GULLEWA LIMITED

ACN 007 547 480
ABN 30 007 547 480

QUARTERLY REPORT
FOR THE PERIOD ENDING
31 DECEMBER 2005

PROPERTY

ST IVES

We are currently reviewing the market for medium size density developments.

NORMANHURST

The Development Application for the subdivision will be completed and ready for lodgement in 2 weeks.

ALLEGIANCE

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

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AVEBURY FEASIBILITY STUDY

- Positive results from Feasibility Study ("FS") report announced in December 2005.
- Project to commence at 0.6 million tonnes per annum producing 5,000 to 6,000t Ni in concentrates per annum.
- Project expansion to more than 1 million tonnes per annum is the preferred business plan subject to resources expansion.
- Resource expansion drilling commenced in December and will continue during the Summer season.
- Final upgrade of the Trial Harbour road to Avebury commenced with $1.5 M conditional grant from Tasmanian government and supplementary funding from Allegiance.
- Trial mining of nickel ore has commenced at Avebury to conduct a milling test at the Hellyer mill located 125 kilometres north of Avebury Nickel Project.

EXPLORATION

- The Avebury nickel sulphide deposit is known to continue westwards from the FS resource area. This extension is called West Viking and comprises more than 1 million tonnes.
- The Avebury nickel sulphide deposit is also known to continue eastwards from the FS resource area. This extension is the eastward continuation of the North Avebury orebody.
- Drilling has commenced on regional exploration prospect at Burbank located over 3 kilometres west of Avebury Nickel Project.

MARKETING

- Negotiations with potential customers for the Avebury nickel concentrates are well advanced.

FINANCE

- Capital raising of $7.2 million was completed in December 2005 at the prevailing market price of 15 cents per share. The share placement closed oversubscribed.
- Cash balance at the end of the Quarter stood at $8.1 million.

CORPORATE

- Trial milling will proceed in the first quarter of 2006 at the Hellyer Mill owned by Intec Limited. These assessments will determine optimum mill strategies for the Avebury Nickel Project.

Due diligence assessments are underway in relation to possible financing arrangements for the Avebury Nickel Project.

DAVID DEITZ
Chairman

31 January 2006

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	Quarter ended ("current quarter")
30 007 547 480	31 December 2005

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (6 months) $A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration and evaluation		
	(b) development		
	(c) production		
	(d) administration	(56)	(132)
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)	(3)
1.6	Income taxes paid	(3)	
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(60)	(135)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects		
	(b) equity investments	22	138
	(c) other fixed assets		(1)
1.9	Proceeds from sale of: (a) prospects		
	(b) equity investments	125	125
	(c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities	(5)	(8)
1.12	Other (property)	(87)	(48)
	Net investing cash flows	55	206
1.13	Total operating and investing cash flows (carried forward)	(5)	71

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(5)	71
	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		(98)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows		(98)
	Net increase (decrease) in cash held	(5)	(27)
1.20	Cash at beginning of quarter/year to date	(1)	21
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	(6)	(6)

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	12
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 – Guarentee of mortgage on St Ives property Normanhurst property	 1,050 600	 1,050 600
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	(6)	(1)
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	**(6)**	**(1)**

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.

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** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	125,957,029	125,957,029		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	11,000,000 12,256,756 23,256,756	Nil Nil	*Exercise price* 6 cents 3.25 cents	*Expiry date* **30.06.2009** **05.12.2010**
7.8	Issued during quarter	12,256,756		3.25 cents	05.12.2010
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 4).

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

Sign here: .... Date 31 January 2006
(Director/Company secretary)

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.

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