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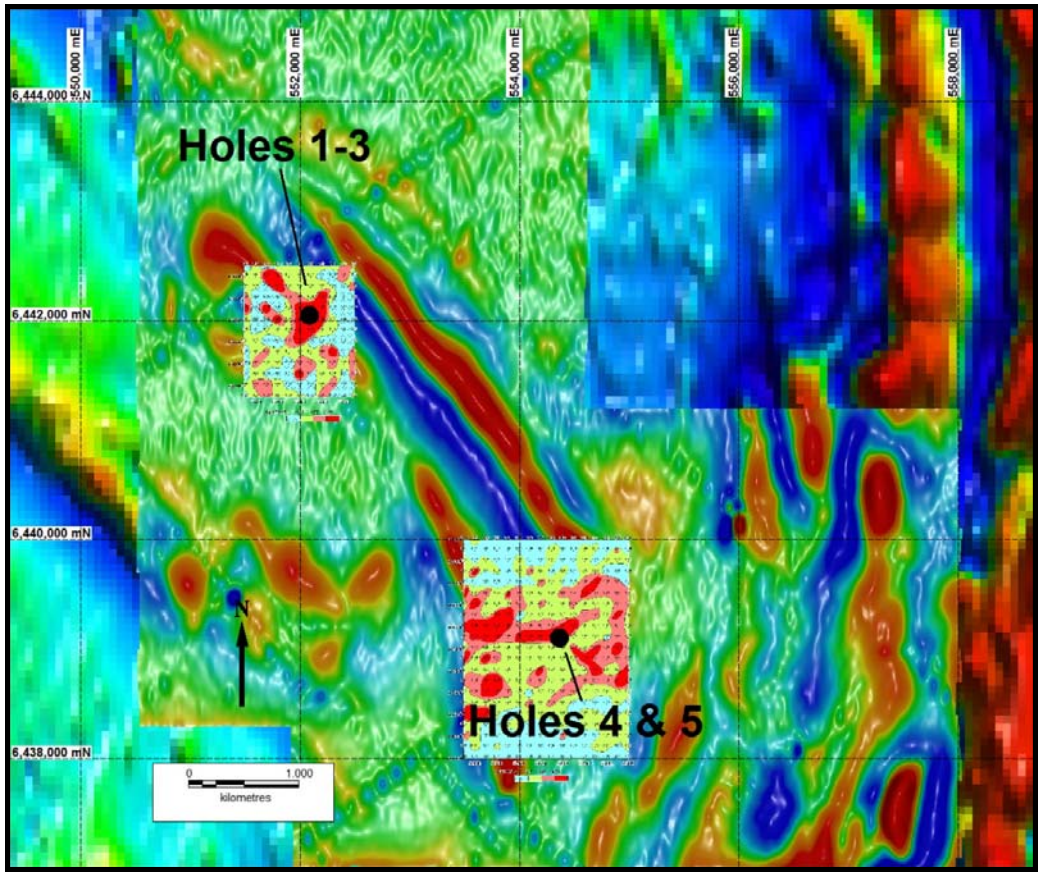
Widespread Alteration Beneath Deep Cover at Dandaloo

- **Drill testing of 5 vertical holes was completed in late January**
- **Extensive zones of chlorite ± epidote alteration were intersected**
- **Preliminary interpretation of data supports zones of widespread geochemical enrichment and depletion associated with alteration**
- **Dan 004 intersected a thin zone of coincident anomalous concentrations of Ag (119 ppm), Be, Bi, Cu, Mo, Nb, W and Zn at the base of the unconsolidated sediments.**

Gullewa Limited completed a five-hole drilling program for 1,030 metres at its Dandaloo project in central NSW at the end of January. The drilling was designed to test possible sources of two soil geoelectrochemical anomalies. The two anomalous target zones are approximately 3.5 kilometres apart and are located in areas of unconsolidated transported cover of between 95 and 115 metres thick.

The anomalies were identified as part of the Company's regional exploration program for precious and base metal mineralisation buried beneath deep unconsolidated cover sequences using Russian geoelectrochemical technology.

Dandaloo drill site locations overlaying the geoelectrochemical gold on RTP magnetics



Three holes were drilled at the first target zone and two holes at the second target. In total, 552 metres of mud drilling and 478 metres of NQ diamond core drilling were completed.

Dandaloo drill hole parameters

Hole Name	MGA94E Zone 55	MGA94N Zone 55	Elevation	Angle	Depth Mud drilling (m)	NQ metres drilled	Final Depth (m)
Dan 001	552148	6442059	211	Vertical	114.45	114.35	228.8
Dan 002	552089	6441995	205	Vertical	105.0	93.6	198.6
Dan 003	552058	6442101	208	Vertical	95.9	106.4	202.3
Dan 004	554397	6439150	210	Vertical	113.8	109.2	223.0
Dan 005	554299	6439129	209	Vertical	123.0	54.8	177.8

Note Drill collar coordinates and elevations were determined using a handheld GPS

The drilling did not intersect any zones of non-pyritic sulfides or thick zones of pyrite and with the exception of the two (2) high silver intersections in hole Dan 004 (mentioned below), all of the concentrations in the holes are low and the source of the surface geoelectrochemical anomalies is not clear. However, the drilling did intersect widespread chlorite and epidote alteration. A preliminary review of the analytical data has revealed possible widespread depletion of many elements, possibly associated with the alteration.

The best drill intersection was in Dan 004 which interested a 50 centimetre zone containing 119 ppm silver as well as potentially significant concentrations of Be, Bi, Cu, Mo, Nb, W and Zn (see table below). The significance of this intersection is not clear as the core recovery was low and the interval occurs at the interface between the unconsolidated sediments and the basement. The samples were composed mostly of brown clay. It is not clear whether this interface comprises only zones of coarse gravels or possibly some palaeo-soil profiles or weathered Mesozoic sediments. Core recoveries in the contact zones, after the drilling changed from mud drilling to diamond core drilling were commonly very poor.

Dan 004 – Summary best intersections

From	To	Interval	Recovery	Ag	Be	Bi	Cu	Mo	Nb	W	Zn
			%	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm
113.8	117.7	3.9	0	No Sample							
117.7	120.7	3.9	~2	Not analysed – sample too small							
120.7	121.2	0.5	60	119	0.64	.011	129	112	68.9	71.4	475
121.2	123.7	2.5	0	No Sample							
123.7	125.9	2.2	10	14.4	1.5	0.26	113	6.28	10	247	104
125.9	126.7	0.8	0	No Sample							

The maximum concentrations for the major commodities and pathfinders elements across all five holes are tabulated below.

Maximum values all holes

Au	Ag	As	Ba	Bi	Co	Cu	Mn	Mo	Ni	Pb	W	Zn
ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm
0.0817	119	66.5	1800	1.13	108.5	312	4010	112	122.5	59	247	155

A detailed analysis of the drill hole analytical data is underway but will not be completed until the results of petrological studies of drill core samples have been completed. Samples have been submitted to Applied Petrological Services & Research in Wanaka, New Zealand, and a report is not expected until mid to late April.

The program completed by the Company only tested basement sequences to very shallow depths with the deepest being 114 metres into basement. Widespread chlorite and epidote alteration of basic to intermediate volcanic sequences was intersected in the holes. Preliminary statistical studies on the drill hole data have revealed some trends in the data, such as possible depletion and small zones of coincident elevated pathfinder element associations. Petrological studies, currently in progress, should assist with refining interpretations regarding the nature of the alteration assemblages and the timing and nature of veining. The zones of anomalous silver and the associated element assemblages in Dan 004 will require further study but are considered to be very encouraging.

The preliminary conclusion is that following geoelectrochemical surveys of areas with deep unconsolidated sediments covering over 8,500 square kilometres, the pathfinder drilling carried out in this programme has detected a mineralogical halo which may be associated with a Au ±Cu porphyry type deposit. Additional work, including the completion of petrological studies is required which will assist with our interpretations and direction of future activities.

Competent Person's Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Garry Baglin, who is a full time employee of the Company. Mr Baglin is a Member of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. He has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Baglin consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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