

Quarterly Report For period ended 31 December, 2009

Minerals

Dandaloo Project (EL's 7022, 7259, 7260 and 7261)

Positive results received from the Stage II geochemical soil sampling of EL 7022 – A1 Area 1 provided encouragement for Gullewa to conduct a more detailed (Stage III) survey of the main anomalous area covering 50 km² at 250m sample spacing.

A total of 580 soil samples including control samples were collected and analysed in Russia by the proprietary MPF partial leach technique. The resultant data confirmed the Stage II anomalous areas and defined five main gold zones including three priority sites (1-3) that are outlined in *Figure 1*. These positive anomalies for Au, As, Sb, Ag and Cu are surrounded by Ni and Co enrichment halos that are considered important and inherent in the ore systems model utilised.

During the Quarter Gullewa commissioned Dr Peter Gunn, consulting geophysist to conduct a metallogenic assessment of the available geophysical data in this region. This review is expected to provide targeting of potential concealed mineral deposits within bedrock stratigraphic targets in the license areas and details of interesting structural zones and magnetic/gravity anomalism that may relate to the defined geochemical targets.

It is proposed that Stage IV sampling of the priority gold targets will be carried out in the first quarter of 2010, and together with evaluation of related geophysical anomalies will provide the basis for an initial drilling program to be conducted later in 2010.

29 January, 2010

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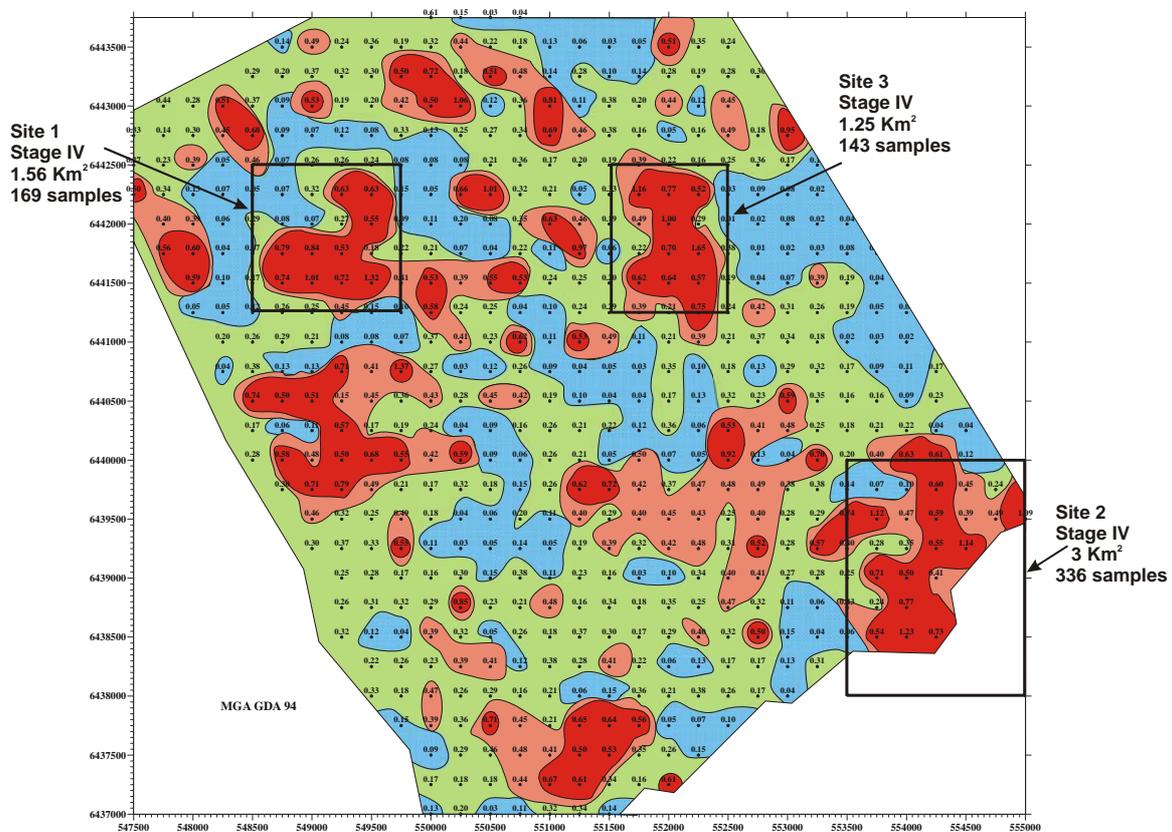


Figure 1: EL 7022 – A1 Area 1 recently defined geochemical targets

General

Gullewa is conducting this regional exploration through its wholly owned subsidiary Claymor Resources Pty Ltd, who has engaged Interresources Pty Ltd to apply specialised geochemical technology to search for blind bedrock deposits in under explored regions in Australia.

Recent fieldwork in the New South Wales license areas as shown in *Figure 2* has been concentrated over Area 1 considered the most prospective portion of EL 7022 located in covered sequences along the Bogan River east of the Tottenham copper district in the northern part of the Parkes Structural Zone.

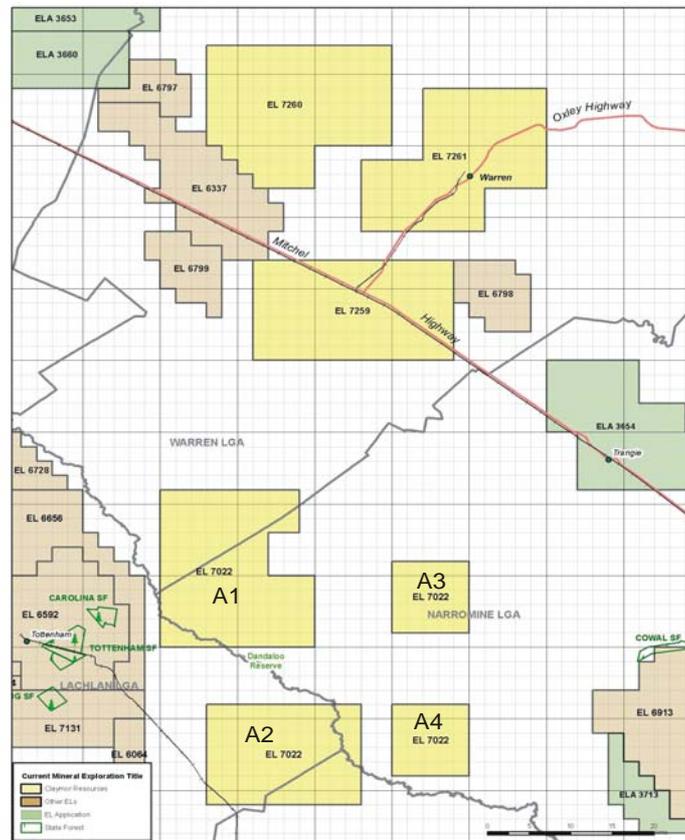


Figure 2 : Exploration licenses held by Claymor Resources Pty Ltd in the Narromine district, New South Wales

Geothermal

The following progress was achieved in the December, 2009 quarter:

- Special Prospecting Licence 9/2009 was granted by the Tasmanian Government on 16 December 2009 for a five year period to 16 December 2014. It covers a 3,028 km² area in western and northern Tasmania which the Company believes is prospective for geothermal energy.
- An option agreement was negotiated to acquire a majority interest in a Company with a geothermal project in central South Australia.
- Evaluation studies were commenced on deep hot rock geothermal opportunities in other Australian States with a view to acquiring additional high quality projects.

Tasmania

The Gullewa Licence area in Tasmania is regarded by Gullewa Geothermal as a very attractive deep hot rock geothermal project for the following reasons:

- the region is extensively underlain by high heat producing granites at the optimal depths of 3-5 kilometres;
- occurrence of large areas of insulating cover rocks which are necessary to confine the heat generated at depth by the granite heat sources;
- there exists an extensive data base of existing drill cores and drill holes which will accelerate exploration and reduce both costs and risks associated with early stage exploration;
- excellent existing access and infrastructure will reduce costs during both the exploration and future development phases;

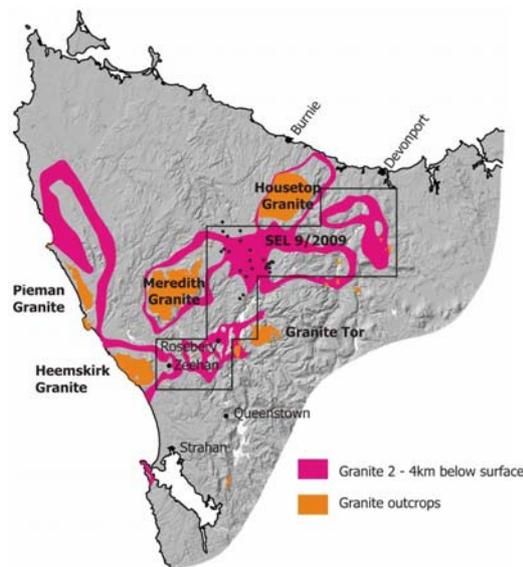


Figure 3 : Devonian Carboniferous Granites

- very close proximity to both the State electricity grid and other potential customers;
- low average ambient air temperatures which significantly improves the operational efficiency of geothermal binary power stations;
- abundant water which is necessary to maintain flow rates in circulating water heating systems.

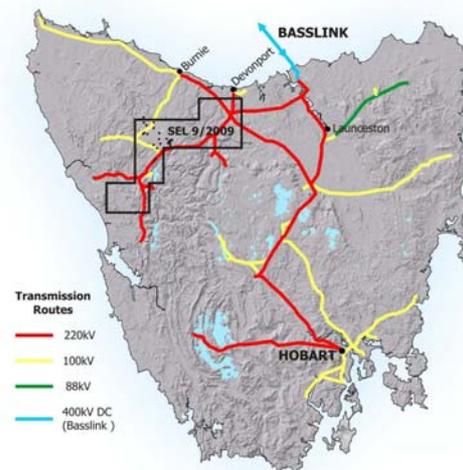


Figure 4 : Infrastructure

Proposed Programme

The following work is planned for the March 2010 quarter:

- complete geothermal review of the Tasmanian SEL 9/2009;
- locate existing drill hole collars and drill cores in areas of high priority within SEL9/2009 as a basis for the commencement of active field investigation studies;
- complete due diligence on potential South Australian project area;
- undertake assessment of various geothermal opportunities elsewhere in Australia.

A major component of Gullewa's growth strategy is the pursuit, through its wholly owned subsidiary Gullewa Geothermal Pty Limited, of opportunities to produce base load electrical power from geothermal energy generated by deep hot rocks.

Geothermal energy of this type is essentially emission free and renewable. The development technology is now proven and the evaluation and commercialisation of dry hot rock geothermal energy projects is actively encouraged by the Australian and State Governments through a variety of administrative and financial incentive schemes.

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

On 26th November 2009 Gullewa Limited announced the completion of due diligence on the acquisition of 80% of the shares in coal explorer, Mineral & Coal Investments Pty Ltd, by the issue of 6,849,315 shares in Gullewa Limited.

C. Randall and Associates Pty Ltd now holds 20% of M&CI and David Deitz has joined Colin Randall and Tony Howland-Rose on the Board.

Exploration Progress

In line with agreed work programs on the granted licenses, previous geological data is being collected as is aerial survey information in advance of a decision to proceed to on ground exploration.

Experienced hydro and coal geologist David Dempster is undertaking a review to identify potential coal intersections in all license areas. To assist in this process, computer software has been obtained so as to be able to access water bore data on all areas.

Geological exchange agreements between M&CI and adjacent tenement holders and quarry operators within tenement areas are also being progressed.

Under the Queensland Collaborative Drilling Program an application was lodged on 20 November for a \$150,000 grant to support drilling at Townsville within EPC 1617 and EPC1492. In the application mention was made that the stratigraphic holes to 350m depth would be made available to Geoscience Australia for temperature measurements as part of the Queensland Government's East Coast Geothermal Initiative program.

Tenements

Current tenements are in the Bowen, Surat, Moreton and Laura basins in Queensland as shown in *Figure 5*.

Four tenements have been granted, four tenements are in the process of being granted with a further four applications in progress.

M&CI is also investigating additional exploration areas.

Consultant geologist, Ian Blayden, with the assistance of tenement managers, ELP, has commenced a review of areas coming out of moratorium or unallocated areas as to their geological merit as potential additional areas to be applied for by the company.

Previously granted to M&CI:

- EPC 1296 - Connemarra
- EPC 1298 – Kilmain
- EPC 1617 – Townsville Extended

Granted during the quarter ending 31 December, 2009 :

- EPC 1631 – Calen South

Expected to be granted during the quarter ending 31 March, 2010 :

- EPC 1297 – Back Creek
- EPC 1324 - Linallie
- EPC 1492 - Townsville
- EPC 1672 – Lochaber

Expected to be granted during the quarter ending 30 June, 2010 :

- EPC 1820 - Boldon
- EPC 1874 - Normanby
- EPC 1875 – Pine Tree
- EPC 1917 – Kilmain South

Corporate : New Chief Geologist – Robert Close

Mr Close has recently joined Gullewa Limited as Chief Geologist and has been a Mineral Industry exploration to development geologist for over 40 years. He started his career with BHP and graduating to Exploration Manager with a variety of junior exploration groups and Major corporations such as Newmont, Pancontinental Mining and Plutonic Resources in Australia and overseas.

He holds a Masters degree in economic geology from the Australian National University and is a base metal – gold exploration specialist with experience throughout Eastern Australia where he has been involved in several significant discoveries and acquisitions that led to profitable mine development.

In recent years he has held management positions with several junior companies based in Europe and the Middle East, and worked for the Queensland Government in technical assessment of state wide minerals and coal exploration.

Property

We will continue to hold the properties at Normanhurst and St Ives.

Personal Comment

I am particularly pleased that Bob Close will be joining our eminent group of consultants which include Lindsay Newnham, Colin Randall and Tony Howland-Rose.

Based on previous achievements we should have an exciting future.

A handwritten signature in black ink, appearing to read 'David Deitz', with a stylized flourish extending from the end.

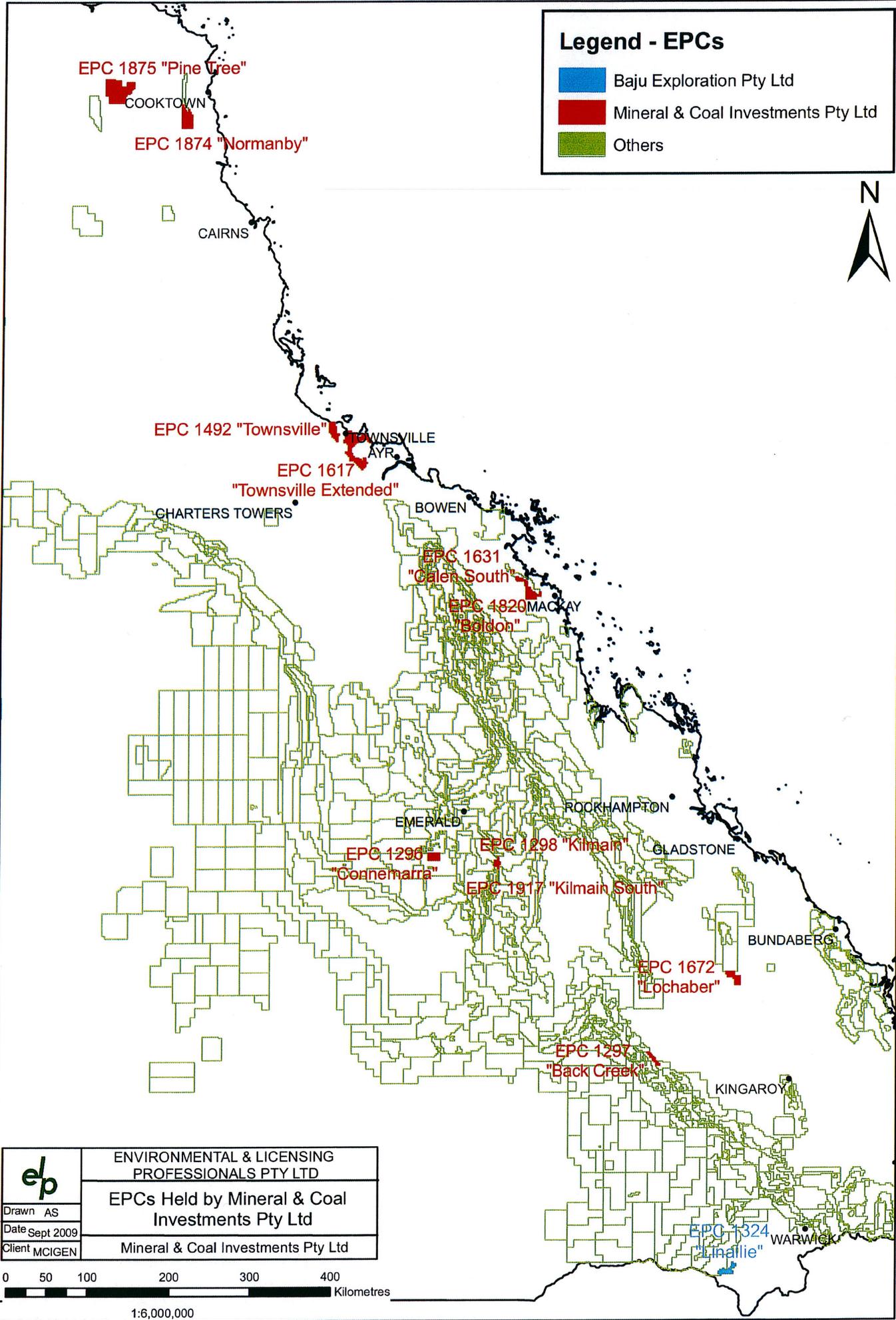
David Deitz
Director

For any enquiries :

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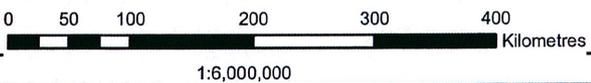
Legend - EPCs

- Bajju Exploration Pty Ltd
- Mineral & Coal Investments Pty Ltd
- Others



	ENVIRONMENTAL & LICENSING PROFESSIONALS PTY LTD
	EPCs Held by Mineral & Coal Investments Pty Ltd
	Mineral & Coal Investments Pty Ltd

Drawn AS
Date Sept 2009
Client MCIGEN



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")

31 December, 2009

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	(242)	(367)
(b) development		
(c) production		
(d) administration	(216)	(536)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	127	196
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	(331)	(707)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects		
(b) equity investments	(130)	(513)
(c) other fixed assets		
1.9 Proceeds from sale of: (a) prospects		
(b) equity investments	337	337
(c) other fixed assets		
1.10 Loans to other entities	(20)	(21)
1.11 Loans repaid by other entities	50	50
1.12 Other (property) and security deposit	(26)	(45)
Net investing cash flows	25	(390)
1.13 Total operating and investing cash flows (carried forward)	(306)	(1,097)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(306)	(1,097)
	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		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows		
	Net increase (decrease) in cash held	(306)	(1,097)
1.20	Cash at beginning of quarter/year to date	8,956	9,747
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	8,650	8,650

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	13
1.24	Aggregate amount of loans to the parties included in item 1.10	11

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

During the quarter Gullewa Limited acquired 960 shares (80% of the equity) in Mineral & Coal Investments Pty Ltd. The purchase consideration of \$500,000 was satisfied by the issue of 6,849,315 full paid shares in Gullewa Limited.

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	120
4.2 Development	
Total	120

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	8,650	8,956
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	8,650	8,956

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	GEL 321 Granted	100%	Nil	100%
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	132,806,344	132,806,344		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	6,849,315	6,849,315	7.3 cents	7.3 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>	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: 29 January, 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.