GULLEWA
LIMITED

ACN 007 547 480
ABN 30 007 547 480

QUARTERLY REPORT
FOR THE PERIOD ENDING
30 JUNE 2006

PROPERTY

ST IVES

The market for medium size density developments in St Ives is not strong at the moment. We will wait for market conditions to improve.

NORMANHURST

The approval of the Development Application is expected within two weeks. We will then proceed to subdivide the property into four lots and commence selling the individual lots.

ALLEGIANCE

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

With the successful conclusions to our offtake agreement and finance raising, the emphasis of work during the quarter has focussed on the construction and development of the Avebury Nickel Project – "Nothing but Nickel"! The arrival of our Processing Manager, Peter Clay in August is timely and we are pleased to have painstakingly recruited a full complement of key operating staff at Avebury; I welcome Peter to the team.

High real nickel prices continue to surprise on the upside. The lack of new sources of supply due to delays in construction and too few new deposits are the predictable causes. With the major industrial expansions in China, India etc., it is difficult to see much change over the next few years. The positive fundamentals continue for Allegiance!!

Planning for construction, ordering of long lead time equipment, awarding of major contracts and mine and site preparation continue apace –a busy but exciting few quarters ahead!

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PRINCIPAL POINTS

AVEBURY NICKEL PROJECT IMPLEMENTATION

- Project plans are finalised at a mill throughput of 900,000 tonnes of ore per annum producing more than 8,500 tonnes of nickel ("Ni") in concentrates per annum. The business plan is to extract and sell 70,000 tonnes of Ni in concentrates from the currently known resources.
- The contract for the primary ball mill – the main long-lead item was awarded to Outokumpu Technology on 3 July 2006 for a new, 3.1 megawatt, 7.23m x 5m Outokumpu ball mill with a designed mill capacity of 900,000 tonnes of ore per annum. Fabrication is estimated at 44 weeks.
- Tasmanian grid hydro-electrical power is being reticulated throughout the project area.
- The raise bore contract was awarded to Mancala Pty Ltd and the 1.8 metre diameter, 180 metre deep raise bore services shaft has been completed as planned and is being equipped with ladders, pipes and electrical cables.
- Construction of the 3.1 metre diameter, 180 metre deep ventilation shaft is progressing in good ground.
- The mine pump station is now fully installed, ahead of schedule.
- Mine planning to deliver up to 1.0 million tonnes of ore per annum is now completed.
- A project manager for construction of the nickel processing plant was appointed.
- EPCM Engineering firm Metplant of Perth was engaged and commenced work in early June.
- Processing Manager has been appointed, completing the recruitment of key operating staff.

EXPLORATION

- Avebury resources stand at 10 million tonnes averaging 1.14% Ni containing 114,000 tonnes of Ni. Drilling east and west of the known resource is encountering additional mineralisation.
- Higher grade ore zones near to the current mine access have been proven up.

FINANCE & CORPORATE

A capital raising of $51.2 million was completed in May through an institutional placement of 165 million shares at $0.31 per share. The raising offer was strongly oversubscribed.

Cash balance at the end of the Quarter stood at $52.4 million.

MARKETING

- US$1.3 billion offtake agreement with Jinchuan Nickel Group of China has been executed. This cornerstone agreement brings major benefits to the Avebury Nickel Project.
- Arrangements for delivery of nickel concentrates from Avebury to Burnie Port under review.

CORPORATE OVERVIEW

Allegiance Mining NL is an emerging Australian nickel mining company focussed on:

- Avebury Nickel Project located eight kilometres west of Zeehan, in the mining province of West Coast, Tasmania, Australia.
- Regional Nickel Exploration mainly in the west coast region of Tasmania.

DAVID DEITZ
Chairman

31 July 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	30 June 2006

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (12 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	(165)	(384)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	1	2
1.5	Interest and other costs of finance paid	(2)	(7)
1.6	Income taxes paid	(6)	(2)
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(171)	(391)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets	(6)	(7)
1.9	Proceeds from sale of: (a) prospects		
	(b) equity investments	175	541
	(c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities	14	(1)
1.12	Other (property)	30	(3)
	Net investing cash flows	214	530
1.13	Total operating and investing cash flows (carried forward)	43	139

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	43	139
	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	2	(95)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	2	(95)
	Net increase (decrease) in cash held	45	44
1.20	Cash at beginning of quarter/year to date	20	21
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	65	65

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	77
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	65	20
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	**65**	**20**

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	Nil	*Exercise price* 6 cents	*Expiry date* **30.06.2009**
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 4).

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

Sign here: .... Date 28 July 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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