



**GULLEWA
LIMITED**

ACN 007 547 480
ABN 30 007 547 480

**QUARTERLY REPORT
FOR THE PERIOD ENDING
30 JUNE 2004**

PROPERTY

We are very pleased to report that the new LEP for development of medium density housing in the Kuringai area has been adopted by the Kuringai Council and the State Government.

Our property is included in a small zone of St Ives that will permit medium density housing.

ALLEGIANCE

The Chairman of Allegiance Mining NL made the following comments in their June quarterly.

AVEBURY

Since receiving permission from the Tasmanian State Government just prior to last Christmas for the Exploration Decline, good progress has been made. In spite of wetter than normal conditions throughout the summer, autumn and winter (with record rainfall in June), the link road to Avebury from the Trial Harbour Road now gives excellent all weather access. After initial difficult ground conditions and heavy rains caused slow progress at the start of the decline as of 29 July 2004, we are at 330m and advancing at the rate of about 40m per week. The 1,200-1,300 m decline is scheduled for completion by year end. Detailed drilling of the Viking deposit from the decline will commence later in the current quarter. This will provide the required input for the further detailed evaluation of the geotechnical and metallurgical characteristics of the deposit as well as provide data for the ore reserve calculation and detailed mine planning.

MELBA FLATS

In spite of the difficult conditions caused by record rainfall, drilling has continued at Melba Flats. While the objective has been to define shallow, higher grade nickel deposits at Nickel Reward, Genets and North Cuni (see Report which follows), it is highly encouraging to note that while these deposits have different mineralogy to Avebury, (namely, Ni, Cu, Co, Au, PGM at Melba as against solely Nickel at Avebury), they too have now been identified as being remobilized. This gives considerable scope to the location of significant tonnages of more conventional (Ni, Cu, Co, Au, PGM) mineralization both along strike and at depth on the exploration licence. To date, very few holes have been drilled to depths greater than 50m.

CAPITAL TRANSACTIONS

It is anticipated that a small pro-rata rights issue will be made in the third quarter.

Following approval at the Annual General Meeting, Director Barry Sullivan was issued with 500,000 options over ordinary shares at an exercise price of 24 cents exercisable before 31 May 2009.

NICKEL

Over the past six months, great volatility has been seen in all base metals but particularly nickel. While volatility is caused by hedge funds and traders exploiting the chronic shortage of supply, most analysts continue to predict shortages over the next two to three years. However, recently, the Commodities Research Unit of London have forecast that very large increases in production will be required to meet demand well into the next decade. Only a significant long-term decline in the emerging demand from industrialised large populations such as China and India can change this positive scenario. Such an event is most unlikely.

What is still generally not fully understood is that the inventory of good prospects is very limited due to the lack of exploration over the last decade and a half. With few notable exceptions, recent and projected supply increases are from long known prospects, not new prospects.

Allegiance is fortunate indeed not just to have discovered a new nickel deposit type but also a new province. This has been internationally recognised in the awarding of the Pioneering Award.

PIONEERING AWARD

During the quarter, the Pioneering Award, sponsored by PricewaterhouseCoopers (PwC) was awarded and presented to Allegiance at the Partners in Mining Gala Dinner organised by the Mining Association of British Columbia.

The award is stated by PwC to celebrate the achievements of exploration and development companies that are leading the Mining Industry in new and rewarding directions. The citation reads "This ASX listed company has been instrumental in developing a new nickel district in Tasmania."

At the presentation ceremony, I commented that "The persistence of the Company, with the financial support of the shareholders, had enabled Project Manger, Lindsay Newnham and his team to deliver the results achieved to date. To find a new nickel deposit type and a new nickel camp (province) is difficult at any time, but to have done so in the harsh market conditions over the past six years is perhaps a miracle."

The Pioneering Award is part of the prestigious Mining Journal (of London) Bonanza Awards directed to the small and mid-cap exploration and development sectors highlighting those organisations that have made important contributions to the international mining industry during 2003.

Allegiance was confirmed by a panel of six independent judges after a web based voting system selected Allegiance from four finalists. These finalists were chosen from some fifteen worldwide nominations.

Allegiance is delighted to have been so recognised.

DAVID DEITZ
Chairman

30 July 2004

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 JUNE 2004

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
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	(47)	(20) (364)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	2	23
1.5 Interest and other costs of finance paid	(2)	(7)
1.6 Income taxes paid	(3)	(37)
1.7 Other (provide details if material)	(12)	(12)
Net Operating Cash Flows	(62)	(397)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(125)	(338) (1)
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	12	2
1.12 Other (property)	(15)	(392)
Net investing cash flows	(118)	(729)
1.13 Total operating and investing cash flows (carried forward)	(180)	(1,126)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(180)	(1,126)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		225
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		225
	Net increase (decrease) in cash held	(180)	(901)
1.20	Cash at beginning of quarter/year to date	284	284
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	78	78

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	20
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

NIL

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

+ See chapter 19 for defined terms.

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 – Guarantee of mortgage on St Ives property	1,050	1,050
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	
4.2 Development	
Total	

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	78	284
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	78	284

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		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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	119,067,420	119,067,420		
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>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	11,000,000	Nil	<i>Exercise price</i> 6 cents	<i>Expiry date</i> 30.06.2009
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				

+ See chapter 19 for defined terms.

7.11	Debentures <i>(totals only)</i>			
7.12	Unsecured notes <i>(totals only)</i>			

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 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:
(Director/Company Secretary)

Date: 30 July 2004

Print name: DAVID DEITZ

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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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.