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Quarterly Report

For period ended 30 September, 2010

Highlights

- Gullewa, through its 80% held subsidiary Mineral & Coal Investments Pty Ltd "M&CI", has completed a geological model in its Back Creek EPC 1297 in the Surat Basin that confirms increased open cut potential.
- Regional exploration on priority coal projects in the Bowen Basin has led to defined drilling targets however the drilling has been delayed due to ongoing wet conditions.
- Geophysical surveys at Claymor Resource's Dandaloo gold project in central New South Wales have been revamped to improve bedrock interpretations and should be finalised in the December quarter.
- Five mineral license applications totalling 1,500 km² have been made over Ordovician gold-base metal targets in the Narromine-Dubbo region.

Corporate

- Gullewa held a cash balance of \$7.137 million on 30 September, 2010.

29 October, 2010

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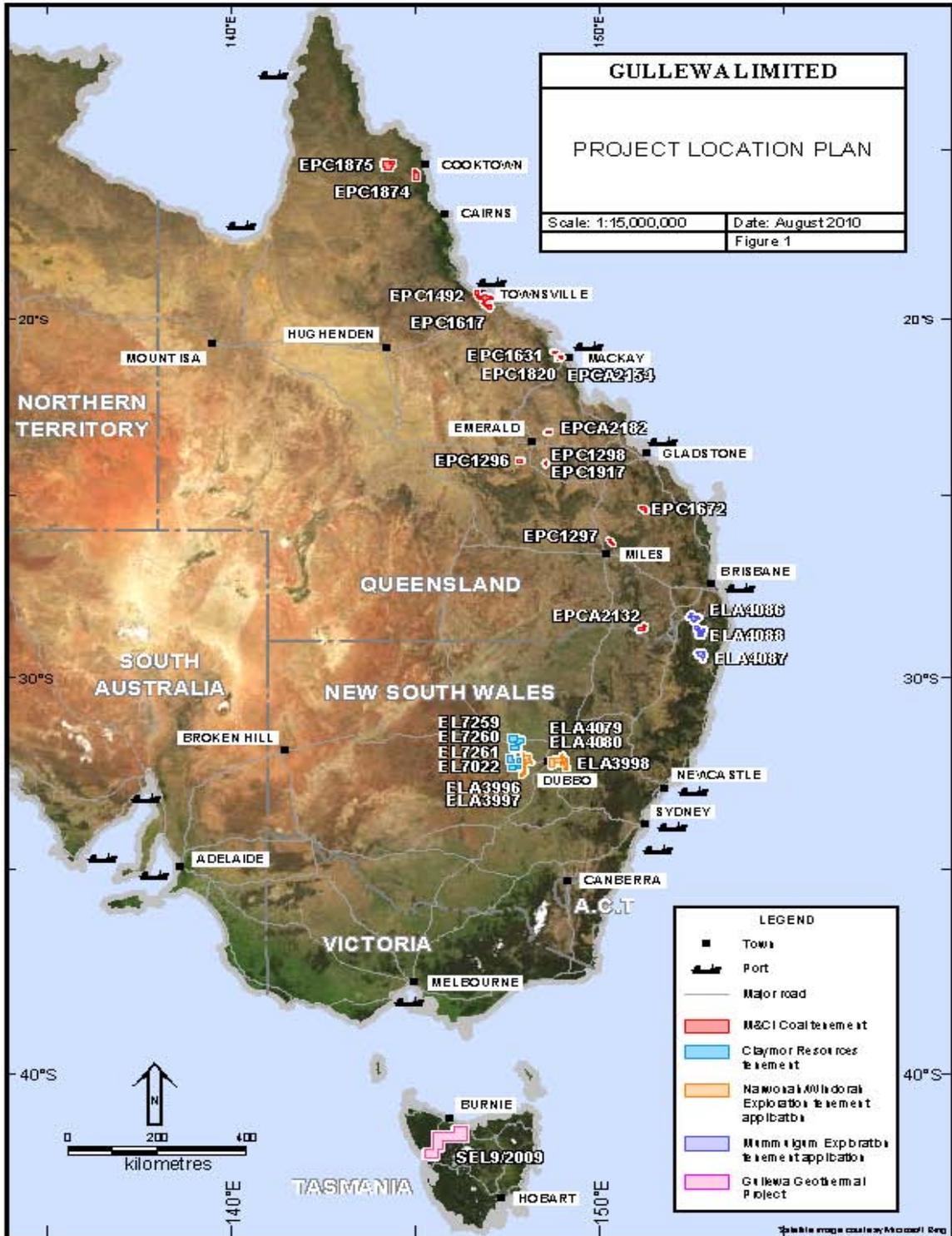


Figure 1 : Gullewa Tenements in Eastern Australia



Coal

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

M&CI aims to explore for open pit and underground coal resources within six Permian or Triassic-Jurassic coal basins in Queensland, to date nine Exploration Permits for Coal (EPCs) have been granted to the company, refer **Figures 1 & 2**.

A further three applications are awaiting grant, and two competitive applications have been lodged this quarter making a total of 14 properties in this diversified coal package, refer **Figure 1** below.

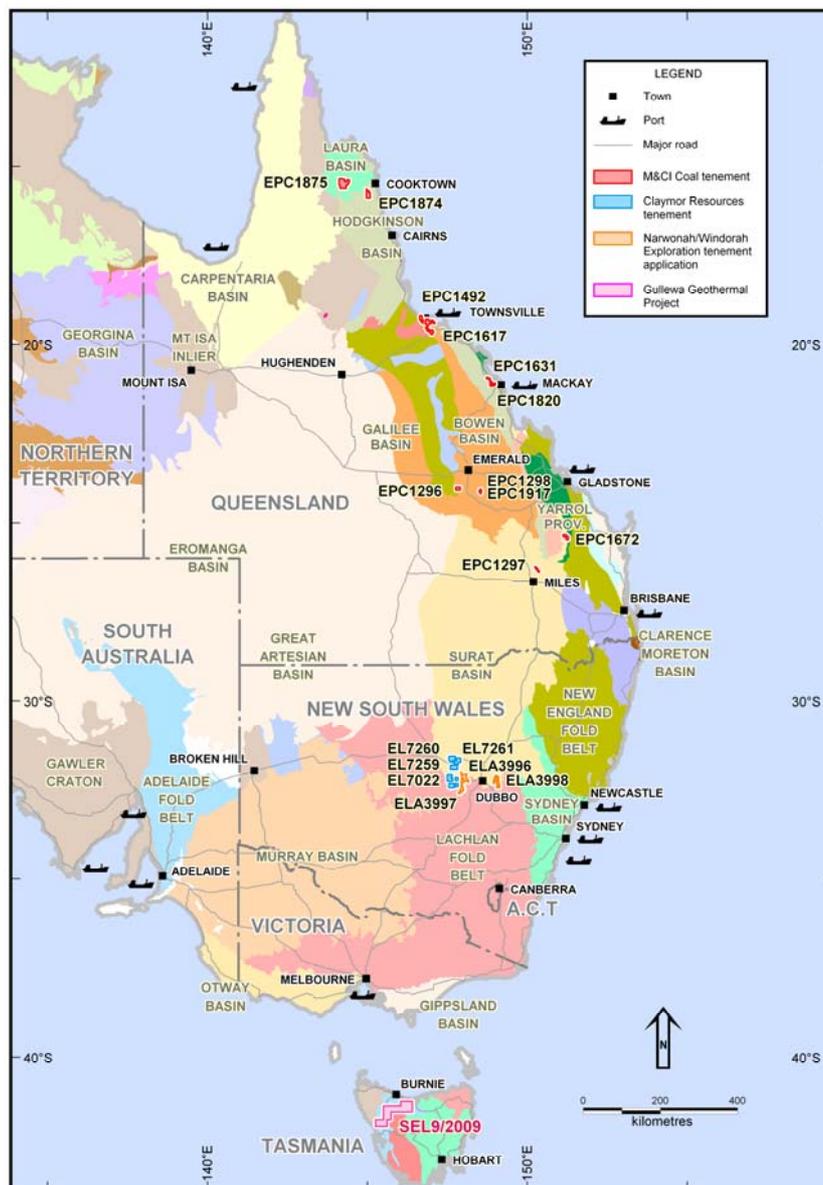


Figure 2 : Eastern Australian Geology Map Highlighting Gullewa Limited Tenements



The M&CI exploration team is now fully operational and has completed the required access and cultural approval documentation to allow fieldwork to commence on priority drilling projects in the Bowen Basin as well as our Townsville and Mackay projects.

Activities

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

- Geological consultants Tamplin Resources have compiled revised detailed exploration programs and annual budgets for all projects, and are assessing potential new property applications and acquisitions.
- Principal Shaun Tamplin has reviewed all available data at Back Creek EPC 1297 following completion of geological data exchange agreements with adjacent tenement holders Cockatoo Coal and Stanmore Coal. The additional drilling information has allowed preparation of an initial geological model that confirms Runge's open pit coal target of 60Mt and suggests additional resource potential will be defined by appropriate shallow drilling targeting the Condamine seam.
- Exploration Manager David Dempster has assessed drilling information on the western Bowen Basin projects Kilmain and Connemara and has prepared sites for proposed drilling to assess underground coking coal targets.
- Standard Access, Compensation Agreements, OH&S management systems and cultural clearances are being finalised ahead of scout RC drilling and reconnaissance mapping that has been delayed by continuing wet weather in central-southern Queensland.
- A Senior Site Executive, Mr Brian Lyle, has been appointed to manage the OH&S scheme, meanwhile there were no incidents to report this quarter in regard safety or environmental issues associated with the company's activities on its tenements.
- Two competitive EPC applications were lodged during the quarter over moratorium areas at Lilyvale EPCA 2182 in the western Bowen basin and Parapi EPCA 2154 in the Calen district.
- Managing Director Colin Randall made several presentations at investor forums, and was instrumental in bringing several new coal acquisition projects for review.

- Access to coal prospective quarries south of Townsville has been organised. This precursor step to selecting target areas for proposed drilling has meant that a planned stratigraphic core hole for the collaborative Government grant will be delayed until 2011 when an appropriate site can be agreed upon.

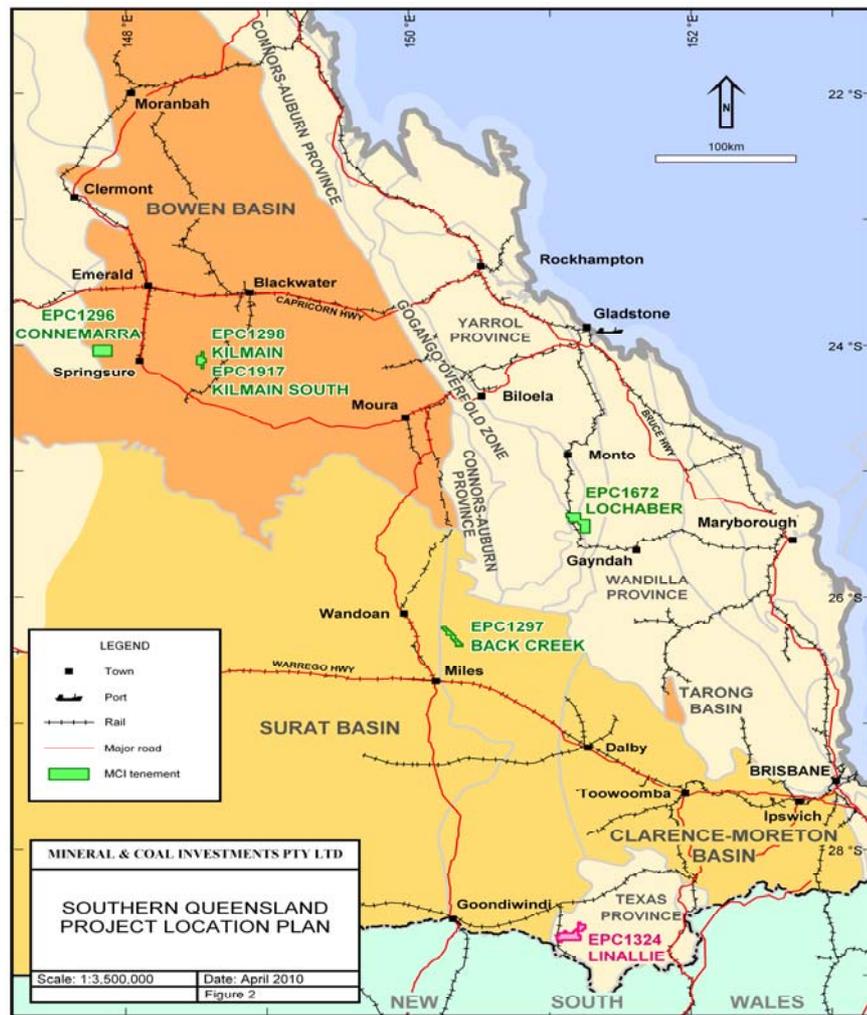


Figure 2

Figure 2 : M&CI Tenements in Central and Southern Queensland



Back Creek EPC1297

This prime tenement near Wandoan in the eastern Surat Basin is considered to have promising shallow open pittable thermal coal potential because it has defined continuity of geology along strike from JORC Inferred 219 Mt resources held by Stanmore Coal resources over the Taroom coal measures refer **Figure 3**. The central part of the Back Creek EPC contains few drill holes, but lies up dip from significant coal intersections at Cockatoo Coal's Bushranger prospect, therefore it is likely to have reasonable resource potential.

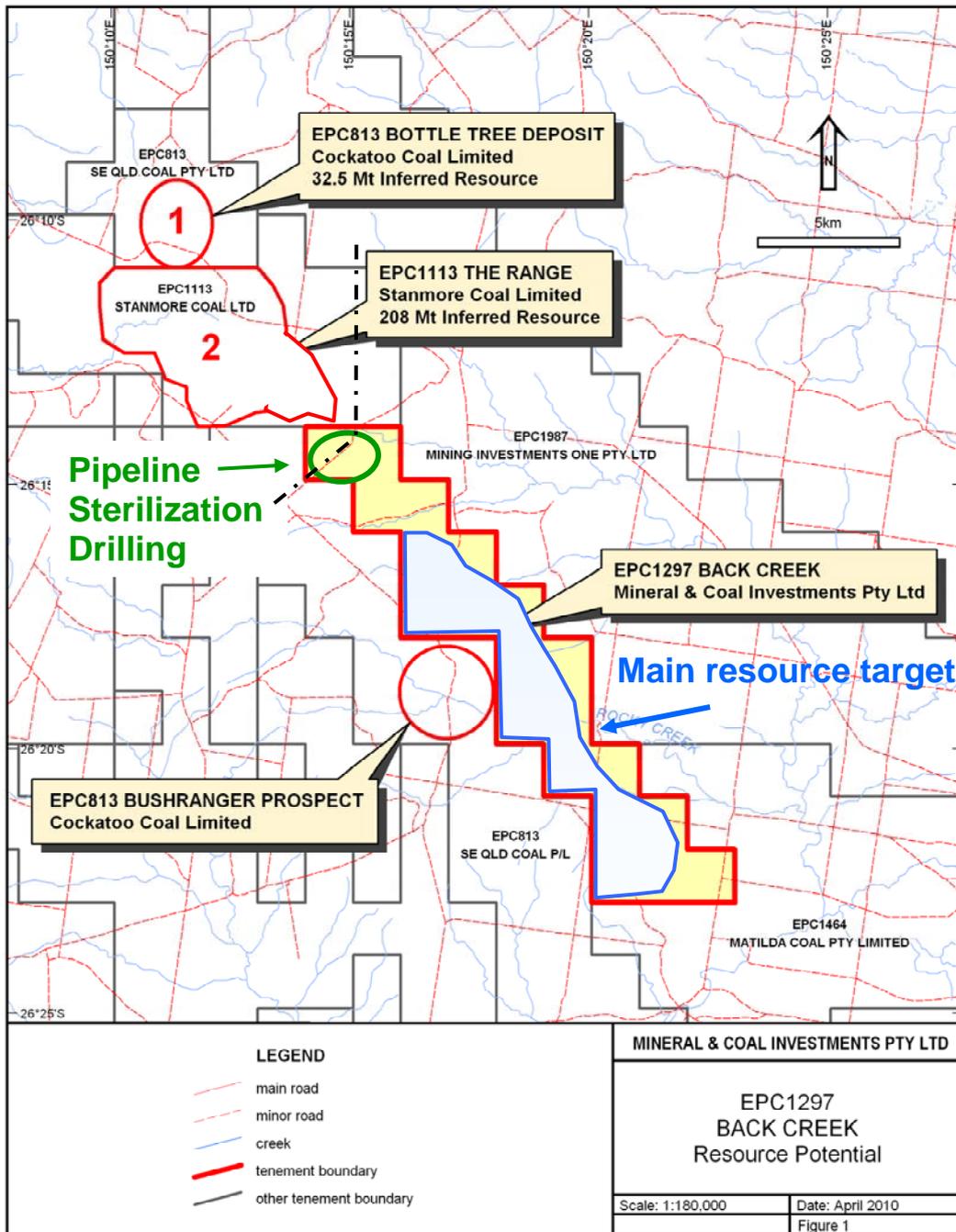


Figure 3 : EPC 1297 Back Creek Resource Target



In order to prepare a comprehensive geological model at Back Creek all available geological and drilling data in the vicinity of EPC 1297 was collated by Tamplin Resources Pty Ltd who have now completed the model. Their preliminary assessment suggests there is sufficient information on the main Bulwar and Condomine seams present to confirm and expand upon Runge's initial 60Mt coal target.

The following work is planned for the December 2010 quarter:

- In line with defined work programs and budgets once all permitting and cultural clearances are complete and sites are accessible drilling will be undertaken over the Kilmain and Connemarra Projects.
- Field work on the other granted tenements will involve reconnaissance mapping and location of coal seam outcrops that can be subsequently tested by shallow scout drilling.

Hydromining Coal Australia Pty Ltd "HCA" (Gullewa 80%)

During the quarter the company continued to pursue investment possibilities in Queensland and NSW where suitable areas have been identified and discussions are ongoing with potential partners.

No field activities were undertaken this quarter.

Minerals

Gullewa subsidiaries hold four granted mineral exploration licenses and five EL applications in the highly mineralised East Lachlan Orogen which is relatively unexplored under the variable sedimentary cover of the Great Australian Basin. These tenements shown in Figure 5 expand Gullewa's regional focus on targeting Ordovician-Devonian Cu-Au porphyry style and orogenic gold deposits beyond the outcropping limits of the northern Parkes and Molong districts.



Macquarie Arc mafic-intermediate volcanic centres under cover have only been tested to a superficial level by aeromagnetic and gravity interpretation followed by air core – RC drilling to bedrock. This work has locally identified intrusive target and prospective alteration such as the Kingswood Prospect in Clancy’s Myall EL west of Narromine, now joint ventured to Goldfields. However, in general due to the bedrock being deeper than expected over much of the region the required follow up exploration until recently was considered too costly. The current Gullewa exploration strategy is to utilise Ionex Technology and selected geophysical surveys to define basement targets under less than 200m of younger sediment cover for focused drill investigation.

Gullewa subsidiary, Mummulgum Exploration Pty Ltd, has also applied for three ELAs in the New England region covering interpreted gold and base metal targets in the Clarence Basin.

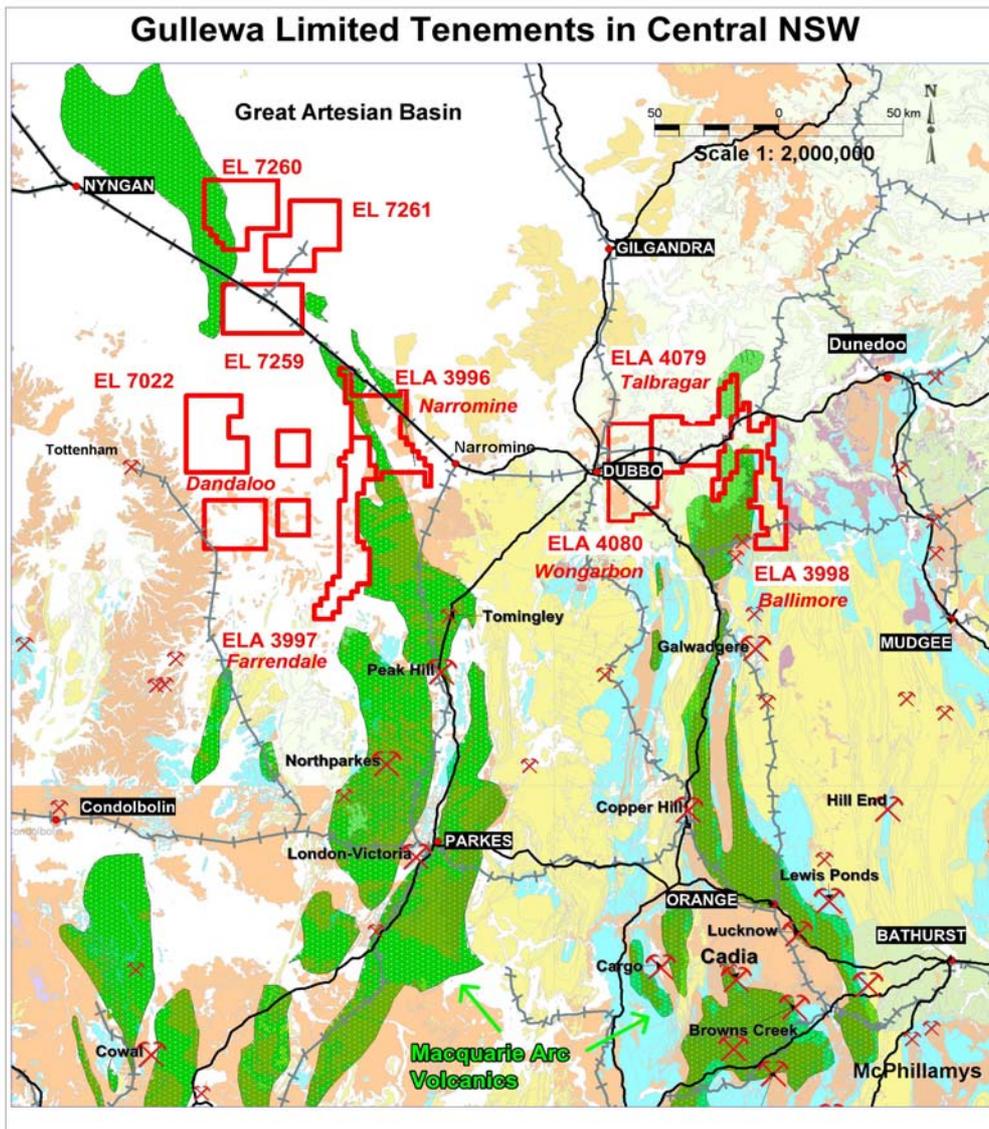


Figure 5 : Gullewa Subsidiaries’ Tenements in Central NSW



Claymor Resources Pty Ltd (Gullewa 100%)
Dandaloo Project (ELs 7022, 7259, 7260 and 7261)

Claymor holds prospective mineral tenements in the Dandaloo-Warren region near Narromine that contain Ordovician strata of the Macquarie Arc and across Lower Devonian volcanics of the Tullamore Syncline, refers **Figure 5 & 6**.

Data review around Claymor’s licenses indicated that altered volcanics and monzonitic-dioritic intrusives similar to those at the Cadia or North Parkes Cu-Au mines lie at depths between 100 and 300m in this district.

The focus of current exploration is EL 7022 located east of the Tottenham copper district covered by 50-120m of unconsolidated sediments that have proved a strong deterrent to previous exploration.

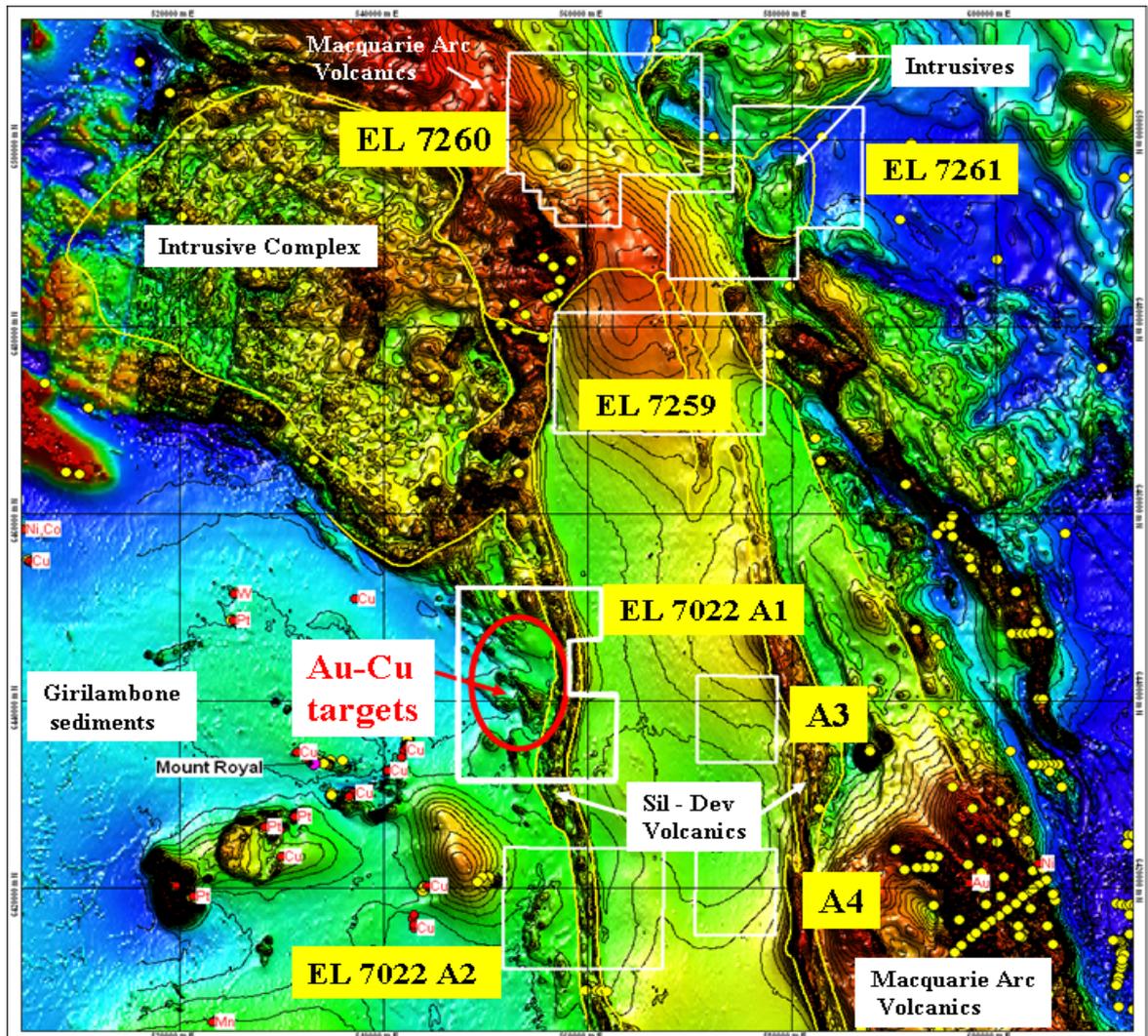


Figure 6 : Claymor Resources Dandaloo Project Tenements and Regional Magnetics



During 2010 stage IV geochemical consultants Interresources Pty Ltd conducted detailed soil surveys over the three best stage III anomalous zones defined in 2009 within the priority EL 7022-Area 1 east of the Bogan River, refer **Figure 7**.

This work confirmed and refined several highly anomalous gold targets flanked by siderophile element halos within sites 2 and 3 that were then selected for geophysical assessment.

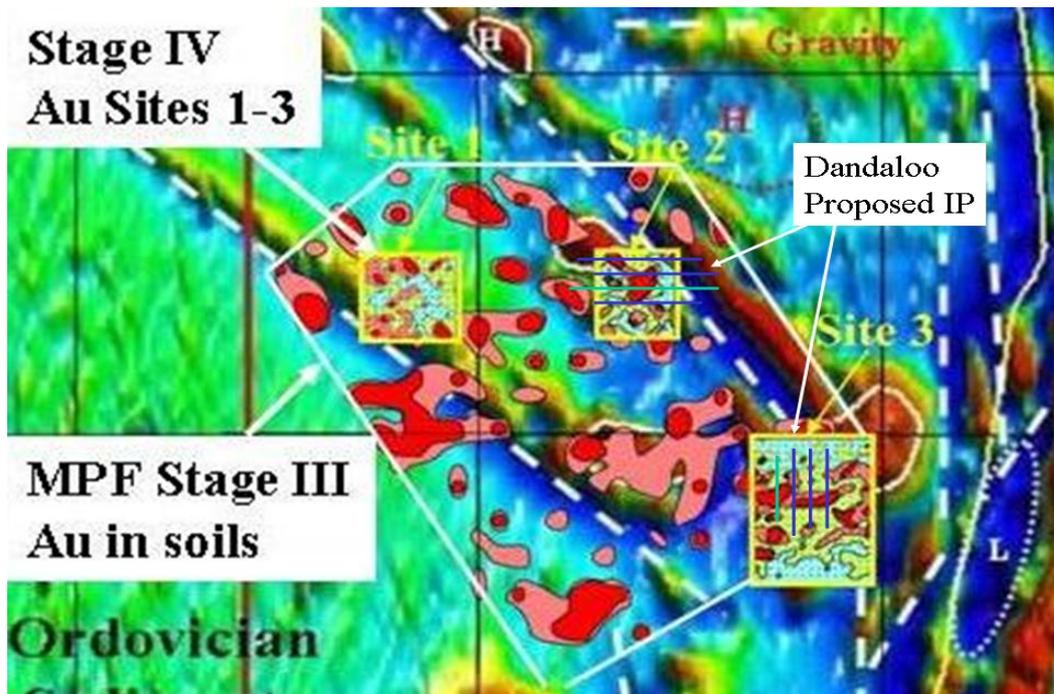


Figure 7 : Dandaloo IP Survey Lines Over Au Geochemical Sites 2 & 3

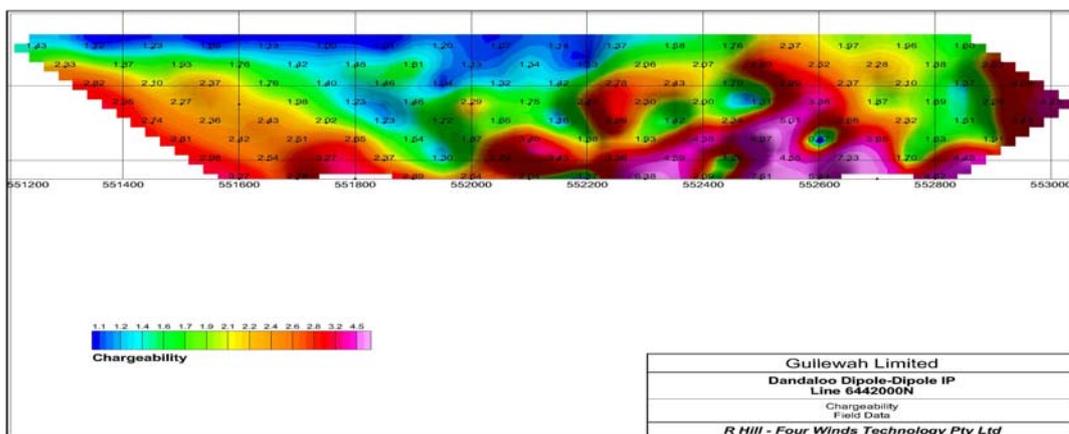


Figure 8 : Chargeability Profile Line 6442000N - Site 3



These favourable geochemical results and geophysical interpretation have significantly upgraded the mineralisation potential at Dandaloo because the anomalous Au, As and Cu soil geochemistry occurs above strong bedrock magnetic trends and depletion (alteration) zones commonly associated with porphyry Cu-Au deposits. A number of the main anomalies lie along north to northwest trending structures defined by interpreted mafic volcanic units in the predominant Girilambone sediments to the west.

This association is typical of the nearby Tottenham and Albert copper deposits and more regionally the Tritton VMS mine.

In the current quarter Fender Geophysics conducted Induced Polarisation (IP) surveys over these prime geochemical zones shown in **Figure 7**. However, the surveys were not completed due to access problems and difficult reading conditions caused by wet conductive ground.

This association is typical of the nearby Tottenham and Albert copper deposits and more regionally the Tritton VMS mine.

Data interpretation from 100m spaced dipole-dipole arrays on several lines suggests the prospective basement is at 100m depth and there are low amplitude but anomalous chargeability responses that need to be qualified by different survey methods or more powerful equipment. Significant chargeability together with higher resistivity's were recorded at the northern end of the Site 2 line and at the eastern end of the Site 3 line (**Figure 8**) suggesting shallower bedrock in these areas possibly associated with magnetic units. This interpretation has encouraged a revised geophysical program including detailed ground magnetics, however continued rain and access issues due to wheat crops has prevented any follow up work this quarter.

Proposed exploration for the remainder of 2010 includes:

- Further IP and magnetics will be completed when conditions permit in the December quarter.
- Drilling of the two best targets defined by peak geochemistry and geophysical anomalism.

**Narwonah Pty Ltd & Windora Exploration Pty Ltd (Gullewa Ltd 100%)
Narromine Project (ELAs 3996, 3997) & Dubbo Project (ELAs 3998, 4079, 4080)**

Windora Exploration has applied for two new 100 unit Minerals Licenses, Talbragar and Wongarbron, over extensions of magnetic and structural targets adjacent to the existing Ballimore ELA and westwards across to Dubbo, refer Figure 5. This will allow us to further explore this district for possible surface geochemical anomalies related to bedrock structural gold and non-metallic mineralisation which may underlie the Mesozoic to Recent sedimentary cover.



Mummulgum Exploration Pty Ltd (Gullewa 100%) Clarence Project—ELAs 4086, 4087 and 4088

Mummulgum Exploration has applied for three mineral exploration tenements ELAs 4086 “Woodenbong”, 4087 “Gordonbrook” and 4088 “Bonalbo” along the eastern edge the New England Orogen and overlapping Clarence Morton Basin shown in **Figure 9**. These previously under explored areas have been taken up for Group 1 and 2 minerals with the focus on the discovery of precious and base metals (Au, Cu, Pb, Zn, Ag).

Mummulgum has selected a range of prospective settings along the overlapping margin of the Clarence Basin to test for various primary and secondary gold styles of mineralisation in sediments as well as gold in volcanics or underlying hidden Triassic intrusives.

Secondary targets include base metals in carbonaceous shale sequences or red beds in the Mesozoic package. Apart from utilising standard mapping and conventional geochemistry plus drilling over exposed mineralisation, we will test the IONEX partial leach geochemistry over sediment covered portions of the district to help find blind bedrock deposits.

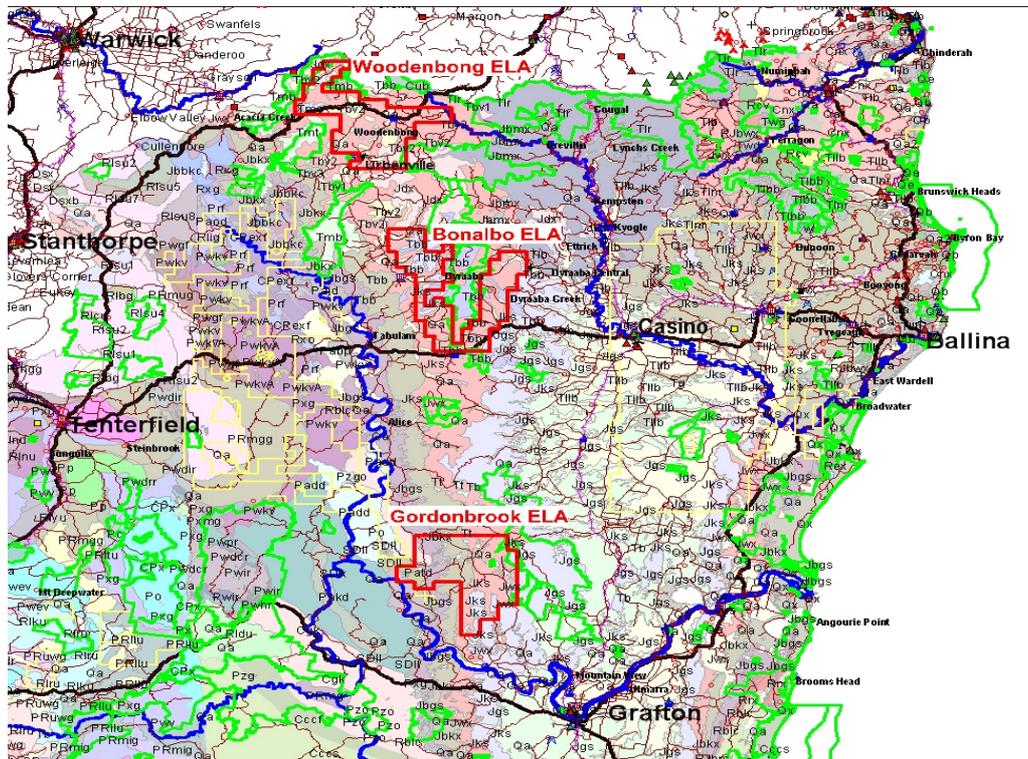


Figure 9 : Mummulgum Exploration ELAs New England Region NSW



Geothermal

Gullewa Geothermal Pty Ltd (Gullewa 100%)

During the quarter, Gullewa Geothermal continued its search for, and commercial evaluation of, hot sedimentary aquifer (HSA) geothermal base load energy opportunities both in Australia and North America.

HSA targets within our 3,000 km² SEL 9/2009 in Tasmania appear limited to the Zeehan area on the West Coast where interpreted porous and permeable sedimentary formations overly suitable hot granites at desirable depths of 2,500-3,500m. Any future work on this tenement will initially be focused on that area and a program of 1-2 deep slimline drill holes to test this target was considered. However, a decision on this work would be influenced by initiatives from the Federal Government in support of renewable energy industries.

An assessment report on certain areas in the western USA was completed and is currently being assessed. This region is regarded as technically very favourable for HSA opportunities, but commercial issues associated with the pricing of geothermal power remain to be clarified. Further studies are planned for this area in the next quarter.

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 September, 2010

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	(281)	(281)
(b) development		
(c) production		
(d) administration	(345)	(345)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	61	61
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid	112	112
1.7 Other (provide details if material)	9	9
Net Operating Cash Flows	(444)	(444)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects		
(b) equity investments		
(c) other fixed assets	(7)	(7)
1.9 Proceeds from sale of: (a) prospects		
(b) equity investments	103	103
(c) other fixed assets		
1.10 Loans to other entities	(28)	(28)
1.11 Loans repaid by other entities	90	90
1.12 Other (property) and security deposit		
Net investing cash flows	158	158
1.13 Total operating and investing cash flows (carried forward)	(286)	(286)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(286)	(286)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	77	77
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	40	40
1.17	Repayment of borrowings	(11)	(11)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	106	106
	Net increase (decrease) in cash held	(180)	(180)
1.20	Cash at beginning of quarter/year to date	7,317	7,317
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	7,137	7,137

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	73
1.24	Aggregate amount of loans to the parties included in item 1.10	8

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	300
4.2 Development	
Total	300

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	7,137	7,317
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	7,137	7,317

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.

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	135,184,722	135,184,722		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	2,378,378	2,378,378	3.25 cents	3.25 cents
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>	9,878,378 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: 29 October, 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.