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31 October, 2013

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Quarterly Report

For period ended 30 September, 2013

Highlights

Allegiance Coal Limited (Gullewa 56.6%)

- Company maintains focus on cost control and cash preservation.
- MDLA 501 for the Back Creek Project under grant process.
- Joint venture discussions on tenements, in particular on Kilmain.
- Continuing to work on additional value-creating opportunities where free carried interest is created by initiating work on external near term coal projects.

Central Iron Ore (Gullewa 36.1%)

Corporate

- Mr David Taylor resigned as a director of CIO and Mr Graham Hurwitz has resigned from the role of Chief Financial Officer. Mr David Deitz, has been appointed to the role of Chief Financial Officer.

Gold

- CIO has earned 51% in the Barrick JV at South Darlot and will continue to earn an additional 19% for a total of 70%.
- A formal joint venture agreement is in the process of being drafted.
- Discussions are ongoing regarding the Eureka Gold Project sale.

Hydromining Coal Limited (Gullewa 50%)

- EPCA 2643 (Elatum) has been approved to be granted.
- C. Randall and Associates Pty Ltd increased to 50% in recognition work over past 4 years for no remuneration.

New South Wales

Dandaloo

- No activities undertaken.



Coal

Allegiance Coal Limited (Gullewa 56.6%)

Cost Control Initiatives

Allegiance Coal Limited has continued to maintain close cost control on its exploration activities and corporate overheads. As the downturn in the Australian coal industry has continued the Company has continued to critically examine its cash position and portfolio of tenements.

The new two year budget (1 July 2013 to 30 June 2015), which included 60% reduction in Directors' salaries, substantially reduces the Company's overheads (to about \$450,000 per annum) while focussing its attention on only those tenements with short to medium term development potential. Greenfield tenements, Mobs Creek, Cedar Creek and Lochaber, which have very long lead times to bring to production, are being considered for outright sale or relinquishment.

Additional Value Creating Opportunities

The company has identified a number of opportunities to utilise the company's expertise in the development of coal projects.

The accessing of archived geological data that is not in the general public domain, has enabled the Company to have insights in the geology of areas in the West Moreton Coalfield and now the Bowen Basin.

The Company, using this new information, is investigating external near term production coal projects that are viable under current coal pricing and have a low capital profile.

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 by lodging a Mineral Development Licence Application in March 2013. The application for the MDL has been accepted and an Environmental Authority issued. *See Plan 1*

No date has been given for the granting of MDLA 501

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

Kilmain Project

Prospective JV partners have held discussions on potential involvement in the Kilmain Project. While none of these have come to fruition at this time, discussions are continuing. The presence of low ash coking coal and proximity to existing rail infrastructure are two of the features that interest prospective JV partners.

The decision by Aurizon (ASX:AJZ) to electrify the Rolleston rail line to meet the planned increase in production from Xtrata's Rolleston Mine to the south enhances the Kilmain project.⁽²⁾

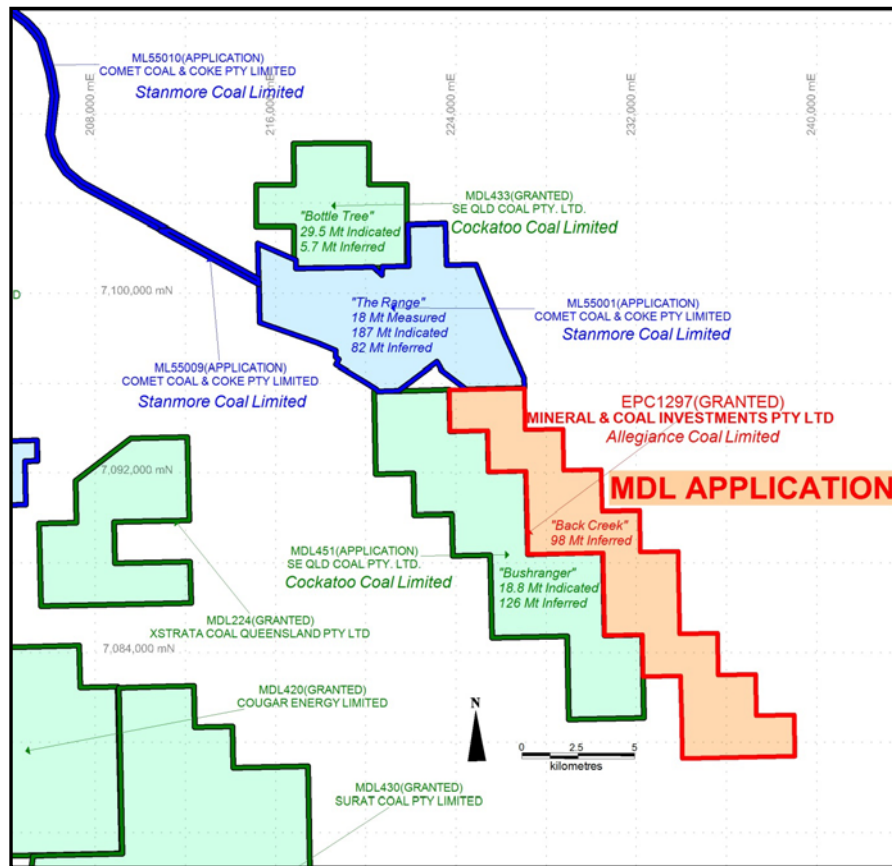
The Kilmain Project has potential for an underground deposit of coking/PCI/thermal coal within the Rangal Coal Measures and has an exploration target of 200 Mt of coal.⁽³⁾

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

(2) Aurizon Holdings Limited ASX Announcement 13/04/2013

(3) 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 were conceptual in nature. There was insufficient exploration undertaken at that date to define a coal resource in accordance with the JORC Code, and it was uncertain if further exploration would result in the definition of a coal resource in accordance with the JORC Code.



Plan 1 - Back Creek Project – MDL Application

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.

Other Projects

restricted because of the wet season. Numerous companies were contacted regarding possible data swaps and Joint Ventures. Several Land access agreements were also negotiated.

Further Information

Additional information regarding the activities by Allegiance Coal Limited is available in that companies March Quarterly Report for the period ended 30 September, 2013.



Hydromining Coal Australia Pty Ltd “HCA” (Gullewa 80%)

The Company has been advised that EPCA 2643 (Elatum) has been approved to be granted. The timing on the date of grant is unknown.

The Company has, during the Quarter, applied to the NSW Department of Trade and Investment to be invited to apply for an exploration area over the closed Hebburn No 2 Colliery in the Cessnock coalfield west of Newcastle. There are areas within the closed colliery of unmined coal seams that would be suitable for hydromining techniques.

Following review of available funds as well as costs associated with patenting of its non-entry mining method it has been decided to limit the patent application, to be lodged in October 2013, to Australia and the USA.

In recognition of the sustained efforts by Director Colin Randall over the last four years (for no remuneration) additional shares were issued to C. Randall and Associates Pty Ltd (CRA) to change the shareholding from GUL 80% / CRA 20% to GUL 50% / CRA 50%.

Iron Ore and Gold

Central Iron Ore (Gullewa 36.1%)

GOLD

South Darlot Gold Project

CIO has earned an initial 51% interest in the Barrick Joint Venture tenements in accordance with the Barrick JV and will continue exploration on the tenements with a view to earning an additional 19% interest (equal to a total interest of 70%) by spending a further AUD\$250,000 on the terms and conditions set out in the Barrick JV.

The company has currently spent to date in excess of AUD\$675,000. A formal joint venture agreement is in the process of being drafted between Barrick and CIO but has not yet been finalised.

Eureka Sale

As at 30 June 2013, the conditions precedent to the sale and purchase agreement entered into between the Company and Greenstone have not yet been satisfied and accordingly the sale and purchase of the Eureka Gold Project has not been completed. Greenstone has requested certain variations be made to the agreement to enable it to proceed with its proposed acquisition of the Eureka Gold Project, however, at the date of this report, discussions between CIO and Greenstone are ongoing. All consents, approvals, authorisations or clearances which required under the original sale and purchase agreement (including TSX-V approvals) were obtained, however, it is possible that these may need to be renewed or re-applied for, or additional consents, approvals, authorisations or clearances sought, depending on the outcome of the Company's ongoing discussions with Greenstone.

CIO is current negotiations for the sale of its Eureka Gold Project is up to AUD\$2.15m.

Minerals

Claymor Resources Pty Ltd (Gullewa 100%)

Dandaloo Project - New South Wales

No field activities were undertaken.



Corporate

The Gullewa Group's cash at bank at the end of September, 2013 was \$5.8 million.

Statement of Qualified Persons

Sections of this quarterly report relating to the reporting of exploration information were written by Colin Randall and Garry Baglin 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 casual 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 summarises 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 :

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