Gullewa Limited

ACN 007 547 480

Financial Statements

For the Year Ended 30 June 2010

CORPORATE DIRECTORY

ABN	30 007 547 480
DIRECTORS	David Deitz *B.Comm, MAusIMM, CPA* (Executive Chairman) Eddie Lee *BE, BSc, DIP BDG SC* (Non-Executive Director) David Atkinson (Non-Executive Director)
COMPANY SECRETARY	David Atkinson
PRINCIPAL OFFICE	Level 8 49 – 51 York Street SYDNEY NSW 2000 T : +61 2 9397 7555 F : +61 2 9397 7575 E : info@gullewa.com W : www.gullewa.com
REGISTERED OFFICE	Level 8 49 – 51 York Street SYDNEY NSW 2000
SHARE REGISTRY	Computershare Investor Services Pty Limited Level 2 Reserve Bank Building 45 St Georges Terrace PERTH WA 6000
AUDITORS	Deloitte Touche Tohmatsu Grosvenor Place 225 George Street SYDNEY NSW 2000
SOLICITORS	Cardinals Ground Floor 57 Havelock Street WEST PERTH WA 6872
BANKERS	National Australia Bank 255 George Street SYDNEY NSW 2000
SECURITY EXCHANGE LISTINGS	Gullewa Limited shares are listed on the Australian Securities Exchange Home Exchange – Perth The options in Gullewa Limited are unlisted
ASX CODE	GUL

CORPORATE GOVERNANCE

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2010.

Since the introduction of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles and Recommendations"), Gullewa Limited ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this report. Commensurate with the spirit of the ASX Principles and Recommendations, the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the ASX Principles and Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

Further information about the Company's corporate governance practices is set out on the Company's website at www.gullewa.com. In accordance with the ASX Principles and Recommendations, information published on the Company's website includes charters (for the board and its sub-committees), the Company's code of conduct and other policies and procedures relating to the Board and its responsibilities.

Explanations for Departures from Best Practice Recommendations

During the Company's 2009/2010 financial year ("Reporting Period"), the Company has complied with the ASX Principles and Recommendations other than in relation to the matters specified below:

Principle Ref	**Recommendation Ref**	**Notification of Departure**	**Explanation of Departure**
2	2.2; 2.3	The chairman is the chief executive of the Company.	The board considers that, in view of the size and scope of the Company's activities, it is appropriate for Mr. Deitz to lead the Company in both a strategic and day-to-day capacity. The Board considers that Mr. Deitz is the most suitably qualified Board member to fulfil this role subject to review by the Board from time to time to ensure that the best interests of the Company and its shareholders continue to be served by the current structure.
2	2.4	A separate Nomination Committee has not been formed.	The role of the Nomination Committee is carried out by the full Board. The Board considers that given its size, no efficiencies or other benefits would be gained by establishing a separate Nomination Committee.

Corporate Governance (Continued)

Principle Ref	Recommendation Ref	Notification of Departure	Explanation of Departure
4	4.2	The full Board forms the Audit Committee.	The Board considers that given its size, no efficiencies, or other benefits would be gained by establishing a separate Audit Committee.
8	8.1	The full Board forms the Remuneration Committee.	The Board considers that given its size, no efficiencies, or other benefits would be gained by establishing a separate Remuneration Committee.

Nomination Committee

The names and qualifications of those appointed to the nomination committee, being the full Board, and their attendance at meetings of the committee are included in the directors' report.

Remuneration Committee

The names of the members of the remuneration committee, being the full Board, and their attendance at meetings of the committee are detailed in the directors' report.

Further details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the directors' report.

Board Composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors' report.

Independent Directors
In considering the independence of directors, the Board refers to the criteria for independence as recommended by the ASX. To the extent that it is necessary for the Board to consider issues of materiality, the Board refers to the thresholds for qualitative and quantitative materiality as adopted by the Board and contained in the Board Charter/Statement of Board and Management Functions, which is disclosed in full on the Company's website.

Applying the independence criteria, the Board considers that Messrs David Atkinson and Eddie Lee are independent.

Statement Concerning Availability of Independent Professional Advice
If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director, then provided the director first obtains approval for incurring such expense from the chairperson, the Company will pay the reasonable expenses associated with obtaining such advice.

Corporate Governance (Continued)

Confirmation Whether Performance Evaluation of the Board
The names of the members of the nomination committee and their attendance at meetings of the committee are detailed in the directors' report.

Other Information

Further information relating to the Company's corporate governance practices and policies have been made publicly available on the company's web site.
Website: *www.gullewa.com.*

DIRECTORS' REPORT

The directors of Gullewa Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information About the Directors and Senior Management

The names and particulars of the directors of the company during or since the end of the financial year are:

Name	**Particulars**
David Deitz *Executive Director (Chairman)*	*Qualifications* B.Com, MAusIMM, CPA *Experience* Appointed to the Board in July 1999 Mr Deitz, a Financial Accountant has had over nineteen years experience in the mineral exploration industry. *Interest in Shares and Options* Mr Deitz has 17,862,137 shares and 18,700,000 options in the company. *Directorships held in other listed entities* Mr Deitz is not a Director of any other listed entities. He was previously a Director of Allegiance Mining NL and resigned on 1 April 2008.
Eddie Lee *Non-Executive Director*	*Qualifications* BE, BSc, DIP BDG SC *Experience* 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. He is a Director of Metroland Australia Limited and was also a Director of Allegiance Mining NL. Mr Lee has wide experience in the fields of civil engineering, finance, corporate management and mining. *Interest in Shares and Options* Mr Lee has 2,378,378 shares and 2,640,000 options in the company. *Directorships held in other listed entities* Mr Lee is not a Director of any other listed entities. He was previously a Director of Allegiance Mining NL and resigned on 1 April 2008.
David Atkinson *Non-Executive Director*	*Experience* Appointed to the Board in October 2002, Mr Atkinson has over 22 years experience in the IT industry. He has held many roles as a Director. He has extensive experience in the development of financial systems for Government, Advertising, Property and Telecommunications industries. *Interest in Shares and Options* Mr Atkinson has nil shares and 5,018,378 options in the company. *Directorships held in other listed entities* Mr Atkinson is not a Director of any other listed entities.

The above named directors held office during the whole of the financial year and since the end of the financial year.

Directors' Report (Continued)

Company Secretary

The position of company secretary at the end of the financial year was held by David Atkinson.

Principal Activities

The principal activities of the Group during the financial year were exploration and mining, property and investments in equities. There have been no significant changes in the nature of the Group's principal activities during the financial year.

Review of Operations

The consolidated (loss)/profit of the Group after providing for income tax amounted to ($747,809) (2009: $32,913).

Coal

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

On 26 November 2009 Gullewa Limited announced the completion of due diligence on the acquisition of 80% of the shares in coal explorer, Mineral & Coal Investments Pty Limited ("M&CI"), by the issue of 6,849,315 shares in Gullewa Limited. C. Randall and Associates Pty Ltd holds the balance of 20% of M&CI and David Deitz joined Colin Randall and Tony Howland-Rose on the Board of M&CI. On 4 June 2010 Peter Donkin joined the Board of M&CI. Until recently he was the Managing Director of the Mining Finance Division of Societe Generale in Australia and he is also a Director of Sphere Minerals Limited and Paladin Energy Limited.

The Gullewa commissioned Independent Geologist's Report on twelve MCI tenements was signed off by Merryl Peterson of Runge Limited and appended to an ASX announcement on 26 May, 2010. This report outlined the main exploration and resource targets in the Queensland coal package. The highlight was a 60 million coal target(1) at the Back Creek Project (EPC 1297) in the Surat Basin.

On the basis of this report and subsequent review of existing technical data by our newly created team of experienced consultant coal geologists, the resource potential for our priority projects is strong. This applies in particular to open pit thermal coal in EPC 1297 (Back Creek) located in the Surat Basin and for underground coking coal at EPC1296 (Connemarra), EPC1298 (Kilmain) and EPC 1917 (Kilmain South) within the central Bowen Basin. There is also excellent potential for open pit metallurgical and PCI coal in EPC 1631 (Calen South) and EPC 1820 (Bolden) as well as EPC 1492 (Townsville), EPC 1617 (Townsville Extended) located in faulted equivalents of the Bowen Basin closer to ports.

The following activities were achieved or initiated in the year

- Geological consultants Tamplin Resources were engaged to complete the review of all available data and to prepare detailed exploration programs and annual budgets for all areas that have been granted and/or under grant processing.

- Geological models are to be prepared for all areas with sufficient information such as the Back Creek EL where additional drillhole information has been acquired by completion of geological data exchange agreements with adjacent tenement holders Cockatoo Coal and Stanmore Coal.

- Exploration Manager David Dempster, a highly experienced hydro and coal geologist, is continuing reviews of water bore data to identify coal intersections in all tenements.

- The geological team has commenced review of project areas that may complement and add value to the properties held by M&CI.

Directors' Report (Continued)

- Tenement managers, Environmental & Licensing Professionals Pty Ltd, have prepared landholder details for all target areas prior to commencement of exploration site activities and preparation of standard Access and Compensation Agreements is underway.

- A comprehensive Health & Safety Management System is being put in place, and a Senior Site Executive is to be appointed to manage the scheme.

- There were no incidents to report in regard to safety or environmental issues associated with the company's activities on its tenements.

Note 1 – Exploration/Coal Target
All statements as to Exploration Target and Coal Target of M&CI and statements as to potential quality and grade are conceptual in nature. There has been insufficient exploration undertaken to date to define a coal resource and identification of a resource will be totally dependent on the outcome of further exploration. Any statement contained herein as to exploration results, Exploration Target or Coal Target has been made consistent with the requirements of the JORC Code.

Geothermal

Gullewa Geothermal Pty Ltd (Gullewa Limited 100%)
SEL 9/2009-Tasmania:
Gullewa Geothermal holds a 100% interest in SEL 9/2009 covering a 3,000km^2 area in northern and western Tasmania :

- No fieldwork was undertaken on the area during the year;

- Future work on this tenement will focus on target areas associated with potential hot sedimentary aquifers (HSA) systems at modest depths of 2,500m to 3,500m;

- One such target of immediate interest is the Zeehan area, where porous and permeable sedimentary formations are interpreted as overlying heat generating granites at the desired 2,500m to 3,500m depths.

Minerals

Claymor Resources Pty Ltd (Gullewa Limited 100%)
Dandaloo Project *(ELs 7022, 7259, 7260 and 7261)*
The focus of current exploration is EL 7022 located east of the Tottenham copper district in Ordovician strata marginal to the Macquarie Arc and across Lower Devonian volcanics of the Tullamore Syncline.

Russian geochemical consultants, Interesources Pty Ltd, completed evaluation of Stage IV partial leach soil technique sampling of three selected gold anomalous sites within EL7022-Area 1 east of the Bogan River. This work confirmed and refined several highly anomalous gold targets flanked by siderophile element halos within sites 2 and 3. These anomalies coincide with recently interpreted north west trending structures and possible magnetic depletion (alteration) zones in Ordovician or Lower Devonian volcanic basement.

Claymor commissioned Fender Geophysics to conduct Induced Polarisation (IP) surveys over these areas. The program commenced towards the end of June, but due to abnormal wet conditions and conductive overburden, progress was slow. However, preliminary interpretation on several lines suggests the prospective basement is at 100m depth and there is anomalous chargeability that needs to be properly defined by further surveys prior to proposed drill evaluation later in 2010.

Directors' Report (Continued)

Narwonah Pty Ltd & Windora Exploration Pty Ltd (Gullewa Limited 100%)
Narromine Project (ELA 3996 and ELA 3997)
Dubbo Project (ELA 3998)

Following a regional geophysical review by Consultant Peter Gunn of selected covered regions of the Lachlan Orogen undertaken during April to May, Gullewa decided to apply for three 100 unit Mineral Exploration Licenses in the Narromine and Dubbo areas.

The applications by Gullewa subsidiaries include:

- Narromine Project – Exploration Licence No 3996 – Narwonah Pty Ltd;
- Farrendale Project – Exploration Licence No 3997 – Narwonah Pty Ltd;
- Ballimore Project – Exploration Licence No 3998 – Windora Exploration Pty Ltd.

The Narromine and Farrendale applications surround Clancy Exploration's Myall EL west of Narromine that contains several promising porphyry Cu-Au systems such as the Kingswood Prospect. Ballimore contains similar intrusives to the important Kaiser prospect north of Wellington.

Property
The company continues to hold the properties at Normanhurst and St Ives. At Normanhurst, the work required to implement the subdivision is almost complete. It is envisaged that sales of the subdivided blocks of land will commence before December 2010. The St Ives property is held by Our Field Pty Ltd (refer Note 11) which has granted an option to sell the land for a consideration of $2,900,000. A non refundable option fee of $120,000 has been received.

Changes in State of Affairs

There was no significant change in the state of affairs of the consolidated entity during the financial year.

Subsequent Events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future Developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Environmental Regulations

During the year under review, the directors are not aware of any particular or significant environmental issues, which have been raised in relation to the Group's operations.

Dividends

No dividends have been paid or declared since the commencement of the last financial year and no dividends have been recommended by the directors.

Directors' Report (Continued)

Indemnification of Officers and Auditors

During or since the end of the financial year the company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor. In addition, the company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

Directors' Meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 10 board meetings, 1 nomination committee meeting, 1 remuneration committee meeting, and 1 audit committee meeting was held.

	Board of Directors		Remuneration Committee		Audit Committee		Nomination Committee	
Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
David Deitz	10	10	1	1	1	1	1	1
Eddie Lee	10	10	1	1	1	1	1	1
David Atkinson	10	10	1	1	1	1	1	1

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.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Non-Audit Services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditors' expertise and experience with the company and consolidated entity are important.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are set out below:

	2010 $	2009 $
Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity	53,764	111,810
Remuneration for taxation services	11,699	66,000
	65,463	177,810

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Directors' Report (Continued)

The directors are of the opinion that the services disclosed above do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 14 of the annual report.

Remuneration Report

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Gullewa Limited's directors and its senior management for the financial year ended 30 June 2010. The prescribed details for each person covered by this report are detailed below under the following headings:

- director details
- remuneration policy
- relationship between the remuneration policy and company performance
- remuneration of directors and senior management
- key terms of employment contracts

Director Details

The following persons acted as directors of the company during or since the end of the financial year:

- David Deitz (Chairman, Executive Director)
- Eddie Lee (Non-executive Director)
- David Atkinson (Non-Executive Director and Company Secretary)

Remuneration Policy

Compensation levels of Gullewa Limited are set by the Board in accordance with industry standards to attract suitably qualified and experienced directors and senior management. The Board obtains independent advice on the appropriateness of compensation packages.

As there is only one key executive, Mr Deitz, who is also the Chairman of the Company, a detailed policy which distinguishes between executive and non-executive compensation has not been warranted to date. All of the Directors receive a fixed fee for their services, their fees are set out in accordance with a shareholder-approved threshold. Mr Deitz's compensation is set at a level which also takes into account his executive services, and is subject to adjustment from time to time as deemed appropriate with Board approval. There is no bonus system in place or other performance based compensation such as the achievement of certain key performance indicators. Options have been issued to directors details of which can be found later in this report.

Directors' Report (Continued)

Relationship Between the Remuneration Policy and Company Performance

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2010:

	30 June 2010 $	30 June 2009 $	30 June 2008 $	30 June 2007 $	30 June 2006 $
Income	930,778	523,635	10,705,291	8,419,817	1,567,510
Net (loss)/profit before tax	(1,173,988)	(1,404,723)	3,809,711	6,485,484	1,276,634
Net profit/(loss) after tax	(747,809)	32,913	2,593,085	5,424,492	1,276,634
Shareholder wealth:					
Share price at start of year	0.045	0.060	0.090	0.040	0.020
Share price at end of year	0.092	0.045	0.060	0.090	0.040
Interim dividend	-	-	-	-	-
Final dividend	-	-	-	-	-
Basic earnings per share (cents)	(0.576)	0.026	2.050	4.310	1.010
Diluted earnings per share (cents)	(0.576)	0.026	1.830	4.200	1.010

Remuneration of Directors and Senior Management

The remuneration for each Director of the Group during the year was as follows :

	Short-Term Employee Benefits		
	Salary and Fees	Share –Based Payment Options and Rights	Total
	$	$	$
2010			
Executive directors			
David Deitz	122,625	130,031	252,656
Non-executive directors			
Eddie Lee	22,922	20,672	43,594
David Atkinson	87,730	20,672	108,402
	233,277	171,375	404,652
2009			
Executive directors			
David Deitz	62,727	-	62,727
Non-executive directors			
Eddie Lee	25,006	-	25,006
David Atkinson	24,960	-	24,960
	112,693	-	112,693

No director or senior management person appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Directors' Report (Continued)

Bonuses and Share-Based Payments Granted as Compensation for the Current Financial Year

Options Granted as Compensation

Gullewa Limited has no formal Employee Option Plan with the directors approving all grants of options. Options are granted with no vesting conditions and therefore vest on grant date and expire at varying dates. Options are granted for no consideration, and with no performance conditions attached, however they are issued with an exercise price above the current market price. When exercisable, each option is convertible into one ordinary share of Gullewa Limited. Options granted carry no dividend or voting rights.

During the financial year, the following share-based payment arrangements were in existence:

Options Series	Number Granted	Grant Date	Exercise Price $	Value Per Option at Grant Date	Expiry Date
Issued 11 October 2005	12,256,756	11/10/05	0.0325	0.0102	30/11/10
Issued 30 November 2006	11,000,000	30/11/06	0.0725	0.0189	30/11/11
Issued 8 December 2009	5,480,000	08/12/09	0.1187	0.0313	30/11/14

Subsequent to 30 June 2010 Eddie Lee exercised 2,378,378 options at 3.25 cents (option series – issued 11 October 2005).

At the date of this report, the un-issued ordinary shares of Gullewa Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price of Option	Number of Options
11 October 2005	30 November 2010	3.25 cents	9,878,378
30 November 2006	30 November 2011	7.25 cents	11,000,000
8 December 2009	30 November 2014	11.87 cents	5,480,000
			26,358,378

The following table summarises the value of options granted, exercised or lapsed during the year to directors and senior management:

Options Series	Number Granted	Grant Date	Exercise Price $	Value Per Option at Grant Date	Expiry Date
Issued 8 December 2009	5,480,000	08/12/09	0.1187	0.0313	30/11/14

The options granted to individuals in prior years vested immediately, thus the fair value of the option in entirety was included in the compensation tables in the relevant year. Fair values at grant date are independently determined using a Binomial 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.

Directors' Report (Continued)

Ordinary shares held by key management personnel in Gullewa Limited:

	Balance at Start of the Financial Year	Received as Compensation During the Year	Other Changes During the Year	Balance at the End of the Financial Year	Balance at the Date of this Financial Report
2010					
David Deitz	17,862,137	-	-	17,862,137	17,862,137
Eddie Lee	-	-	-	-	2,378,378
David Atkinson	-	-	-	-	-
2009					
David Deitz	13,901,337	-	3,960,800	17,862,137	
Eddie Lee	-	-	-	-	
David Atkinson	-	-	-	-	

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

On behalf of the Directors

David Deitz
Director
Sydney, 29 September 2010

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Gullewa Limited
Level 8, Qantum House
49-51 York Street
Sydney NSW 2000

29 September2010

Dear Board Members,

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 lead audit partner for the audit of the financial statements of Gullewa Limited for the financial year ended 30 June 2010, 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 sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Gaile Pearce

Gaile Pearce
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu

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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 consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, 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 17 to 69.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing 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 and fair presentation of the financial report 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.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu

Deloitte.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion on the Financial Report

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 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 10 to 12 of the directors' report for the year ended 30 June 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Gullewa Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Gaile Pearce

Gaile Pearce
Partner
Chartered Accountants
Sydney, 29 September 2010

DIRECTORS' DECLARATION

The directors of the company declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

On behalf of the Directors

David Deitz
Director
Sydney, September 29 2010

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Consolidated Statement of Comprehensive Income for the Financial Year Ended 30 June 2010

	Note	Consolidated 2010 $	2009 $
Income	4	930,778	523,635
Share of net (loss) profit of associate	11(c)	21,042	3,659
Employee benefits expense		(167,872)	(350,909)
Depreciation, amortisation and impairment	5(a)	(19,066)	(14,452)
Other expenses	5	(1,931,734)	(1,565,747)
Finance costs	5(b)	(7,136)	(909)
Profit/(loss) before income tax		(1,173,988)	(1,404,723)
Income tax benefit	7	426,179	1,437,636
(Loss)/profit attributable to members		(747,809)	32,913
Other comprehensive income (net of tax)			
Net value gain on available-for-sale financial assets		105,000	-
Total comprehensive (loss) income for the year		(642,809)	32,913
(Loss)/profit attributable to :			
Owners of the parent		(762,665)	32,913
Non-controlling interest		14,856	-
		(747,809)	32,913
Total comprehensive (loss) income for the year attributable to:			
Owners of the parent		(657,665)	32,913
Non-controlling interest		14,856	-
		(642,809)	32,913
Earnings per share:			
Basic earnings per share (cents per share)	8	(0.576)	0.026
Diluted earnings per share (cents per share)	8	(0.576)	0.026

Consolidated Statement of Financial Position
as at 30 June 2010

	Note	Consolidated 2010 $	Consolidated 2009 $
ASSETS			
Current assets			
Cash and cash equivalents	9	7,317,500	9,749,169
Trade and other receivables	10	444,469	63,666
Other financial assets	13	738,093	551,095
		8,500,062	10,363,930
Non-current assets held for resale:			
Investment property	16	1,300,000	-
Total current assets		9,800,062	10,363,930
Non-current assets			
Investments accounted for using the equity method	11	676,751	616,323
Other financial assets	13	621,502	271,502
Property, plant and equipment	14	74,022	34,815
Investment property	16	-	875,000
Deferred tax assets	7	475,579	298,000
Intangible assets	15	229,342	2,149
Exploration, evaluation and development	17	693,484	30,120
Total non-current assets		2,770,680	2,127,909
TOTAL ASSETS		12,570,742	12,491,839
LIABILITIES			
Current liabilities			
Trade and other payables	18	182,534	182,827
Borrowings	19	49,250	11,250
Total current liabilities		231,784	194,077
Total non-current liabilities		-	-
TOTAL LIABILITIES		231,784	194,077
NET ASSETS		12,338,958	12,297,762
EQUITY			
Issued capital	20	20,345,098	19,845,098
Reserves	21	814,061	617,686
Accumulated losses		(8,927,687)	(8,165,022)
Total equity attributable to members of Gullewa Group		12,231,472	12,297,762
Non-controlling interests		107,486	-
TOTAL EQUITY		12,338,958	12,297,762

Consolidated Statement of Changes in Equity for the Financial Year Ended 30 June 2010

	Ordinary Shares $	Accumulated Losses $	Capital Profits Reserve $	Consolidated Share Based Payments Reserve $	Available For Sale Reserve $	Attributable to Owners of the Entity $	Non Controlling Interests $	Total $
2010								
Balance at 1 July 2009	19,845,098	(8,165,022)	284,828	332,858	-	12,297,762	-	12,297,762
Profit/(loss) attributable to members	-	(762,665)	-	-	-	(762,665)	14,856	(747,809)
Other comprehensive income	-	-	-	-	150,000	150,000	-	150,000
Tax effect	-	-	-	-	(45,000)	(45,000)	-	45,000
Total other comprehensive income for the year	-	-	-	-	105,000	105,000	-	105,000
Total comprehensive income for the year	-	(762,665)	-	-	105,000	(657,665)	14,856	(642,809)
Shares issued during the year	500,000	-	-	-	-	500,000	-	500,000
Capital contribution by non controlling interest	-	-	-	-	-	-	20,000	20,000
Arising on acquisition of subsidiary	-	-	-	-	-	-	40	40
Arising on acquisition of subsidiary	-	-	-	-	-	-	72,590	72,590
Acquisition of minority interest	-	-	(80,000)	-	-	(80,000)	-	(80,000)
Options granted during the year	-	-	-	171,375	-	171,375	-	171,375
Balance at 30 June 2010	20,345,098	(8,927,687)	204,828	504,233	105,000	12,231,472	107,486	12,338,958

Consolidated Statement of Changes in Equity
for the Financial Year Ended 30 June 2010 (Continued)

	Consolidated							
	Ordinary Shares $	**Accumulated Losses $**	**Capital Profits Reserve $**	**Share Based Payments Reserve $**	**Available For Sale Reserve $**	**Attributable to Owners of the Entity $**	**Non Controlling Interests $**	**Total $**
2009								
Balance at 1 July 2008	19,845,098	(8,197,935)	284,828	332,858	-	12,264,849	-	12,264,849
Profit/(loss) attributable to members and total comprehensive income for the year	-	32,913	-	-	-	32,913	-	32,913
Balance at 30 June 2009	19,845,098	(8,165,022)	284,828	332,858	-	12,297,762	-	12,297,762

Consolidated Statement of Cash Flows for the Financial Year Ended 30 June 2010

	Note	Consolidated 2010 $	2009 $
Cash from operating activities:			
Receipts from customers		122,690	-
Payments to suppliers and employees		(2,369,611)	(1,451,407)
Finance costs		(7,136)	(909)
Income tax refunded		203,600	-
Net cash used in operating activities	9(b)	(2,050,457)	(1,452,316)
Cash flows from investing activities :			
Proceeds from disposal of financial assets at fair value through profit or loss		233,420	-
Acquisition of financial assets at fair value through profit or loss		(302,404)	-
Acquisition of plant and equipment		(51,793)	-
Acquisition of intangible assets		(19,745)	(1,367)
Acquisition of investment property		(87,477)	(2,692)
Payments for equity accounted investments		(39,386)	(46,341)
Bank overdraft acquired on purchase		(4,795)	-
Purchase of Hydromining Coal Australia Pty Limited		(80,000)	-
Cash injected by Hydromining Australia Pty Limited		20,140	-
Interest received		363,704	523,635
Payments for other financial assets		-	(783)
Payments for exploration, evaluation and development		(211,364)	-
Acquisition of available for sale financial assets		(200,000)	-
Net cash (used in)/provided by investing activities		(379,700)	472,452
Cash flows from financing activities:			
Proceeds from borrowings (repayment)		(1,512)	11,250
Net cash provided by/(used in) financing activities		(1,512)	11,250
Net (decrease)/increase in cash and cash equivalents held		(2,431,669)	(968,614)
Cash and cash equivalents at beginning of financial year		9,749,169	10,717,783
Cash and cash equivalents at end of financial year	9(a)	7,317,500	9,749,169

Notes to the Financial Statements

For the Year Ended 30 June 2010

1. Significant Accounting Policies

Statement of Compliance

The financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements cover the consolidated Group of Gullewa Limited and its controlled entities ("The Group" or the "Consolidated Entity"). Gullewa Limited is a listed public company, incorporated and domiciled in Australia.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with AIFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the directors on 29 September 2010.

Basis of Preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer to note 2 for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

Adoption of New and Revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 101 'Presentation of Financial Statements'
- AASB 8 'Operating Segments'
- AASB 3 'Business Combinations'
- AASB 127 'Consolidated and Separate Financial Statements'

Notes to the Financial Statements

For the Year Ended 30 June 2010

1. Significant Accounting Policies (Continued)

Adoption of New and Revised Accounting Standards (Continued)
The adoption of these new and revised Standards and Interpretations have resulted in changes to the consolidated entity's accounting policies and presentation of, or disclosure in the financial statements in the following areas:

AASB 101 'Presentation of Financial Statements'
The Group has adopted the revised AASB 101 (2007) Presentation of Financial Statements from 1 July 2009. The revised Standard separates owner and non-owner changes in equity. As a result, all non-owner changes in equity are presented in a statement of comprehensive income and all owner changes in equity are presented in a statement of changes in equity.

The revised Standard also changes the title of other financial statements; the balance sheet is now termed the statement of financial position and the cash flow statement is now termed the statement of cash flows.

Comparative information has been re-presented to comply with the revised Standard. Since the change in accounting policy only affects presentation aspects, there is no impact on the financial position or performance of the consolidated entity.

AASB 8 'Operating Segments'
The Group has adopted AASB 8 'Operating Segments' and AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8' with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 'Segment Reporting') required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Group's reportable segments has changed.

Information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance is more specifically focused on each type of investment. The Group's reportable segments under AASB 8 are now as follows:

- exploration and evaluation
- property development
- investment in equities

Information regarding these segments is presented in Note 3. Amounts reported for the prior period have been restated to conform to the requirements of AASB 8. The accounting policies of the new reportable segments are the same as the Group's accounting policies.

1. Significant Accounting Policies (Continued)

Adoption of New and Revised Accounting Standards (Continued)
AASB 3 'Business Combinations'
The Group has adopted the revised AASB 3 (2008) Business Combinations from 1 July 2009. AASB 3 (2008) applies prospectively to business combinations occurring on or after this date and alters the manner in which business combinations and changes in ownership interest in subsidiaries are accounted for. Accordingly, while its adoption has no impact on previous acquisitions made by the consolidated entity, the application of the Standard has affected the accounting for acquisitions in the current period.

All consideration to purchase a business is now recorded at fair value at the acquisition date, with contingent consideration classified as a liability and subsequently remeasured through profit or loss. Under the previous version of the Standard, contingent consideration was only recognised when the payment was probable and could be measured reliably and was accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are accounted for separately from the business combination, generally leading to those costs being expensed when incurred. Previously such costs were accounted for as part of the cost of the acquisition of the business.

Non-controlling interests (previously referred to as 'minority' interests) in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis. Under the previous version of the Standard, the non-controlling interest was always recognised at its share of the acquiree's net assets.

AASB 127 'Consolidated and Separate Financial Statements'
Changes in Ownership Interests of Subsidiaries
AASB 127 Consolidated and Separate Financial Statements (2008) has been adopted in the current period and applies prospectively. The revised Standard has resulted in changes in the Groups accounting policies regarding increases or decreases in ownership interests in its subsidiaries. In prior years, in the absence of specific requirements in the Australian Accounting Standards, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under AASB 127 (2008), all increases or decreases in such interests are recognised in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or circumstance the revised Standard requires that the Group derecognise all assets, liabilities and non controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date that control is lost. A gain or loss of control is recognised in profit or loss as the difference between proceeds, if any, and these adjustments.

The revised Standard is also expected to affect the accounting for changes in ownership interests' in future accounting periods, but the impact will only be determined once the detail of future transactions is known.

1. Significant Accounting Policies (Continued)

Adoption of New and Revised Accounting Standards (Continued)

Changes in Ownership Interests of Associates

AASB 128 Investments in Associates was amended by AASB 2008-3 Amendments to Australia Accounting Standards arising from AASB 3 and AASB 127, and has been adopted in the current period. The principle adopted in AASB127 (2008) that a change in accounting basis is recognised as a disposal and re-acquisition at fair value is extended by consequential amendments to AASB 128 such that, on the loss of significant influence, the investor measures at fair value any investment the investor retains in the former associate.

Significant Accounting Policies

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Gullewa Limited as at 30 June 2010 and the results of all subsidiaries for the year then ended.

A subsidiary is an entity over which Gullewa Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

A list of subsidiaries is contained in note 12 to the financial statements. All subsidiaries have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Group.

Subsidiaries are fully consolidated from the date which control is transferred to the Group. They are deconsolidated from the date control ceases.

The purchase method of accounting is used to account for acquisitions of subsidiaries and businesses. Cost is measured as the fair value of the assets given, equity instruments issued (net of transaction costs) or liabilities incurred or assumed at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

1. Significant Accounting Policies (Continued)

(b) Investments in Associates and Jointly Controlled Entities

Associates

Associates are all entities over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of the associate's post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised directly in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the consolidated financial statements as a reduction in the carrying amount of the investment.

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

Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Jointly Controlled Entities

Interests in jointly controlled entities in which the Group is a venturer (and so has joint control) are accounted for under the equity method in the consolidated financial statements.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The carrying amount of plant and equipment is reviewed annually by directors for indications of impairment. If any such indications exist, an impairment test is carried out, and any impairment losses on the assets recognised.

Notes to the Financial Statements

For the Year Ended 30 June 2010

1. Significant Accounting Policies (Continued)

(c) Property, Plant and Equipment (Continued)

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciable amount is the carrying value of the asset less estimated residual amounts. The residual amount is based on what a similar asset of the expected condition of the asset at the end of its useful life could be sold for.

The following useful lives are used in the calculation of depreciation :

Class of Fixed Asset	Useful Life
Plant and Equipment	5 years
Motor Vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred directly to retained earnings.

(d) Investment Property

Investment property, principally comprising freehold land and buildings, is held for capital growth and is not occupied by the Group. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value, representing open-market value determined annually by independent valuers. Changes in fair values are recorded in profit or loss as part of other income.

(e) Intangible Assets – Computer Software

Computer software is measured on a cost basis and is amortised on a straight line basis over 3 years.

(f) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

(g) Financial Assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require the delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements.

1. Significant Accounting Policies (Continued)

(g) Financial Assets (Continued)

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

- Has been acquired for the purpose of selling in the near future;
- Is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- Is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Available for Sale Financial Assets

Certain shares held by the Group are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale reserve with the exception of impairment losses and interest calculated using the effective interest method. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale reserve is included in profit or loss for the period. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Loans and Receivables

Trade receivables, loans and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

<u>Effective Interest Method</u>

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset, or, where appropriate, a shorter period.

1. Significant Accounting Policies (Continued)

(h) Exploration and Evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and
(ii) at least one of the following conditions is also met:

- (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
- (b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

(i) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent that the revaluation reserve relates to that asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

1. Significant Accounting Policies (Continued)

(i) Impairment of Assets (Continued)

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised as income in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal is recognised as a revaluation increase.

(j) Financial Instruments Issued by the Company

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial Guarantee Contract Liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of :

- The amount of the obligation under the contract, as determined under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'; and
- The amount initially recognised less, where appropriate, cumulative amortisation in accordance with the Group's revenue recognition policies.

Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

<u>Effective Interest Method</u>

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

1. Significant Accounting Policies (Continued)

(j) Financial Instruments Issued by the Company (Continued)

Trade Payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

(k) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalised at the inception of the lease by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

The interest expense is recognised in profit or loss so as to achieve a constant periodic rate of interest on the remaining balance of the liability outstanding.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged to profit or loss on a straight line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Lease incentives under operating leases are deferred and recognised as a liability and amortised on a straight-line basis over the lease term.

(l) Employee Benefits

A liability is recognised for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits.

Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred. There are no defined benefit plans in operation.

Equity-Settled Compensation

The Group provides share-based compensation benefits to directors. The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the director becomes unconditionally entitled to the options.

(m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

1. Significant Accounting Policies (Continued)

(n) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of commodities is recognised upon the delivery of commodities to customers and the associated risks of ownership have passed.

Revenue on the sale of shares at fair value through profit or loss and available-for-sale assets is recognised on trade date when the risks and rewards of ownership have passed.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

(o) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) Income Tax

Current and Deferred Tax

The charge for current income tax expense is based on the profit adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantively enacted by balance date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Notes to the Financial Statements

For the Year Ended 30 June 2010

1. Significant Accounting Policies (Continued)

(p) Income Tax (Continued)

Deferred tax assets and liabilities are recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and on unused tax losses. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where at the time of the transaction there was no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(r) Standards and Interpretations Issued Not Yet Effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group's financial statements:

Notes to the Financial Statements

For the Year Ended 30 June 2010

1. Significant Accounting Policies (Continued)

(r) Standards and Interpretations Issued Not Yet Effective (Continued)

Standard/Interpretation	Effective for Annual Reporting Periods Beginning On or After	Expected to be Initially Applied in the Financial Year Ending
• AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 January 2010	30 June 2011
• AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions'	1 January 2010	30 June 2011
• AASB 124 'Related Party Disclosures (2009)', AASB 2009-12 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012
• AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9'	1 January 2013	30 June 2014
• AASB 2009-9 'Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters'	1 January 2010	30 June 2011
• AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues'	1 February 2010	30 June 2011
• AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement'	1 January 2011	30 June 2012
• AASB Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'	1 July 2010	30 June 2011
• AASB 2010-1 'Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters'	1 July 2010	30 June 2011

Notes to the Financial Statements

For the Year Ended 30 June 2010

1. Significant Accounting Policies (Continued)

(r) Standards and Interpretations Issued Not Yet Effective (Continued)

Standard/Interpretation	Effective for Annual Reporting Periods Beginning On or After	Expected to be Initially Applied in the Financial Year Ending
• AASB 2010-3 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 July 2010	30 June 2011
• AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvement Project'	1 January 2011	30 June 2012

2. Critical Accounting Estimates and Judgements

Critical Judgements in Applying the Entity's Accounting Policies
In the process of applying the Group's accounting policies, management have made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification of Investments
Where it is considered that the Group has significant influence, but no control, investments have been equity accounted. This has resulted in the Group accounting for its share of each associate's post acquisition profits and reserves

Other investments have been classified as either 'available for sale' or financial assets at fair value through profit or loss. Available for sale investments are not held with the intention of actively trading them. By classifying them as 'available for sale', any movement in the fair value of these investments is recognised directly in reserves in a separate available-for-sale reserve.

Key Sources of Estimation Uncertainty
The carrying values of certain assets and liabilities are determined based on estimates and assumptions about future events. The key estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of these assets and liabilities are as follows:

Share-Based Payments
The value of amounts recognised in respect of share-based payments has been estimated based on the fair value of the options. To estimate this fair value an option pricing model has been used. There are many variables and assumptions used as inputs into the model (which have been detailed in note 27). If any of these assumptions or estimates were to change this could have a significant effect on the amounts recognised.

Investment Property
Investment property is carried at fair value, representing open-market value determined annually by external valuers.

Notes to the Financial Statements

For the Year Ended 30 June 2010

3. Segment Reporting

(a) Operating Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Executive Management Team ("the Chief Operating Decision Maker") in assessing performance and in determining the allocation of resources.

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 Executive Management 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 Chief Operating Decision Makers for the management and performance of these reportable segments.

The reportable segments identified by the Group are :

- Investments
  The Group invests in shares in listed entities with a view to capital appreciation.

- Property Development
  The Group acquires investment properties with a view to capital appreciation and derivation of rental income.

- Exploration and Evaluation
  The Group is involved in exploration and evaluation for minerals.

Information regarding these segments is presented below. Amounts reported for the prior period have been restated, where required, to conform to the requirements of AASB8. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Geographic Information

The Group's business segments are located in one geographical segment, being Australia.

Major Customers

The Group does not generate revenue from customers.

Notes to the Financial Statements

For the Year Ended 30 June 2010

3. Segment Reporting (Continued)

(b) Segment Information

	Investments		Property		Exploration & Evaluation		Elimination & Other Operations		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	$	$	$	$	$	$	$	$	$	$
Income	-	-	-	-	-	-	475,240	523,635	475,240	523,635
Other income	118,015	-	337,523	-	-	-	-	-	455,538	-
Total segment Revenue/income	118,015	-	337,523	-	-	-	475,240	523,635	930,778	523,635
Share of net profit/(loss) of associates	21,042	3,659	-	-	-	-	-	-	21,042	3,659
RESULT										
Segment result	97,340	3,659	233,126	(76,125)	(131,315)	(37,383)	(946,960)	142,762	(747,809)	32,913
ASSETS										
Segment assets	1,359,595	822,597	1,300,000	875,000	693,484	30,120	8,540,912	10,147,799	11,893,991	11,875,516
Investment in associates	676,751	616,323	-	-	-	-	-	-	676,751	616,323
Total assets	2,036,346	1,438,920	1,300,000	875,000	693,484	30,120	8,540,912	10,147,799	12,570,742	12,491,839
LIABILITIES										
Segment liabilities	-	-	-	-	-	-	231,784	194,077	231,784	194,077

Notes to the Financial Statements

For the Year Ended 30 June 2010

3. Segment Reporting (Continued)

(b) Segment Information (Continued)

	Investments		Property		Exploration & Evaluation		Elimination & Other Operations		Consolidated	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
OTHER										
Investments in associates	676,751	616,323	-	-	-	-	-	-	676,751	616,323
Acquisition of non-current segment assets	502,403	-	162,904	4,060	663,364	-	-	-	1,328,671	4,060
Depreciation, amortisation and impairments	-	-	-	-	-	-	19,066	14,452	19,066	14,452
Exploration and evaluation expenses	-	-	-	-	187,593	53,405	-	-	187,593	53,405

Notes to the Financial Statements

For the Year Ended 30 June 2010

		Consolidated 2010 $	2009 $
4.	**Income**		
	Interest received	363,704	523,635
	Other income	4,451	-
	Bad debts recovered	107,085	-
	Fair value gains on financial assets at fair value through profit and loss	118,015	-
	Fair value gains on investment property	337,523	-
		930,778	523,635
5.	**Expenses**		
	Included in profit for the year are the following expenses:		
	Accounting fees	147,490	137,356
	Auditors remuneration	53,764	111,810
	Bad debts	3,656	-
	Computer expenses	29,539	28,090
	Consulting and professional fees	604,553	165,779
	Exploration expenditure	187,593	53,405
	Insurance	19,543	5,313
	Key management personnel compensation	233,277	112,693
	Fair value losses on financial assets at fair value through profit or loss	-	263,400
	Fair value losses on investment property	-	77,692
	Legal costs	126,373	181,837
	Motor and travel expenses	56,300	107,808
	Office supplies	19,113	15,938
	Property evaluation costs	-	31,058
	Minimum lease payments	60,903	78,568
	Share based remuneration	171,375	-
	Share registry and listing fees	31,817	17,521
	Telephone	22,443	18,814
	Other expenses	163,995	158,665
		1,931,734	1,565,747

	Consolidated 2010 $	2009 $
5. Expenses (Continued)		
(a) Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	16,475	14,010
Amortisation of intangible assets	2,591	442
	19,066	14,452
(b) Finance Costs		
Other interest	7,136	909
(c) Gain/(loss) on share trading recognised in the statement of comprehensive income		
Fair value loss on financial assets at fair value through profit or loss	118,015	(263,400)
6. Auditor's Remuneration		
Remuneration of the auditor of the parent entity for:		
Auditing or reviewing the financial statements	53,764	111,810
Taxation services	11,699	66,000
	65,463	177,810

The auditor of Gullewa Limited is Deloitte Touche Tohmatsu.

	Consolidated 2010 $	2009 $
7. Income Tax		
(a) The components of tax expense comprise		
Current tax	(61,085)	(386,497)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(222,579)	1,403
Under (over) provision for income tax in relation to prior years	61,085	(1,439,039)
Unused tax losses and tax offsets not brought to account	-	386,497
Refundable tax offsets	(203,600)	-
	(426,179)	(1,437,636)
(b) The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:		
Profit/(loss) before income tax	(1,173,988)	(1,404,723)
Tax expense at the tax rate of 30% (2009: 30%)	(352,196)	(421,417)
Other non-deductible amounts	68,532	36,323
Under/(over) provision for income tax	61,085	(1,439,039)
Refundable tax offsets	(203,600)	-
Unused tax losses and tax offsets not brought to account	-	386,497
	(426,179)	(1,437,636)

Notes to the Financial Statements

For the Year Ended 30 June 2010

7. Income Tax (Continued)

(c) Movement in temporary differences during the year

	Consolidated			
	Balance at 1 July $	**Recognised in income $**	**Recognised in equity $**	**Balance at 30 June $**
2010				
Impairment loss of available-for-sale financial assets	90,000	24,000	-	114,000
Unrealised gain on available for sale assets	-	-	(45,000)	(45,000)
Unrealised gain on investment property	(150)	(101,257)	-	(101,407)
Unrealised loss on financial assets at fair value through profit or loss	292,930	(63,481)	-	229,449
Provision for doubtful debts	98,451	-	-	98,451
Accrued audit fees	34,200	(22,500)	-	11,700
Tax losses	599,339	403,859	-	1,003,198
Deferred tax assets not brought to account as assets				
Tax losses – revenue	(301,189)	-	-	(301,189)
Tax losses – capital	(90,000)	-	-	(90,000)
Temporary differences	(425,581)	(18,042)	-	(443,623)
	298,000	222,579	(45,000)	475,579
2009				
Revaluations of available-for-sale financial assets	-	-	-	-
Impairment loss of available-for-sale financial assets	-	90,000	-	90,000
Unrealised gain on investment property	(23,458)	23,308	-	(150)
Unrealised loss on financial assets at fair value through profit or loss	213,910	79,020	-	292,930
Provision for doubtful debts	98,451	-	-	98,451
Accrued audit fees	10,500	23,700	-	34,200
Tax losses	-	599,339	-	599,339
Deferred tax assets not brought to account as assets				
Tax losses – revenue	-	(301,189)	-	(301,189)
Tax losses – capital	-	(90,000)	-	(90,000)
Temporary differences	-	(425,581)	-	(425,581)
	299,403	(1,403)	-	298,000

Notes to the Financial Statements

For the Year Ended 30 June 2010

	Consolidated 2010 $	2009 $
7. Income Tax (Continued)		
(d) Current tax liabilities		
Income tax payable	-	-

	2010 Cents	2009 Cents
8. Earnings per share		
Basic earnings per share (cents)	(0.576)	0.026

	2010 $	2009 $
Basic earnings per share is calculated as follows:		
Basic earnings per share	(747,809)	32,913

	2010 No.	2009 No.
Weighted average number of ordinary shares	129,928,549	125,931,551

	2010 Cents	2009 Cents
Diluted earnings per share	(0.576)	0.026

	2010 $	2009 $
Diluted earnings per share is calculated as follows:		
Net(loss)/profit attributable to ordinary shareholders (diluted)	(747,809)	32,913
Weighted average number of ordinary shares	129,928,549	125,931,551
Shares deemed to be issued for no consideration in respect of options	8,545,017	2,585,636
Weighted average number of ordinary shares (diluted)	138,473,566	128,517,187

	Consolidated 2010 $	2009 $
9. Cash and cash equivalents		
(a) Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	7,317,500	9,749,169
(b) Reconciliation of cash flow from operations with profit after income tax		
Net (loss)/profit for the year	(747,809)	32,913
Depreciation, amortisation and impairment	19,066	14,452
(Revaluation) devaluation of investment property	(337,523)	77,692
Fair value losses on financial assets at fair value through profit or loss	(186,998)	263,400
Share of profit in associate	(21,042)	(3,659)
Share based payment	171,375	-
Interest received	(363,704)	(523,635)
Changes in assets and liabilities:		
(Increase)/Decrease in trade and other receivables	(220,590)	40,196
Increase/(decrease) in trade and other payables	(140,653)	83,961
Increase/(decrease) in income taxes payable	-	(1,439,039)
(Increase)/Decrease in deferred taxes payable	(222,579)	1,403
Net cash from operating activities	(2,050,457)	(1,452,316)

Notes to the Financial Statements

For the Year Ended 30 June 2010

	Consolidated 2010 $	2009 $
10. Trade and Other Receivables		
Other receivables and deposits	444,469	63,666
11. Investments Accounted for Using the Equity Method		
Interest in associate	676,751	616,323

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Information relating to the associate is set out below.

(a) Carrying amounts

Interests are held in the following associated company:

Name	Principal Activities	Country of Incorporation	Ownership Interest 2010 %	2009 %	Carrying Amount of Investment 2010 $	2009 $
Unlisted						
Our Field Pty Limited	Property development	Australia	50	50	676,751	616,323

	Consolidated 2010 $	2009 $
(b) Movements in carrying amounts		
Balance at beginning of the financial year	616,323	566,323
Add:		
New investments during the year	39,386	46,341
Share of profit/(loss) in associate	21,042	3,659
Balance at end of the financial year	676,751	616,323

	Consolidated 2010 $	2009 $
(c) Equity accounted profits of associates		
Share of associate's profit before income tax expense	30,060	5,227
Share of associate's income tax expense	(9,018)	(1,568)
Share of associate's profit after income tax	21,042	3,659
(d) Summarised financial information of associates		
Total assets	2,417,367	2,272,094
Total liabilities	(2,083,759)	(2,040,554)
Net assets	333,608	231,540
Group's share of net assets	166,804	115,770
Revenue	139,610	19,874
Group's share of revenue	69,805	9,937
Total profit for the year	42,084	7,318
Group's share of profit	21,042	3,659

(e) Capital and lease commitments of associates

The associate had no capital or lease commitments outstanding at 30 June 2010 (2009: $nil).

(f) Contingent liabilities of associates

There were no contingent liabilities of the associate as at 30 June 2010 (2009: $nil).

12. Controlled Entities

	Country of Incorporation	Percentage Owned 2010 %	2009 %
Parent Entity			
Gullewa Limited	Australia	-	-
Subsidiaries			
Rondav Pty Limited	Australia	100	100
Claymor Resources Pty Limited	Australia	100	100
Telephony Associates Pty Limited	Australia	70	70
Gullewa Geothermal Pty Limited	Australia	100	100
York Corporate Pty Limited	Australia	100	100
Hydromining Coal Australia Pty Limited	Australia	80	20
Mineral & Coal Investments Pty Limited (acquired 30 November 2009)	Australia	80	-
Cauldron Geothermal Pty Limited (incorporated 12 October 2009)	Australia	100	-
Canton Property Pty Limited (incorporated 16 March 2010)	Australia	60	-
Windora Exploration Pty Limited (incorporated 10 May 2010)	Australia	100	-
Goonoo Exploration Pty Limited (incorporated 10 May 2010)	Australia	100	-
Narwonah Pty Limited (incorporated 10 May 2010)	Australia	100	-

	Principal Activity	Date of Acquisition	Shares Acquired %	Consideration Transferred $
Subsidiaries Acquired 2010				
Cauldron Geothermal Pty Limited	Dormant	12.10.2009	100	100
Hydromining Coal Australia Pty Limited	Coal exploration	05.11.2009	60	80,000
Mineral & Coal Investments Pty Limited	Coal exploration	30.11.2009	80	500,000
Canton Property Pty Limited	Real estate agent	16.03.2010	60	60
Windora Exploration Pty Limited	Dormant	10.05.2010	100	100
Goonoo Exploration Pty Limited	Dormant	10.05.2010	100	100
Narwonah Pty Limited	Dormant	10.05.2010	100	100

Cauldron Geothermal Pty Limited, Windorah Exploration Pty Limited, Goonoo Exploration Pty Limited and Narwonah Pty Limited were incorporated to hold exploration licences in the future. Canton Property Pty Limited has commenced business as a real estate agent. The additional shares in Hydromining Coal Australia Pty Limited were acquired to increase the company's investment in coal exploration. Mineral & Coal Investments Pty Limited was acquired to expand the company's investment in coal exploration.

Notes to the Financial Statements

For the Year Ended 30 June 2010

12. Controlled Entities (Continued)

	Principal Activity	Date of Acquisition	Shares Acquired %	Consideration Transferred $
Subsidiaries Acquired (Continued)				
2009				
Hydromining Coal Australia Pty Limited	Coal exploration	18.07.2008 03.10.2008 02.02.2009	20	250,000
Gullewa Geothermal Pty Limited	Geothermal exploration	25.09.2009	100	100

The shares in Hydromining Coal Australia Pty Limited were acquired to commence the company's investment in coal exploration and representing a controlling interest in the entity. Gullewa Geothermal Pty Limited was incorporated to hold a Special Exploration Licence in Tasmania.

Consideration Transferred

2010	
Cauldron Geothermal Pty Limited	$100 cash
Hydromining Coal Australia Pty Limited	$80,000 cash
Mineral & Coal Investments Pty Limited	6,849,315 shares in Gullewa Limited valued at $500,000
Canton Property Pty Limited	$60 cash
Windora Exploration Pty Limited	$100 cash
Goonoo Exploration Pty Limited	$100 cash
Narwonah Pty Limited	$100 cash
2009	
Gullewa Geothermal Pty Limited	$100 cash
Hydromining Coal Australia Pty Limited	$250,000 cash

Notes to the Financial Statements

For the Year Ended 30 June 2010

12. Controlled Entities (Continued)

	Mineral & Coal Investments Pty Limited	Hydromining Coal Australia Pty Limited	Total $
Assets acquired and liabilities assumed at the date of acquisition			
2010			
Current assets			
Cash and cash equivalents	(4,795)	-	(4,795)
Trade and other receivables	15,000	-	15,000
Non-current assets			
Plant and equipment	3,889	-	3,889
Intangibles	-	-	-
Exploration, evaluation and development	452,500	-	452,500
Current liabilities			
Trade and other payables	(64,131)	-	(64,131)
Borrowings	(39,512)	-	(39,512)
	362,951	-	362,951

Cauldron Geothermal Pty Limited, Canton Property Pty Limited, Windorah Exploration Pty Limited, Goonoo Exploration Pty Limited and Narwonah Pty Limited were all incorporated during the year. At the time of acquisition of the shares in each subsidiary, the subsidiary had no assets.

	Mineral & Coal Investments Pty Limited	Hydromining Coal Australia Pty Limited	Total $
2009			
Current assets			
Cash and cash equivalents	-	500	500
Trade and other receivables	-	2	2
Non-current assets			
Plant and equipment	-	-	-
Intangibles	-	680	680
Exploration, evaluation and development	-	-	-
Current liabilities			
Trade and other payables	-	(8,191)	(8,191)
Borrowings	-	(1,593)	(1,593)
	-	(8,602)	(8,602)

12. Controlled Entities (Continued)

	Mineral & Coal Investments Pty Limited	Hydromining Coal Australia Pty Limited (i)	Total $
Goodwill arising on acquisition			
2010			
Consideration transferred	500,000	-	500,000
Less fair value of identifiable net assets acquired	(362,951)	-	(362,951)
Add non controlling interests	72,990	-	72,990
Goodwill arising on acquisition	210,039	-	210,039
2009			
Consideration transferred	-	250,000	250,000
Plus fair value of identifiable net liabilities acquired	-	8,602	8,602
Less non controlling interests	-	(6,882)	(6,882)
Goodwill arising on acquisition	-	251,720	251,720

(i) Additional consideration of $80,000 paid in the current year for a further 60% of the equity did not give rise to goodwill.

	Consolidated 2010 $	2009 $
Net Cash Outflow on Acquisition of Subsidiaries		
Consideration paid in cash	80,460	250,000
Add (less) cash and cash equivalent balances acquired	4,795	(500)
	85,255	249,500
Impact of acquisitions on the results of the Group		

Had the acquired entities been owned for the full year the consolidated profit/(loss) in the year of acquisition would have been the following:

	2010 $	2009 $
Hydromining Coal Australia Pty Ltd	-	32,916
Mineral & Coal Investments Pty Limited	(760,085)	-
Included in total loss for the year are the following profits/(losses):		
Hydromining Coal Australia Pty Limited	(95,046)	(325,898)
Mineral & Coal Investments Pty Limited	(24,552)	-

	Consolidated 2010 $	2009 $
13. Other Financial Assets		
Current		
Financial assets at fair value through profit or loss	738,093	551,095
Non-current		
Available for sale assets – unlisted – at valuation		
Shares in unlisted corporations:	600,000	250,000
Term deposit	21,502	21,502
	621,502	271,502

14. Plant and Equipment

	Consolidated Plant and equipment $	Motor vehicles $	Total $
2010			
Balance at the beginning of the financial year	28,199	6,616	34,815
Additions	15,786	39,896	55,682
Disposals	-	-	-
Depreciation expense	(13,559)	(2,916)	(16,475)
Balance at the end of the financial year	30,426	43,596	74,022
2009			
Balance at the beginning of the financial year	39,738	9,087	48,825
Additions	-	-	-
Disposals	-	-	-
Depreciation expense	(11,539)	(2,471)	(14,010)
Balance at the end of the financial year	28,199	6,616	34,815

	Consolidated 2010 $	2009 $
15. Intangible Assets		
Goodwill	210,039	-

The goodwill arose on the acquisition of 960 shares (80% interest) in Mineral & Coal Investments Pty Limited on 30 November 2009.

	Consolidated 2010 $	2009 $
Computer software and incorporation expenses		
Gross carrying amount		
Balance at beginning of the financial year	2,727	1,359
Additions	19,745	1,368
Balance at the end of the financial year	22,472	2,727
Accumulated amortisation		
Balance at beginning of the financial year	(578)	(136)
Amortisation expense	(2,591)	(442)
Balance at the end of the financial year	(3,169)	(578)
Net book value	19,303	2,149
Total intangibles	229,342	2,149

16. Investment Property

(a) Movement in year

	Consolidated 2010 $	2009 $
At fair value		
Balance at beginning of the financial year	875,000	950,000
Additions resulting from capitalized expenditure	87,477	2,692
Fair value adjustments	337,523	(77,692)
Balance at the end of the financial year	1,300,000	875,000

The investment property comprises land at 123 Pennant Hills Road, Normanhurst, New South Wales. The work required to create a sub-division into 4 lots is almost complete. It is envisaged that sales of the sub-divided blocks of land will commence before December 2010. The blocks will be offered for sale at prices nominated by the company. The investment property is stated at fair value and is reflected in the property segment in note 3(b).

16. Investment Property (Continued)

(b) Valuation basis

The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar market conditions. The revaluations for the year ending 30 June 2010 were based on independent assessments made by a qualified member of the Australian Property Institute, who has recent experience in the location and category of property being valued.

(c) There were no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements as of 30 June 2010.

	Consolidated 2010 $	2009 $
17. Exploration, Evaluation and Developments		
Exploration and evaluation – at cost	693,484	30,120
18. Trade and Other Payables		
Trade payables	89,758	68,827
Sundry payables	53,776	-
Accrued expenses	39,000	114,000
	182,534	182,827
19. Borrowings		
Unsecured liability		
Advance from shareholder in controlled entity	49,250	11,250
20. Issued Capital		
(a) Movement in share capital		
132,780,866 (2009: 125,931,551) fully paid ordinary shares	20,345,098	19,845,098

On 30 November 2009 the company issued ordinary shares amounting to $500,000 (6,849,315 ordinary shares) as consideration for the acquisition of 960 shares (80% interest) in Mineral & Coal Investments Pty Limited. This was recognised at market value.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

20. Issued Capital (Continued)

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll, each share is entitled to one vote.

21. Reserves

	2010 $	2009 $
Share based payments reserve (i)	504,233	332,858
Capital profits reserve (ii)	204,828	284,828
Available for sale reserve (iii)	105,000	-
	814,061	617,686

(i) *Share based payments reserve*
The share based payments reserve is used to recognise the expense of the fair value of options issued but not exercised.

(ii) Capital profits reserve
The capital profits reserve arose historically and is distributable to the extent that it exceeds accumulated losses.

(iii) Available-for-sale-reserve
The available-for-sale reserve represents accumulated gains and losses arising on the revaluation of available-for-sale assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

22. Parent Entity Disclosures

	2010 $	2009 $
Financial position		
Assets		
Current assets	5,766,816	9,675,230
Non-current assets	1,753,167	754,187
Total assets	7,519,983	10,429,417
Liabilities		
Current liabilities	101,456	2,582,959
Total liabilities	101,456	2,582,959
Net assets	7,418,528	7,846,458
Equity		
Issued capital	20,345,098	19,845,098
Accumulated losses	(13,715,631)	(12,616,326)
Reserves		
Capital profits reserves	284,828	284,828
Share based payments reserve	504,233	332,858
Total equity	7,418,528	7,846,458

Financial performance	**Year Ended 30/06/2010**	**Year Ended 30/06/2009**
Profit/(loss) for the year	(1,099,305)	46,986
Other comprehensive income	-	-
	(1,099,305)	46,986

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries.

22. Parent Entity Disclosures (Continued)

	2010 $	2009 $
Guarantee provided	1,050,000	1,050,000

Commitment for the acquisition of property, plant and equipment by the parent entity

There are no capital commitments by the parent entity at 30 June 2010. (2009: $Nil)

23. Financial Instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses. The Group does not have any material debt. Operating cash flows are used to maintain and expand the Group's investments, as well as to pay for operating expenses, including tax liabilities.

(b) Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial and commodity markets and seeks to minimise potential adverse effects on the Group's performance. Risk management is carried out by the Board of Directors.

(c) Market risk

Price risk
The Group is exposed to equity securities price risk because of the listed investments held, classified as either at fair value through profit or loss, or available-for-sale investments. The Group is also exposed to price risk in the Australian housing market, due to its ownership of an investment property, although this risk is not significant to the Group. The Group does not hedge its price risks.

At reporting date, if equity prices had been 10% higher or lower and all other variables were held constant the Group's net assets would increase/decrease by $52,000 (2009: $38,000) 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.

23. Financial Instruments (Continued)

Interest rate risk
Because the Group has no external debt, its only exposure to interest rate risk is on its cash and cash equivalents. The sensitivity analyses below 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 higher or lower and all other variables were held constant, the Group's net profit and net assets would increase/decrease by $31,500 (2009: $36,000).

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group does not have any significant credit risk exposure to any single counterparty or group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit–ratings agencies. The Group does not have any significant receivables.

The Group's maximum exposure to credit risk at balance 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, and the guarantee provided to an associate detailed at note 25.

(e) Liquidity risk management

Liquidity risk management is carried out by the directors who ensure that there are available facilities for the Group and company to meet its operating funding requirements. The Group manages liquidity risk through realising its financial assets at fair value through profit or loss, or its available-for-sale investments to meet any forecast cash outflow commitments.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Notes to the Financial Statements

For the Year Ended 30 June 2010

23. Financial Instruments (Continued)

	Consolidated				
	Weighted Average Effective Interest Rate %	**Less than 1 Month $**	**1 – 3 Months $**	**3 Months - 1 Year $**	**1 Year $**
2010					
Non-interest bearing	-	192,784	-	-	-
2009					
Non-interest bearing	-	80,077	-	-	-

The following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the company/Group anticipates that the cash flow will occur in a different period.

	Consolidated				
	Weighted Average Effective Interest rate %	**Less than 1 Month $**	**1 – 3 Months $**	**3 Months - 1 Year $**	**1 Year $**
2010					
Non-interest bearing	-	35,009	-	-	-
Variable interest rate instruments	4.58	1,467,776	3,256,111	2,727,531	-
		1,502,785	3,256,111	2,727,531	-
2009					
Non-interest bearing	-	-	-	-	-
Variable interest rate instruments	3.83	599,263	6,069,911	3,099,605	-
		599,263	6,069,911	3,099,605	-

Notes to the Financial Statements

For the Year Ended 30 June 2010

23. Financial Instruments (Continued)

(f) Fair value of financial instruments

The Group uses various methods to estimate the fair value of financial instruments. The methods comprise:

Level 1 – the fair value is calculated using quoted prices and active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

2010	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets at FVTPL				
Marketable Securities	738,093	-	-	738,093
Available-for-sale financial assets				
Unquoted equities	-	600,000	-	600,000

2009				
Financial Assets at FVTPL				
Marketable Securities	551,095	-	-	551,095
Available-for-sale financial assets				
Unquoted equities	-	250,000	-	250,000

The financial liabilities are reflected at the amounts due to suppliers in terms of arrangements agreed with these suppliers. The financial assets, being bank deposits and bank accounts, are reflected at agreed contractual value together with interest expected to be received based on contractual documentation.

The fair values of financial assets and financial assets are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets and determined with reference to quoted market prices. The quoted market prices used for financial assets held by the Group are the current bid prices for the Group.
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default. The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

	Consolidated 2010 $	2009 $
24. Capital and Leasing Commitments		
Operating Lease Commitments		
Offices		
Not longer than one year	-	20,125
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	20,125

25. Contingent Liabilities

Gullewa Limited has given a guarantee in respect of a bank loan of its associate company amounting to $1,050,000 (2009: $1,050,000). (See note 28(d)) No material losses are anticipated in respect of the contingent liabilities.

26. Key Management Personnel Disclosures

The directors and other members of key management personnel of the Group during the year were:

- David Deitz (Chairman, Executive director)
- Eddie Lee (Non-executive director)
- David Atkinson (Non-executive director)

There were no other senior management personnel of the Group.

Compensation levels of Gullewa Limited are set by the Board in accordance with industry standards to attract suitably qualified and experienced directors and senior executives. The Board obtains independent advice on the appropriateness of compensation packages. As there is only one key executive, Mr Deitz, who is also the chairman of the Company, a detailed policy which distinguishes between executive and non-executive compensation has not been warranted to date. All of the directors receive a fixed fee for their services, their fees are set out in accordance with a shareholder-approved threshold. Mr Deitz's compensation is set at a level which also takes into account his executive services, and is subject to adjustment from time to time as deemed appropriate with Board approval. There is no bonus system in place or other performance based compensation such as the achievement of certain key performance indicators.

(a) Key Management Personnel Compensation

The aggregate compensation made to directors and other members of key management personnel of the company and the Group is set out below:

	Consolidated	
	2010	2009
	$	$
Short-term employee benefits	233,277	112,693
Share-based payments	171,375	-
	404,652	112,693

26. Key Management Personnel Disclosures (Continued)

(b) Option Holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Gullewa Limited and other key management personnel of the Group, including their personally related parties, are set out below. All options vest immediately. Further details on the terms and conditions of options are detailed at note 27.

	Balance at Beginning of Year	Options Granted	Balance at End of Financial year	Total Vested and Exercisable
2010				
David Deitz	14,500,000	4,200,000	18,700,000	18,700,000
Eddie Lee	4,378,378	640,000	5,018,378	5,018,378
David Atkinson	4,378,378	640,000	5,018,378	5,018,378
	23,256,756	5,480,000	28,736,756	28,736,756

There are no other key management personnel of the Group.

	Balance at Beginning of Year	Options Granted	Balance at End of Financial Year	Total Vested and Exercisable
2009				
David Deitz	23,500,000	(9,000,000)	14,500,000	14,500,000
Eddie Lee	5,378,378	(1,000,000)	4,378,378	4,378,378
David Atkinson	5,378,378	(1,000,000)	4,378,378	4,378,378
	34,256,756	(11,000,000)	23,256,756	23,256,756

There are no other key management personnel of the Group.

26. Key management personnel disclosures (continued)

(c) Shareholdings

The numbers of shares in the Company held during the financial year by each director of Gullewa Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

	Balance at Beginning of Year	Options Exercised	Net Change Other	Balance at End of Financial Year
2010				
David Deitz	17,862,137	-	-	17,862,137
Eddie Lee	-	-	-	-
David Atkinson	-	-	-	-
	17,862,137	-	-	17,862,137
2009				
David Deitz	13,901,337	-	3,960,800	17,862,137
Eddie Lee	-	-	-	-
David Atkinson	-	-	-	-
	13,901,337	-	-	17,862,137

There are no other key management personnel of the Group.

27. Share Based Payments

(a) Employee option plan

Gullewa Limited has no formal employee option plan with the directors approving all grants of options.

Options are granted with no vesting conditions and expire at varying dates. Options are granted for no consideration, 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.

27. Share Based Payments (Continued)

(b) Summary of options granted

		Consolidated			
		2010		2009	
Grant Date	Exercise Date	Number of Options	Exercise Price $	Number of Options	Exercise Price $
11 Oct 2005	30 Nov 2010	12,256,756	0.0325	12,256,756	0.0325
30 Nov 2006	30 Nov 2011	11,000,000	0.0725	11,000,000	0.0725
8 Dec 2009	30 Nov 2014	5,480,000	0.1187	-	-
Outstanding at year end		28,736,756		23,256,756	
Exercisable at year end		28,736,756		23,256,756	
Weighted average exercise price			0.0642		0.0514

The weighted average remaining contractual life of share options outstanding at the end of the period was 2 years (2009: 2 years).

Fair Value of Options Granted
On 8 December 2009 the company issued 5,480,000 options to directors of the company with a value of $171,375 (2009: Nil).

28. Related Party Transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 12.

(b) Key management personnel

Disclosures relating to key management personnel remuneration, options and shareholdings are set out in note 26.

28. Related Party Transactions (Continued)

(c) Other related party transactions with director related entities

	Consolidated 2010 $	2009 $
Other transactions		
Interesources Pty Limited, a company wholly-owned by David Deitz, a Director of the parent entity, carried out geological surveys for the parent entity during the year. Payments were at normal commercial rates.	150,000	33,000

(d) Guarantees

The following guarantee has been given:

	Consolidated 2010 $	2009 $
Payment for services		
Guarantee of a secured mortgage to Our Field Pty Limited	1,050,000	1,050,000

29. Retirement Benefit Obligations

Superannuation commitments

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

30. Events After the Reporting Date

There has not arisen during the interval between the end of the reporting period and the date of this report any other item, transaction or event of a material and unusual nature that has, in the opinion of the Directors of the Company, significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

31. Company Details

Registered office and principal place of business

The registered office and principal place of business of the Group is:

Gullewa Limited
Level 8
49 – 51 York Street
Sydney NSW 2000

Shareholder Information

The shareholder information set out below was applicable as at 31 August 2010.

1. Substantial Shareholders

As at 31 August 2010 the substantial shareholders who have notified the Company were as follows :

Mr D Deitz, including McNeil Nominees Pty Ltd	17,768,137
Mr AW Howland-Rose	12,066,678

2. Distribution of Shareholders

Analysis of number of shareholders by size of holding :

Category of Holding			Number	Number of Shares
1	-	1,000	191	96,564
1,001	-	5,000	431	1,213,896
5,001	-	10,000	301	2,356,452
10,001	-	100,000	528	19,331,030
100,001	-	shares and over	142	112,186,780
Total			1,593	135,184,722

Number of holders of less than a marketable parcel	658
Percentage held by the 20 largest holders :	54.67%

3. Twenty Largest Shareholders

The names of the twenty largest shareholders of quoted shares as at 31 August 2010 are :

	Number of Shares	Percentage of Total Shares
McNeil Nominees Pty Limited	13,638,219	10.09
Stoligor Pty Ltd	9,333,648	6.90
Mr Anthony Howland-Rose	6,421,233	4.75
Mrs Judith Krasnjanski	4,285,714	3.17
Moshe Ambarchi & Nadine Ambarchi <Buline Superannuation A/C>	4,000,000	2.96
Howlandrose Holdings Pty Limited <Howlandrose Family A/C>	3,893,227	2.88
UBS Wealth Management Australia Nominees Pty Ltd	3,657,143	2.71
Fezune Pty Ltd <The Reid Family S/F A/C>	3,050,000	2.26
Mr Sholomo Thaler	2,927,777	2.17
Ashecorp Pty Ltd <MD & DS Moss Super Fund A/C>	2,770,000	2.05
Mr Eddie Lee	2,378,378	1.76
Mr Sholomo Thaler	2,332,084	1.73
Scomac Management Services Pty Ltd	2,300,000	1.70
Mr David Deitz	2,214,022	1.64
National Nominees Limited	2,073,015	1.53
Mr David Deitz	2,009,896	1.49
Howland Rose Holdings Pty Ltd	1,845,018	1.36
Goldberg Super Pty Ltd <Goldberg Super A/C>	1,800,000	1.33
Mr Kenneth Joseph Hall & Mrs Mary Christine Hall <Hall Super Fund A/C>	1,582,248	1.17
Mr David Dawson	1,389,100	1.03
	73,900,722	54.67

Shareholder Information

4. Unlisted Options

There are a total of 26,358,378 unlisted options as follows :

		% Held		% Held		% Held
Expiry Date	5.12.2010		30.11.2011		30.11.2014	
Exercise Price	3.25 cents		7.25 cents		11.87 cents	
Option Holder						
David Atkinson	2,378,378	19.4	2,000,000	18.2	640,000	11.7
David Deitz	7,500,000	61.2	7,000,000	63.6	4,200,000	76.6
Eddie Lee	-	19.4	2,000,000	18.2	640,000	11.7
	9,878,378	100.0	11,000,000	100.0	5,480,000	100.0

The above table reflects the distribution of option-holders by size of holding, the number of options on issue in each class and the number of holders of each class.

Summary of Mining Royalties

	Interest	JV Partner	Operator
Gullewa Limited	1% Royalty	ATW Venture Australia Pty Ltd (ATW)	ATW

Gullewa's entitlement to a 1% Royalty from ATW Venture Australia Pty Ltd relates to the following tenements, located in Western Australia :

L59/50, M59/49. M59/507, M59/68, M59/132, M59/294, M59/335, M59/336, M59/356, M59/391, M59/392, M59/442, M59/522, M59/530, M59/531, L59/35, L59/49, E59/1241 (part) & E59/1242 (part).

SCHEDULE OF TENEMENTS

Area	Gullewa Interest Held (%)	Title Holder	Date Granted	Expiry/ Payment Due	Expenditure Conditions ($ This Year)
QUEENSLAND					
Exploration Permit for Coal - EPC 1297 – Surat Basin					
60	80	Mineral & Coal Investments P/L	22.03.10	21.03.12	25,000
Exploration Permit for Coal - EPC 1298 – Bowen Basin					
48	80	Mineral & Coal Investments P/L	07.04.09	06.04.11	50,000
Exploration Permit for Coal - EPC 1296 – Bowen Basin					
120	80	Mineral & Coal Investments P/L	07.04.09	06.04.11	50,000
Exploration Permit for Coal - EPC 1917 – Bowen Basin					
6	80	Mineral & Coal Investments P/L	22.03.10	21.03.15	6,000
Exploration Permit for Coal - EPC 1631 – Bowen Basin					
156	80	Mineral & Coal Investments P/L	05.11.09	04.11.14	37,500
Exploration Permit for Coal - EPC 1820 – Bowen Basin					
51	80	Mineral & Coal Investments P/L	19.02.10	18.02.15	20,000
Exploration Permit for Coal - EPC 1492 – Bowen Basin					
462	80	Mineral & Coal Investments P/L	21.05.10	20.05.12	25,000
Exploration Permit for Coal - EPC 1617 – Bowen Basin					
195	80	Mineral & Coal Investments P/L	06.08.09	05.08.14	37,500
Exploration Permit for Coal - EPC 1672 – Bowen Basin					
141	80	Mineral & Coal Investments P/L	18.12.09	17.12.14	40,000
NEW SOUTH WALES					
Exploration Licence – EL 7022 – Dandaloo					
632	100	Claymor Resources P/L	20.01.08	20.01.11	248,000
Exploration Licence – EL 7259 - Dandaloo					
265	100	Claymor Resources P/L	15.12.08	15.12.10	65,500
Exploration Licence – EL 7260 - Dandaloo					
289	100	Claymor Resources P/L	15.12.08	15.12.10	69,500
Exploration Licence – EL 7261 - Dandaloo					
257	100	Claymor Resources P/L	15.12.08	15.12.10	64,000
TASMANIA					
Special Exploration Licence – SEL 9/2009 – North & Western Tasmania					
3,000	100	Gullewa Geothermal P/L	16.12.09	16.12.14	100,000