



GULLEWA LIMITED

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31 October, 2012

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Quarterly Report

For period ended 30 September, 2012

Highlights

Allegiance Coal Limited (Gullewa 56.6%)

- Completed Stage 2 drilling on the lead project, Back Creek in the Surat Basin.
- Stage 2 drilling included 27 non-cored holes and 4 partially diamond cored drill holes.
- Earlier wet weather delayed drilling.
- Data swap agreements have been entered into with numerous companies holding tenement to Allegiance at several projects including Back Creek and Kilmain.

Central Iron Ore (Gullewa 36.1%)

Gold

- A review of historical data has identified 24 targets in the South Darlot Gold Project.
- Drilling of 6 holes for 390m was completed at the Mermaid Prospect.
- Drilling of 8 holes for 550m was completed at the Endeavour Prospect.
- Expenditures associated with the drilling are anticipated to have earned CIO a 51% interest in the Barrick JV tenements.
- The results from the Mermaid drilling are expected to enable the estimation of an Inferred Resource complying with NI43-101 and the JORC Code next Quarter.

Iron Ore

- Drilling of 2 holes for 380.3m was completed at the Walling Rock area in the Perinvale South Iron Ore Hub.
- The drilling confirmed down dip continuity of the BIFs (Banded Iron Formation).
- On-going assessment of the drill core will include metallurgical testwork.



Coal

Allegiance Coal Limited (Gullewa 56.6%)

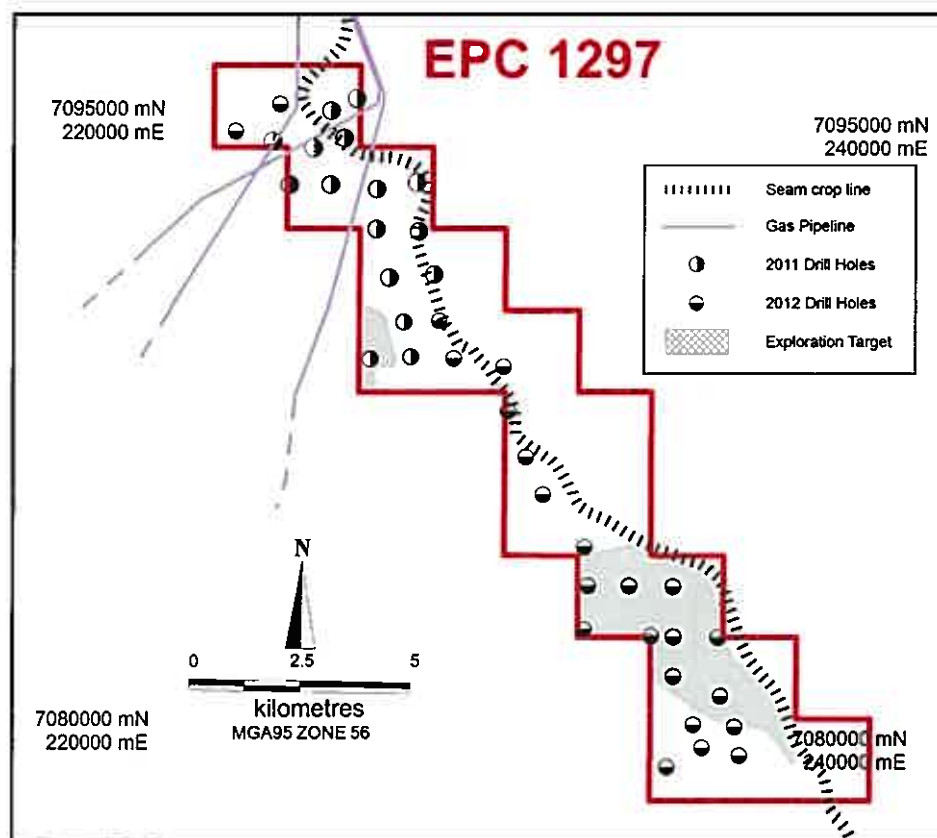
Project Status

Back Creek Project (EPC 1297)

Stage 2 drilling was completed at Back Creek and included the drilling of 1,696m in 27 non-cored geophysically logged percussion holes as well as 203.75m in 4 diamond tailed drill holes. The majority of the drilling was in the southern part of the tenement with cumulative coal intersections in the range 2.85m to 8.26m.

Coal seam intersections in the latest drilling were, for the most part, in line with the modelling of the deposit based on previous data. In BC041, at a depth of 73.01m, an additional unexpected coal ply of 0.44m was intersected below the Condamine seam.

Coal cores recovered from BC034C and BC038C have been sent away for analysis. Coal core from BC038C was canistered so that the potential carbon taxable fugitive emission can be quantified. Both coal analyses and gas results are expected at the middle of next quarter.



Back Creek Drill Hole Location Map

The data package generated from the Company's two stages of drilling as well as that from adjacent tenements, plus coal quality data generated from 'Stage 2' coal cores should provide sufficient data to allow the reporting of a resource in compliance with the JORC Code hopefully in the next Quarter.



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For additional details of all of the drilling completed by Allegiance Coal at Back Creek see the Allegiance Coal September 2012 Quarterly report.

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)

Coal quality data obtained from the drilling of KL001, KL002 and KL003 demonstrated that a coking fraction exists within the Aries and conjoined Castor/Pollux seams intersected in the drillholes.

Planning for crossing the Comet River to undertake drilling on the south eastern portion of the tenement continued. However, continuing high flow rates and steep river banks is providing significant challenges to enable drilling to commence as planned in the quarter.

A data swap arrangement with neighbour Bandanna Energy on their Arcturus and Springsure Creek projects was concluded during the quarter. Their data will assist in the planning of drilling within Kilmain.

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

Mintovale Project (MDL 138)

No field activities were conducted during the quarter.

Consideration was given as to potential coal preparation and transport routes and methodologies.

Meanwhile the Queensland Government is yet to advise of a mooted ban on future mining within the Scenic Rim Shire.

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

Connemarra Project

Three drill holes were drilled within the Connemarra project area during the Quarter, each to a depth of 120m. None of the holes intersected coal.

A review of the geology of the project area is being undertaken. Allegiance Coal considers that the Connemarra Project EPC1296 remains a speculative exploration area.

Other Projects

During the Quarter, the Company continued negotiations regarding access, data swaps and for potential farm-outs with an adjacent tenement holders.

(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.



Iron Ore and Gold

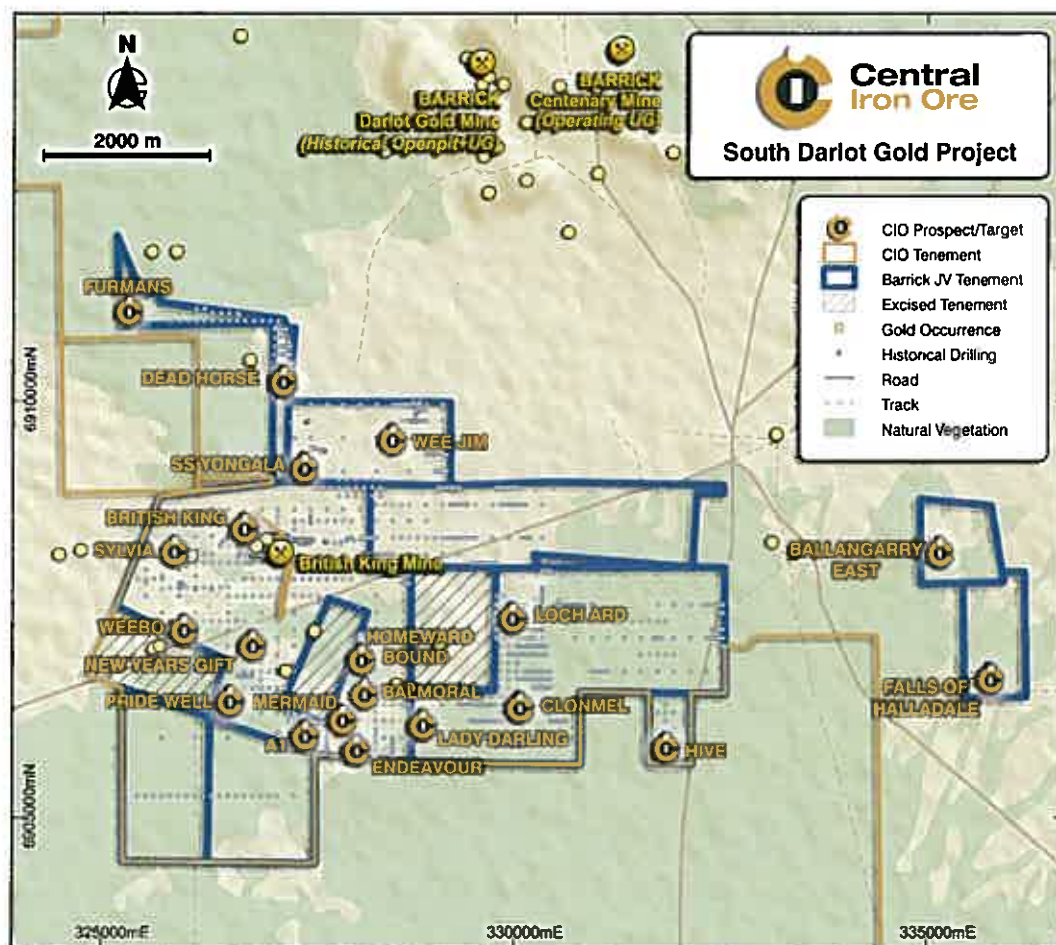
Central Iron Ore (Gullewa 36.1%)

GOLD

South Darlot Gold Project

BM Geological Services was contracted by CIO to build and analyse the historical data provided from Barrick Gold Limited as part of the Joint Venture Agreement for the South Darlot Gold Project. The data consisted of a 1,104 drill holes drilling some 44,635m. The dataset also included a vast array of geophysical data which included gravity and magnetics. Identified targets with a breakdown of the drill hole information are tabulated below. 24 Targets have been identified and prioritised from the data review.

The significant gold intercepts in the historical drilling data are also tabulated. The most interesting gold intercepts were recorded at the Mermaid and Endeavour prospects.



Darlot South Gold Project Prospect Location Plan



Prospect	Holes	Metres
Mermaid	36	2,636
Endeavour	9	950
British King	179	8,123
Loch Ard	71	3,553
Clonmel	104	5,278
Wee Jim	76	3,566
A1	24	1,282
Dead Horse	51	2,726
Other Prospects	551	16,521
Total	1,101	44,635

Summary of Historic Drilling by Prospect

Prospect	Hole Id	Easting	Northing	AHD RL)	From	To	Width (m)	Grade (g/t Au)
Mermaid	WDRC0099	327858	6906077	450	79	84	5	348.9
		Including					1	1.10
Mermaid	PDERB0002	327867	6906120	450	11	14	3	13.0
Mermaid	WDRC0111	327829	6906100	450	31	35	4	7.9
Endeavour	WDRC0101	328138	6905812	450	36	39	3	88.8
Endeavour	WDR1220	328138	6905807	450	34	42	8	23.6
British King	BKRC0036	327451	6908340	450	15	18	3	27.6
British King	WDRC0110	326818	6908207	450	85	86	1	26.1
British King	BKRC0005	327312	6908329	450	40	42	2	17.8
British King	BKRC0001	327251	6908340	450	31	33	2	15.2
British King	BKRC0004	327291	6908330	450	36	39	3	14.5
British King	BKRC0002	326807	6908280	450	14	17	3	11.9
British King	BKRC0028	327391	6908330	450	20	23	3	9.6
Loch Ard	WDRC0090	329848	6907357	450	9	10	1	12.6
Loch Ard	WDR0770	329838	6907357	450	41	45	4	2.9
Clonmel	WDR0779	330338	6906657	450	29	30	1	6.6
Wee Jim	WDR0717	328788	6909757	450	8	9	1	5.5
Wee Jim	BRC0151	328628	6909957	450	13	14	1	3.7
Wee Jim	BRR0703	328688	6909957	450	7	8	1	2.2
A1	BRC0093	327363	6906189	450	22	23	1	19.2
A1	WDRC0033	327363	6906167	450	37	39	2	4.3
Dead Horse	WBR0318	326738	6910957	450	21	25	4	1.8

Summary of Better Historic Drilling Results

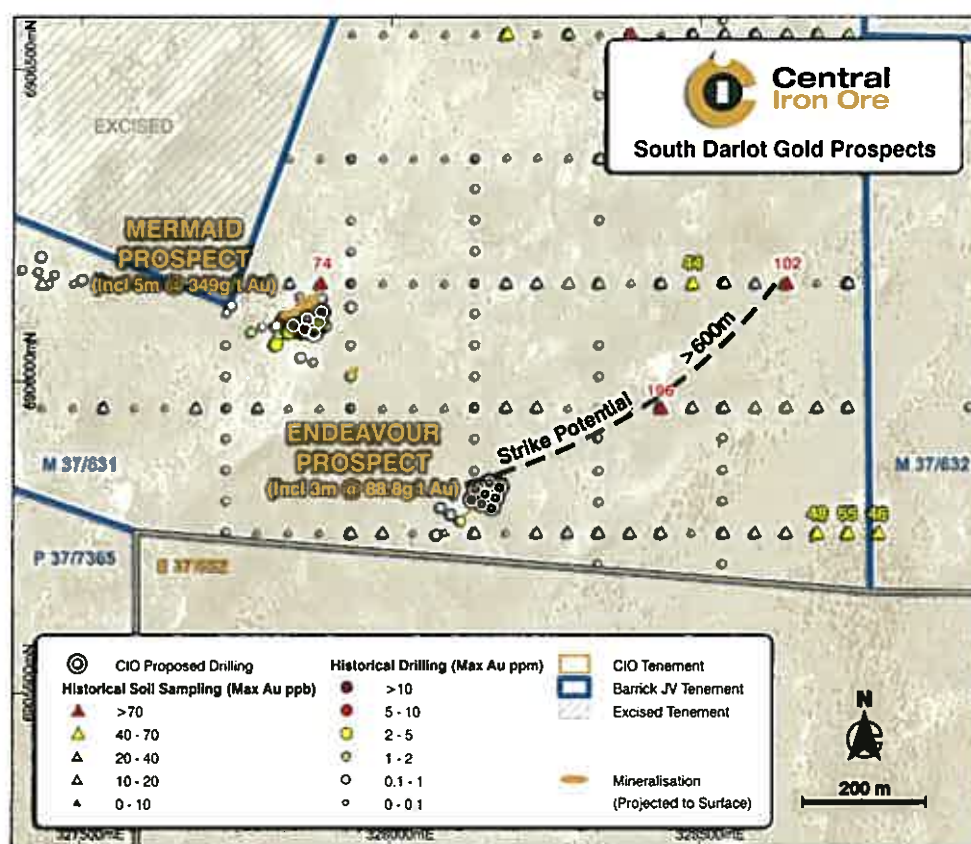


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During the Quarter, drilling programs were completed at the Mermaid and Endeavour prospects within M37-631.

The purpose of the drilling at the Mermaid prospect was to upgrade the confidence of the gold mineralisation, conduct metallurgical test work on gold bearing intervals and to drill an HQ diamond drill hole to collect geotechnical data in fresh rock.

The Mermaid drilling program involved six (6) drill holes, three (3) holes for resource definition, two (2) holes for metallurgical test work and one (1) hole for geotechnical data. Geochemical analysis of all of the samples from these holes is expected to be completed towards the end of October 2012.



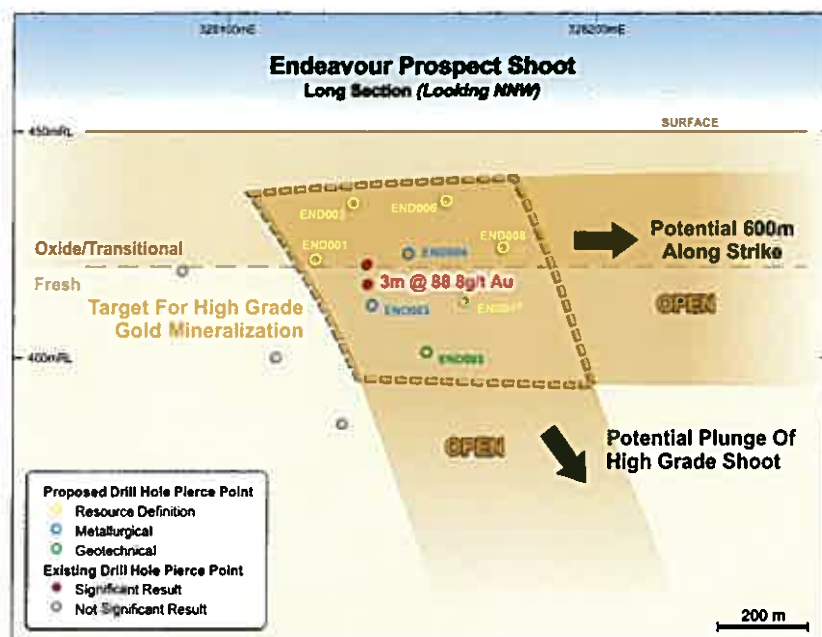
Mermaid and Endeavour Prospects drill hole location plan



During the Quarter, drilling programs were completed at the Mermaid and Endeavour prospects within M37-631.

The purpose of the drilling at the Endeavour prospect was to define the geometry and orientation of the gold mineralisation. Geotechnical data was collected from an HQ diamond drill hole. Metallurgical test work may also be conducted on gold bearing intervals.

The program involved eight (8) drill holes, five (5) holes for resource definition, two (2) holes for metallurgical test work and one (1) hole for geotechnical data. Geochemical analysis of all of the samples from these holes is expected to be completed towards the end of October 2012.



Endeavour Drill Target Zone

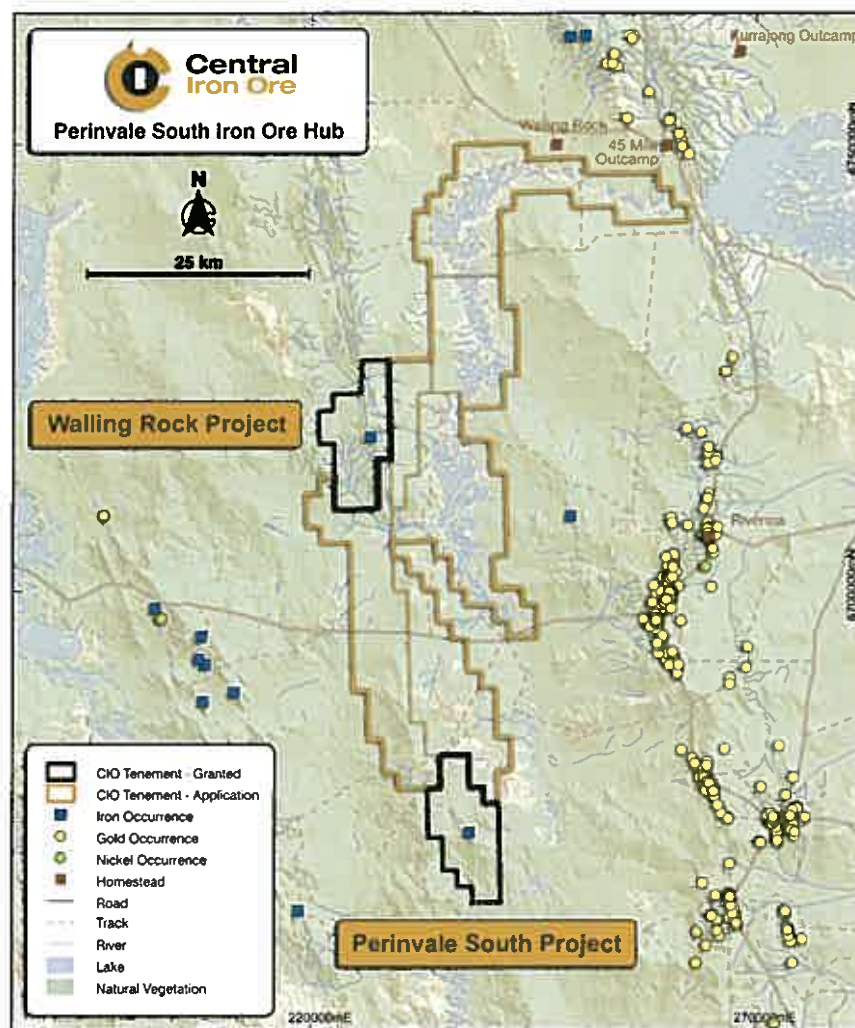
IRON ORE

Yilgarn Iron Ore Project Area

The Company now has a total of 16 iron ore tenements covering 1,594 km² 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**

Two HQ3 core holes were drilled at Walling Rock in August, 2012. The first hole, WRD001, was stepped off a short distance to the west from surface outcrop of banded iron formations and drilled vertically to intersect the formations at a shallow depth. The principal purpose of this hole was to confirm the dip angle of layering, and thereby assist in the planning of the second hole. WRD002 was drilled in the direction of dip, and intersected the banded iron formation at low angle, below the base of oxidation.

Hole Id	East_MGA_Z51	North_MGA_Z51	RL_AHD	Depth m	Mag_Azimuth	Inclination
WRD001	227445	6716290	480	103.3	360	-90
WRD002	227405	6716278	475	277	260	-50

Walling Rock Drill Hole specifications

The aim of drilling was to provide the Company with samples for initial metallurgical test-work. The test-work is aimed at prioritising the various options for upgrading the magnetite ore by a combination of magnetic separation and screening. Results from this test-work are anticipated in the first quarter of 2013.

Drill hole WRD001 was drilled vertically, and intersected the target unit at a depth of 8.7 m. Four separate banded iron formations were encountered, and these vary in drilled width from 0.4 to 3.05 metres (not true thickness).



Drill hole WRD002 was inclined at minus 50° towards 260° magnetic. This hole intersected the target unit at a vertical depth of 170 m and traversed layering at a low angle. Three separate banded iron formations were intersected, with the broadest extending down hole for 17 m (equivalent to a true thickness of about 6.5 m).

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

The company has progressed the preparation of a provisional patent for elements of its non-entry mining method.

HCA has been advised that it is the priority applicant for an exploration tenement in Queensland EPCA 2643 (Elatum Project). No date for grant of the area has been given.

Minerals

New South Wales (Gullewa 100%)

A submission was made to the NSW Department of Primary Industry to undertake a drilling program at Dandaloo. Drilling of two deep holes may be undertaken late in the next Quarter or possibly early in 2013.

Statement of Qualified Persons

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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Rule 5.3

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 September, 2012

Consolidated statement of cash flows

Cash flows related to operating activities

- 1.1 Receipts from product sales and related debtors
- 1.2 Payments for
 - (a) exploration and evaluation
 - (b) development
 - (c) production
 - (d) administration
- 1.3 Dividends received
- 1.4 Interest and other items of a similar nature received
- 1.5 Interest and other costs of finance paid
- 1.6 Income taxes paid
- 1.7 Other (provide details if material)

Net Operating Cash Flows

- Cash flows related to investing activities**
- 1.8 Payment for purchases of:
 - (a) prospects
 - (b) equity investments
 - (c) other fixed assets
- 1.9 Proceeds from sale of:
 - (a) prospects
 - (b) equity investments
 - (c) other fixed assets
- 1.10 Loans to other entities
- 1.11 Loans repaid by other entities
- 1.12 Other (property) and security deposit
- Net investing cash flows**
- 1.13 Total operating and investing cash flows (carried forward)

Current quarter \$A'000	Year to date (12 months) \$A'000
(631)	(631)
(837)	(837)
103	103
(1,401)	(1,401)
(5)	(5)
(66)	(66)
(2)	(2)
(73)	(73)
(1,474)	(1,474)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,474)	(1,474)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows		
	Net increase (decrease) in cash held	(1,474)	(1,474)
1.20	Cash at beginning of quarter/year to date	9,171	9,171
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	7,697	7,697

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	196
1.24	Aggregate amount of loans to the parties included in item 1.10	2
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

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	587
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	500
4.2 Development	
4.3 Production	
4.4 Administration	800
Total	1,300

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	7,697	9,171
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	7,697	9,171

+ 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 <i>(description)</i>			
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 <i>(description)</i>			

+ 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	Nil	<i>Exercise price</i> 11.87 cents	<i>Expiry date</i> 30.11.2014
		4,475,000	Nil	22.30 cents	07.03.2016
		1,000,000	Nil	22.30 cents	16.05.2016
		1,300,000	Nil	10.00 cents	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 OCTOBER, 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.