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Quarterly Report For period ended 30 June, 2010

Highlights

- Gullewa, through its 80% held subsidiary Mineral & Coal Investments Pty Ltd "MCI", has built up a strong technical team that has commenced regional exploration on all granted coal licenses in Queensland.
- Runge Limited signed off on an Independent Geologist's Report on MCI projects that rated their coal prospectivity and confirmed a Coal Target⁽¹⁾ of 60M tonnes at Back Creek in the Surat Basin.
- Initial focus will be in defining the potential resources at Back Creek and at the Kilmain and Connemarra underground coal projects in the Bowen Basin.
- Claymor Resource's Dandaloo project in central New South Wales has progressed to testing defined gold targets above prospective Ordovician volcanics with IP geophysical surveys. Drilling of resultant anomalies is planned for the next Quarter.
- Applications have been made for three new licenses in the Narromine-Dubbo region covering gold-base metal targets in Ordovician sequences under shallow sedimentary cover.

27 July, 2010

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Corporate

- Gullewa held a cash balance of \$7.3 million on 30 June, 2010

Coal

Mineral & Coal Investments Pty Ltd "MCI" (Gullewa Limited 80%)

The Gullewa commissioned Independent Geologist's Report on twelve MCI tenements was signed off by Merryl Peterson of Runge Limited and appended to an ASX announcement on 26 May, 2010. This report outlined the main exploration and resource targets in the Queensland coal package.

On the basis of this report and subsequent review of existing technical data by our newly created team of experienced consultant coal geologists, the resource potential for our priority projects is strong. This applies in particular to open pit thermal coal in EPC 1297 (Back Creek) located in the Surat Basin and for underground coking coal at EPC1296 (Connemarra), EPC1298 (Kilmain) and EPC 1917 (Kilmain South) within the central Bowen Basin, refer **Figures 1 & 2**. There is also excellent potential for open pit metallurgical and PCI coal in EPC 1631 (Calen South) and EPC 1820 (Bolden) as well as EPC 1492 (Townsville), EPC 1617 (Townsville Extended) located in faulted equivalents of the Bowen Basin closer to ports.

Activities

MCI has commenced regional exploration over these targets for open pit and underground coal resources within the nine currently granted Exploration Permits for Coal (EPCs).

The Townsville EPC 1492 was granted this quarter, and of the three applications awaiting grant, EPC 1874 (Normanby) and EPC 1875 (Pine Creek) in the Laura Basin are expected to be offered in the next quarter.

Acquisition of EPC 1324 (Linallie) for \$20,000 is subject to a dispute with Bajju Exploration Pty Ltd.

The following activities were achieved or initiated in the June, 2010 quarter:

- Geological consultants Tamplin Resources were engaged to complete the review of all available data and to prepare detailed exploration programs and annual budgets for all areas that have been granted and/or under grant processing.
- Geological models are to be prepared for all areas with sufficient information such as the Back Creek EL where additional drillhole information has been acquired by completion of geological data exchange agreements with adjacent tenement holders Cockatoo Coal and Stanmore Coal.
- Exploration Manager David Dempster, a highly experienced hydro and coal geologist, is continuing reviews of water bore data to identify coal intersections in all tenements.
- A suitable rig geologist was engaged for drilling programs planned in 2010.
- Tenement managers ELP have prepared landholder details for all target areas prior to commencement of exploration site activities and preparation of standard Access and Compensation Agreements is underway.

- A comprehensive Health & Safety Management Systems is being put in place, and a Senior Site Executive is to be appointed to manage the scheme.
- There were no incidents to report in regard to safety or environmental issues associated with the company's activities on its tenements.

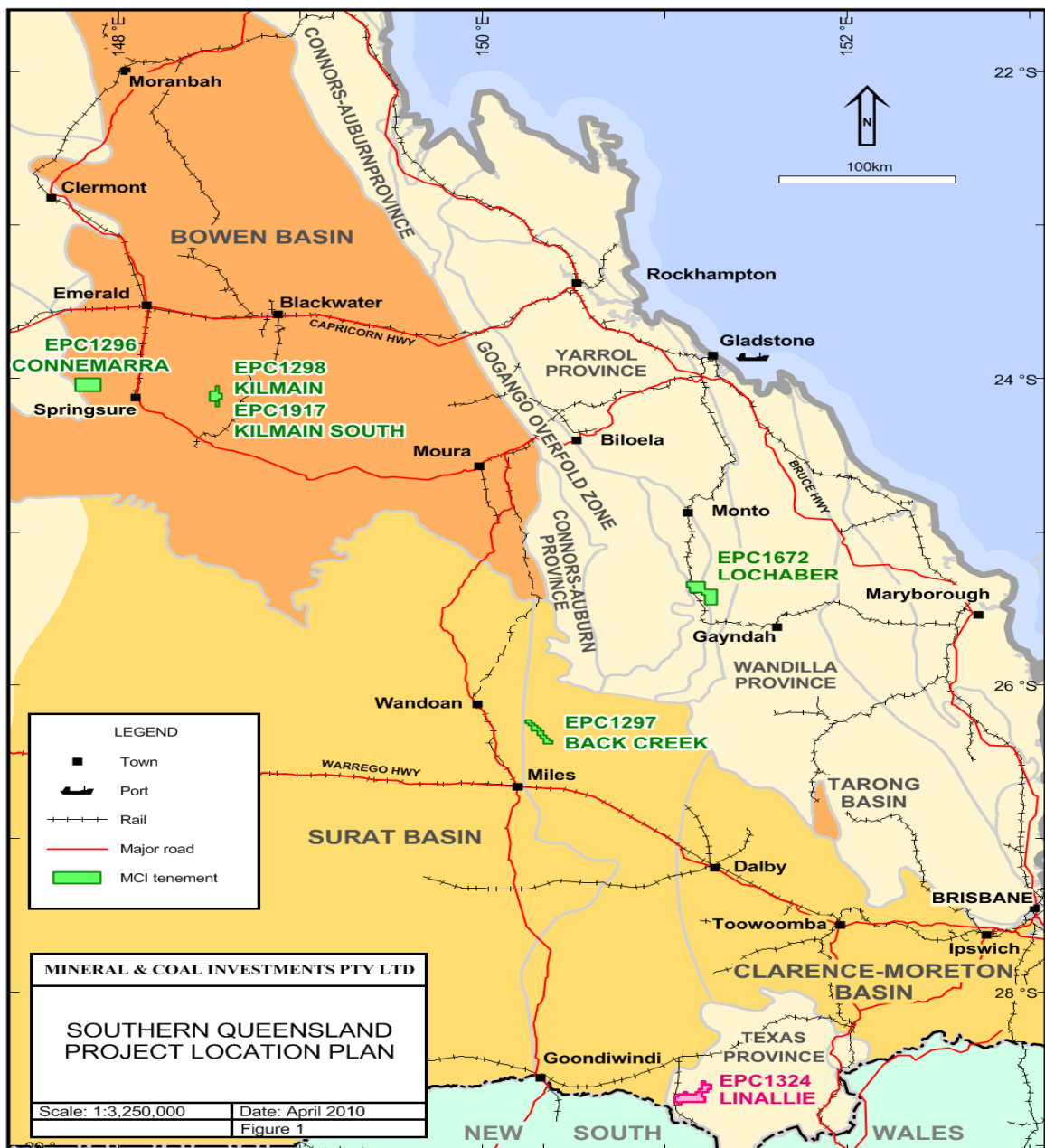


Figure 1 : MCI tenements in Central and Southern Queensland

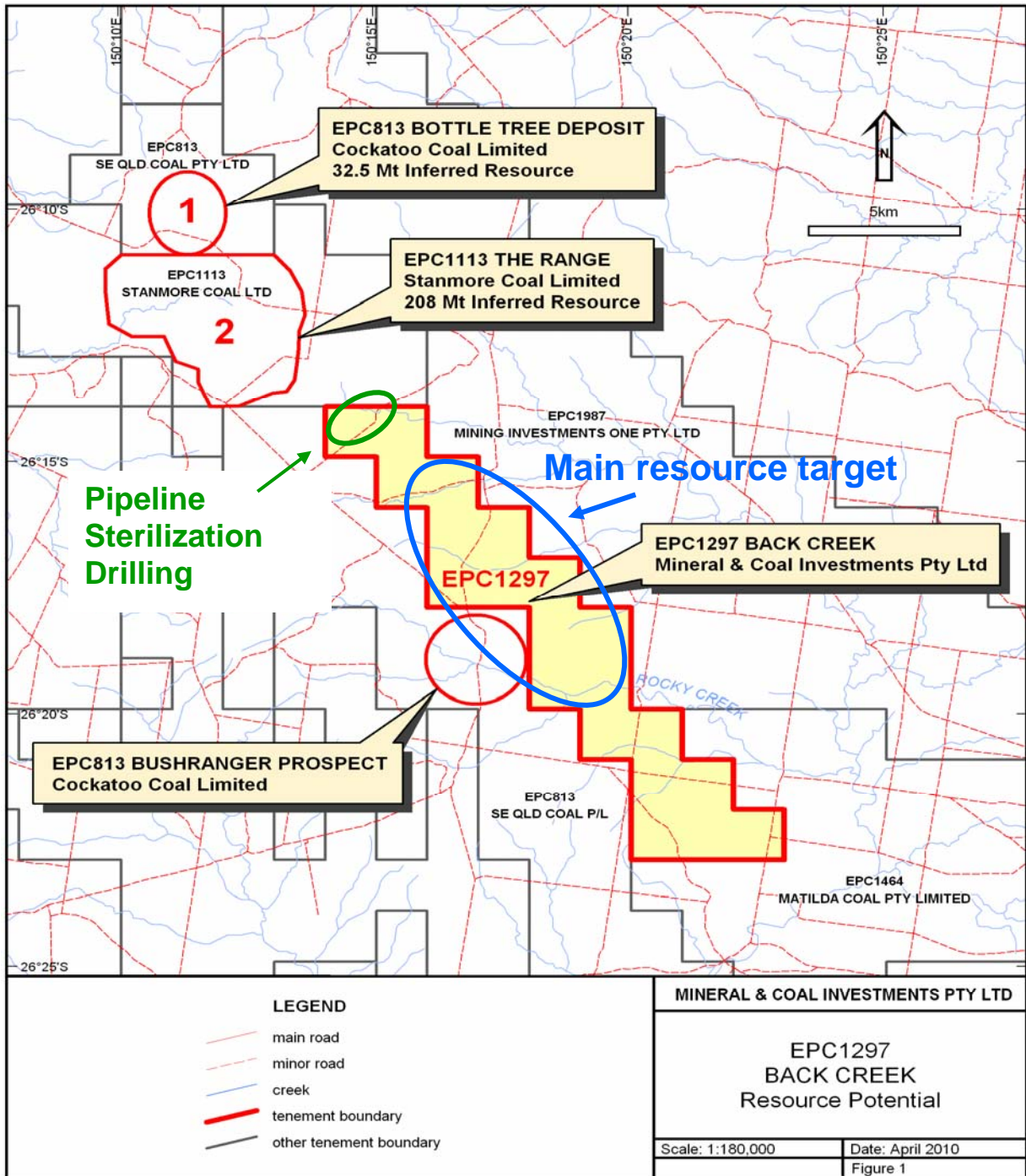


Figure 2 : EPC 1297 Back Creek Coal Target

The following work is planned for the September 2010 quarter:

- In line with defined work programs and budgets initial field work on priority tenements will involve confirmation of identified target areas for drilling and preparation of suitable sites.
- Given the likelihood of shallow coal at Back Creek close to Stanmore Coal Limited's 208 Mt Inferred thermal resource in EPC 1113 at the Range, assessment is required to verify the need for changing the route of proposed gas pipelines passing through both tenements. There may be a requirement for sterilisation drilling along the proposed routes as shown in *Figure 2*.
- Drilling programs need to be refined with the aim to identify priority coal targets and quantify the resource potential at Back Creek, Kilmain and Connemarra. One deep pilot test hole is planned at Kilmain to test seam quality and CSG; and a small program of holes at Connemarra to indicate the presence of workable coal seams and areas where relinquishments may be made.
- In other tenements such as Townville and Lochaber mapping and traversing plus analysis of water bore data will aim to identify coal bearing strata that can be tested by shallow scout drilling.
- In all tenements where fieldwork is proposed the required access and compensation agreements will be completed prior to entry.

Corporate

Mr Peter Donkin has joined the board as a Non-Executive Director. Peter Donkin has 28 years experience in finance, of which the last 18 years have involved arranging financing in the mining and resources sector. Until recently he was the Managing Director of the Mining Finance Division of Societe Generale in Australia. He is also a Director of Sphere Minerals Limited and Paladin Energy Limited.

Following the announcement of the proposed Resource Super Profit Tax by the then Prime Minister Kevin Rudd on 2 May and its impact on the market, the decision on an IPO for MCI was deferred until there was clarity. The announcement of an agreement on a Mineral Resource Rent Tax by the new Prime Minister Julia Gillard has provided some clarity but until the federal election is decided there is still uncertainty as to whether and how it will be applied. Under the currently proposed scheme there is no tax relief for exploration companies.

Funding options other than an IPO for MCI are under consideration.

Hydromining Coal Australia Pty Ltd "HCA"

During the quarter the company continued to pursue investment opportunities in New South Wales.

Minerals

Claymor Resources Pty Ltd (Gullewa Limited 100%)

Dandaloo Project (ELs 7022, 7259, 7260 and 7261)

Claymor holds highly prospective mineral tenements in the Dandaloo-Warren region of New South Wales within the northern part of the highly prospective Parkes Structural Zone, refer **Figure 3**. The aim is to discover commercial deposits of precious and base metals (Au, Cu, Ni and U) hidden under variable sedimentary cover of the Great Australian Basin. The focus of current exploration is EL 7022 located east of the Tottenham copper district in Ordovician strata marginal to the Macquarie Arc and across Lower Devonian volcanics of the Tullamore Syncline.

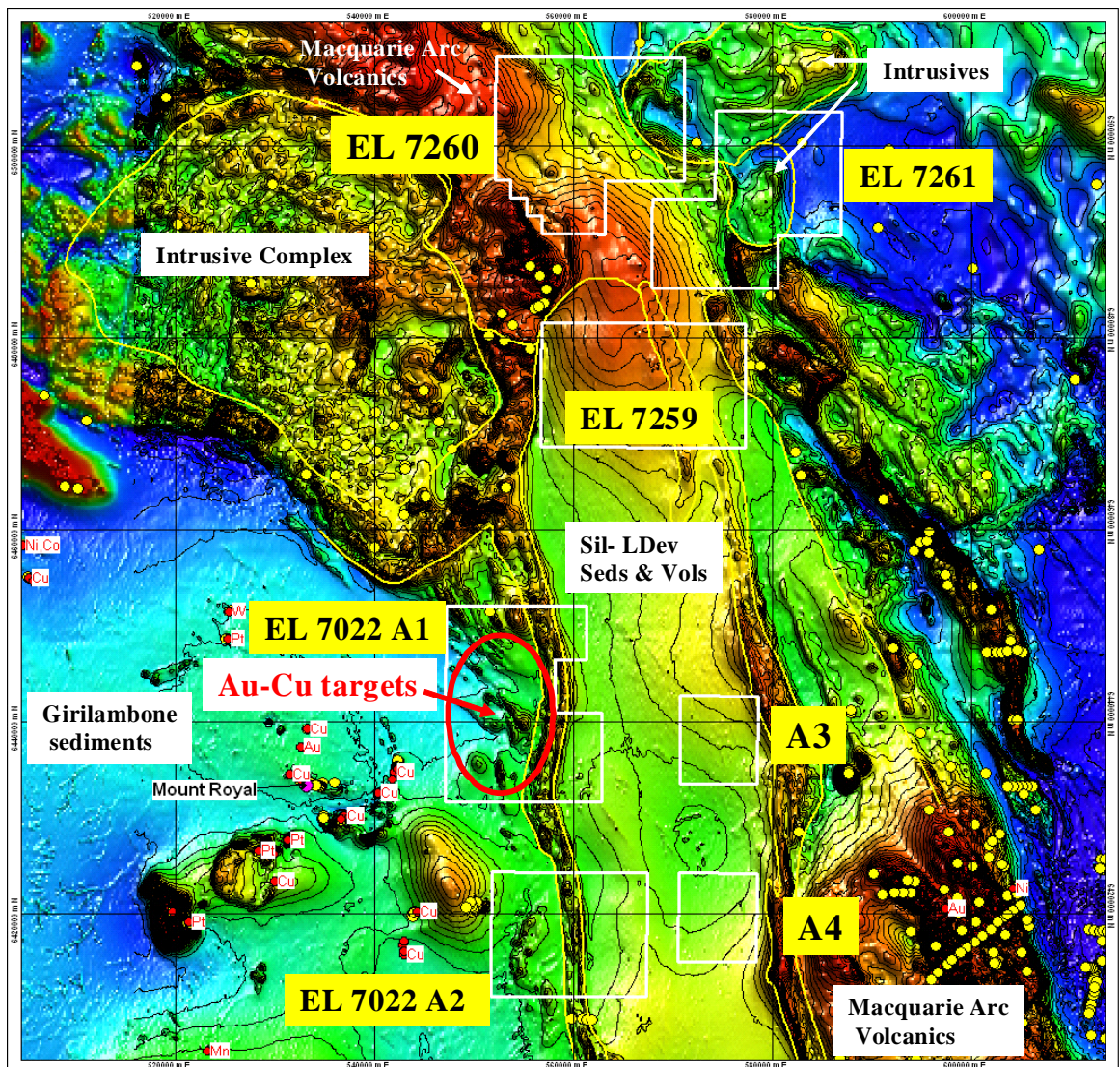


Figure 3 : Claymor Resources Tenements in the Dandaloo-Warren District on a regional aeromagnetic base

Activities

The following activities were achieved in the June, 2010 quarter:

- A review of previous exploration in the Dandaloo district showed that little serious work has been undertaken except for locating extensions to the Tottenham deposits in the Lady Caroline area in the west, and initial bedrock drilling of the Nyngan Intrusive Complex and adjacent Ordovician arc volcanics to the north that lie under 200m of cover. In general, previous explorers have considered this cover too thick to cost effectively test bedrock targets.
- Russian geochemical consultants, Interresources Pty Ltd, completed evaluation of Stage IV MPF soil sampling of three selected gold anomalous sites within EL7022-Area 1 east of the Bogan River, refer **Figure 4**. This work confirmed and refined several highly anomalous gold targets flanked by siderophile element halos within sites 2 and 3. These anomalies coincide with recently interpreted NW trending structures and possible magnetic depletion (alteration) zones in Ordovician or Lower Devonian volcanic basement.

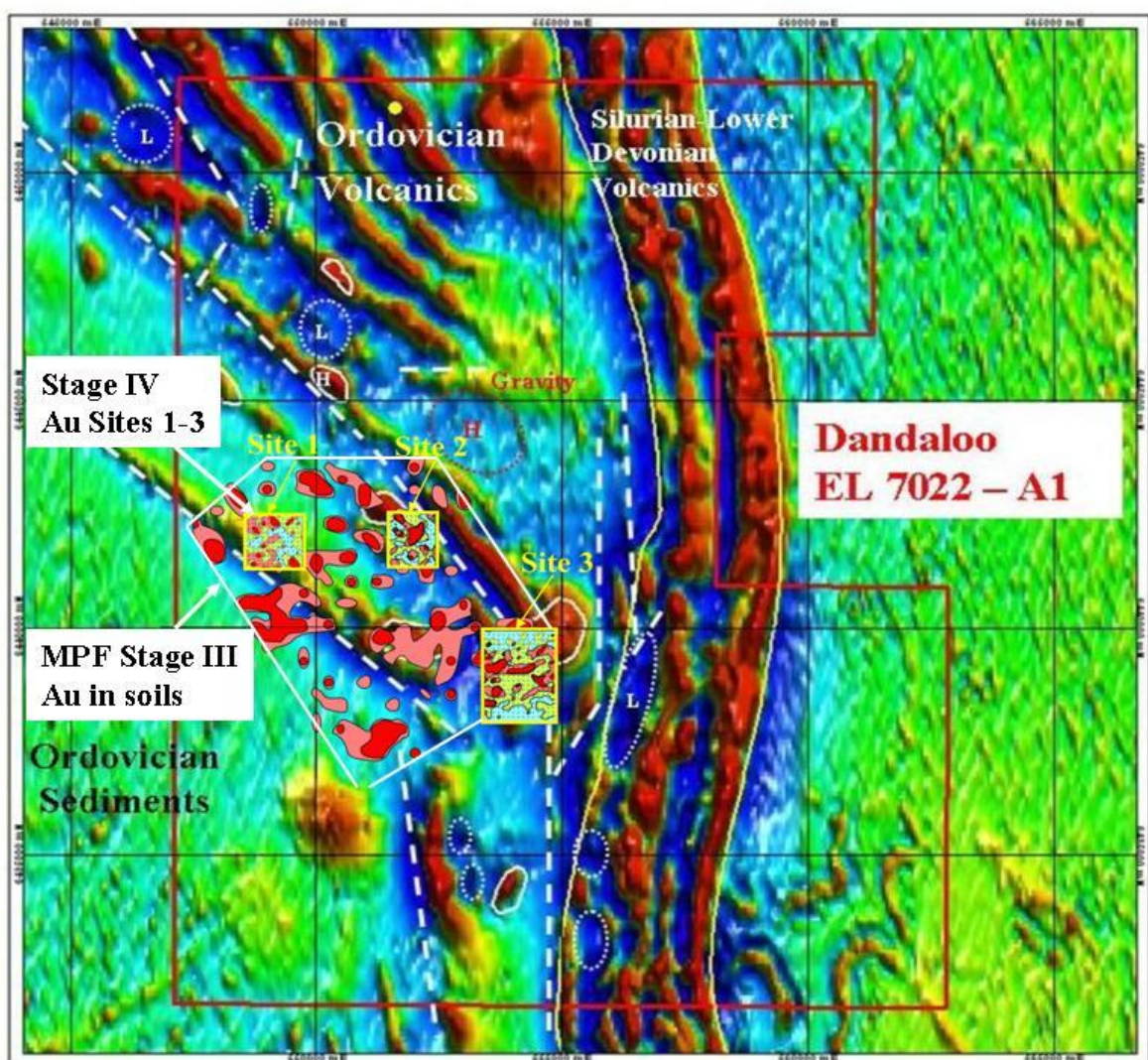


Figure 4 : EL7022-Area 1 MPF Gold Anomalism and Structures

In order to assess the depth to basement over the geochemical targets and to locate any associated sulphide response that may occur with alteration belonging to a range of potential deposit styles at depth, Claymor commissioned Fender Geophysics to conduct Induced Polarisation (IP) surveys over these areas.

The program commenced towards the end of June, but due to abnormal wet conditions and conductive overburden, progress was slow. However, preliminary interpretation on several lines suggests the prospective basement is at 100m depth and there is anomalous chargeability that needs to be properly defined.

The following activities are proposed for the September, 2010 quarter:

- Further IP geophysics will be completed early in the new quarter including detailed interpretation of the IP surveys and preparation of a report defining drilling targets.
- Drilling of the two main targets defined by peak geochemistry and geophysical anomalism. It is expected that the drilling to at least 200m depth will involve use of rotary mud or reverse circulation technology through the soft cover and diamond coring of the basement.

Narwonah Pty Ltd & Windora Exploration Pty Ltd (Gullewa Ltd 100%)

Narromine Project (ELA 3996 and ELA 3997)

Dubbo Project (ELA 3998)

Following a regional geophysical review by Consultant Peter Gunn of selected covered regions of the Lachlan Orogen undertaken during April to May, Gullewa decided to apply for three 100 unit Mineral Exploration Licenses in the Narromine and Dubbo areas as shown in **Figure 5**. These ELs further expand Gullewa's regional focus on targeting Ordovician-Devonian porphyry-style and orogenic gold deposits beyond the outcropping limits of the previously well explored northern Parkes and Molong districts.

The applications by Gullewa subsidiaries include:

- Narromine Project – Exploration Licence No 3996 – Narwonah Pty Ltd;
- Farrendale Project – Exploration Licence No 3997 – Narwonah Pty Ltd;
- Ballimore Project – Exploration Licence No 3998 – Windora Exploration Pty Ltd.

The Narromine and Farrendale applications surround Clancy Exploration's Myall EL west of Narromine that contains several promising porphyry systems such as the Kingswood Prospect. Ballimore contains similar intrusives to the important Kaiser prospect north of Wellington.

Gullewa Limited NSW Tenements

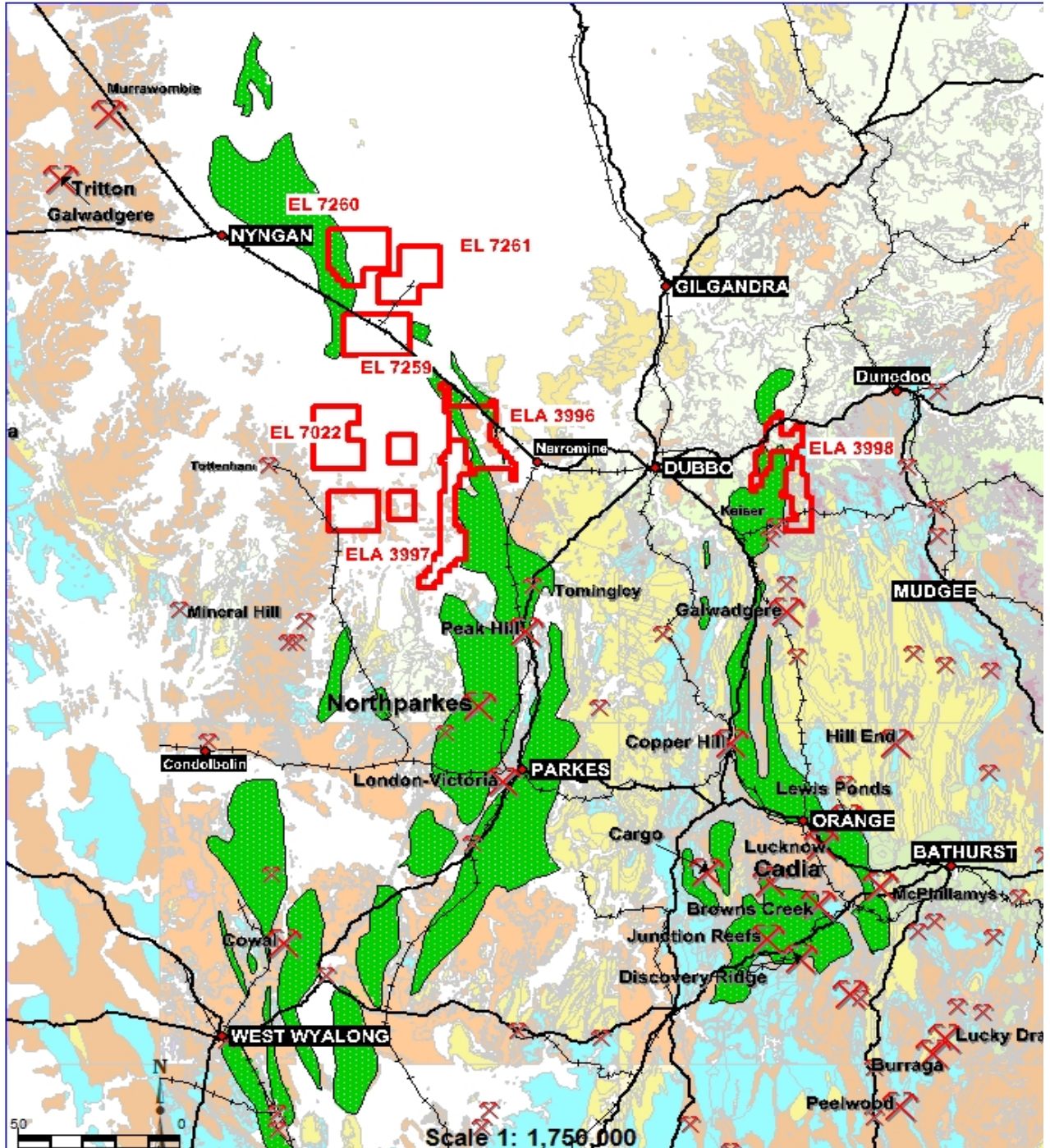


Figure 5 : Lachlan Orogen in NSW – Gullewa Tenements

Gullewa Geothermal Pty Ltd

The following was achieved in the June 2010 quarter:

SEL 9/2009-Tasmania:

Gullewa Geothermal holds a 100% interest in SEL 9/2009 covering a 3,000 sq km. area in northern and western Tasmania :

- No fieldwork was undertaken on the area during the quarter;
- Future work on this tenement will focus on target areas associated with potential hot sedimentary aquifers (HSA) systems at modest depths of 2,500m to 3,500m;
- One such target of immediate interest is the Zeehan area, where porous and permeable sedimentary formations are interpreted as overlying high heat generating granites at the desired 2,500m to 3,500m depths;
- A program of 1-2 deep slimline drill holes to test this target is currently being evaluated.

General

The deep hot rock geothermal electricity industry remains an embryonic industry in Australia, and global commercial success to date has been limited.

To date we have investigated engineered geothermal systems (EGS) and the possibilities of HSA that are more commercially attractive opportunities because of lower technical risk factors, shorter development time frames, and substantially lower reserve definition capital costs.

The extent and pace with which Gullewa can pursue such opportunities will be determined by a number of factors, including the nature of Federal Government support for the Australian geothermal industry, the overall investment climate and access to target areas.



Note 1 – Exploration/Coal Target

All statements as to Exploration Target and Coal Target of M&CI and statements as to potential quality and grade are conceptual in nature. There has been insufficient exploration undertaken to date to define a coal resource and identification of a resource will be totally dependent on the outcome of further exploration. Any statement contained herein as to exploration results, Exploration Target or Coal Target has been made consistent with the requirements of the JORC Code.

Statement of Qualified Persons

Sections of this quarterly report relating to the reporting of exploration information were written by Colin Randall, Lindsay Newnham and Robert Close in accordance with the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’ (“JORC Code”).

Robert Close is a full-time employee of Gullewa Limited. Mr Newnham is a long-term consultant to Gullewa Limited, while Colin Randall is a consultant and Managing Director of Mineral & Coal Investments Pty Ltd.

The abovenamed are corporate members of the Australasian Institute of Mining and Metallurgy and/or Australasian Institute of Geoscientists, have a minimum of fifteen years experience in the field of activity being reported on and are Competent Persons as defined in the JORC Code. This announcement accurately summarises and fairly reports their assessments and where required, they have consented to the report in the form and context in which it appears.

Property

St Ives (Gullewa 50%)

We granted a 12 month option to sell the property for \$2.9 million with an option fee of \$120,000 payable now. Our original purchase price was \$1.4 million.

Normanhurst (Gullewa 100%)

The four lots will be put to market shortly.

David Deitz
Director

For any enquiries : David Deitz
02 9397 7555

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, 2010

Consolidated statement of cash flows

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
- 1.3 Dividends received
- 1.4 Interest and other items of a similar nature received
- 1.5 Interest and other costs of finance paid
- 1.6 Income taxes paid
- 1.7 Other (provide details if material)

Net Operating Cash Flows

Cash flows related to investing activities

- 1.8 Payment for purchases of:
 - (a) prospects
 - (b) equity investments
 - (c) other fixed assets
- 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
- 1.12 Other (property) and security deposit

Net investing cash flows

- 1.13 Total operating and investing cash flows (carried forward)

	Current quarter \$A'000	Year to date (12 months) \$A'000
	(543)	(1,177)
	(313)	(1,137)
	68	363
	(788)	(1,951)
	(44)	(557)
	(34)	(34)
	-	362
	(107)	(384)
	-	55
	(12)	(115)
	(197)	(673)
	(985)	(2,624)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(985)	(2,624)
	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	38	38
1.17	Repayment of borrowings	-	(40)
1.18	Dividends paid		
1.19	Other (provide details if material)	-	178
	Net financing cash flows	38	176
	Net increase (decrease) in cash held	(947)	(2,448)
1.20	Cash at beginning of quarter/year to date	8,246	9,747
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	7,299	7,299

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	217
1.24	Aggregate amount of loans to the parties included in item 1.10	7

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	400
4.2 Development	
Total	400

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	7,299	8,246
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	7,299	8,246

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	EPC 1492 Granted Mineral & Coal Investments Pty Ltd	Nil	80%

+ 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	132,806,344	132,806,344		
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>	12,256,756 11,000,000 5,480,000	Nil Nil Nil	<i>Exercise price</i> 3.25 cents 7.25 cents 11.87 cents	<i>Expiry date</i> 05.12.2010 30.11.2011 30.11.2014
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

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

Date: 27 July, 2010

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.