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31 October, 2015

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Quarterly Report

For period ended 31 December, 2015

Allegiance Coal Limited (Gullewa Limited 60%)

Kilmain Project

As part of the Stage 2 program, further drilling occurred comprising of 2 partially cored holes each preceded by a pilot chip hole. A total of 985 metres were drilled in the cored holes and 1207 metres in the pilot holes. All holes were geophysically logged. The core is currently at the laboratory for coal quality analysis. Rock samples of roof and floors of coal seams have been taken and dispatched for geotechnical analysis.

Stage 2 has been managed by HDR and approximately \$500,000 has been spent to date. A further cored hole with a pilot chip hole is planned for late May 2016 at an estimated cost of \$300,000.

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.

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.

At the end of this quarter, JOGMEC have spent over \$2 Million on the Joint Venture.

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.



Central Iron Ore Limited (Gullewa Limited 37%)

Gold

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.

British King

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. BK commenced mining this quarter. CIO is entitled to production payments totalling 540 ounces of gold when BK produce and sell 22,500 ounces.

Barrick Joint Venture

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.

Eureka Gold

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.

Several parties have commenced discussion with the company on Eureka.

Iron Ore

Yilgarn Iron Ore Project (IOP)

The Company currently holds one iron ore tenement in joint venture.

Minerals

Claymor Resources Pty Ltd (Gullewa 100%)

We are currently reviewing other projects.

Property

Maitland City Council have approved the Section 96 variation to the original Development Application. Work has now commenced on the detailed design work which will allow the project costings to be commenced.



Corporate

The Gullewa Group's cash position at the end of June, 2015 was \$3.297 million.

Repayment of Loans

Mineral and Coal Investments Pty Limited has loans to value of \$ 1.7 Million owing to Gullewa Limited which were due for repayment on 30 September 2015 if certain conditions were met.

Contacts:

For further information please contact:

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