coal injection (**PCI**) coal within the Rangel coal measures.

A **3.1m thick seam** was intersected.

This has allowed the target tonnage for the Kilmain Project within EPC 1298 to be upgraded from "over 100Mt" to a **200 Million tonne target***.

Drill hole KL001 was cored through the Rangel coal measures intersecting coal within the Aries, Castor, Pollux and Orion seams.

Geophysical logging of KL001 will confirm the seam depths and assist in correlating the intersected coal seams.

The 3.1m seam intersected at 444.63m is at this time identified as a Castor/Pollux coalescence.

The tenement to the east, BHP Billiton Mitsubishi Alliance's (BMA) Togara South, contains a 2 billion tonne resource, while to the west Bandanna Energy Limited's Arcturus project has a 206 million tonne resource. See *attached plan*.

At Kilmain a further two holes (KL002 and KL003) are to be drilled in this current drilling phase.

Recovered coal core has been dispatched for quality analyses.

Meanwhile Allegiance Coal is continuing with its capital raising by way of seeking to raise **\$1.5 to \$2.0 million of Pre-IPO capital** from **sophisticated investors** (as defined in the Corporations Act 2001 (Cth)) and to other investors to whom offers do not need disclosure under section 708 of the Corporations Act 2001 (Cth) to continue drilling operations on Allegiance Coal's two main projects, Back Creek and Kilmain, and for working capital. Gullewa Limited will hold between 72% to 74% of the shares in Allegiance Coal after the Pre-IPO raising.

Our present intention in the proposed future IPO is to **offer a further 15% to 24% of the Allegiance Coal's share capital** to raise **\$5 to \$9 million** to support Allegiance Coal's continuing plans.

Patersons Securities Limited will be the Lead Manager of this capital raising.

** 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.*

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Corporate Objectives

Since April 2008 Allegiance Coal has spent over **\$2.54 million** for exploration, working capital and to progress Allegiance Coal towards an initial public offering (**IPO**) and stock exchange listing. It is currently expected that the IPO will take place later in 2011 or early 2012.

Allegiance Coal's initial objective is to establish as soon as possible, resources compliant with the JORC code at the Back Creek Thermal Coal Project and the Kilmain Coking/Thermal/PCI Coal Project.

The overall objective of Allegiance Coal is to create shareholder value through the identification and development of coal deposits in Queensland.

Background

Allegiance Coal is an Australian-based company focused on the identification and development of coking, PCI and thermal coal deposits within the coal bearing regions of Queensland.

Allegiance Coal has assembled a substantial portfolio of 14 coal tenements in over ten project areas within nearly all Queensland's coal provinces including the world-class Bowen and Surat Basins. The Bowen Basin is a major supplier of some of the world's best coking and PCI coals, and both the Bowen and Surat coal provinces contain thermal coal suitable for the export market.

The previous exploration work in the ten project areas has confirmed the potential for the discovery of economic coal deposits. Additionally, Allegiance Coal also has eight pending exploration permit applications in the Bowen, Surat and Clarence/Moreton Basins.

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