

Gullewa Limited

ABN 30 007 547 480

Interim Report - 31 December 2017

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General Information

The financial report covers Gullewa Limited as a consolidated entity consisting of Gullewa Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Gullewa Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Gullewa Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 2
49-51 York Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 14 March 2018. The directors have the power to amend and reissue the financial report.

Directors' Report

31 December 2017

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Gullewa Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2017.

Directors

The following persons were directors of Gullewa Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Anthony Howland-Rose - Chairman
David Deitz
Eddie Lee

Principal activities

The continuing principal activity of the consolidated entity during the financial half-year were royalties, exploration and mining, investments in equities and property.

Review of operations

The profit for the consolidated entity before providing for income tax amounted to \$344,377 (31 December 2016 loss: (\$364,671)).

Gullewa Gold Royalty

The company has a 1% Royalty on the project called Deflector owned by Doray Minerals Limited (ASX:DRM) and received \$646,781 in royalties from DRM during the half year. The Deflector Project currently has a 4 year mine life, is open at depth and along strike, and plans to produce approximately 60,000 ozs annually with significant copper and silver by-product credits. There are also prospective areas for further resources from a new zone, which is located at depth and in the hanging wall to the Western Lode and the Da Vinci zone.

Property (Gullewa 70%)

The Construction Certificate was lodged with Maitland Council for construction of the first stage of 19 blocks. Tenders were called and we are now in the final negotiation with the preferred tenderer. Construction is planned to commence in the second quarter 2018.

Central Iron Ore Limited ('CIO') – Gullewa has 36.10% holding

The assets of CIO are:

South Darlot	The South Darlot Gold Project area is approximately 320km North West of Kalgoorlie and 5km west of Barrick Gold Corporation's Darlot Mine.
Barrick Joint Venture	The company has earned a 70% interest in the Barrick JV Tenements. Goldfields who acquired the interest from Barrick have now sold the Darlot-Centenary Mine including the Barrick JV Tenements to Red 5 Limited. We are currently in discussion with Red 5 Limited and a formal joint venture agreement is in the process of being drafted.

British King

On December 02, 2014, CIO announced that it had finalised the AUD\$1.1 million sale of its British King Gold Mine in Western Australia to BK Gold Mines Pty Ltd.

The consideration payable for the acquisition of the Project included an initial AUD\$250,000 payment with the balance of the consideration to be paid in three tranches upon the satisfaction of certain production milestones as follows:

- Tranche 1: 150 troy ounces of gold upon the production and sale of 5,000 troy ounces of gold
- Tranche 2: 175 troy ounces of gold upon the production and sale of 7,500 troy ounces of gold
- Tranche 3: 215 troy ounces of gold upon the production and sale of 10,000 troy ounces of gold

BK Gold Mines Pty Ltd went into Administration and then was subject to a Deed of Company Arrangement which was completed on 22 December 2017. It has now been recapitalised.

Eureka Gold

The Eureka Gold project is approximately 50km north of Kalgoorlie in Western Australia and covers an area of 563 hectares. In order to focus on the South Darlot Gold Project and repay debts the Company decided to sell the Eureka Gold Project on the following terms:

Sale to Tyrana Limited

- (a) payment to the Company of AUD\$250,000 cash on execution of the Agreement (which sum has been paid);
- (b) issue to the Company 14,705,882 shares in Tyranna at a deemed price of AUD\$0.017 per share within 5 days after Tyranna's annual general meeting of Shareholders (which was held on 30th November 2017). These shares will be escrowed for a period of 12 months in accordance with Australian regulatory requirements;

These two payments have occurred and are non-refundable if the transaction is not completed.

- (c) issue to the Company 70,882,353 shares in Tyranna at a deemed price of AUD\$0.017 per share at completion of the transaction (being March 31, 2018 or an earlier date agreed by the parties). These shares will be escrowed for a period of 12 months in accordance with Australian regulatory requirements; and
- (d) payment to the Company of AUD\$1,350,000 in cash at completion of the transaction (being March 31, 2018 or an earlier date agreed by the parties).

Trial Mining

On the 24th November 2017 the Company entered into a Trial Mining Agreement with Eureka Mines Pty Limited whereby it was subsequently granted a royalty equal to 4% of the net smelter return generated from the sale of any product from the tenements comprising the Eureka Gold Project (the "Royalty"). The Royalty will increase by 2% (being a total royalty equal to 6% of the net smelter return) generated from the sale or removal or other disposal of any product from the tenements in excess of 20,000 ounces. Upon commencement of mining operations on the Eureka Gold Project, the Company was paid a pre-payment of the Royalty in the amount of AUD\$250,000, which sum will satisfy subsequent Royalty payments up to this amount and is non-refundable. On completion of the Proposed Disposition any Royalty payments already received from Eureka Mines Pty Limited will be deducted from the completion payment of \$1,350,000 from Tyranna.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Corporate Governance

A statement disclosing the extent to which the company has followed the best practice recommendations set by the ASX Corporate Governance Council during the period is displayed on the company's website.

Risk management

Details of the Company's Risk Management policies are contained within the Corporate Governance Statement in the Directors' Report as outlined in the 30 June 2017 Annual Report and at the company's website <http://www.gullewa.com.au>

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



David Deitz

Director

14 March 2018



SCS AUDIT & CORPORATE SERVICES PTY LTD

ABN 99 165 260 444

DECLARATION OF INDEPENDENCE UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF GULLEWA LIMITED

I declare that to the best of my knowledge and belief, during the Half –year ended 31 December 2017 there has been:

- No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Gullewa Limited and the entities it controlled during the period.

Brian Taylor
Director
SCS Audit & Corporate Services Pty Ltd
Sydney, 14 March 2018

Statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2017

		Consolidated	
	Note	31 Dec 2017	31 Dec 2016
		\$	\$
Revenue	3	668,281	413,317
Other income	4	43,160	40,013
Expenses			
Administration expenses		(169,294)	(176,242)
Employee benefits expense	5	(191,925)	(131,923)
Depreciation and amortisation expense	5	(4,214)	(2,383)
Loss on disposal of controlling entity	6	(19,857)	(413,746)
Finance costs	5	18,226	(93,707)
Profit/(loss) before income tax benefit		344,377	(364,671)
Income tax benefit			-
Profit/(loss) after income tax benefit for the half-year		344,377	(364,671)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		344,377	(364,671)
Profit/(loss) for the half-year is attributable to:			
Non-controlling interest		(1,064)	(753)
Owners of Gullewa Limited		345,441	(363,918)
		344,377	(364,671)
		Cents	Cents
Basic earnings per share (cents per share)		0.230	(0.242)
Diluted earnings per share (cents per share)		0.230	(0.242)

* The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

For the half-year ended 31 December 2017

		Consolidated	
	Note	31 Dec 2017 \$	31 June 2017 \$
Current assets			
Cash and cash equivalents	7	2,497,495	2,502,426
Trade and other receivables		688,101	625,960
Other financial assets	8	175,060	170,210
Total current assets		3,360,656	3,298,596
Non-current assets			
Investments accounted for using the equity method	9	1,668,931	1,460,400
Other financial assets	11	1,040,807	836,023
Property, plant and equipment		34,005	37,469
Intangibles		-	34,453
Exploration and evaluation	10	22,849	25,999
Total non-current assets		2,766,592	2,394,344
Total assets		6,127,248	5,692,940
Liabilities			
Current liabilities			
Trade and other payables		62,711	69,271
Borrowings		-	-
Total Current liabilities		62,711	69,271
Total Liabilities		62,711	69,271
Net assets		6,064,537	5,623,669
Equity			
Issued capital	12	21,294,326	21,294,326
Reserves		1,323,402	1,452,594
Accumulated losses		(16,452,746)	(17,032,351)
Equity attributable to the owners of Gullewa Limited		6,164,982	5,714,569
Non-controlling interest		(100,445)	(90,900)
Total equity		6,064,537	5,623,669

* The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the half-year ended 31 December 2017

Consolidated	Issued Capital \$	Reserves \$	Accumulated losses \$	Non- controlling interest \$	Total equity \$
Balance at 1 July 2016	21,294,326	1,284,652	(18,064,757)	22,929	4,537,150
Loss after income tax benefit for the half-year	-		(363,918)	(753)	(364,671)
Disposal of Allegiance Coal Limited		111,942	1,320,735	(110,893)	1,321,784
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	21,294,326	1,396,594	(17,107,940)	(88,717)	5,494,263
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	56,000			56,000
Balance at 31 December 2016	21,294,326	1,452,594	(17,107,940)	(88,717)	5,550,263

Consolidated	Issued Capital \$	Reserves \$	Accumulated losses \$	Non- controlling interest \$	Total equity \$
Balance at 1 July 2017	21,294,326	1,452,594	(17,032,351)	(90,900)	5,623,669
Profit/(loss) after income tax benefit for the half-year			345,441	(1,064)	344,377
Wind up of Hydromining Coal Australia Pty Ltd		(249,942)	234,164	(8,481)	(24,259)
Other comprehensive income for the half-year, net of tax					
Total comprehensive income for the half-year	21,294,326	1,202,652	(16,452,746)	(100,445)	5,943,787
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	120,750	-	-	120,750
Balance at 31 December 2017	21,294,326	1,323,402	(16,452,746)	(100,445)	6,064,537

* The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

For the half-year ended 31 December 2017

	Note	Consolidated	
		31 Dec 2017	31 Dec 2016
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(314,199)	(257,352)
Interest received		12,365	40,013
Other revenue		669,729	200,952
Income taxes refunded			(16,907)
Net cash provided/ (used in) operating activities		367,895	(33,294)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,090)	(33,636)
Payments for Property Project		(208,531)	(186,120)
Payments for exploration and evaluation		-	-
Payments for other financial assets		-	(98,000)
Proceeds from sale of investment Assets		-	536,528
Other (property)and security deposits		(313)	(10,349)
Net cash provided/ (used in) investing activities		(209,934)	208,423
Cash flows from financing activities			
Repayment of borrowings		-	1,104,927
Loan to other entities		(155,762)	(149,404)
Net cash provided/ (used in) financing activities		(155,762)	955,523
Net increase in cash and cash equivalents		2,199	1,130,652
Cash and cash equivalents at the beginning of the financial half-year		2,495,297	1,466,914
Cash and cash equivalents at the end of the financial half-year		2,497,495	2,597,566

* The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the half-year ended 31 December 2017

Note 1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with annual financial statements of the Company for the year ended 30 June 2017 together with any public announcements made during the following half-year.

The half-year financial report was authorised for issue by directors on 14 March 2018.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2017 annual financial report for the financial year ended 30 June 2017, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report to the year ended 30 June 2017.

Going concern

The consolidated financial statements have been prepared on a going concern basis.

For the half-year ended 31 December 2017, the consolidated entity incurred a profit from continuing operations Before tax of \$344,377 (31 December 2016 loss: \$364,671). In the same period the consolidated entity had operating cash inflows of \$367,895 (31 December 2016: cash outflow of \$33,294) and outflows due to investing activities of \$155,762 (31 December 2016 outflows: \$208,423).

A cash flow forecast for the next 12 months prepared by management has indicated that the consolidated entity will have sufficient cash assets to be able to meet its debts as and when they fall due.

The consolidated entity has commitments for exploration and evaluation for the next three years. Due to current market conditions the company will not commit to all of the minimum expenditure for the next three years.

No adjustments have been made relating to recoverability and classification of other asset amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Notes to the financial statements

For the half-year ended 31 December 2017

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as “loans and receivable”. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2017, the company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2017.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations of its business and, therefore, no change is necessary to Company accounting policies.

The Company has also reviewed all new standards and interpretations that have been raised but are not yet effective for the half-year ended 31 December 2017. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations of its business and, therefore, no change necessary to the company accounting policies.

Note 2. Operating segments

The operating segments are identified by management based on the nature of the type of investment. Discrete financial information about each of these operating segments is reported to the CODM on a monthly basis. The reportable segments are based on the similarity of the investments made and the common regulatory environment applicable to each reportable segment. There is a clear designation of responsibility and accountability by the CODM for the management and performance of these reportable segments.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Exploration and evaluation	The consolidated entity is involved in exploration and evaluation for minerals. The receipt of royalty and income stream attached.
Property development	The consolidated entity acquires investment properties with a view to capital appreciation and derivation of rental income.
Investments	The consolidated entity invests in shares in listed and unlisted entities.

Intersegment transactions

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Notes to the financial statements

For the half-year ended 31 December 2017

Note 2. Operating segments (cont'd)

	Exploration and evaluation \$	Property development \$	Investments \$	Intersegment Eliminations/ Unallocated \$	Total \$
Consolidated – December 2017					
Revenue					
Other revenue	646,781	-	-	21,500	668,281
Total revenue	646,781	-	-	21,500	668,281
EBITDA	-	-	-	(381,076)	(381,076)
Depreciation and amortisation	-	-	-	(4,214)	(4,214)
Impairment of assets	-	-	-	-	-
Interest income	-	-	-	43,160	43,160
Finance costs	-	-	-	18,226	18,226
Profit before income tax benefit	-	-	-	-	344,377
Income tax benefit	-	-	-	-	-
Profit after income tax benefit	-	-	-	-	344,377
Assets					
Segment Assets	22,849	1,668,931	1,215,867	3,219,601	6,127,248
Total assets	22,849	1,668,931	1,215,867	3,219,601	6,127,248
Liabilities					
Segment liabilities	-	-	-	62,711	62,711
Total liabilities	-	-	-	62,711	62,711

	Exploration and evaluation \$	Property development \$	Investments \$	Intersegment Eliminations/ Unallocated \$	Total \$
Consolidated – December 2016					
Revenue					
Other revenue	371,751	-	-	41,566	413,317
Total revenue	371,751	-	-	41,566	413,317
EBITDA	-	-	-	(282,093)	(282,093)
Depreciation and amortisation	-	-	-	(2,383)	(2,383)
Impairment of assets	-	-	-	(533,525)	(533,525)
Interest income	-	-	-	25,254	25,254
Finance cost	-	-	-	14,759	14,759
Share of net losses of associates	-	-	-	-	-
Loss before income tax benefit	-	-	-	-	(364,671)
Income tax benefit	-	-	-	-	-
Loss after income tax benefit	-	-	-	(364,671)	(364,671)
Assets					
Segment assets	26,581	1,262,275	3,213,824	1,125,056	5,627,736
Total assets	26,581	1,262,275	3,213,824	1,125,056	5,627,736
Liabilities					
Segment liabilities	-	-	-	77,473	77,473
Total liabilities	-	-	-	77,473	77,473

Notes to the financial statements

For the half-year ended 31 December 2017

Note 3. Revenue

	Consolidated	
	31 Dec 2017	31 Dec 2016
	\$	\$
Management fees	14,645	38,714
Royalties	646,781	371,752
Other Revenue	6,855	2,851
Total Revenue	668,281	413,317

Note 4. Other income

	Consolidated	
	31 Dec 2017	31 Dec 2016
	\$	\$
Interest income	43,160	40,013
Other income	43,160	40,013

Note 5. Expenses

	Consolidated	
	31 Dec 2017	31 Dec 2016
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation and amortisation</i>		
Leasehold improvements		
Plant and equipment	851	-
Motor vehicles	3,363	2,383
Total depreciation	4,214	2,383
Total depreciation and amortisation	4,214	2,383
<i>Impairment</i>		
Loss on disposal on controlled entity	19,857	413,746
<i>Finance costs</i>		
Present value discount	-	108,466
Unwinding of present value discount on loan	(18,226)	(14,759)
<i>Employee benefits expenses</i>		
Superannuation expense	6,175	6,175
Share-based payments expense	120,750	56,000
Other wages and salaries	65,000	69,748
Total employee benefits expense	191,925	131,923

Notes to the financial statements

For the half-year ended 31 December 2017

Note 6. Loss on disposal of subsidiary

	Consolidated	
	31 Dec 2017	31 Dec 2016
	\$	\$
Proceeds from sale of investment assets	-	536,528
Less: Carrying amount of investment	(19,857)	(950,274)
Loss: recognised on sales of investment	(19,857)	413,746

On July 2017, the group disposed of its interest in Allegiance Coal Ltd share. The proceeds on disposal of \$536,528 were received in cash. The difference between the disposal proceeds and the amount transferred to non-controlling interests of \$413,746 has been recognised in profit and loss.

Note 7. Current assets – cash and cash equivalents

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$	\$
Cash on hand	1,100	1,100
Cash at bank	476,234	471,271
Cash on deposit	2,020,161	2,030,055
	2,497,495	2,502,426

Note 8. Current assets – other financial assets

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$	\$
Shares designated at fair value through profit or loss	119,692	112,382
Shares in unlisted corporations – at cost	25,000	57,830
Other assets / security deposit	30,368	-
	175,060	170,212

Note 9. Non current assets - investments accounted for using equity method

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$	\$
Central Iron Ore Limited	-	-
Hunter Valley Pty Ltd	1,668,931	1,460,400
	1,668,931	1,460,400

The company has a 70 percent interest in a joint venture to subdivide land in the Hunter Valley held by Hunter Valley Pty Ltd

Investments in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

Name	Activity	Ownership	
		Dec 2017	Jun 2017
Hunter Valley Pty Ltd	Property development	70.00%	70.00%
Central Iron Ore Limited	Mineral exploration	36.10%	36.10%

Notes to the financial statements

For the half-year ended 31 December 2017

Note 10. Non-current assets – exploration and evaluation

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$	\$
Exploration, evaluation and development assets – at cost	25,999	279,083
Disposal of Allegiance Coal Limited	-	(253,084)
Wind up of Hydromining Coal Australia Pty Ltd	(3,150)	-
Less : impairment	-	-
	<u>22,849</u>	<u>25,999</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Exploration, evaluation, development	Total
Consolidated	\$	\$
Balance at 1 July 2016	279,083	279,083
Additions	-	-
Disposal of Allegiance Coal Limited	(253,084)	(253,084)
Impairment of assets	-	-
Balance at 30 June 2017	<u>25,999</u>	<u>25,999</u>
Balance at 1 July 2017	25,999	25,999
Additions	-	-
Wound up of Hydromining Coal Australia Pty Ltd	(3,150)	(3,150)
Balance at 31 December 2017	<u>22,849</u>	<u>22,849</u>

The impairment expense during the current period relates to tenements that have been relinquished or have been written down to recoverable amount.

Note:

The company has entered into a joint venture agreement to acquire land for subdivision and resale.

Note 11. Other financial assets

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$	\$
Loan – Allegiance Coal Limited	659,000	659,000
Less: Present value discount of loan	(108,466)	(108,466)
Add: unwinding of present value discount of loan	50,915	32,688
	<u>601,449</u>	<u>583,222</u>
Loan to Central Iron Ore Limited	439,358	252,801
	<u>1,040,807</u>	<u>836,023</u>

In 2011, Gullewa Ltd entered loan facility agreements with Allegiance Coal Limited. On 4 August 2016 the parties entered deed of loan variation, whereby Gullewa was paid \$1,104,000 in partial satisfaction of the amount owed to it under the 2011 agreements. The balance outstanding of \$659,000, which is unsecured, may be satisfied by the issue an allotment of shares in Allegiance Coal Ltd as a price \$0.025 per share (subject to any share reconstruction and shareholders' approval) or by repayment in cash, subject to Gullewa's agreement. The loan will interest free until 4 August 2019, after which interest will accrue on any unpaid balance. The loan must be repaid in full, whether in cash or by the issue and allotment of shares, by 4 August 2021.

Notes to the financial statements

For the half-year ended 31 December 2017

Note 11. Other financial assets (cont'd)

Further, as the loan contains an interest – free period, AASB 9 Financial Instruments requires the full amount of \$659,000 to be discounted back to present value. Using prevailing market interest rates for an equivalent loan of 5.995%, the fair value of the loan at 4 August 2016 is estimated at \$550,534. The difference of \$108,466 is the expenses derived from the interest-free period of the loan and is recognised as a deferred income. A total of \$50,915 represents the unwinding of the present value discount up to 31 December 2017.

Note 12. Equity issued capital

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$	\$
Ordinary shares fully paid	21,294,326	21,294,326

There are not movements in the issued capital of the company in either the current or prior half-years.

Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year

Note 13. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

Consolidated – 31 Dec 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Financial assets at fair value through profit or loss – marketable securities	141,917			141,917
Total assets	141,917			141,917

Consolidated – 30 June 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Financial assets at fair value through profit or loss – marketable securities	112,382			112,382
Total assets	112,382			112,382

There were no transfers between levels during the financial half-year.

Notes to the financial statements

For the half-year ended 31 December 2017

Note 14. Related party transactions

Parent entity

Gullewa Limited is the parent entity.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	31 Dec 2017	31 Dec 2016
	\$	\$
<i>Other income:</i>		
Management fees from associate - Central Iron Ore Limited	14,645	13,095

	Consolidated	
	31 Dec 2017	31 Dec 2016
	\$	\$
<i>Other transactions:</i>		
Consultant fees paid to associate of David Deitz	11,304	4,794
Directors fees paid to David Deitz, a director of the parent entity	71,175	71,175
Directors fees paid to Anthony Howland-Rose, a director of the parent entity	-	30,000
Consultant fees paid to Jabiru Quill Pty Ltd, associated with a director of the company	15,000	-
Directors fees paid to Eddie Lee, a director of the parent entity	11,500	11,500

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Current receivables:

Receivables from other related parties	52,425	69,215
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Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

Current receivables

Loan to David Deitz, a director of the parent entity	111,739	86,882
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Current borrowings

Loan to joint venture (Hunter Valley Pty Ltd) from companies associated with: Anthony Howland-Rose	1,900,000	1,900,000
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Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Notes to the financial statements

For the half-year ended 31 December 2017

Note 15. Events after the reporting period

No matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 16. Share-based payments

Employee Option Scheme

Details of the Employee Option Scheme are disclosed in the annual financial report

Set out below are summaries of options granted under the plans:

December 2017

Grant date	Expiry date	Exercise Price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
05/12/2013	27/11/2018	\$0.0435	10,900,000	-	-	-	10,900,000
15/12/2015	29/11/2020	\$0.0156	12,250,000	-	-	-	12,250,000
23/12/2016	23/12/2021	\$0.0273	12,000,000	-	-	-	12,000,000
23/12/2017	23/12/2022	\$0.0260	15,000,000	-	-	-	15,000,000
			50,150,000	-	-	-	50,150,000

Director declaration

31 December 2017

In the option of the directors of Gullewa limited (The company):

1. the financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) comply with Accounting Standards AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and other mandatory professional reporting requirement; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.
2. in the director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s303(5) of the Corporations Act 2001.

On behalf of the directors



David Deitz
Director
14 March 2018
Sydney



SCS AUDIT & CORPORATE SERVICES PTY LTD

ABN 99 165 260 444

Independent Auditor's Review Report to the members of Gullewa Limited

We have reviewed the accompanying half-year financial report of Gullewa Limited, which comprises the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410.

Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134.

Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Gullewa Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

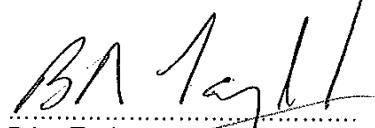
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Gullewa Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Gullewa Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

SCS Audit & Corporate Services Pty Ltd


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Brian Taylor
Director

Sydney 14 March 2018