Gullewa Limited

ABN 30 007 547 480

Annual Report - 30 June 2016

Corporate Directory

Directors	Anthony Howland-Rose - Chairman David Deitz Eddie Lee
Company secretary	David Deitz
Registered office	Level 2, Quantum House 49-51 York Street Sydney NSW 2000 Tel: +61 2 9397 7555 Fax: +61 2 9397 7575
Share register	Computershare Investor Services Pty Limited Level 2, Reserve Bank Building 45 St George's Terrace Perth WA 6000 Tel: 1300 787 272
Solicitors	Cardinals Ground Floor 57 Havelock Street West Perth WA 6872
Bankers	National Australia Bank 255 George Street Sydney NSW 2000
Stock exchange listing	Gullewa Limited shares are listed on the Australian Securities Exchange (ASX code: GUL) Home exchange is in Perth
Website	www.gullewa.com

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Directors' Report

30 June 2016

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 at the end of, or during, the year ended 30 June 2016

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

Anthony Howland-Rose - Chairman
David Deitz
Eddie Lee

Principal activities
The principal activities of the consolidated entity during the financial year were exploration, mining, investments in equities and property.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations
The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $2,365,645 (30 June 2015: $928,047).

Gullewa Limited ('Gullewa')

There has been no significant trading activity in Gullewa during the financial year.

Allegiance Coal Limited ('Allegiance') - Gullewa has 60.73% holding

Joint Exploration for Kilmain Project with JOGMEC
Japan Oil, Gas and Metals National Corporation (JOGMEC) withdrew from the Joint Exploration Agreement with Allegiance Coal after spending over $2 Million on the Kilmain Project

Back Creek
The Back Creek project in the Surat Basin is well suited to gain benefit from development of Surat Basin infrastructure. However under the current market condition the potential rate of development of the required infrastructure is still unknown and thus the future for the project is under review.

Central Iron Ore ('CIO') – Gullewa has 36.1% holding

During the year ended 30 June 2016 the company:
- Continued its gold exploration strategy and;
- Continued its divestment in iron ore properties.

South Darlot Gold Project
The company's South Darlot Gold Project area is located approximately 320 kilometres northwest of Kalgoorlie in Western Australia and includes:
- The British King Mine which is 49% owned by the company and which is NI43-101 compliant. The British King Mine is 5 kilometres southwest of Barrick Gold Corporation Limited's ('Barrick') Darlot Mine. The British King Mine is currently under care and maintenance;
- A 100% CIO owned tenement package covering 267 square kilometres; and
- A number of tenements which are subject to a joint venture with subsidiaries of Barrick, in which CIO has earned 70% interest.

Eureka Gold Project
The Eureka gold project is approximately 50 kilometres north of Kalgoorlie and includes the Eureka open pit gold mine which is 100% owned by the company and is NI43-101 compliant. The Eureka gold mine is currently under care and maintenance. The company's tenement package comprising the Eureka gold project covers 563 hectares.

Yilgarn Iron Ore Project (Western Australia)
The Company holds 2 iron ore tenements covering 213km2, located within the Yilgarn Iron Ore Province (“Yilgarn IOP”) in Western Australia, of which all tenements are granted. The company has been on a divestment strategy of the iron ore tenements to reduce costs.

Property
Further progress, although slow has been made on the residential subdivision at Maitland .We are now aiming to realise 55 blocks of land in the range of 550 to 1,000 square metres.The current market is quite strong with a lack of suitable large properties close to infrastructure and amenities.

Gullewa Gold Royalty
The company has a 1% Royalty on the project called Deflector. In the last 12 months construction of a $60 million plant has been completed on the Deflector project and we will soon receive our first royalty.

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

Matters subsequent to the end of the financial year
One matter or circumstances have arisen since 30 June 2016 that have 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.

Gullewa Limited has received payment of $1,104,000 on 29 July 2016 in partial satisfaction of the amount owed to it by Allegiance Coal Limited.The balance outstanding of $659,000 which may be satisfied by the issue and allotment of shares in Allegiance at a price of $0.005 per share (subject to a share reconstruction) or by a repayment in cash, subject to Gullewa’s agreement. The loan will be interest free for a period of three years, after which interest will again accrue on any unpaid balance. The loan must be repaid in full, whether in cash or by the issue and allotment of Shares in accordance with the agreement reached between the parties, within five years.

C. Randall & Associates Pty Limited has received payment of $220,000 on 15 July 2016 in full discharge of the loan of $370,535

No other matter or circumstance has arisen since 30 June 2016 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.

Likely developments and expected results of operations

The consolidated entity has currently reduced field exploration activities until confidence has picked up in the coal sector and the market price of coal has recovered to a level where further field exploration becomes viable again.

Environmental regulation

The consolidated entity is subject to and compliant with all aspects of environmental regulations of its exploration activities. Management are not aware of any environmental law that has not been complied with.

Information on directors

Name:	Anthony Howland-Rose
Title:	Executive Director and Chairman
Qualifications:	MSc, DIC, FGS, FIMMM, FAusIMM, FAIG, CEng
Experience and expertise:	Appointed to the Board in December 2010, Mr Howland-Rose has over 50 years experience in exploration, discovery, development and corporate activity worldwide in the junior exploration sector. He has been involved in some dozen discoveries and, most recently, in the Avebury Nickel Project, which was taken over by Zinifex Limited for approximately $860 million.
Other current directorships:	Director of Central Iron Ore Limited, listed on the Toronto Stock Exchange - Venture (appointed on 3 June 2011)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	13,448,478 ordinary shares
Interests in options:	13,800,000 options over ordinary shares

Name:	David Deitz
Title:	Executive Director and Chief Executive Officer
Qualifications:	B.Com, MAusIMM, CPA
Experience and expertise:	Appointed to the Board in July 1999, Mr Deitz, a financial accountant, has had over 20 years' experience in the mineral exploration industry.
Other current directorships:	Director of Allegiance Coal Limited (appointed on 13 April 2011)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	28,625,677 ordinary shares
Interests in options:	9,800,000 options over ordinary shares

Name:	Eddie Lee
Title:	Non-Executive Director
Qualifications:	BE, BSc, DIP BDG SC
Experience and expertise:	Appointed to the Board in October 1999, Mr Lee has extensive background in corporate management and is the Australia representative of several substantial Asian investment and corporate groups. Mr Lee has wide experience in the fields of civil engineering, finance, corporate management and mining.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	3,038,378 ordinary shares
Interests in options:	1,850,000 options over ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.
'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company secretary David Deitz
David Deitz information is included in the director information.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2016, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Anthony Howland-Rose	9	9
David Deitz	9	9
Eddie Lee	9	9

Held: represents the number of meetings held during the time the director held office.

The roles of the Nomination and Remuneration Committee and Audit Committee were performed by the full Board.

Remuneration report (audited)
The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity and company. The Nomination and Remuneration Committee may use external remuneration consultants when necessary, see 'Use of remuneration consultants' section in this report.

Alignment to shareholders' interests:
- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth and delivering constant or increasing return on assets
- attracts and retains high calibre executives

Alignment to program participants' interests:
- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee, where necessary, seeks the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration.

ASX listing rules requires that the aggregate non-executive directors remuneration shall be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 16 November 2009, where the shareholders approved an aggregate remuneration of $300,000.

Executive remuneration
The consolidated entity and company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has three components:
- base pay and non-monetary benefits
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration Committee, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and adds additional value to the executive.

There are no short-term incentives ('STI').

The long-term incentives ('LTI') includes long service leave and share-based payments.

Consolidated entity performance and link to remuneration
There is no link between the consolidated entity's performance and remuneration.

Use of remuneration consultants
During the financial year ended 30 June 2016, the company did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the short-term incentives ('STI') and long-term incentives ('LTI') programs.

Voting and comments made at the company's 2015 Annual General Meeting ('AGM')
At the last AGM 95.7% of the shareholders voted to adopt the remuneration report for the year ended 30 June 2015. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
Details of the remuneration of the directors of Gullewa Limited are set out in the following tables. Other than the directors, there are no other key management personnel, defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity.

2016	Short-term benefits Cash salary and fees $	Bonus $	Non-monetary $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments Equity-settled $	Total $
Non-Executive Directors:							
E Lee	21,000					4,667	25,667
Executive Directors:							
A Howland-Rose	56,000					23,333	79,333
D Deitz	130,000			12,350		28,000	170,350
	208,000			12,350		56,000	275,350

Interesting paid to KenfamPL $60,000 and Waave PL $116,250

2015	Short-term benefits Cash salary and fees $	Bonus $	Non-monetary $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments Equity-settled $	Total $
Non-Executive Directors:							
E Lee	38,000						38,000
Executive Directors:							
A Howland-Rose	40,000						40,000
D Deitz	130,000			12,350			142,350
	208,000			12,350			220,350

* Remuneration is for the period to resignation

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration 2016	2015	At risk - STI 2016	2015	At risk - LTI 2016	2015
Non-Executive Directors:						
E Lee	100%	79%	-%	-%	21%	21%
Executive Directors:						
A Howland-Rose	100%	63%	-%	-%	37%	37%
D Deitz	100%	76%	-%	-%	24%	24%

Service agreements
Key management personnel have no entitlements to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2016.

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
27 November 2013	27 November 2013	27 November 2018	$0.0495	$0.015
29 November 2015	29 November 2015	29 November 2020	0.0156	$0.004

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

Name	Number of options granted during the year 2016	Number of options granted during the year 2015	Number of options vested during the year 2016	Number of options vested during the year 2015
Anthony Howland-Rose	5,000,000	-	5,000,000	-
David Deitz	6,000,000	-	6,000,000	-
Eddie Lee	1,000,000	-	1,000,000	-

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

Name	Value of options granted during the year $	Value of options granted during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
Anthony Howland-Rose	23,333	23,333	23,333	37%
David Deitz	28,000	28,000	28,000	24%
Eddie Lee	4,667	4,667	4,667	21%

Additional disclosures relating to key management personnel
In accordance with Class Order 14/632, issued by the Australian Securities and Investments Commission, relating to 'Key management personnel equity instrument disclosures', the following disclosure relates only to equity instruments in the company or its subsidiaries.

Shareholding
The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Anthony Howland-Rose	13,448,478	-	-	-	13,448,478
David Deitz	28,625,677	-	-	-	28,625,677
Eddie Lee	3,038,378	-	-	-	3,038,378
	45,112,533	-	-	-	45,112,533

Option holding
The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ Forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Anthony Howland-Rose	8,800,000	5,000,000	-	-	13,800,000
David Deitz	3,800,000	6,000,000	-	-	9,800,000
Eddie Lee	850,000	1,000,000	-	-	1,850,000
	13,450,000	12,000,000	-	-	25,450,000

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
Options over ordinary shares			
Anthony Howland-Rose	13,800,000	-	13,800,000
David Deitz	9,800,000	-	9,800,000
Eddie Lee	1,850,000	-	1,850,000
	25,450,000	-	25,450,000

Loans to key management personnel and their related parties
There were no loans made to key management personnel and their related parties during the financial year ended 30 June 2015.

Other transactions with key management personnel and their related parties
Administration fees and reimbursements paid to other related party, C. Randall & Associates Pty. Limited totalling $0.

Wages paid to Mendel Deitz, son of David Deitz, a director of the parent entity totalling $16,455.

Loan from C Randall & Associates Pty. Limited totalling $220,000.

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Gullewa Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
16 May 2012	16 May 2017	$0.1000	1,300,000
4 July 2012	4 July 2017	$0.1000	5,000,000
27 November 2013	27 November 2018	$0.0495	10,900,000
29 November 2015	29 November 2020	0.0156	12,250,000
			29,450,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options
There were no ordinary shares of Gullewa Limited issued on the exercise of options during the year ended 30 June 2016 and up to the date of this report.

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor
The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services
There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former audit partners of SCS Audit & Corporate Services Pty Ltd
There are no officers of the company who are former audit partners of SCS Audit & Corporate Services Pty Ltd.

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.

Auditor’s independence declaration

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

David Deitz
Director

30 September 2016
Sydney

SCS AUDIT & CORPORATE SERVICES PTY LTD

ABN 99 165 260 444

30 September 2016

Board of Directors
Gullewa Limited
Level 2, Quantum House
49-51 York Street
SYDNEY NSW 2000

Dear Directors,

Re: GULLEWA LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Gullewa Limited.

As Audit Director for the audit of the financial statements of Gullewa Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully,
SCS Audit & Corporate Services Pty Ltd
(An Authorised Audit Company)

B R Taylor

Brian R Taylor
Director

Limited liability by a scheme approved under Professional Standards Legislation

Suite 802, Level 8, 309 Pitt St. Sydney NSW 2000 - PO Box A2235 Sydney South NSW 1235 T: (02) 9267 7771 - F: (02) 9267 3109 - E: admin@superscs.com.au
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30 June 2016

General information

The financial statements cover Gullewa Limited as a consolidated entity consisting of Gullewa Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is Gullewa Limited's functional and presentation currency.

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

Suite 1, 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 statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2016. The directors have the power to amend and reissue the financial statements.

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2016

	Note	Consolidated 2016 $	2015 $
Revenue	4	63,370	152,195
Other income	5	87,837	95,341
Expenses			
Administration expenses		(552,520)	(832,723)
Employee benefits expense		(326,692)	(286,734)
Depreciation and amortisation expense	6	(11,951)	(37,513)
Impairment of exploration, evaluation and development asset	6	(3,022,858)	(722,348)
Subsidiary listing expense written off		(25,388)	(29,038)
Share of loss of associates accounted for using the equity method	32	(31,892)	(125,669)
Finance costs	6	139,175	(23,674)
Loss before income tax benefit		(3,680,919)	(1,781,125)
Income tax benefit	7	-	476,542
Loss after income tax benefit for the year		(3,680,919)	(1,304,583)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(3,680,919)	(1,304,583)
Loss for the year is attributable to:			
Non-controlling interest		(1,315,274)	(376,536)
Owners of Gullewa Limited	20	(2,365,645)	(928,047)
		(3,680,919)	(1,304,583)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(1,315,274)	(376,536)
Owners of Gullewa Limited		(2,365,645)	(928,047)
		(3,680,919)	(1,304,583)
		Cents	**Cents**
Basic earnings per share	35	(1.57)	(0.62)
Diluted earnings per share	35	(1.57)	(0.62)

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

Statement of financial position

As at 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Assets			
Current assets			
Cash and cash equivalents	8	2,885,106	3,835,537
Trade and other receivables	9	429,821	591,825
Other financial assets	10	170,665	172,620
Total current assets		3,485,592	4,599,982
Non-current assets			
Investments accounted for using the equity method	11	1,076,155	844,012
Other financial assets	12	29,214	28,408
Property, plant and equipment	13	1,517	16,419
Intangibles	14	35,352	39,693
Exploration, evaluation and development	15	279,083	3,318,506
Total non-current assets		1,421,321	4,247,038
Total assets		**4,906,913**	**8,847,020**
Liabilities			
Current liabilities			
Trade and other payables	16	149,763	279,779
Borrowings	17	220,000	359,176
Total current liabilities		369,763	638,955
Total liabilities		369,763	638,955
Net assets		**4,537,150**	**8,208,065**
Equity			
Contributed equity	18	21,294,326	21,294,326
Reserves	19	1,284,652	1,274,648
Accumulated losses	20	(18,064,757)	(15,699,112)
Equity attributable to the owners of Gullewa Limited		4,514,221	6,869,862
Non-controlling interest	21	22,929	1,338,203
Total equity		**4,537,150**	**8,208,065**

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

Statement of changes in equity

For the year ended 30 June 2016

Consolidated	Contributed equity $	Reserves $	Accumulated losses $	Non-controlling interest $	Total equity $
Balance at 1 July 2014	21,294,326	1,274,648	(14,771,065)	1,714,739	9,512,648
Loss after income tax benefit for the year	-	-	(928,047)	(376,536)	(1,304,583)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	**21,294,326**	**1,274,648**	**(15,699,112)**	**1,338,203**	**8,208,065**
Transactions with owners in their capacity as owners:					
Issue of options	-	-	-	-	-
Balance at 30 June 2015	**21,294,326**	**1,274,648**	**(15,699,112)**	**1,338,203**	**8,208,065**

Consolidated	Contributed equity $	Reserves $	Accumulated losses $	Non-controlling interest $	Total equity $
Balance at 1 July 2015	21,294,326	1,274,648	(15,699,112)	1,338,203	8,208,065
Loss after income tax benefit for the year	-	-	(2,365,645)	(1,315,274)	(3,680,919)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	**21,294,326**	**1,274,648**	**(18,064,757)**	**22,929**	**4,527,146**
Transactions with owners in their capacity as owners:					
Issue of options	-	10,004	-	-	10,004
Balance at 30 June 2016	**21,294,326**	**1,284,652**	**(18,064,757)**	**22,929**	**4,537,150**

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

Statement of cash flows

For the year ended 30 June 2016

	Note	Consolidated 2016 $	2015 $
Cash flows from operating activities			
Payments to suppliers and employees		(859,986)	(1,198,980)
Dividends received		-	440
Interest received		87,264	229,931
Other revenue		89,725	199,776
Interest and other finance costs paid		-	-
Income taxes refunded		73,094	403,449
Net cash used in operating activities	34	(609,903)	(365,384)
Cash flows from investing activities			
Payments for investments		(264,034)	-
Payments for property, plant and equipment	13		(12,949)
Payments for exploration and evaluation	15	(626,666)	(138,954)
Joint Venture – JOGMEC Reimbursement	15	550,406	
Proceeds from sale of property, plant and equipment		573	13,448
Proceeds from sale of intangibles			-
Proceeds from other financial assets and deposit		(807)	14,532
Net cash used in investing activities		(340,529)	(123,923)
Cash flows from financing activities			
Proceeds from borrowings		-	235,874
Repayment of borrowings		-	(1,199,960)
Contribution from Joint Venture		-	(4,840)
Net cash from/(used in) financing activities		-	(968,926)
Net decrease in cash and cash equivalents		(950,431)	(1,458,234)
Cash and cash equivalents at the beginning of the financial year		3,835,537	5,293,771
Cash and cash equivalents at the end of the financial year	8	2,885,106	3,835,537

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

Notes to the financial statements

30 June 2016

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation
The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and interpretations and complies with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the Group consisting of Allegiance Coal Limited and its subsidiaries.

The financial report is presented in Australian dollars.

Allegiance Coal Limited is a company limited by shares, incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are mineral exploration and investment.

Adoption of new and revised standards
In the year ended 30 June 2016, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for the current annual reporting period.

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

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2016, 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 on the Group's business and, therefore, no change necessary to Group accounting policies.

Statement of Compliance
The financial report was authorised for issue on 30th September 2016.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

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

For the year ended 30 June 2016, the consolidated entity incurred a loss from continuing operations after tax of $2,365,645 (2015: $1,304,583). In the same period the consolidated entity had operating cash outflows of $609,903 (2015: $365,384) and cash outflows from investing activities of $340,529 (2015: $123,923).
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 are due.
No adjustments have been made relating to recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.
Critical accounting estimates

Notes to the financial statements

30 June 2016

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 30.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Gullewa Limited ('company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Gullewa Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

The R&D Tax Incentive is a government run program which helps to offset some of the costs of R&D. The consolidated entity claimed a refundable tax offset and has disclosed this as income tax benefit in the statement of profit or loss and other comprehensive income.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Other receivables are recognised at amortised cost, less any provision for impairment.

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Associates
Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Plant and equipment	5 years
Motor vehicles	5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Notes to the financial statements

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Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Patents and trademarks
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Software
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Exploration and evaluation assets
Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying

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amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on short-term and long-term borrowings

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments
Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

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The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value

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or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Gullewa Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Notes to the financial statements

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Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Exploration and evaluation costs
The consolidated entity capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at cost (refer to note 15).

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into 3 operating segments: exploration and evaluation, property holding and investments. These operating segments are based on the internal reports that are reviewed and used by the executive management team (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of 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.
Property holding	The consolidated entity acquires investment properties for capital appreciation and derivation of rental income.
Investments	The consolidated entity invests in shares in listed and unlisted entities.

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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.

Major customers
The consolidated entity does not generate revenue from customers.

Operating segment information

Consolidated - 2016	Exploration and evaluation $	Property holding $	Investments $	Intersegment eliminations/ unallocated $	Total $
Revenue					
Other revenue	-	-	-	63,370	63,370
Total revenue	-	-	-	63,370	63,370
EBITDA before net loss of associates	10,000	-	-	(914,600)	(904,600)
Depreciation and amortisation					(11,951)
Impairment of assets					(3,022,858)
Interest revenue					87,837
Finance costs					139,175
Share of net losses of associates					(31,892)
Loss before income tax benefit					(3,680,919)
Income tax benefit					-
Loss after income tax benefit					(3,680,919)
Assets					
Segment assets	279,081	1,076,155	170,665	3,381,016	4,906,917
Total assets					4,906,917
Total assets includes:					
Investments in associates	-	-	-	-	-
Acquisition of non-current assets	-	-	-	-	-
Liabilities					
Segment liabilities	149,763	-	-	220,000	369,763
Total liabilities					369,763

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Consolidated - 2015	Exploration and evaluation $	Property holding $	Investments $	Intersegment eliminations/ unallocated $	Total $
Revenue					
Other revenue	-	-	-	152,195	152,195
Total revenue	-	-	-	152,195	152,195
EBITDA before net loss of associates	(22,106)	-	(10,903)	(1,086,448)	(1,119,457)
Depreciation and amortisation					(37,513)
Impairment of assets					(722,348)
Interest revenue					95,341
Finance costs					(23,674)
Share of net losses of associates					(125,669)
Loss before income tax benefit					(1,781,125)
Income tax benefit					476,542
Loss after income tax benefit					(1,304,583)
Assets					
Segment assets	3,318,506	812,120	172,620	4,543,774	8,847,020
Total assets					8,847,020
Total assets includes:					
Investments in associates	-	-	-	-	-
Acquisition of non-current assets	-	-	-	-	-
Liabilities					
Segment liabilities	279,780	-	-	359,175	638,955
Total liabilities					638,955

Note 4. Revenue

	Consolidated 2016 $	2015 $
Revenue		
Consultant fees	63,370	152,195
Revenue	63,370	152,195

Note 5. Other income

	Consolidated 2016 $	2015 $
Interest income	87,837	95,341
Other income	87,837	95,341

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Note 6. Expenses

	Consolidated	
	2016	**2015**
	$	**$**
Loss before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	1,188	480
Plant and equipment	7,355	27,163
Motor vehicles	1,732	5,101
Total depreciation	10,275	32,744
Amortisation		
Computer software	1,676	4,769
Total depreciation and amortisation	11,951	37,513
Impairment		
Exploration, evaluation and development	3,022,858	722,348
Finance costs		
Interest and finance (credit) paid/payable	(139,175)	23,674
Rental expense relating to operating leases		
Minimum lease payments	31,263	31,613
Revaluation of shares		
Revaluation of shares	9,993	10,903
Employee benefits expense		
Contribution superannuation expense	17,993	54,392
Share-based payments expense	10,004	-
Other wages and salaries	308,699	232,342
Total employee benefits expense	336,696	286,734

Notes to the financial statements

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Note 7. Income tax benefit

	Consolidated 2016 $	Consolidated 2015 $
Income tax benefit		
Current tax	-	(1,781,125)
Aggregate income tax benefit	-	(1,781,125)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(3,680,919)	(1,304,583)
Tax at the statutory tax rate of 30%	(1,104,276)	(534,338)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of assets	906,857	216,704
Other	5,999	(66,733)
Losses of associates	9,568	37,701
	(181,852)	(346,666)
Current year tax losses not recognised	181,852	346,666
Research and development refund received	-	(476,542)
Income tax benefit	-	(476,542)

	Consolidated 2016 $	Consolidated 2015 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	5,107,453	4,501,280
Potential tax benefit @ 30%	1,532,236	1,350,384

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 8. Current assets - cash and cash equivalents

	Consolidated 2016 $	Consolidated 2015 $
Cash on hand	1,100	1,100
Cash at bank	524,303	1,128,544
Cash on deposit	2,359,703	2,705,893
	2,885,106	3,835,537

Notes to the financial statements

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Note 9. Current assets - trade and other receivables

	Consolidated 2016 $	Consolidated 2015 $
Other receivables and deposits	429,821	591,825

Note 10. Current assets - other financial assets

	Consolidated 2016 $	Consolidated 2015 $
Shares designated at fair value through profit or loss	34,062	38,449
Shares in unlisted corporations – at cost	136,603	134,171
	170,665	172,620

Note 11. Non-current assets - investments accounted for using the equity method

	Consolidated 2016 $	Consolidated 2015 $
Investment in associates		
Central Iron Ore Limited	-	31,892
Hunter Valley Pty Ltd	1,076,155	812,120
	1,076,155	844,012

The interest in the Hunter Valley Pty Ltd has been accounted for under equity method as the company has joint control in the property development.

Refer to note 32 for further information on interests in associates.

Note 12. Non-current assets - other financial assets

	Consolidated 2016 $	Consolidated 2015 $
Term deposits	29,214	28,408

Notes to the financial statements

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Note 13. Non-current assets - property, plant and equipment

	Consolidated 2016 $	2015 $
Leasehold improvements - at cost	1,188	2,060
Less: Accumulated depreciation	(1,188)	(872)
	-	1,188
Plant and equipment - at cost	7,127	52,367
Less: Accumulated depreciation	(5,610)	(45,240)
	1,517	7,127
Motor vehicles - at cost	8,104	21,465
Less: Accumulated depreciation	(1,732)	(13,361)
Disposals	(6,372)	
	-	8,104
Total property, plant and equipment	1,517	16,419

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

Consolidated	Leasehold improvements $	Plant and equipment $	Motor vehicles $	Total $
Balance at 1 July 2014	1,668	32,858	7,449	41,975
Additions	-	1,433	11,545	12,978
Disposals	-	-	(5,790)	(5,790)
Depreciation expense	(480)	(27,164)	(5,100)	(32,744)
Balance at 30 June 2015	1,188	7,127	8,104	16,419
Additions	-	-		
Disposals	-	-	(7,292)	(7,292)
Depreciation expense	(1,188)	(5,610)	(812)	(7,610)
Balance at 30 June 2016	-	1,517	-	1,517

Note 14. Non-current assets - intangibles

	Consolidated 2016 $	2015 $
Patterns and trademarks – at cost	24,453	24,453
Computer software – at cost	12,065	42,003
Less: Accumulated amortisation	(4,341)	(29,938)
	7,724	12,065
Other intangibles – at cost	3,175	3,175
	35,352	39,693

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

Consolidated	Patents and trademarks $	Computer software $	Other intangibles $	Total $
Balance at 1 July 2014	24,453	16,835	3,515	44,803
Additions	-	-	(341)	(341)
Depreciation expense	-	(4,769)	-	(4,769)
Balance at 30 June 2015	24,453	12,066	3,174	39,693
Disposals	-	-	-	-
Depreciation expense	-	(4,341)	-	(4,341)
Balance at 30 June 2016	24,453	7,724	3,174	35,352

Note 15. Non-current assets - exploration, evaluation and development

	Consolidated 2016 $	2015 $
Exploration, evaluation and development assets – at cost	6,196,867	5,611,709
Cost reimbursement from Joint Venture	(2,172,578)	(1,570,855)
Less: Impairment	(3,745,206)	(722,348)
	279,083	3,318,506

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

Consolidated	Exploration, evaluation and development $	Total $
Balance at 1 July 2014	3,905,043	3,905,043
Additions	1,706,666	1,706,666
Joint Venture-JOGMEC	(1,570,855)	(1,570,855)
Impairment of assets	(722,348)	(722,348)
Balance at 30 June 2015	3,318,506	3,318,506
Balance at 1 July 2015	3,318,506	3,318,506
Additions	585,158	585,156
Joint Venture-JOGMEC	(601,723)	(601,723)
Impairment of assets	(3,022,858)	(3,022,858)
Balance at 30 June 2016	279,083	279,081

Notes to the financial statements

30 June 2016

JOGMEC copy from AHQ

The consolidated entity has stopped mining certain tenements and impaired these tenements' exploration and evaluation expenditure to reflect the fact that they are no longer meeting minimum expenditure requirements.

The Killmain and Back Creek projects have yet to reach a stage of development where a determination of the technical feasibility or commercial viability can be assessed. In these circumstances, whether there is any indication that the assets have been impaired is a matter of judgment, as is the determination of the quantum of any required impairment adjustment. The Directors have resolved that it is not appropriate to capitalise any further exploration expenditure in relation to the Killmain and Back Creek Projects. In addition they have, in the current period, resolved to impair exploration expenditure incurred in respect of these permit areas in an amount of $3,032,858. The Directors have used their experience to conclude that no further impairment adjustment is required for the year ended 30 June 2016.

Note 16. Current liabilities - trade and other payables

	Consolidated	
	2016	**2015**
	$	**$**
Trade payables	104,511	138,190
Accrued expenses	45,252	131,710
Other payables	-	9,879
	149,763	279,779

Refer to note 23 for further information on financial instruments.

Note 17. Current liabilities - borrowings

	Consolidated	
	2016	**2015**
	$	**$**
Advance from shareholder in controlled entity (unsecured)	220,000	359,176
Loan – C Randall & Associates Pty Ltd	-	-
	220,000	359,176

Refer to note 23 for further information on financial instruments.

C. Randall & Associates Pty Limited has received payment of $220,000 on 15 July 2016 in full discharge of the loan of $370,535

Note 18. Equity - contributed equity

	Consolidated			
	2016	**2015**	**2016**	**2015**
	Shares	**Shares**	**$**	**$**
Ordinary shares - fully paid	150,123,100	150,123,100	21,294,326	21,294,326

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Notes to the financial statements

30 June 2016

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.
Capital risk management
The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 30 June 2014 Annual Report.

Note 19. Equity - reserves

	Consolidated	
	2016	**2015**
	$	**$**
Capital profits reserve	204,828	204,828
Share-based payments reserve	1,079,824	1,069,820
	1,284,652	1,274,648

Capital profit reserve
The capital profits reserve arose historically and is available for distribution.

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

During the year the company issue options, have been treated as share based payment. The grant date fair value of options is calculated under the Black Scholes model and mortised on a straight line basis over the vesting period.

The model takes account of factors including the exercise price, the current level and volatility of the underlying share price, the risk free interest rate, expected dividends and current market price of the underlying share and the expected life of the security.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

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Consolidated	Capital profits $	Share-based payments $	Total $
Balance at 1 July 2014	204,828	1,069,820	1,274,648
Issue of options	-	-	-
Balance at 30 June 2015	204,828	1,069,820	1,274,648
Issue of options	-	10,004	10,004
Balance at 30 June 2016	204,828	1,079,824	1,284,652

Note 20. Equity - accumulated losses

	Consolidated	
	2016 $	2015 $
Accumulated losses at the beginning of the financial year	(15,699,112)	(14,771,065)
Loss after income tax benefit for the year	(2,365,645)	(928,047)
Accumulated losses at the end of the financial year	(18,064,757)	(15,699,112)

Note 21. Equity - non-controlling interest

	Consolidated	
	2016 $	2015 $
Contributed equity	1,338,203	8,625,388
Reserves	-	88,970
Accumulated losses	(1,315,274)	(7,376,155)
	22,929	1,338,203

The contributed equity represents the non-controlling interest in the Allegiance Coal Limited share capital.

Note 22. Equity - dividends

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

Note 23. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Notes to the financial statements

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Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The consolidated entity is not exposed to significant foreign currency risk.

Price risk
The consolidated entity is exposed to equity securities price risk because of the listed investments held, classified as at fair value through profit or loss. The consolidated entity does not hedge its price risks.

At 30 June 2016, if equity prices had been 10% higher or lower and all other variables were held constant the consolidated entity's net assets would increase/decrease by $17,067 (2015: $17,262) as a result of the change in the value of financial assets held at fair value through profit or loss and available-for-sale investments.

Interest rate risk
The consolidated entity's main interest rate risk arises from cash and cash equivalents.

The sensitivity analyses have been determined based on the exposure to interest rates and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date, if interest rates had been 50 basis points (2015: 50 basis points) higher or lower and all other variables were held constant, the consolidated entity's net profit and net assets would increase/decrease by $8,533 (2015: $8,631).

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity's maximum exposure to credit risk at the reporting date in relation to each class of recognised financial assets is the carrying amount as disclosed in the statement of financial position and notes to the financial statements.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

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Consolidated - 2016	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-%	104,511	-	-	-	104,511
Other payables	-%	45,252	-	-	-	45,252
Interest-bearing - variable						
Borrowings	-%	220,000	-	-	-	220,000
Total non-derivatives		369,763	-	-	-	369,763

Consolidated - 2015	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing	-%	138,190	-	-	-	138,190
Trade payables	-%	9,879	-	-	-	9,879
Other payables						
Interest-bearing - variable	6.70%	359,176	-	-	-	359,176
Advance from shareholder		507,246	-	-	-	507,246
Total non-derivatives	-%	138,190	-	-	-	138,190

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 24. 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 - 2016	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Financial assets at fair value through profit or loss - marketable securities	34,062	-	-	34,062
Total assets	34,062	-	-	34,062

Consolidated - 2015	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Financial assets at fair value through profit or loss - marketable securities	38,449	-	-	38,449
Total assets	38,449	-	-	38,449

Notes to the financial statements

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There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 25. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2016	**2015**
	$	**$**
Short-term employee benefits	326,692	270,638
Post-employment benefits	-	15,883
Share-based payments	10,004	-
	336,696	286,521

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by SCS Audit & Corporate Services Pty Ltd, the auditor of the company:

	Consolidated	
	2016	**2015**
	$	**$**
Audit services – SCS Audit & Corporate Services Pty Ltd	25,000	25,000
	25,000	25,000

Note 27. Contingent liabilities

There were no contingent liabilities at 30 June 2016 or 30 June 2015.

Note 28. Commitments

	Consolidated	
	2016	**2015**
	$	**$**
Capital commitments - exploration and evaluation		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	50,000	415,115
One to five years	500,000	880,745
	550,000	1,295,860

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An operating leases was entered into as a means of acquiring plant and equipment. The lease was fixed for one year and then moved onto a monthly rolling contract.

Capital commitments have significantly decreased in the year due to the tenements which have been impaired.

Note 29. Related party transactions

Parent entity
Gullewa Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 31.

Associates
Interests in associates are set out in note 32.

Key management personnel
Disclosures relating to key management personnel are set out in note 25 and the remuneration report in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2016	**2015**
	$	**$**
Other income:		
Management fees from associate, Central Iron Ore Limited	34,690	37,413
Other transactions:		
	-	-
Administration fees and reimbursements paid to other related party, C. Randall & Associates Pty. Limited	-	1,475
Wages paid to Mendel Deitz, son of David Deitz, a director of the parent entity.	16.455	30,069

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

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

	Consolidated	
	2016	**2015**
	$	**$**
Interests paid by joint venture parties (Hunter Valley Pty Ltd) to companies associated with A.W Howland Rose:	176,250	58,750
	-	-
Current borrowings:		
Administration fees and reimbursements payable to other related party, C Randall & Associates Pty. Limited	-	-
Loan from C Randall & Associates Pty. Limited	220,000	359,176
Loan from director, David Deitz	-	-

Notes to the financial statements

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

Transactions with joint venture parties
Loan to joint venture (Hunter Valley Pty Ltd) from companies associated with:

Anthony Howland-Rose	1,900,000	1,900,000

Note 30. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2016 $	2015 $
Loss after income tax	(386,425)	(112,367)
Total comprehensive income	(386,425)	(112,367)
Total current assets	1,585,305	2,344,546
Total assets	2,663,584	3,173,775
Total current liabilities	1,621,926	1,755,699
Total liabilities	1,621,926	1,755,699
Equity		
Contributed equity	21,294,326	21,294,326
Capital profits reserve	284,828	284,828
Share-based payments reserve	861,824	851,820
Accumulated losses	(21,399,319)	(21,012,897)
Total equity	1,041,659	1,418,077

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2016 and 30 June 2015.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2016 and 30 June 2015.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Notes to the financial statements

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Note 31. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2016 %	Ownership interest 2015 %
Rondav Pty Limited	Australia	100.00%	100.00%
Claymor Resources Pty Limited	Australia	100.00%	100.00%
Telephony Associates Pty Limited	Australia	82.00%	82.00%
Gullewa Geothermal Pty Limited	Australia	100.00%	100.00%
York Corporate Pty Limited	Australia	100.00%	100.00%
Hydromining Coal Australia Pty Limited	Australia	50.00%	50.00%
Cauldron Geothermal Pty Limited	Australia	100.00%	100.00%
Canton Property Pty Limited	Australia	60.00%	60.00%
Windora Exploration Pty Limited	Australia	100.00%	100.00%
Goonoo Exploration Pty Limited	Australia	100.00%	100.00%
Narwonah Pty Limited	Australia	100.00%	100.00%
New Italy Resources Pty Limited	Australia	100.00%	100.00%
Thedal Pty Limited	Australia	100.00%	100.00%
Minyan Pty Ltd	Australia	100.00%	100.00%
Mummulgum Exploration Pty Ltd	Australia	100.00%	100.00%
Brooklyn Bay Pty Limited	Australia	100.00%	100.00%
Wymble Pty Limited	Australia	100.00%	100.00%
Allegiance Coal Limited	Australia	57.86%	57.86%
Mineral & Coal Investments Pty Limited	Australia	57.86%	57.86%
Echidna Coal Pty Limited	Australia	57.86%	57.86%
Moreton Coal Pty Limited	Australia	57.86%	57.86%

Note 32. Interests in associates

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

Name	Principal place of business / Country of incorporation	Ownership interest 2016 %	Ownership interest 2015 %
Central Iron Ore Limited	Mineral extraction	36.10%	36.10%
Hunter Valley Pty Ltd	Property development	69.00%	69.00%

Notes to the financial statements

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Summarised financial information

	2016 $	2015 $
Summarised statement of financial position		
Current assets	45,116	48,731
Non-current assets	3,296,116	3,036,653
Total assets	3,341,233	3,103,064
Current liabilities	2,407,662	1,425,028
Total liabilities	2,425,712	1,425,028
Net assets	915,521	1,678,036
Summarised statement of profit or loss and other comprehensive income		
Revenue	23,251	14,723
Expenses	(39,518)	(138,507)
Loss before income tax	(16,267)	(123,784)
Income tax benefit	-	(1,885)
Loss after income tax	(16,267)	(125,669)
Other comprehensive income		
Total comprehensive income	(16,267)	(125,669)

The summarised financial information above relates to the consolidated entity's share of the associate.

Note 33. Events after the reporting period

One matter or circumstances have arisen since 30 June 2016 that have 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.

Gullewa Limited has received payment of $1,104,000 on 29 July 2016 in partial satisfaction of the amount owed to it by Allegiance Coal Limited. The balance outstanding of $659,000 which may be satisfied by the issue and allotment of shares in Allegiance at a price of $0.005 per share (subject to a share reconstruction) or by a repayment in cash, subject to Gullewa's agreement. The loan will be interest free for a period of three years, after which interest will again accrue on any unpaid balance. The loan must be repaid in full, whether in cash or by the issue and allotment of Shares in accordance with the agreement reached between the parties, within five years.

C. Randall & Associates Pty Limited has received payment of $220,000 on 15 July 2016 in full discharge of the loan of $370,535

Notes to the financial statements

30 June 2016

Note 34. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2016 **$**	**2015** **$**
Loss after income tax benefit for the year	(3,680,919)	(1,304,583)
Adjustments for:		
Depreciation and amortization	11,951	37,513
Impairment of non-current assets	3,022,858	722,348
Write off of property, plant and equipment		-
Share-based payments	10,004	-
Share of net losses of associates	31,892	125,669
Change in operating assets and liabilities:		
Increase in trade and other receivables	64,142	(80,375)
Decrease in inventories	-	-
Decrease in trade and other payables	(69,831)	134,044
Decrease in employee benefits	-	-
Net cash used in operating activities	(609,903)	(365,384)

Note 35. Earnings per share

	Consolidated	
	2016 **$**	**2015** **$**
Loss after income tax	(3,680,919)	(1,304,583)
Non-controlling interest	1,315,274	376,536
Loss after income tax attributable to the owners of Gullewa Limited	(2,365,645)	(928,047)

	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	150,123,100	150,123,100
Weighted average number of ordinary shares used in calculating diluted earnings per share	150,123,100	150,123,100

	Cents	**Cents**
Basic earnings per share	(1.57)	(0.62)
Diluted earnings per share	(1.57)	(0.62)

29,450,000 (2015: 22,675,000) options are excluded from the above calculation as they would be anti-dilutive for the period.

Note 36. Share-based payments

Employee option plan

Gullewa Limited has no formal employee option plan. At the discretion of the directors, the directors grant options over ordinary shares in the parent entity to employees of the consolidated entity. The options are issued for nil consideration and are granted with the exercise price, as listed below, payable on exercise of the options. When exercisable, each option is convertible into one ordinary share. Options granted carry no dividend or voting rights.

Notes to the financial statements

30 June 2016

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

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
07/03/2011	06/03/2016	$0.2200	4,475,000	-	-	4,475,000	-
16/05/2011	15/05/2016	$0.2200	1,000,000	-	-	1,000,000	-
16/05/2012	16/05/2017	$0.1000	1,300,000	-	-	-	1,300,000
04/07/2012	04/07/2017	$0.1000	5,000,000	-	-	-	5,000,000
27/11/2013	27/11/2018	$0.0495	10,900,000	-	-	-	10,900,000
29/11/2015	29/11/2020	$0.0156	-	12,250,000			12,250,000
			22,675,000	12,250,000	-	5,475,000	29,450,000
Weighted average exercise price							0.0735

2015

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
08/12/2009	30/11/2014	$0.1200	5,480,000	-	-	5,480,000	-
07/03/2011	06/03/2016	$0.2200	4,475,000	-	-	-	4,475,000
16/05/2011	15/05/2016	$0.2200	1,000,000	-	-	-	1,000,000
16/05/2012	16/05/2017	$0.1000	1,300,000	-	-	-	1,300,000
04/07/2012	04/07/2017	$0.1000	5,000,000	-	-	-	5,000,000
27/11/2013	27/11/2018	$0.0495	10,900,000	-	-	-	10,900,000
			28,155,000	-	-	5,480,000	22,675,000
Weighted average exercise price							$0.1077

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.21 years (2015: 2.38 years).

The weighted average share price during the year was $0.015 (2015: $0.0267).

Note 37. Retirement benefits

Superannuation commitments
During the year, the consolidated entity provided employees with access to external defined contribution superannuation plans that provide benefits on retirement, resignation, disability or death.

DIRECTOR'S DECLARATION

30 June 2016

1. In the opinion of the directors of Allegiance Coal Limited (the 'Company'):
    a) the accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:
        i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
        ii) complying with Australian Accounting Standards the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements,
    b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
    c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of Corporations Act 2001 for the financial year ended 30 June 2016.

This declaration is signed in accordance with a resolution of the Board of Directors.

David Deitz
Director

30 September 2016
Sydney

SCS AUDIT &
CORPORATE SERVICES PTY LTD

ABN 99 165 260 444

Independent Auditor's Report
to the members of Gullewa Limited

Report on the Financial Report

We have audited the accompanying financial report of Gullewa Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 20 to 54.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Auditor's Independence Declaration

In conducting our audit, 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 report.

Opinion

In our opinion:

(a) the financial report of Gullewa Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001; and*

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 9 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Gullewa Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Yours faithfully,
SCS Audit & Corporate Services Pty Ltd
(An Authorised Audit Company)

Brian R Taylor
Director
Dated: 30 September 2016

Shareholder information

30 June 2016

The shareholder information set out below was applicable as at 15 September 2016.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Units	% of Issued Capital
1 –1,000	185	87,688	0.06
1,001 –5,000	394	1,106,418	0.74
5,001 –10,000	275	2,168,715	1.44
10,001 –100,000	453	16,423,519	10.94
100,001 – 9,999,999,999	133	130,336,760	86.82
Rounding			0.00
Total	1,440	150,123,100	100.00

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
MR DAVID DEITZ	13,638,219	9.08
FANCHEL PTY LTD	9,333,648	6.22
MR DAVID DEITZ	8,809,896	5.87
MRS SHOSHANA KONCEPOLSKI	6,510,276	4.34
MR ANTHONY HOWLAND-ROSE	6,421,233	4.28
WHITTINGHAM SECURITIES PTY LIMITED	5,000,000	3.33
JUDITH KRASNJANSKI	4,285,714	2.85
HOWLANDROSE HOLDINGS PTY LIMITED <HOWLANDROSE FAMILY A/C>	4,182,227	2.79
FEZUNE PTY LTD <THE REID FAMILY S/F A/C>	4,150,000	2.76
BULINE PTY LTD <SUPERANNUATION FUND A/C>	4,000,000	2.66
RAINIDAYS PTY LTD <RAINIDAYS SUPER FUND A/C>	3,000,000	2.00
SANDOR NOMINEES PTY LTD <ROS SANDOR SUPER FUND A/C>	2,857,143	1.90
HOWLANDROSE HOLDINGS PTY LTD	2,845,018	1.90
ASHECORP PTY LTD <MD & DS MOSS SUPER FUND A/C>	2,770,000	1.85
WOLSELEY GROUP PTY LTD <NORFOLK SUPER FUND A/C>	2,585,000	1.72
AYLWORTH HOLDINGS PTY LTD <J & RD BORSHOFF FAMILY A/C>	2,300,000	1.53
MR DAVID DEITZ	2,214,022	1.47
TALFRESH PTY LTD	2,094,289	1.40
MR TREVOR NEIL HAY	1,925,645	1.28
GOLDBERG SUPER PTY LTD <GOLDBERG SUPER A/C>	1,600,000	1.07
Totals: Top 20 holders of ORDINARY SHARES (GROUPED)	**90,522,330**	**60.30**
Total Remaining Holders Balance	**59,600,770**	**39.70**

Unquoted equity securities
There are no unquoted equity securities.

Substantial holders
There are no substantial holders in the company.

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Tenements

Description	Tenement number	Interest owned
QUEENSLAND – Mineral & Coal Investments P/L		
Exploration Permit for Coal - Back Creek - Surat Basin	EPC 1297	57.86%
Exploration Permit for Coal - Kilmain - Bowen Basin	EPC 1298	57.86%
Exploration Permit for Coal - Kilmain South - Bowen Basin	EPC 1917	57.86%
WESTERN AUSTRALIA – Central Iron Ore P/L		
Exploration Licence - Leonora - South Darlot	E37/882	36.10%
Exploration Licence - Leonora - British King	M37/30	36.10%
Exploration Licence - Kalgoorlie - Eureka Gold	M24/189	36.10%
Exploration Licence - Kalgoorlie - Eureka Gold	M24/584	36.10%
Exploration Licence - Kalgoorlie - Eureka Gold	M24/585	36.10%
Exploration Licence - Kalgoorlie - Eureka Gold	M24/586	36.10%
WESTERN AUSTRALIA – Barrick (Darlot) NL		
Exploration Licence - Leonora Earning - Barrick JV	M37/421	36.10%
Exploration Licence - Leonora Earning - Barrick JV	M37/552	36.10%
Exploration Licence - Leonora Earning - Barrick JV	M37/631	36.10%
Exploration Licence - Leonora Earning - Barrick JV	M37/632	36.10%
Exploration Licence - Leonora Earning - Barrick JV	M37/709	36.10%
Exploration Licence - Leonora Earning - Barrick JV	P37/7364	36.10%
Exploration Licence - Leonora Earning - Barrick JV	P37/7365	36.10%
Exploration Licence - Leonora Earning - Barrick JV	P37/7366	36.10%
Exploration Licence - Leonora Earning - Barrick JV	P37/7367	36.10%
WESTERN AUSTRALIA – Barrick Plutonic Limited		
Exploration Licence - Leonora Earning - Barrick JV	M37/1045	36.10%
Summary of Mining Royalties *Gullewa Limited is entitled to a 1% royalty from its joint venture partner Doray Gold Limited which relates to the following tenements:*		
Western Australia	L59/50 M59/50 M59/50 M59/68 M59/132 M59/294 M59/335 M59/336 M59/356 M59/391 M59/442 M59/522 M59/530 M59/531 L59/35 L59/49 E59/1241 (part) E59/1242 (part)	