GULLEWA LIMITED

ACN 007 547 480
ABN 30 007 547 480

QUARTERLY REPORT
FOR THE PERIOD ENDING
31 DECEMBER, 2007

PROPERTY

NORMANHURST
The final clearance to subdivide has still not been received. We are hopeful it will be completed in the next few weeks and then the property can be sold.

ST IVES
We are continuing preparation of the development proposal.

OTHER
We are currently investigating other investment opportunities.

TRADING LOSSES
In the twelve months to 31st December 2007 the company lost $1.7 million from the disposal of trading investments, and today has determined that a further realised loss of $2.0 million loss has been incurred as a result of the decline in world markets.

ALLEGIANCE
Allegiance Mining NL made the following Principal Points in their December quarterly.

DIRECTORS RECOMMEND SHAREHOLDERS REJECT TAKEOVER OFFER BY ZINIFEX
- Allegiance Mining NL received a take-over offer by zinc producer Zinifex Limited.
- Allegiance Directors have recommended that shareholders reject the Zinifex offer.

AVEBURY NICKEL PROJECT IMPLEMENTATION
- Avebury nickel mine development and production are well advanced. 45,200 tonnes of run-of-mine ore has been delivered to the mill stockpile. Ore geometry and grades encountered to date are as expected.
- Mill construction is at full pace and commissioning is scheduled to commence by end 1st Quarter 2008. The main buildings are complete and key plant components are installed; pipework and wiring has commenced.
- Stage 1 of the project is designed to mill 900,000 tonnes of ore annually producing 8,500 tonnes of nickel (“Ni”) in concentrates. The business plan currently extends to June 2016 but the project is expected to expand production and extend its mine life because resources are continuing to expand each year.

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MINE AREA RESOURCES

- Resources have expanded by 10% during 2007 and were reported in January 2008 at 14 million tonnes grading 1.04% Ni containing 145,600 tonnes of Ni at a 0.7% Ni cut-off grade. Ore Reserves are being revised based on the new, expanded resources and are expected to expand significantly.
- Drill hole A217 intersected 4.0m @ 1.8% Ni from a thick zone of 18.0m @ 1.1% at East Avebury, confirming the high prospectivity for mine extensions east of the current mine area.
- A new mine exploration target called North Viking has been discovered in the western part of the mine area. This presents an exciting opportunity for major resource extensions.
- Orebody widths are typically 10 metres to 40 metres in good ground conditions.

REGIONAL EXPLORATION

- At Melba Flats, Mining Lease ML 2M/2007 has been granted and drilling has intersected high grades of nickel and copper and precious metals. Exploration is proceeding well.

FINANCE and CORPORATE

- Mr Shi Peirong, Vice Chairman and CFO of Jinchuan Group Ltd of China appointed as Director.
- Cash balance of $24 million as at 31 December 2007.
- An A$73 million loan facility has been signed with Allegiance's banks, Société Générale and ANZ, comprising a US$45 million project finance facility plus cost overrun and working capital facilities.
- Project loan drawdown was approved by the banks and as at 31 December project debt stood at US$20 million (A$23 M). A further US$10 million (A$11 M) of project debt was drawn down on 9 January 2008.

SALES AGREEMENT

US$3.7 billion offtake agreement (before smelter charges) with Jinchuan Nickel Group of China remains a cornerstone agreement that brings major benefits to the Avebury Nickel Project.

David Deitz
Chairman
31 January, 2008

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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 2007

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	(319)	(551)
1.3	Dividends received	3	11
1.4	Interest and other items of a similar nature received	7	15
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	15	(16)
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(294)	(541)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects		
	(b) equity investments	58	58
	(c) other fixed assets	(14)	(50)
1.9	Proceeds from sale of: (a) prospects		
	(b) equity investments	(307)	0
	(c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities	(15)	(22)
1.12	Other (property)	(13)	(6)
	Net investing cash flows	(292)	(21)
1.13	Total operating and investing cash flows (carried forward)	(586)	(562)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(586)	(562)
	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	12	0
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	12	0
	Net increase (decrease) in cash held	(574)	(562)
1.20	Cash at beginning of quarter/year to date	1,430	1,418
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	856	856

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	22
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.

		Total Facility $A'000	Amount used $A'000
3.1	Loan facilities – Guarantee of mortgage on St Ives Property	1,050	1,050
	Opes Prime	2,675	975
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	20
4.2	Development - Property	60
	Total	**80**

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	856	1,430
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	**856**	**1,430**

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 11,000,000	Nil Nil Nil	*Exercise price* 6 cents 3.25 cents 7.25 cents	*Expiry date* **30.06.2009** **05.12.2010** **30.11.2011**
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 31 January 2008

(Company Secretary)

Print name: ELAN SLATER

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.