



**GULLEWA
LIMITED**

Annual Report 2012



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Chairman's Review

Dear Fellow Shareholders

Background

The past year has been a hectic one for Gullewa, on one hand Allegiance Coal Limited was floated towards the end of the year and on the other, the crises of the North Atlantic Nations continues to roll on without any sign of massive deterioration or of solution. The complexity has been further increased by a slowdown in China, in part exacerbated by the changeover in leadership now in progress.

Of some concern are the falling prices of all minerals as production increases but the rate of increase in demand slows. In Australia both the Federal and State governments have continued to increase regulation and costs which threaten the viability of both mining and exploration.

As I commented last year, at times like these we must bear in mind the massive and continuing industrialisation of Asia continuing. We must ensure that Australia continues to supply the minerals needed for this expansion and not be relegated to being a marginal supplier by more competitive countries in Africa, South America, Russia and Asia. This is the challenge!! Governments, both State and Federal, must change their attitude and assist rather than hinder the exploration industry. It is our industry that provides future wealth.

Allegiance Coal Limited – AHQ – Australia – Gullewa 57.75%

The floating of Allegiance Coal Limited was successfully completed in May, 2012 when \$7,000,000 was raised. A pre-IPO raising was put in place in November, 2011 which raised \$2,500,000. It appeared that the timing was opportune for the raising, however subsequent market action has been most disappointing as far as the share price is concerned. The fact that all other exploration companies are similarly effected does not ameliorate the hurt.

Intermittent rains in our key areas of Back Creek in the Surat Basin and Kilmain in the Bowen Basin have markedly slowed our ability to drill in these areas. However, at Back Creek a reduced cost effective programme has been completed and results of the analyses and resource estimation are awaited.

At the time of writing it appears that unusually wet weather may preclude drilling at Kilmain due to flooded rivers.

Central Iron Ore – CIO – TSXV Canada – Gullewa 36.1%

CIO is quoted in Toronto and has continued to obtain encouraging exploration results in their **Yilgarn iron ore** region, both for magnetite and DSO (direct shipping ore). A drilling programme was completed in August, 2012 and analysis of the results are expected later this year.

On our South Darlot Project, a drilling programme is scheduled to commence in September, 2012 on the Barrick Gold Joint Venture area in the northern Yilgarn gold fields of Western Australia. On completion of this programme CIO will trigger the 50% stage of the farm-in. We are particularly enthusiastic about the prospectivity of the area.

Great caution is now required to preserve funds while being able to pursue opportunities which arise in downturns such as we are now navigating. It would be nice to have a little encouragement from the State and Federal governments to help us though these difficult times. We are, however, well placed to prosper in the upturn ahead.



TONY HOWLAND-ROSE

MSc, DIC, FGS, FIMMM, FAusIMM, MAICD, FAIG, CEng

Executive Chairman

Review of Operations

Allegiance Coal Limited (Gullewa 57.75%)

Allegiance Coal is an Australian public company listed in Australia (ASX: AHQ) which is focussed on exploration and development of coal in Queensland. The following activities were undertaken by Allegiance Coal Limited or its subsidiaries:

- Raised \$2.5 million in pre-IPO funds in September 2011.
- Listed on ASX on 29 May 2012 after raising \$7 million.
- Drilling within Back Creek Project (EPC 1297) undertaken throughout the tenement. A target of 60 to 80 million tonnes⁽¹⁾ was previously estimated for the project.
- Drilling within Kilmain Project (EPC1298) of three drill holes in the north of the tenement. Intersection of 3.1m of Castor/Pollux Seam enabled a target of 100 to 200 million tonnes⁽¹⁾ to be determined. Analysis of the coal cores from the Aries and Castor/Pollux Seams indicated presence of a coking fraction.
- The Company's subsidiary Moreton Coal Pty Ltd continued to evaluate the potential for the early development of its Mintovale open cut coal project. The project is based on MDL138 which is south of Boonah in the Scenic Rim Shire.
- The number of granted exploration tenements remains at 13.
- Land access agreements were concluded in relation to EPC 1297 Lochaber in order to advance exploration within the tenement.
- The company continued discussions with neighbours to conclude data swapping arrangements to enhance understanding of the geology of the tenements and to reduce where possible unnecessary exploration costs.

Property

- **Normanhurst**
Two of the four blocks have been settled. The other two are under contract.
- **Pymble**
The property is on the market for sale.

Central Iron Ore (Gullewa 36.1%)

CIO is an Australian public company listed in Canada (TSX-V: CIO) which is currently focused on the exploration and development of gold and iron ore projects located in Western Australia. The activities following were undertaken by or for CIO:

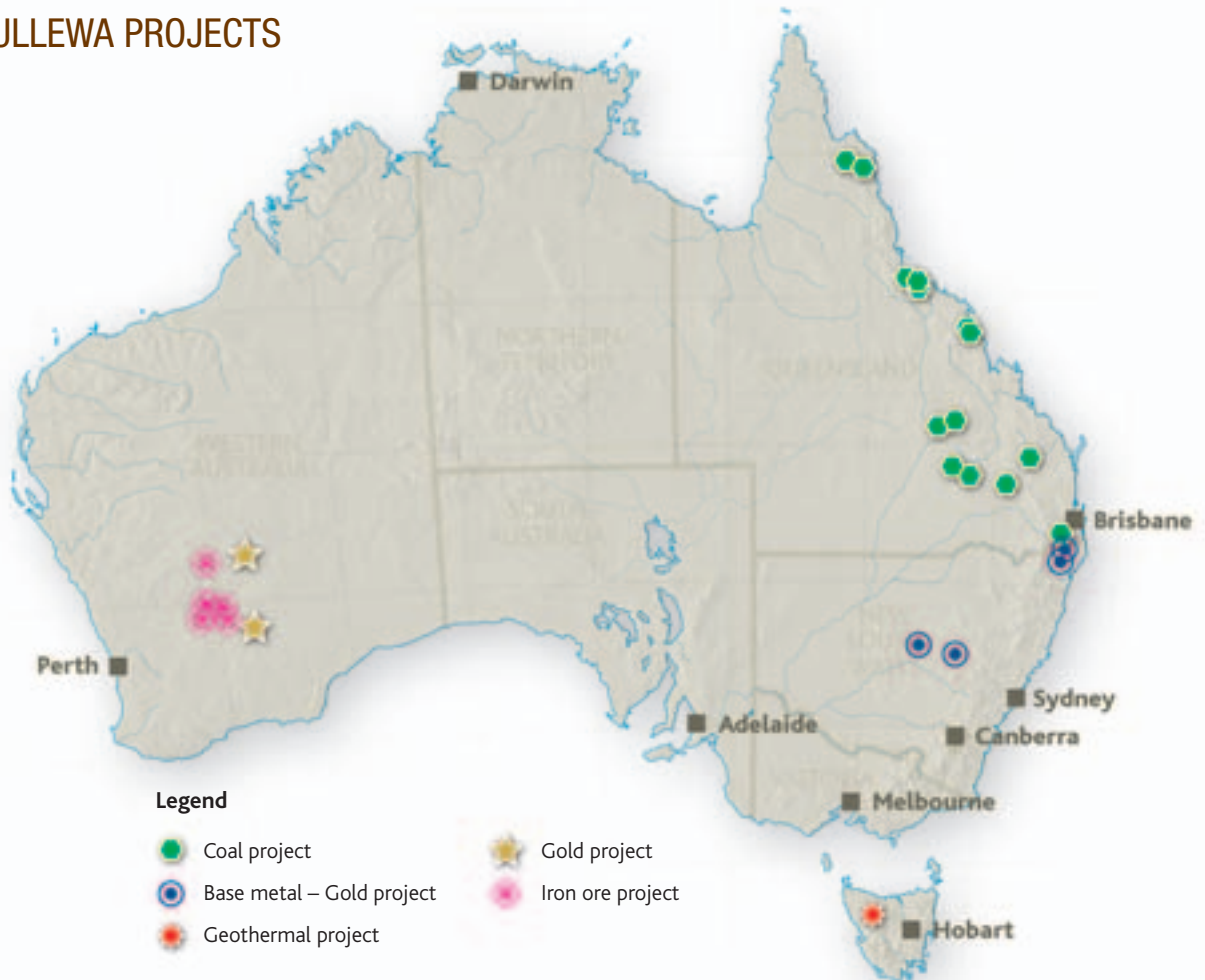
- Appointed Ms Katherine Garvey as CIO's Company secretary.
- Entered into an agreement for the A\$4 million sale of the Eureka Gold Project to Greenstone Minerals Limited.
- Completed an integration of the British King data with the Barrick JV data and reviewed the available geophysical data to identify targets for on-going exploration.
- Ground-based gravity survey of two tenements in the South Darlot Gold Project.
- Obtained approval for a first phase of drilling in the South Darlot Gold Project.
- Flew a high-resolution heli-magnetic survey over the Perinvale South Iron Ore Hub.
- An initial target between 510 and 850 million tonnes of iron mineralisation at an expected grade of 30–40% Fe was estimated at the Perinvale South Iron Ore Hub⁽¹⁾.
- Detailed mapping and sampling on the Perinvale South and Diemals Iron Ore Hubs.
- Completed a geophysical review of the Perinvale North Iron Ore Hub.
- Increased the landholding at the Perinvale South Iron Ore Hub.
- Obtained approval for a first phase of drilling at Perinvale South.
- The number of granted tenements is 26 with a further seven applications pending.

Minerals

- Gullewa's wholly-owned subsidiaries hold 14 tenements in New South Wales.
- Identified two drill targets at its Dandaloo Project.

Review of Projects

GULLEWA PROJECTS



ALLEGIANCE COAL LIMITED (Gullewa 57.75%)

www.allegiancecoal.com.au

Allegiance Coal Limited raised a total of \$9.5 million during the year, \$2.5 million in pre-IPO funds in September 2011 and a further \$7 million to enable listing on ASX on 29, May 2012. The funding has enabled drill testing at three of the Company's projects, Back Creek, Kilmain and Lochaber.

Drilling was undertaken throughout the Back Creek Project (EPC 1297) tenement where a target of 60 to 80 million tonnes⁽¹⁾ was previously estimated for the project. The best intersection was in BC005, in the north of the tenement, which intersected 9.3 metres cumulative coal to a depth of 66.70 metres. Testwork on coal recovered from diamond drillholes has confirmed the presence of low ash thermal coal in some plies.

Within the Kilmain Project (EPC 1298), three drill holes were completed in the north of the tenement. The intersection of 3.1 metres of Castor/Pollux Seam enabled a target of 100 to 200 million tonnes⁽¹⁾ to be determined. Analysis of the coal cores from the Aries and Castor/Pollux Seams indicated presence of a coking fraction.



Location Map

Back Creek Project (EPC 1297)

The Back Creek tenement area is located approximately 50 km northeast of Miles and 45 km southeast of Wandoan in the Surat Basin. The Taroom Measures are the dominant coal bearing formation throughout the tenement. Up to 25 coal plies are grouped into 11 main coal intervals forming three coal seams: Auburn, Bulwer and Condamine. The seams vary in thickness up to a maximum of 9.3 m although plies are commonly not laterally continuous.

The Company believes that the recent drilling confirms the excellent potential to define mineable resources in the northwestern and southern parts of the tenement.

Location: 45 km south east of Wandoan in the Surat Basin.

Area: 68 km²

Target: Low ash thermal coal

Tenement: EPC 1297

Proximity to Infrastructure: Planned Surat Basin rail line is 20 km to the west of the tenement connecting to the Port of Gladstone.

To the north of Back Creek and along strike, Stanmore Coal's The Range project has a Marketable Reserve of 94 million tonnes which is derived from a run of mine Coal Reserve of 117.5 million tonnes complying with the JORC Code⁽²⁾ and Cockatoo Coal's Bottle Tree project has reported 35 million tonnes of Inferred and Indicated Resources⁽³⁾.

In addition, down dip from Back Creek, Cockatoo Coal has reported significant coal intersections at its Bushranger project.

An initial drilling programme of 18 holes was completed by the Company in the northern part of the Back Creek tenement on privately owned land. Two holes were twinned so that bottom coal-bearing sections could be diamond core drilled to enable coal quality testwork to be undertaken. The initial programme involved 1,348 m of drilling including 34.16 m of core drilling. Coal intersection of 7.2 m of cumulative coal to a depth of 69.9 m within the Condamine and Bulwer coal seams was recovered in drill hole BC19C.

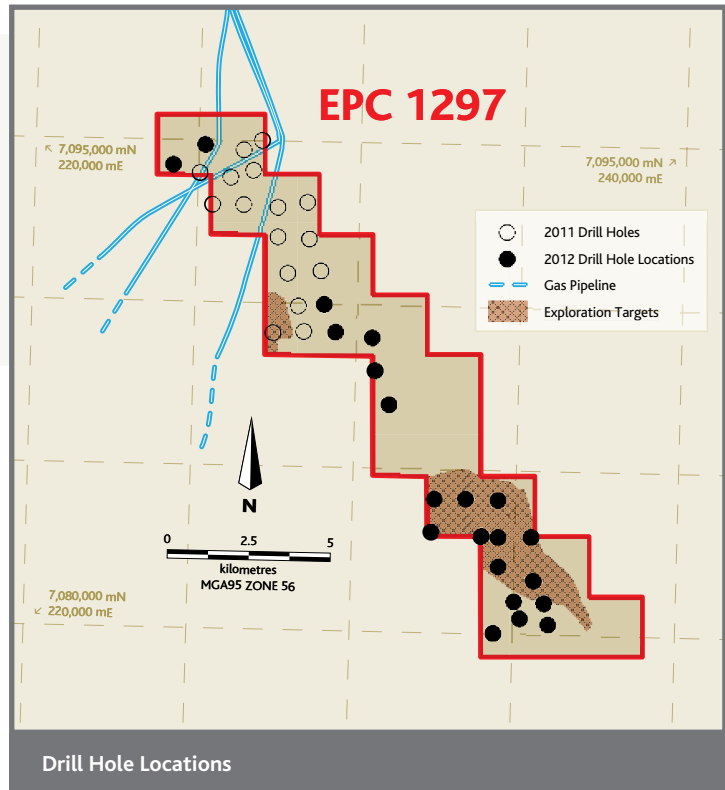
Widely spaced drilling was completed in this northern section by other companies in the 1960s and 1980s, and by Allegiance in 2011 as indicated above. A second drilling program by the Company was planned to infill the historic drilling to a spacing of approximately one kilometre, both in the north as well as in the Company's high priority areas to the south. Following the obtaining of approvals to access and drill within the Quandong and Barakula State Forests, located respectively in the north and southern part of EPC 129, a second drilling program entailing 31 drill sites was initiated and although heavy rains delayed the program. Drilling will be completed late in the September quarter 2012.

Analysis of the coal recovered from the cored holes in the initial program confirmed that the coal was low ash thermal coal with the potential for some plies to be able to be recovered and sold without requirement for washing. In one hole (BC038C) coal cores were canistered and gas analysed.

Potentially significant coal was intersected in drill hole BC005 with 9.3 m cumulative of coal being intersected to a depth of 66.70 m. The second drilling program has included 1,696 m of non-cored geophysically logged holes as well as 203.75 m of diamond drilling. Coal seam intersections in this second drilling program have been, for the most part, in-line with the modelling of the deposit based on previous data from within the tenement and data from swap arrangements with adjacent tenement holders.

The project has excellent potential to host a target of 60 to 80 million tonnes of shallow, open cut thermal coal⁽¹⁾.

The overall project planning is for first coal production in 2017 and full production of up to 5 million tonnes per annum by 2020 subject to the decisions on the building of the Surat Basin Rail Link.





Kilmain Project (EPCs 1298 and 1917)

The Kilmain tenement is located about 75 km southeast of Emerald in the Bowen Basin and is approximately 15 km west of the Rolleston rail line that connects to the Port of Gladstone.

Location: Approximately 300 km west of the Port of Gladstone in the Bowen Basin

Area: 56 km² (8.7 km² overlaps MDL 340)

Target: Coking/PCI and low ash thermal coal

Tenements: EPC 1298 and EPC 1917

Proximity to Infrastructure: Approximately 15 km west of the Rolleston rail line which connects to the port of Gladstone.

The project area is located down dip from BHP's Togara South Project (MDL340) which has total resources of 2.015 billion tonnes⁽⁴⁾. To the west, is Bandanna Energy's Arcturus project that has open cut and underground resources of 206.3 million tonnes⁽⁵⁾. The planned Arcturus underground mine's eastern longwall blocks are truncated by the western boundary of EPC 1298 Kilmain and show clear potential for the resources to extend well into the Kilmain tenement⁽⁵⁾.

Drilling commenced in mid September, 2011 of three partially cored deep holes in the northeast of the tenement. The drilling intersected the 3.1 m thick conjoined Castor/Pollux Seam and gave rise to a review of the target for Kilmain from the original 100 to 200 million tonnes⁽¹⁾.

Bottom depths of holes were between 470 and 500 m and cored to recover the Aries, Castor, Pollux and Orion Seams from each hole. All coal plies were sampled and analysed with results confirming the potential for washed coking, PCI or low ash thermal coal or an unwashed thermal or PCI coal product.

In one hole coal cores were canistered and gas analysed. The gas concentrations were considered too low to be of commercial interest by way of pre-drainage prior to mining.

Queensland Department of Natural Resources and Mines has advised that the amalgamation of EPC 1298 and EPC 1917 would proceed with the combined tenement to be granted for a period of four years (previously two years).

Drilling is planned to recommence in the first Quarter 2013 which should enable the estimation of an Inferred Resource in accordance with the JORC Code in the second Quarter 2013.

The Kilmain Project has potential for an underground deposit of coking/PCI/thermal coal within the Rangal Coal Measures and has an initial target of 100 to 200 million tonnes⁽¹⁾ of coal.

The overall project planning is for first coal production in 2017 and full production of up to 5 million tonnes per annum by 2020.

Other Projects

The Company's subsidiary, Moreton Coal Pty Ltd, continued to evaluate the potential for the early development of its Mintovale open cut coal project. The project is based on MDL 138 which is south of Boonah in Scenic Rim Shire.

At Lochaber, a field mapping program and drilling of two shallow, non coal intersecting holes in the western part of the tenement was completed in late 2011. The field mapping has provided further definition to planned drilling within the area which is proposed to involve some six holes in the central prospective area. There is an unconfirmed occurrence of coal in a nearby waterbore.

Activities on other projects included detailed data reviews, landholder access negotiations, some field reconnaissance and a study by Balance Resources on the infrastructure requirements for the Kilmain and Back Creek projects.

The Company has 13 granted tenements, and 12 pending applications of which nine are competing applications including one application for which the Company has been advised that it is the Priority Applicant. The remaining three applications are secondary applications.

HYDROMINING COAL AUSTRALIA PTY LTD (Gullewa 80%)

Hydromining Coal Australia Pty Ltd is the priority applicant for EPCA 2643 in the Biloela Sub-basin of the Bowen Basin. The target is lignite in the Tertiary Biloela Formation. This project is considered to have potential to test a non-entry mining method under development by the Company.

GULLEWA GEOTHERMAL PTY LTD (Gullewa 100%)

No work has been conducted during the year.



CENTRAL IRON ORE LIMITED (Gullewa 36.1%)

www.centralironorelimited.com

Central Iron Ore Limited ('CIO') is a TSXV-listed company exploring for gold and iron ore in the Yilgarn Craton of Western Australia. Gullewa completed the acquisition of a 49.1% interest during 2011. Subsequent capital raisings by CIO have reduced the equity held by Gullewa to 36.1%. The capital raised has been used to advance all of the Company's projects.

GOLD

South Darlot Gold Project

South Darlot Gold Project is approximately 320 km northwest of Kalgoorlie and includes the British King gold mine. The British King mine, which is 100% owned by CIO, is currently under care and maintenance. The Project is located 5km west of Barrick Gold Corporation's Darlot-Centenary gold mine in the Yandall Greenstone Belt. A review of the resources at the British King mine will be undertaken in the following year.

In February, 2011 CIO executed an agreement through its wholly-owned subsidiary, South Darlot Mines Pty Ltd, with Barrick (Plutonic) Limited and Barrick (Darlot) NL (together Barrick) to joint venture by way of earn-in to Barrick's Southern Darlot gold project area ('Joint Venture'). The Joint Venture tenements are situated southwest of Barrick's Darlot-Centenary gold mine and are contiguous with CIO's current holdings in the area.

Under the Agreement, CIO may progressively acquire an initial 51% interest, and management of the Joint Venture area, with an option to then increase its interest to 70% should it so choose. The agreed initial earn-in period is 24 months from the date of execution of the Agreement. The total spend required over this period is A\$450,000.

During the year CIO completed a high resolution ground gravity survey over M37/30, M37/631 and M37/632 covering approximately 13 km². In addition, available open file aeromagnetic data over the project was compiled, merged and processed. This data comprised 25 m line spacing over the Barrick Joint Venture area up to 400 m line spacing over the greater project area.

A drilling program to test several targets at the South Darlot Gold Project will be initiated in the September Quarter, which upon completion, will have earned CIO a 51% interest in the Barrack JV tenements.





Eureka Gold Project

The Eureka gold project is approximately 50 km north of Kalgoorlie and includes the Eureka open pit gold mine. The Eureka gold mine is currently under care and maintenance. The Company's current tenement package is 563 hectares.

On 5 December, 2011 CIO entered into an agreement for the A\$4 million sale of its Eureka Gold Project to Greenstone Minerals Limited (then known as Greenstone Minerals Pty Ltd) ("Purchaser"). The transaction involves the Purchaser paying CIO an AUD\$150,000 deposit and a further A\$3,850,000 in two tranches as follows:

- Tranche 1: The Purchaser must pay CIO A\$2,000,000 in cash on completion of the sale and purchase.
- Tranche 2: On the date that is twelve months from the date of the Purchaser's admission to the official list of the Australian Stock Exchange ("ASX"), the Purchaser must pay the following consideration to CIO:
- A\$850,000 cash; and
 - A\$1,000,000 in cash or shares in the Purchaser, at the Purchaser's election.

CIO and the Purchaser are in negotiations to vary the agreement so that completion of the sale and purchase is extended and is not conditional on an ASX listing of the Purchaser, and further, that the Tranche 2 payment is all payable in cash 12 months from the date of the variation. All consents, approvals, authorisations or clearances which are required for the sale and purchase (including any required TSXV approvals) have been obtained.

Eureka Open Pit Gold Mine





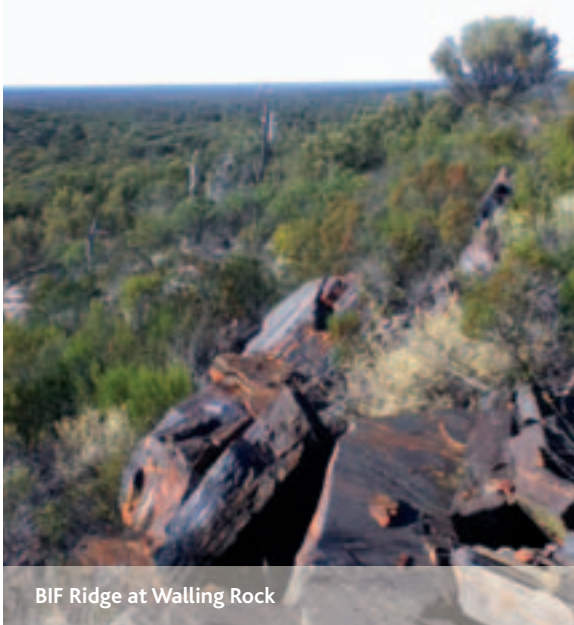
YILGARN IRON ORE PROJECT

The Company continued its strategy into iron ore via applying for further tenements in the Yilgarn Iron Ore province ("IOP") in Western Australia during the year. The applications have been made through the Company's 100% owned subsidiary Central West Resources Pty Ltd. The Company now has a total of 16 iron ore tenements covering 1,594 km², of which 10 tenements are granted and six tenements are pending applications. The Yilgarn IOP is increasingly being recognised as an attractive location for the development of iron ore, given its proximity to rail and access to ports.

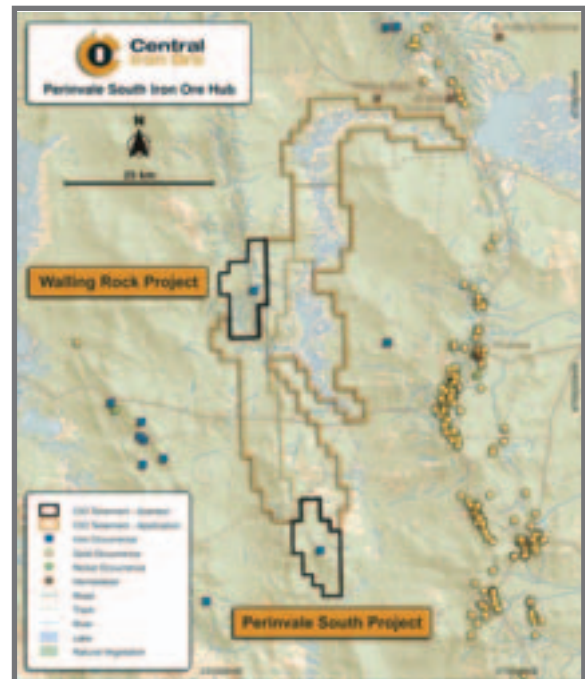
Perinvale South Iron Ore Hub

3D and 2D magnetic modelling of a helimagnetic survey data over CIO's 100% owned Walling Rock Project has indicated a potential exploration target estimate of between 510 Mt to 850 Mt⁽¹⁾ (subject to a number of conditions see – CIO TSXV Announcement 10 February, 2012). Of this, 30 to 75 Mt is potentially enriched near-surface mineralisation above the primary bedrock mineralisation.

Detailed regolith mapping and rock-chip sampling programs were undertaken on the Walling Rock tenement. Coarse grained magnetite is exposed at surface and BIF ridges were mapped with a strike of 8 km and up to 110 m thick. Samples returned a peak grade of 43.11% Fe. Drilling of two diamond holes was completed at the end of the period to obtain samples for initial metallurgical test-work. Results are awaited.



BIF Ridge at Walling Rock



Perinvale North Iron Ore Hub

In 2011, CIO entered into a farm-out agreement with the ASX listed Pacific Ore Limited ("Pacific") for CIO's Perinvale North Iron Ore Hub for A\$15 million. The Perinvale North Iron Ore Hub consists of Exploration Licence E57/818, covering an area of 120 km², and is located approximately 550 km northeast of Perth, Western Australia.



During the year, Pacific completed a mapping and rock chip sampling program at the Perinvale North Project. Surface rock chip channel samples targeted outcropping BIF. The most promising iron ore assay results were returned for samples of goethite cap material primarily located in the northern area of the Perinvale North Project. Whilst the grade of this material does not exceed 50% Fe, the lower silica content of these samples indicates that the degree of weathering in this area is nearing the point where secondary iron ore mineralisation may be encountered. In this respect it is important to note that the BIF area north of the sampled area is covered for a distance of over 1,100 m. There is potential for strongly weathered iron-rich BIF to exist within this area.

MINERALS

Gullewa's wholly-owned subsidiaries hold 14 tenements covering approximately 3,360 km² in New South Wales. The projects are located within two main regions, the Dubbo-Nyngan area in central New South Wales and the Grafton-Casino area in the northeast corner of the State.

Previously proposed drilling of two copper-gold prospects at Dandaloo was postponed and is now planned for late in 2012.

No field work was undertaken on any of the Company's New South Wales projects during the year.

Exploration Target Clarification

- (1) All statements pertaining to the Company's exploration target and statements as to the potential quantity and grade made in this Statement are conceptual in nature. There has been insufficient exploration undertaken to date to define a resource in accordance with the JORC Code, and it is uncertain if further exploration will result in the definition of a coal resource in accordance with the JORC Code.
- (2) www.stanmorecoal.com.au
- (3) www.cockatoocoal.com.au
- (4) www.bhpbilliton.com
- (5) www.bandannaenergy.com.au

Competent Person Statement

Mr Colin Randall is the Managing Director of Allegiance Coal Limited and is a Fellow of the Australasian Institute of Mining and Metallurgy. He has a minimum of 15 years experience in the field of activity being reported on and is a Competent Person as defined in the JORC Code. This announcement accurately summarises and fairly reports his assessment and where required, has consented to the report in the form and context in which it appears.

The information in this announcement that relates to Geophysical Exploration Results for the Perinvale South Iron Ore Hub project is based on information compiled by Mr Mathew Cooper (B.App.Sc (Geophysics) Hons.) of Core Geophysics, who was engaged by CIO to provide geophysical consulting services. Mr Cooper is a member of The Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Cooper consents to the inclusion in this announcement of the information which he provided in the form and context in which it appears.

Information in this Annual Report relating to the reporting of exploration information and not specifically referred to by the above Qualified Persons were written by Garry Baglin who is a full-time employee of Gullewa Limited and a Member of the Australasian Institute of Mining and Metallurgy and a Member the Australasian Institute of Geoscientists. Garry has a minimum of fifteen years of experience in the field of the activity being reported on and is considered as a Competent Person as defined in the JORC Code.

Directors' Report

30 June 2012

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Gullewa Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2012.

Directors

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

- Anthony Howland-Rose – Chairman
- David Deitz
- Eddie Lee
- David Atkinson

Principal activities

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

Dividends

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

Review of Operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$4,045,431 (30 June 2011: \$2,188,542).

Gullewa Limited ('Gullewa')

Minerals

Through its wholly-owned subsidiaries, Gullewa holds 14 mineral exploration licences in New South Wales. Ten tenements are located within the central Lachlan Fold Belt where Gullewa is targeting copper-gold porphyry style deposits and orogenic gold deposits. Four tenements are located in the Clarence-Morton Basin in the North East of the State.

A proposed two-hole drilling program to test coincident soil geochemical anomalies and associated ground magnetic features was delayed because of the extensive rains during the summer period. The drilling was postponed until completion of harvesting towards the end of 2012.

Property

At Normanhurst, sales for two of the four blocks have been completed.

At St Ives, the sale of the property was completed.

Allegiance Coal Limited ('Allegiance') – Gullewa has 57.86% holding

On 24 May 2012, Allegiance was officially admitted to the Australian Securities Exchange ('ASX') after raising \$7,000,000 for 35,000,000 shares and 8,750,000 free Attaching Options, in an Initial Public Offering.

During November 2011, Allegiance raised \$2,500,000 of pre-Initial Public Offering capital from sophisticated investors.

Allegiance undertook exploration by way of drilling on Back Creek (EPC 1297), Kilmain (EPC 1298) and Lochaber (EPC 1672).

Back Creek

The drilling in the North enabled an Exploration Target of 60 to 80 million tonnes* to be determined. Drilling planned in the South for April 2012 was delayed due to extended wet weather.



Kilmain

Drilling of 3 holes in the North and intersection of 3.1m of Castor/Pollux Seam enabled an Exploration Target of 100 to 200 million tonnes* to be determined. Analysis of the cores from the Aries and Castor/Pollux Seams indicated presence of a coking coal fraction.

Lochaber

Two shallow holes were drilled without intersecting coal.

Allegiance's granted exploration tenements remain at 13. Allegiance has a total of 11 exploration tenement applications. Allegiance awaits a formal response on EPCA 2374 (Mt Marrow) where Mineral & Coal Investments Pty Limited (100% owned subsidiary of Allegiance) is the Priority Applicant.

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

Iron Ore

CIO has expanded its position in the Yilgarn Iron Ore Province with the company now holding a total of 16 tenements covering a total of 1,594km². 10 tenements are granted and 6 tenements are pending applications.

Exploration by CIO has included a high resolution helimagnetic survey of the Walling Rock Project in the Perinvale South Iron Ore Hub. 2D and 3D modelling of the survey data, combined with field mapping and sampling of the project area, has enabled the potential estimation of an Exploration Target of 510Mt to 850Mt of iron*. A small drilling program of one of the outcropping units was completed subsequent to year end and confirmed the presence of BIF to a depth of over 250m.

Pacific Ore Limited ('Pacific') has advised that exploration on CIO's Perinvale North Iron Ore Hub has included mapping and rock chip sampling and has identified low silica goethite-capped BIF. Pacific can earn up to 90% of the project by spending \$15m on exploration.

Gold – South Darlot Gold Project

CIO has completed a high resolution gravity survey covering several mining leases forming part of the Barrick Joint Venture Project. Interpretation of the geophysical data, combined with a thorough compilation and interpretation of all historic surface sampling in the Barrick database, has identified numerous near-surface drilling targets. Drilling of some of these targets will be undertaken in the second half of 2012 and will assist CIO meeting its contractual obligations under the terms of the Joint Venture. CIO can earn up to 70% of the Joint Venture by funding exploration.

Significant changes in the state of affairs

On 8 July 2011 the company's 50% associate, Our Field Pty Ltd, completed the settlement of the sale of its property at St Ives.

On 16 August 2011 the Queensland Government issued an announcement suspending new and existing exploration tenements in and around South Queensland, and in and around urban centres across the remainder of the state. Moreton Coal Pty Limited, a 100% subsidiary of Allegiance Coal Limited ('Allegiance Coal'), holds a mineral development licence that will be impacted by this announcement. No legislation has yet been passed and the directors are currently investigating a case for compensation should any legislation pass. The capitalised exploration cost in Moreton Coal Pty Limited is \$287,479. Management anticipate further announcements on this issue during the 2013 financial year and will make an assessment of the impact on the consolidated entity at the appropriate time.

On 17 November 2011 the company announced that its subsidiary, Allegiance Coal had completed its pre-Initial Public Offering capital raising from sophisticated investors of \$2,500,000.

On 29 May 2012 the company announced that its subsidiary, Allegiance Coal had completed its Initial Public Offering, raising \$7,000,000. The company's interest in Allegiance Coal is now 57.86%.

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

Matters subsequent to the end of the financial year

Subsequent to the end of the financial year, contracts have been exchanged for lots C and D on the property at 123 Pennant Hills Road, Normanhurst and their cost will be recovered.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

* *Exploration Target*

All statements as to Exploration Target of Allegiance and CIO and statements as to potential quality and grade are conceptual in nature. There has been insufficient exploration undertaken to date to define a coal or iron ore resource and identification of a resource will be totally dependent on the outcome of further exploration. Any statement contained herein as to exploration results or Exploration Target has been made consistent with the requirements of the JORC Code.



Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

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

Information on directors



ANTHONY HOWLAND-ROSE *MSc, DIC, FGS, FIMMM, FAusIMM, FAIG, Ceng*
Executive Director and Chairman

Experience and expertise: Appointed to the Board in December 2010, Mr Howland-Rose has over 49 years experience in exploration, discovery, development and corporate activity worldwide in the junior exploration sector. He has been involved in some dozen discoveries and, most recently, in the Avebury Nickel Project, which was taken over by Zinifex Limited for \$850 million.

Other current directorships: Director of Central Iron Ore Limited, listed on the Toronto Stock Exchange – Venture (appointed on 3 June 2011) and Chairman of Allegiance Coal Limited (appointed on 13 April 2011)

Former directorships (in the last 3 years): None

Special responsibilities: None

Interests in shares: 13,198,478 ordinary shares

Interests in options: None



DAVID DEITZ *B.Com, MAusIMM, CPA*
Executive Director and Chief Executive Officer

Experience and expertise: Appointed to the Board in July 1999, Mr Deitz, a financial accountant, has had over 20 years experience in the mineral exploration industry.

Other current directorships: Director of Allegiance Coal Limited (appointed on 13 April 2011)

Former directorships (in the last 3 years): None

Special responsibilities: None

Interests in shares: 28,625,677 ordinary shares

Interests in options: 4,200,000 options over ordinary shares



EDDIE LEE *BE, BSc, DIP BDG SC*
Non-Executive Director

Experience and expertise: Appointed to the Board in October 1999, Mr Lee has extensive background in corporate management and is the Australia representative of several substantial Asian investment and corporate groups. Mr Lee has wide experience in the fields of civil engineering, finance, corporate management and mining.

Other current directorships: None

Former directorships (in the last 3 years): Former Director of Metroland Australia Limited (resigned on 22 February 2010)

Special responsibilities: None

Interests in shares: 3,038,378 ordinary shares

Interests in options: 640,000 options over ordinary shares



DAVID ATKINSON
Non-Executive Director

Experience and expertise: 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.

Other current directorships: None

Former directorships (in the last 3 years): None

Special responsibilities: None

Interests in shares: None

Interests in options: 640,000 options over ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

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

Company secretary

Graham Hurwitz (CA, B Comm (Hons)) was appointed company secretary of Gullewa Limited on 12 November 2010. Graham is a Chartered Accountant with over 30 years experience in the areas of taxation, business services, business acquisitions and disposals. He is a director of Hurwitz Geller Pty Ltd, a firm of Chartered Accountants. Prior to this he was the Chief Financial Officer at Allegiance Mining NL and a director of an accountancy practice for over 20 years.

Meetings of directors

The number of meetings of the company's Board of Directors and of each board committee held during the year ended 30 June 2012, and the number of meetings attended by each director were:

| | Full Board | | Remuneration Committee | | Audit Committee | | Nomination Committee | |
|----------------------|------------|------|------------------------|------|-----------------|------|----------------------|------|
| | Attended | Held | Attended | Held | Attended | Held | Attended | Held |
| Anthony Howland-Rose | 4 | 4 | 1 | 1 | 1 | 1 | 1 | 1 |
| David Deitz | 4 | 4 | 1 | 1 | 1 | 1 | 1 | 1 |
| Eddie Lee | 4 | 4 | 1 | 1 | 1 | 1 | 1 | 1 |
| David Atkinson | 4 | 4 | 1 | 1 | 1 | 1 | 1 | 1 |

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

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

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

A. Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:



- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

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

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

Alignment to shareholders' interests:

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

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

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

Non-executive directors remuneration

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

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

Executive remuneration

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

The executive remuneration and reward framework has three components:

- base pay and non-monetary benefits
- share-based payments
- other remuneration such as superannuation and long service leave

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

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

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

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

The long-term incentives ('LTI') includes long service leave and share-based payments. Shares are awarded to executives based on performance measures.

Consolidated entity performance and link to remuneration

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



Use of remuneration consultants

During the financial year ended 30 June 2012, the company did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the short-term incentives ('STI') and long-term incentives ('LTI') programs.

Voting and comments made at the company's 2011 Annual General Meeting ('AGM')

At the last AGM 99.5% of the shareholders voted to adopt the remuneration report for the year ended 30 June 2011. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

B. Details of remuneration

Amounts of remuneration

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

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | Total |
|---------------------------------|----------------------|----------|--------------|--------------------------|--------------------|----------------------|----------------|
| | Cash salary and fees | Bonus | Non-monetary | Superannuation | Long service leave | Equity-settled | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 2012 | | | | | | | |
| <i>Non-Executive Directors:</i> | | | | | | | |
| E Lee | 38,000 | – | – | – | – | – | 38,000 |
| D Atkinson | 38,000 | – | – | – | – | – | 38,000 |
| <i>Executive Directors:</i> | | | | | | | |
| A Howland-Rose | 158,550 | – | – | 50,000 | – | – | 208,550 |
| D Deitz | 212,679 | – | – | 17,341 | – | – | 230,020 |
| | 447,229 | – | – | 67,341 | – | – | 514,570 |
| 2011 | | | | | | | |
| <i>Non-Executive Directors:</i> | | | | | | | |
| E Lee | 44,679 | – | – | – | – | – | 44,679 |
| D Atkinson | 52,583 | – | – | – | – | – | 52,583 |
| <i>Executive Directors:</i> | | | | | | | |
| A Howland-Rose | 84,000 | – | – | – | – | – | 84,000 |
| D Deitz | 163,500 | – | 6,000 | 14,715 | – | – | 184,215 |
| | 344,762 | – | 6,000 | 14,715 | – | – | 365,477 |

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

| | Fixed remuneration | | At risk – STI | | At risk – LTI | |
|---------------------------------|--------------------|------|---------------|------|---------------|------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| <i>Non-Executive Directors:</i> | | | | | | |
| E Lee | 100% | 100% | – % | – % | – % | – % |
| D Atkinson | 100% | 100% | – % | – % | – % | – % |
| <i>Executive Directors:</i> | | | | | | |
| A Howland-Rose | 100% | 100% | – % | – % | – % | – % |
| D Deitz | 100% | 100% | – % | – % | – % | – % |



C. Service agreements

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

D. Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2012.

Options

There were no options issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2012.

There were no options granted to directors and other key management personnel as part of compensation during the year ended 30 June 2012.

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel during the year ended 30 June 2012 are set out below:

| | Value of options granted during the year | Value of options exercised during the year | Value of options lapsed during the year | Remuneration consisting of options for the year |
|----------------|--|--|---|---|
| | \$ | \$ | \$ | % |
| David Deitz | – | 75,600 | 56,700 | – |
| Eddie Lee | – | – | 25,326 | – |
| David Atkinson | – | – | 37,800 | – |

E. Additional information

The earnings of the consolidated entity for the five years to 30 June 2012 are summarised below:

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------------------|------------|-------------|-------------|-------------|-------------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenue | 10,705,291 | 523,635 | 930,778 | 702,207 | 749,509 |
| Profit/(loss) before income tax | 3,809,711 | (1,404,723) | (1,173,988) | (3,103,635) | (3,627,845) |
| Profit/(loss) after income tax | 2,593,085 | 32,913 | (747,809) | (2,357,279) | (4,541,379) |

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|-------|-------|---------|---------|---------|
| Share price at financial year end (\$A) | 0.060 | 0.045 | 0.092 | 0.110 | 0.090 |
| Basic earnings per share (cents per share) | 2.050 | 0.030 | (0.590) | (1.554) | (2.735) |
| Diluted earnings per share (cents per share) | 1.830 | 0.026 | (0.590) | (1.554) | (2.735) |

There were no dividends paid or proposed during the years ended 30 June 2012 and 30 June 2011.

This concludes the remuneration report, which has been audited.



Shares under option

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

| Grant date | Expiry date | Exercise price | Number under option |
|-----------------|------------------|----------------|---------------------|
| 8 December 2009 | 30 November 2014 | \$0.119 | 5,480,000 |
| 7 March 2011 | 6 March 2016 | \$0.223 | 4,475,000 |
| 16 May 2011 | 15 May 2016 | \$0.223 | 1,000,000 |
| 16 May 2012 | 16 May 2017 | \$0.100 | 1,300,000 |
| | | | 12,255,000 |

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

Shares issued on the exercise of options

The following ordinary shares of Gullewa Limited were issued during the year ended 30 June 2012 on the exercise of options granted:

| Date options granted | Exercise price | Number of shares issued |
|----------------------|----------------|-------------------------|
| 30 November 2006 | \$0.073 | 4,000,000 |

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 30 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial 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.

The directors are of the opinion that the services as disclosed in note 30 to the financial statements do not compromise the external auditor's independence 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 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.

Officers of the company who are former audit partners of Deloitte Touche Tohmatsu

There are no officers of the company who are former audit partners of Deloitte Touche Tohmatsu.

Auditor's independence declaration

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

Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

David Deitz
Director

12 September 2012

Sydney

Auditor's Independence Declaration



Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Gullewa Limited
Level 8 Quantum House
49-51 York Street
SYDNEY NSW 2000

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.

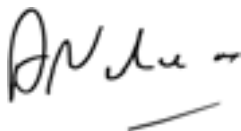
As lead audit partner for the audit of the financial statements of Gullewa Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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



Alfie Nehama
Partner
Chartered Accountants

Sydney, 12 September 2012

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Corporate Governance Statement

30 June 2012

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 2012.

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 ('the 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 2011/2012 financial year ("Reporting Period"), the company has complied with the ASX Principles and Recommendations other than in relation to the matters specified below:

| Principle Reference | Recommendation Reference | Notification of Departure | Explanation of Departure |
|---------------------|--------------------------|---|---|
| 2 | 2.1 | The majority of the board's directors are not independent as 2 of the 4 directors are both substantial shareholders and executive directors of the company. | The skills and experience of both the independent and non independent directors allow the board to act in the best interests of the shareholder. |
| 2 | 2.4 | The chairman is an executive of the company. He is also a substantial shareholder. | The board considers that, in view of the size and scope of the company's activities, it is appropriate for Mr Howland-Rose to lead the company. The Board considers that Mr Howland-Rose 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. |
| 3 | 3.3 | The board is composed of male directors. | The skills and experience of the directors allow the board to act in the best interests of the shareholder. The company does not have the resources or infrastructure to set, monitor or report on measurable objectives for achieving gender diversity, and as such does not comply with ASX Governance Recommendation 3.3. |



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.

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.

Diversity policy

The participation of women in the company and consolidated entity at 30 June 2012 was as follows:

- Women employees in the consolidated entity 25%
- Women in senior management positions 25%
- Women on the board 0%

The company does not have the resources or infrastructure to set, monitor or report on measurable objectives for achieving gender diversity, and as such does not comply with ASX Governance Recommendation 3.3.

Other information

Further information relating to the company's corporate governance practices and policies have been made publicly available on the company's website.

Website: www.gullewa.com



Financial Report

30 June 2012

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| Statement of changes in equity | 27 |
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General information

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

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

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

Level 8, 49-51 York Street
Sydney NSW 2000

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

The financial report was authorised for issue, in accordance with a resolution of directors, on 12 September 2012. The directors have the power to amend and reissue the financial report.

Statement of Comprehensive Income

For the year ended 30 June 2012

| | Note | CONSOLIDATED | |
|---|------|--------------------|--------------------|
| | | 2012 | 2011 |
| | | \$ | \$ |
| Revenue | 5 | 25,452 | 33,481 |
| Other income | 6 | 724,057 | 668,726 |
| Share of profits and losses of associates accounted for using the equity method | 7 | (775,214) | (224,059) |
| Expenses | | | |
| Administration expenses | | (1,312,183) | (1,120,094) |
| Employee benefits expense | | (1,200,555) | (985,544) |
| Professional expenses | | – | (837,600) |
| Depreciation and amortisation expense | 8 | (35,803) | (28,935) |
| Business combination expense | | – | (160,276) |
| Subsidiary listing expense written off | | (630,585) | – |
| Other expenses | | (340,865) | (427,878) |
| Finance costs | 8 | (82,149) | (21,456) |
| Loss before income tax (expense)/benefit | | (3,627,845) | (3,103,635) |
| Income tax (expense)/benefit | 9 | (913,534) | 746,356 |
| Loss after income tax (expense)/benefit for the year | | (4,541,379) | (2,357,279) |
| Other comprehensive income | | | |
| Impairment of available-for-sale financial assets | | – | (105,000) |
| Other comprehensive income for the year, net of tax | | – | (105,000) |
| Total comprehensive income for the year | | (4,541,379) | (2,462,279) |
| Loss for the year is attributable to: | | | |
| Non-controlling interest | | (495,948) | (168,737) |
| Owners of Gullewa Limited | 25 | (4,045,431) | (2,188,542) |
| | | (4,541,379) | (2,462,279) |
| Total comprehensive income for the year is attributable to: | | | |
| Non-controlling interest | | (495,948) | (168,737) |
| Owners of Gullewa Limited | | (4,045,431) | (2,293,542) |
| | | Cents | Cents |
| Basic earnings per share | 40 | (2.735) | (1.554) |
| Diluted earnings per share | 40 | (2.735) | (1.554) |

Refer to note 3 for detailed information on restatement of comparatives.

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2012

| | Note | CONSOLIDATED | |
|--|------|-------------------|-------------------|
| | | 2012 | 2011 |
| | | \$ | \$ |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 10 | 9,182,853 | 3,542,078 |
| Trade and other receivables | 11 | 426,992 | 579,076 |
| Inventories | 12 | 1,595,725 | 2,277,004 |
| Other financial assets | 13 | 255,104 | 311,555 |
| Total current assets | | 11,460,674 | 6,709,713 |
| Non-current assets | | | |
| Investments accounted for using the equity method | 14 | 902,822 | 2,184,331 |
| Other financial assets | 15 | 24,657 | 23,826 |
| Property, plant and equipment | 16 | 83,728 | 59,056 |
| Intangibles | 17 | 30,252 | 23,919 |
| Exploration, evaluation and development | 18 | 4,510,261 | 2,201,554 |
| Deferred tax | 19 | – | 913,534 |
| Total non-current assets | | 5,551,720 | 5,406,220 |
| Total assets | | 17,012,394 | 12,115,933 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 20 | 763,549 | 461,719 |
| Borrowings | 21 | 1,054,084 | 946,891 |
| Provisions | 22 | 21,545 | 31,035 |
| Total current liabilities | | 1,839,178 | 1,439,645 |
| Total liabilities | | 1,839,178 | 1,439,645 |
| Net assets | | 15,173,216 | 10,676,288 |
| EQUITY | | | |
| Contributed equity | 23 | 21,294,326 | 20,928,726 |
| Reserves | 24 | 859,506 | 861,988 |
| Accumulated losses | 25 | (9,480,817) | (11,116,229) |
| Equity attributable to the owners of Gullewa Limited | | 12,673,015 | 10,674,485 |
| Non-controlling interest | 26 | 2,500,201 | 1,803 |
| Total equity | | 15,173,216 | 10,676,288 |

Refer to note 3 for detailed information on restatement of comparatives.

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

Statement of Changes in Equity

For the year ended 30 June 2012

| | CONSOLIDATED | | | | |
|---|--------------------|----------------|---------------------|--------------------------|-------------------|
| | Contributed equity | Reserves | Accumulated losses | Non-controlling interest | Total equity |
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2010 | 20,345,098 | 814,061 | (8,927,687) | 107,486 | 12,338,958 |
| Loss after income tax (expense)/benefit for the year | – | – | (2,188,542) | (168,737) | (2,357,279) |
| Other comprehensive income for the year, net of tax | – | (105,000) | – | – | (105,000) |
| Total comprehensive income for the year | – | (105,000) | (2,188,542) | (168,737) | (2,462,279) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Issue of shares | 446,196 | – | – | – | 446,196 |
| Transfer of options to shares | 137,432 | (137,432) | – | – | – |
| Issue of options | – | 290,359 | – | 63,054 | 353,413 |
| Balance at 30 June 2011 | 20,928,726 | 861,988 | (11,116,229) | 1,803 | 10,676,288 |
| Balance at 1 July 2011 | 20,928,726 | 861,988 | (11,116,229) | 1,803 | 10,676,288 |
| Loss after income tax (expense)/benefit for the year | – | – | (4,045,431) | (495,948) | (4,541,379) |
| Other comprehensive income for the year, net of tax | – | – | – | – | – |
| Total comprehensive income for the year | – | – | (4,045,431) | (495,948) | (4,541,379) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Contributions of equity, net of transaction costs | – | – | – | 8,605,388 | 8,605,388 |
| Issue of shares on conversion of options | 290,000 | – | – | – | 290,000 |
| Transfer of options to shares | 75,600 | (75,600) | – | – | – |
| Difference arising on disposal of interest in Allegiance Coal Limited | – | (69,801) | 5,680,843 | (5,611,042) | – |
| Issue of options | – | 142,919 | – | – | 142,919 |
| Balance at 30 June 2012 | 21,294,326 | 859,506 | (9,480,817) | 2,500,201 | 15,173,216 |

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

Statement of Cash Flows

For the year ended 30 June 2012

| | Note | CONSOLIDATED | |
|---|------|--------------------|--------------------|
| | | 2012 | 2011 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 3,300 | 10,630 |
| Payments to suppliers and employees (inclusive of GST) | | (2,286,153) | (2,580,672) |
| | | (2,282,853) | (2,570,042) |
| Dividends received | | 250 | – |
| Other revenue | | 21,902 | 22,851 |
| Interest and other finance costs paid | | (82,149) | (21,456) |
| Net cash used in operating activities | 39 | (2,342,850) | (2,568,647) |
| Cash flows from investing activities | | | |
| Payments for investment property | | – | (977,004) |
| Payments for property, plant and equipment | 16 | (51,076) | (9,571) |
| Payments for intangibles | 17 | (15,732) | (9,443) |
| Payments for exploration and evaluation | 18 | (2,308,707) | (1,123,484) |
| Payments for financial assets at fair value through profit or loss | | – | (4,914) |
| Payments for equity accounted investments | | – | (1,736,091) |
| Payments for other financial assets | | (25,000) | – |
| Proceeds from sale of investment property | | 760,000 | – |
| Proceeds from sale of property, plant and equipment | | – | 429 |
| Proceeds from disposal of investments accounted for using the equity method | | – | 938,103 |
| Proceeds from equity accounted investments | | – | 4,452 |
| Interest received | | 622,390 | 369,235 |
| Interest capitalisation for security deposits | | (831) | (2,324) |
| Net cash used in investing activities | | (1,018,956) | (2,550,612) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 23 | 290,000 | 446,196 |
| Proceeds from capital injection by non-controlling interest | | 8,605,388 | – |
| Proceeds from borrowings | | 107,193 | 897,641 |
| Net cash from financing activities | | 9,002,581 | 1,343,837 |
| Net increase/(decrease) in cash and cash equivalents | | 5,640,775 | (3,775,422) |
| Cash and cash equivalents at the beginning of the financial year | | 3,542,078 | 7,317,500 |
| Cash and cash equivalents at the end of the financial year | 10 | 9,182,853 | 3,542,078 |

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

Notes to the Financial Statements

30 June 2012

Note 1: Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2010-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The consolidated entity has applied AASB 2010-4 amendments from 1 July 2011. The amendments made numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provided clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments; clarified that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provided guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'.

AASB 2010-5 Amendments to Australian Accounting Standards

The consolidated entity has applied AASB 2010-5 amendments from 1 July 2011. The amendments made numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board.

AASB 124 Related Party Disclosures (December 2009)

The consolidated entity has applied AASB 124 (revised) from 1 July 2011. The revised standard simplified the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. A subsidiary and an associate with the same investor are related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets

The consolidated entity has applied AASB 2010-6 amendments from 1 July 2011. These amendments add and amended disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. Additional disclosures are now required when (i) an asset is transferred but is not derecognised; and (ii) when assets are derecognised but the consolidated entity has a continuing exposure to the asset after the sale.

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project

The consolidated entity has applied AASB 2011-1 amendments from 1 July 2011. These amendments made changes to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to International Financial Reporting Standards ('IFRSs') and harmonisation between Australian and New Zealand Standards. The amendments removed certain guidance and definitions from Australian Accounting Standards for conformity of drafting with IFRSs but without any intention to change requirements.



AASB 1048 Interpretation of Standards (revised)

The consolidated entity has applied AASB 1048 (revised) for the year ended 30 June 2012. The revised standard identifies the Australian Interpretations and classifies them into two groups: those that correspond to an International Accounting Standards Board ('IASB') Interpretation (Table 1 – international equivalent), and those that do not (Table 2 – domestic interpretations). The standard has been updated to remove old or superseded interpretations and add new interpretations.

AASB 1054 Australian Additional Disclosures

The consolidated entity has applied AASB 1054 from 1 July 2011. The standard sets out the Australian-specific disclosures as a result of Phase I of the Trans-Tasman Convergence Project, which are in addition to International Financial Reporting Standards, for entities that have adopted Australian Accounting Standards.

Going concern

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

For the year ended 30 June 2012, the consolidated entity incurred a loss from continuing operations after tax of \$4,541,379 (2011: \$2,357,279). In the same period the consolidated entity had operating cash outflows of \$2,342,850 (2011: \$2,568,647).

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

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for assets designated at fair value through profit or loss. Historical cost is generally based on the fair values of the consideration given in exchange for assets.

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 34.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Gullewa Limited ('company' or 'parent entity') as at 30 June 2012 and the results of all subsidiaries for the year then ended. Gullewa Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity



transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

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

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

Operating segments

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

Revenue recognition

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

Sale of commodities

Revenue from the sale of commodities is recognised upon the delivery of commodities to customers and the associated risks of ownership have passed.

Sale of shares

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

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

Rent

Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Other revenue

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

Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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



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

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

Cash and cash equivalents

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

Trade and other receivables

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

Inventories

Investment properties are classified as inventory as they are in the process of being sold in the ordinary course of business. These are valued at the fair value on the date of reclassification.

Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associates. Dividends received or receivable from associates reduce the carrying amount of the investment.

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

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the consolidated entity's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

Investments and other financial assets

Investments and other financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

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

Loans and receivables

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a



fair value basis or to eliminate or significantly reduce an accounting mis-match. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Impairment of financial assets

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

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

Property, plant and equipment

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

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

- Plant and equipment 5 years
- Motor vehicles 5 years

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

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

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

Leases

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

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

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

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

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

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangibles are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Computer software

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



Exploration, evaluation and development assets

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

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.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

Trade and other payables

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

Borrowings

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

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

Finance costs

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

- interest on short-term and long-term borrowings

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.



Employee benefits

Wages and salaries and annual leave

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

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

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

Share-based payments

Equity-settled share-based compensation benefits are provided to directors and employees.

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

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

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

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

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

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

Contributed equity

Ordinary shares are classified as equity.

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

Business combinations

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

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.



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

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

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

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

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2012. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments eliminate the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The amendments also change the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months and will require annual leave that is not expected to be



wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 July 2013 is not expected to have a significant effect on the consolidated entity.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2012 and a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. The consolidated entity is yet to quantify the tax effect of adopting these amendments from 1 July 2012.

AASB 10 Consolidated Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.

AASB 11 Joint Arrangements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 12 Disclosure of Interests in Other Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation – Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.



AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised)

AASB 128 Investments in Associates and Joint Ventures (Reissued)

These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

These amendments are applicable to annual reporting periods beginning on or after 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The adoption of the revised standard from 1 July 2012 will impact the consolidated entity's presentation of its statement of comprehensive income.

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') have been enhanced to provide users of financial statements with information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position. The adoption of the amendments from 1 July 2013 will increase the disclosures by the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of "currently has a legally enforceable right of set-off"; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a significant impact on the consolidated entity.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 1) 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of comprehensive information requirements when an entity provides a third balance sheet in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; AASB 132 'Financial Instruments: Presentation' Clarification of the tax effect of distributions to holders of an equity instrument is recognised in the income statement; and clarification of the financial reporting requirements in AASB 134 'Interim



Financial Reporting' and the disclosure requirements of segment assets and liabilities. The adoption of the amendments from 1 July 2013 will not have a significant impact on the consolidated entity.

Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine and AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20

This interpretation and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The Interpretation clarifies when production stripping costs should lead to the recognition of an asset and how that asset should be initially and subsequently measured. The Interpretation only deals with waste removal costs that are incurred in surface mining activities during the production phase of the mine. The adoption of the interpretation and the amendments from 1 July 2013 will not have a material impact on the consolidated entity.

Note 2: Critical accounting judgements, estimates and assumptions

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

Share-based payment transactions

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

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

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

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.



Recovery of deferred tax assets

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

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3: Restatement of comparatives

Share options

Following a review of the share options on issue, it was noted that an error occurred in relation to the date options were issued by Allegiance Coal Limited. The actual date of the issue was 5 May 2011. The effect is that the share-based payment expense of \$315,270 should have been recorded in the results for the 30 June 2011 financial period.

The impact of the adjustment is to increase the loss for the 30 June 2011 financial period together with an increase in reported reserves in equity. There was no impact on net assets at 30 June 2011.

Reclassification of non-current assets classified as held-for-sale to inventories

During the financial year, the investment properties have been reclassified as inventory as they are in the process of being sold in the ordinary course of the business. This is a change from the classification in the prior year where they were classified as held-for-sale. As one of the principal activities of the business is property development it was deemed more appropriate to disclose the investment properties as inventory and the comparative has been restated accordingly for this change in classification.

Reclassification of goodwill to exploration, evaluation and development

The goodwill balance has been reclassified to exploration, evaluation and development as the goodwill arose on the purchase of Mineral and Coal Investments and should have formed part of exploration, evaluation and development rather than intangibles.

Statement of comprehensive income

| | CONSOLIDATED | | |
|---|--------------------|------------------|--------------------|
| | 2011 | | 2011 |
| | \$ | \$ | \$ |
| | Reported | Adjustment | Restated |
| Extract | | | |
| Expenses | | | |
| Administration expenses | (804,824) | (315,270) | (1,120,094) |
| Loss before income tax (expense)/benefit | (2,788,365) | (315,270) | (3,103,635) |
| Income tax (expense)/benefit | 746,356 | – | 746,356 |
| Loss after income tax (expense)/benefit for the year | (2,042,009) | (315,270) | (2,357,279) |
| Other comprehensive income for the year, net of tax | (105,000) | – | (105,000) |
| Total comprehensive income for the year | (2,147,009) | (315,270) | (2,462,279) |
| Loss for the year is attributable to: | | | |
| Non-controlling interest | (105,683) | (63,054) | (168,737) |
| Owners of Gullewa Limited | (1,936,326) | (252,216) | (2,188,542) |
| | (2,042,009) | (315,270) | (2,357,279) |
| Total comprehensive income for the year is attributable to: | | | |
| Non-controlling interest | (105,683) | (63,054) | (168,737) |
| Owners of Gullewa Limited | (2,041,326) | (252,216) | (2,293,542) |
| | (2,147,009) | (315,270) | (2,462,279) |



Note 3: Restatement of comparatives continued

Statement of financial position at the beginning
of the earliest comparative period

| | CONSOLIDATED | | |
|--|-------------------|-------------|-------------------|
| | 1 July 2010 | | 1 July 2010 |
| | \$ | \$ | \$ |
| Extract | Reported | Adjustment | Restated |
| ASSETS | | | |
| Current assets | | | |
| Inventories | – | 1,300,000 | 1,300,000 |
| | 8,500,062 | 1,300,000 | 9,800,062 |
| Non-current assets classified as held for sale | 1,300,000 | (1,300,000) | – |
| Total current assets | 9,800,062 | – | 9,800,062 |
| Non-current assets | | | |
| Intangibles | 229,342 | (210,039) | 19,303 |
| Exploration, evaluation and development | 693,484 | 210,039 | 903,523 |
| Total non-current assets | 2,770,680 | – | 2,770,680 |
| Total assets | 12,570,742 | – | 12,570,742 |
| LIABILITIES | | | |
| Total liabilities | 231,784 | – | 231,784 |
| Net assets | 12,338,958 | – | 12,338,958 |
| EQUITY | | | |
| Total equity | 12,338,958 | – | 12,338,958 |

Statement of financial position at the end
of the earliest comparative period

| | CONSOLIDATED | | |
|--|-------------------|-------------|-------------------|
| | 2011 | | 2011 |
| | \$ | \$ | \$ |
| Extract | Reported | Adjustment | Restated |
| ASSETS | | | |
| Current assets | | | |
| Inventories | – | 2,277,004 | 2,277,004 |
| | 4,432,709 | 2,277,004 | 6,709,713 |
| Non-current assets classified as held for sale | 2,277,004 | (2,277,004) | – |
| Total current assets | 6,709,713 | – | 6,709,713 |
| Non-current assets | | | |
| Intangibles | 233,958 | (210,039) | 23,919 |
| Exploration, evaluation and development | 1,991,515 | 210,039 | 2,201,554 |
| Total non-current assets | 5,406,220 | – | 5,406,220 |
| Total assets | 12,115,933 | – | 12,115,933 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 492,754 | (31,035) | 461,719 |
| Provisions | – | 31,035 | 31,035 |
| Total current liabilities | 1,439,645 | – | 1,439,645 |
| Total liabilities | 1,439,645 | – | 1,439,645 |
| Net assets | 10,676,288 | – | 10,676,288 |
| EQUITY | | | |
| Reserves | 609,772 | 252,216 | 861,988 |
| Accumulated losses | (10,864,013) | (252,216) | (11,116,229) |
| Total equity | 10,676,288 | – | 10,676,288 |



Note 4: Operating segments

Identification of reportable operating segments

The consolidated entity is organised into 3 operating segments: investments, property development and exploration and evaluation. These operating segments are based on the internal reports that are reviewed and used by the executive management team (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

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

Types of products and services

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

Intersegment transactions

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

Intersegment receivables, payables and loans

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

Major customers

The consolidated entity does not generate revenue from customers.



Note 4: Operating segments continued

Operating segment information

| | Exploration and evaluation | Property development | Investments | Inter-segment eliminations/unallocated | Consolidated |
|---|----------------------------|----------------------|-------------|--|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| 2012 | | | | | |
| REVENUE | | | | | |
| Other revenue | 57,063 | 113,476 | 9,513 | 569,457 | 749,509 |
| Total revenue | 57,063 | 113,476 | 9,513 | 569,457 | 749,509 |
| EBITDA before net loss of associates | (1,495,571) | (34,794) | (636) | (1,826,068) | (3,357,069) |
| Depreciation and amortisation | | | | | (35,803) |
| Interest revenue | | | | | 622,390 |
| Finance costs | | | | | (82,149) |
| Share of net losses of associates | | | | | (775,214) |
| Loss before income tax expense | | | | | (3,627,845) |
| Income tax expense | | | | | (913,534) |
| Loss after income tax expense | | | | | (4,541,379) |
| ASSETS | | | | | |
| Segment assets | 10,484,086 | 1,616,896 | 913,586 | 3,997,826 | 17,012,394 |
| Total assets | | | | | 17,012,394 |
| <i>Total assets includes:</i> | | | | | |
| Investments in associates | – | – | 902,822 | – | 902,822 |
| Acquisition of non-current assets | 2,308,707 | – | 67,639 | – | 2,376,346 |
| LIABILITIES | | | | | |
| Segment liabilities | 1,149,201 | 589,383 | – | 100,594 | 1,839,178 |
| Total liabilities | | | | | 1,839,178 |



Note 4: Operating segments continued

Operating segment information

| | Exploration and evaluation | Property development | Investments | Inter-segment eliminations/unallocated | Consolidated |
|---|----------------------------|----------------------|-------------|--|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| 2011 | | | | | |
| REVENUE | | | | | |
| Other revenue | – | – | 103,232 | 598,975 | 702,207 |
| Total revenue | – | – | 103,232 | 598,975 | 702,207 |
| EBITDA before net loss of associates | (381,368) | (62,946) | (120,827) | (2,633,279) | (3,198,420) |
| Depreciation and amortisation | | | | | (28,935) |
| Interest revenue | | | | | 369,235 |
| Finance costs | | | | | (21,456) |
| Share of net losses of associates | | | | | (224,059) |
| Loss before income tax benefit | | | | | (3,103,635) |
| Income tax benefit | | | | | 746,356 |
| Loss after income tax benefit | | | | | (2,357,279) |
| ASSETS | | | | | |
| Segment assets | 2,201,554 | 2,277,004 | 2,309,723 | 5,327,652 | 12,115,933 |
| Total assets | | | | | 12,115,933 |
| <i>Total assets includes:</i> | | | | | |
| Investments in associates | – | – | 2,184,331 | – | 2,184,331 |
| Acquisition of non-current assets | 1,333,808 | – | 1,507,580 | – | 2,841,388 |
| LIABILITIES | | | | | |
| Segment liabilities | 353,394 | 593,497 | – | 492,754 | 1,439,645 |
| Total liabilities | | | | | 1,439,645 |

| | CONSOLIDATED | |
|------------------------|---------------|---------------|
| | 2012 | 2011 |
| | \$ | \$ |
| Note 5: Revenue | | |
| OTHER REVENUE | | |
| Dividends | 250 | – |
| Rent | 3,300 | 1,650 |
| Bad debts recovered | – | 8,980 |
| Other revenue | 21,902 | 22,851 |
| Revenue | 25,452 | 33,481 |



| | CONSOLIDATED | |
|--|--------------|-----------|
| | 2012 | 2011 |
| | \$ | \$ |
| Note 6: Other income | | |
| Net gain on disposal of investment property | 101,667 | – |
| Interest income | 622,390 | 369,235 |
| Profit on listed shares held for trading | – | 103,232 |
| Discount on purchase | – | 196,259 |
| Other income | 724,057 | 668,726 |
| Note 7: Share of profits and losses of associates accounted for using the equity method | | |
| Share of profits of associates | – | 144,429 |
| Share of losses of associates | (775,214) | (368,488) |
| | (775,214) | (224,059) |
| Note 8: Expenses | | |
| Loss before income tax includes the following specific expenses: | | |
| <i>Depreciation</i> | | |
| Leasehold improvements | 222 | – |
| Plant and equipment | 16,613 | 13,745 |
| Motor vehicles | 9,569 | 10,363 |
| Total depreciation | 26,404 | 24,108 |
| <i>Amortisation</i> | | |
| Computer software | 9,399 | 4,827 |
| Total depreciation and amortisation | 35,803 | 28,935 |
| <i>Impairment</i> | | |
| Exploration and evaluation | – | 35,777 |
| <i>Finance costs</i> | | |
| Interest and finance charges paid/payable | 82,149 | 21,456 |
| <i>Rental expense relating to operating leases</i> | | |
| Minimum lease payments | 136,453 | 94,063 |
| <i>Superannuation expense</i> | | |
| Defined contribution superannuation expense | 140,562 | 71,983 |
| <i>Share-based payments expense</i> | | |
| Share-based payments expense | 142,919 | 353,413 |
| <i>Revaluation of shares</i> | | |
| Revaluation of shares | 81,451 | 113,293 |



| | CONSOLIDATED | |
|---|--------------|-------------|
| | 2012 | 2011 |
| | \$ | \$ |
| Note 9: Income tax expense/(benefit) | | |
| <i>Income tax expense/(benefit)</i> | | |
| Current tax | – | (353,401) |
| Deferred tax – origination and reversal of temporary differences | 913,534 | (392,955) |
| Aggregate income tax expense/(benefit) | 913,534 | (746,356) |
| Deferred tax included in income tax expense/(benefit) comprises: | | |
| Decrease/(increase) in deferred tax assets (note 19) | 913,534 | (392,955) |
| <i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i> | | |
| Loss before income tax (expense)/benefit | (3,627,845) | (3,103,635) |
| Tax at the statutory tax rate of 30% | (1,088,354) | (931,091) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Share-based payments | 42,875 | 94,581 |
| Other non-deductible amounts | – | 90,154 |
| | (1,045,479) | (746,356) |
| Current year temporary differences not recognised | 1,045,479 | – |
| Prior year temporary differences recognised now derecognised | 913,534 | – |
| Income tax expense/(benefit) | 913,534 | (746,356) |
| <i>Amounts charged/(credited) directly to equity</i> | | |
| Deferred tax assets (note 19) | – | (45,000) |
| Note 10: Current assets – cash and cash equivalents | | |
| Cash on hand | 997 | 1,492 |
| Cash at bank | 9,181,856 | 3,540,586 |
| | 9,182,853 | 3,542,078 |
| Note 11: Current assets – trade and other receivables | | |
| Other receivables and deposits | 426,992 | 579,076 |
| Note 12: Current assets – inventories | | |
| Property at Normanhurst | 659,614 | 1,354,804 |
| Property at West Pymble | 936,111 | 922,200 |
| | 1,595,725 | 2,277,004 |



Note 12: Current assets – inventories continued

The properties are classified as inventory as they are in the process of being sold in the ordinary course of business.

123 Pennant Hills Road, Normanhurst

The property comprises land at 123 Pennant Hills Road, Normanhurst, New South Wales. The work required to create a sub-division into four lots is complete. Two lots have been sold during the year and, subsequent to the year end, contracts have been exchanged for the remaining two lots.

67 Yanko Road, West Pymble

This property comprises a house and land at 67 Yanko Road, West Pymble, New South Wales. The consolidated entity will seek local council approval for subdivision of the property.

| | CONSOLIDATED | |
|--|--------------|-----------|
| | 2012 | 2011 |
| | \$ | \$ |
| Note 13: Current assets – other financial assets | | |
| Designated at fair value through profit or loss | 128,054 | 209,505 |
| Shares in unlisted corporations – at cost | 127,050 | 102,050 |
| | 255,104 | 311,555 |
| Note 14: Non-current assets – investments accounted for using the equity method | | |
| Investment in associates | 902,822 | 2,184,331 |
| Refer to note 37 for further information on investments in associates. | | |
| Note 15: Non-current assets – other financial assets | | |
| Term deposits | 24,657 | 23,826 |
| Note 16: Non-current assets – property, plant and equipment | | |
| Leasehold improvements – at cost | 2,403 | – |
| Less: Accumulated depreciation | (222) | – |
| | 2,181 | – |
| Plant and equipment – at cost | 131,729 | 83,056 |
| Less: Accumulated depreciation | (73,417) | (56,804) |
| | 58,312 | 26,252 |
| Motor vehicles – at cost | 51,818 | 51,818 |
| Less: Accumulated depreciation | (28,583) | (19,014) |
| | 23,235 | 32,804 |
| | 83,728 | 59,056 |



Note 16: Non-current assets – property, plant and equipment continued

Reconciliations

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

| | CONSOLIDATED | | | |
|-------------------------|------------------------|---------------------|----------------|----------|
| | Leasehold Improvements | Plant and equipment | Motor vehicles | Total |
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2010 | – | 30,426 | 43,596 | 74,022 |
| Additions | – | 9,571 | – | 9,571 |
| Disposals | – | – | (429) | (429) |
| Depreciation expense | – | (13,745) | (10,363) | (24,108) |
| Balance at 30 June 2011 | – | 26,252 | 32,804 | 59,056 |
| Additions | 2,403 | 48,673 | – | 51,076 |
| Depreciation expense | (222) | (16,613) | (9,569) | (26,404) |
| Balance at 30 June 2012 | 2,181 | 58,312 | 23,235 | 83,728 |

Note 17: Non-current assets – intangibles

| | CONSOLIDATED | |
|--------------------------------|--------------|---------|
| | 2012 | 2011 |
| | \$ | \$ |
| Computer software – at cost | 42,714 | 26,982 |
| Less: Accumulated amortisation | (16,877) | (7,478) |
| | 25,837 | 19,504 |
| Other intangibles – at cost | 4,415 | 4,415 |
| | 4,415 | 4,415 |
| | 30,252 | 23,919 |

Reconciliations

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

| | CONSOLIDATED | | |
|-------------------------|-------------------|-------------------|---------|
| | Computer software | Other intangibles | Total |
| | \$ | \$ | \$ |
| Balance at 1 July 2010 | 18,453 | 850 | 19,303 |
| Additions | 5,878 | 3,565 | 9,443 |
| Amortisation expense | (4,827) | – | (4,827) |
| Balance at 30 June 2011 | 19,504 | 4,415 | 23,919 |
| Additions | 15,732 | – | 15,732 |
| Amortisation expense | (9,399) | – | (9,399) |
| Balance at 30 June 2012 | 25,837 | 4,415 | 30,252 |



Note 18: Non-current assets – exploration, evaluation and development

Exploration, evaluation and development assets – at cost

| CONSOLIDATED | |
|--------------|-----------|
| 2012 | 2011 |
| \$ | \$ |
| 4,510,261 | 2,201,554 |

Reconciliations

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

| | CONSOLIDATED | |
|---|------------------------------------|------------------|
| | Exploration evaluation development | Total |
| | \$ | \$ |
| Balance at 1 July 2010 | 903,523 | 903,523 |
| Additions | 1,123,484 | 1,123,484 |
| Additions through business combinations (note 35) | 210,324 | 210,324 |
| Impairment of assets | (35,777) | (35,777) |
| Balance at 30 June 2011 | 2,201,554 | 2,201,554 |
| Additions | 2,308,707 | 2,308,707 |
| Balance at 30 June 2012 | 4,510,261 | 4,510,261 |

Note 19: Non-current assets – deferred tax

Deferred tax asset comprises temporary differences attributable to:

Amounts recognised in profit or loss:

| | CONSOLIDATED | |
|--|--------------|-----------|
| | 2012 | 2011 |
| | \$ | \$ |
| Tax losses | – | 516,883 |
| Impairment of receivables | – | 98,451 |
| Accrued expenses | – | 19,811 |
| Impairment loss of available-for-sale financial assets | – | 114,000 |
| Impairment loss of other financial assets | – | 60,000 |
| Unrealised gain on investment property | – | (101,407) |
| Unrealised loss on financial assets at fair value through profit or loss | – | 160,796 |
| | – | 868,534 |
| Amounts recognised in equity: | | |
| Unrealised gain on available-for-sale financial assets | – | 45,000 |
| | – | 45,000 |
| Deferred tax asset | – | 913,534 |
| Movements: | | |
| Opening balance | 913,534 | 475,579 |
| Credited/(charged) to profit or loss (note 9) | (913,534) | 392,955 |
| Credited to equity | – | 45,000 |
| Closing balance | – | 913,534 |

At 30 June 2012 deferred tax assets were reviewed in terms of the policy described in Note 1. During the financial year a subsidiary of Gullewa Limited, Allegiance Coal Limited, was listed on the ASX. The current view of the directors is to hold this investment. The deferred tax assets have been derecognised as in the opinion of the directors it will not be utilised as it is not probable.



| | CONSOLIDATED | |
|--|--------------|---------|
| | 2012 | 2011 |
| | \$ | \$ |
| Note 20: Current liabilities – trade and other payables | | |
| Trade payables | 603,872 | 152,207 |
| Accrued expenses | 88,928 | 215,741 |
| Other payables | 70,749 | 93,771 |
| | 763,549 | 461,719 |
| Refer to note 28 for further information on financial instruments. | | |
| Note 21: Current liabilities – borrowings | | |
| Advance from shareholder in controlled entity (unsecured) | 465,876 | 353,394 |
| Bank loans | 588,208 | 593,497 |
| | 1,054,084 | 946,891 |
| Total secured liabilities | | |
| The total secured current liabilities are as follows: | | |
| Bank loans | 588,208 | 593,497 |
| Assets pledged as security | | |
| The bank loan is secured by a first mortgage over the consolidated entity's property at 67 Yanko Road, West Pymble, New South Wales. | | |
| The carrying amounts of assets pledged as security for current borrowings are: | | |
| Property at 67 Yanko Road, West Pymble | 936,111 | 922,200 |
| Note 22: Current liabilities – provisions | | |
| Employee benefits | 21,545 | 31,035 |



Note 23: Equity – contributed equity

Ordinary shares – fully paid

| CONSOLIDATED | | | |
|--------------|-------------|------------|------------|
| 2012 | 2011 | 2012 | 2011 |
| Shares | Shares | \$ | \$ |
| 149,723,100 | 145,723,100 | 21,294,326 | 20,928,726 |

Movements in ordinary share capital

| DETAILS | Date | No. of shares | Issue Price | \$ |
|--|------------------|---------------|-------------|------------|
| Balance | 1 July 2010 | 132,780,866 | | 20,345,098 |
| Issue of shares | 2 August 2010 | 2,378,378 | \$0.043 | 101,545 |
| Issue of shares | 29 November 2010 | 9,878,378 | \$0.043 | 421,758 |
| Adjustment | 17 May 2011 | 25,478 | | – |
| Issue of shares | 7 June 2011 | 660,000 | \$0.073 | 60,325 |
| Balance | 30 June 2011 | 145,723,100 | | 20,928,726 |
| Issue of shares on conversion of options | 16 December 2011 | 4,000,000 | \$0.073 | 290,000 |
| Transfer of capital from share options | 16 December 2011 | – | | 75,600 |
| Balance | 30 June 2012 | 149,723,100 | | 21,294,326 |

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

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

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

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

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

Note 24: Equity – reserves

Capital profits reserve
Share-based payments reserve

| CONSOLIDATED | |
|--------------|---------|
| 2012 | 2011 |
| \$ | \$ |
| 204,828 | 204,828 |
| 654,678 | 657,160 |
| 859,506 | 861,988 |



Note 24: Equity – reserves continued

| | Available-for-sale | Capital profits | Share-based payments | Total |
|---|--------------------|-----------------|----------------------|-----------|
| | \$ | \$ | \$ | \$ |
| Consolidated | | | | |
| Balance at 1 July 2010 | 105,000 | 204,828 | 504,233 | 814,061 |
| Transfer of options to shares | – | – | (137,432) | (137,432) |
| Issue of options | – | – | 290,359 | 290,359 |
| Impairment of available-for-sale financial assets | (105,000) | – | – | (105,000) |
| Balance at 30 June 2011 | – | 204,828 | 657,160 | 861,988 |
| Transfer of options to shares | – | – | (75,600) | (75,600) |
| Issue of options | – | – | 142,919 | 142,919 |
| Difference arising on disposal of interest in Allegiance Coal Limited | – | – | (69,801) | (69,801) |
| Balance at 30 June 2012 | – | 204,828 | 654,678 | 859,506 |

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.

Capital profits reserve

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

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.

Note 25: Equity – accumulated losses

| | CONSOLIDATED | |
|---|--------------|--------------|
| | 2012 | 2011 |
| | \$ | \$ |
| Accumulated losses at the beginning of the financial year | (11,116,229) | (8,927,687) |
| Loss after income tax (expense)/benefit for the year | (4,045,431) | (2,188,542) |
| Difference arising on disposal of interest in Allegiance Coal Limited | 5,680,843 | – |
| Accumulated losses at the end of the financial year | (9,480,817) | (11,116,229) |

During the financial year, Allegiance Coal Limited raised additional capital both pre IPO and on IPO, effectively reducing Gullewa's shareholding to 57.86%. Net proceeds of \$8,605,388 were received in cash.

The proportionate share of the carrying amount of the net liabilities of Allegiance Coal Limited has been transferred to non-controlling interests (refer Note 26). The difference of \$5,680,843 between the increase in the non-controlling interest and consideration received has been credited to accumulated losses, as above.

Note 26: Equity – non-controlling interest

| | | |
|--------------------|-------------|----------|
| Contributed equity | 8,625,388 | 20,000 |
| Reserves | 63,054 | 63,054 |
| Accumulated losses | (6,188,241) | (81,251) |
| | 2,500,201 | 1,803 |

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



Note 27: Equity – dividends

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

Note 28: Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by the directors under policies approved by the Board of Directors ('Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. The Board identifies, evaluates and hedges financial risks within the consolidated entity's operating units.

Market risk

Foreign currency risk

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

Price risk

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

At 30 June 2012, if equity prices had been 10% higher or lower and all other variables were held constant the consolidated entity's net assets would increase/decrease by \$9,000 (2011: \$21,000) 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.

Interest rate risk

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

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

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the consolidated entity's net profit and net assets would increase/decrease by \$46,038 (2011: \$17,830).

Credit risk

Credit risk is managed on a consolidated entity basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has 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 consolidated entity 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 consolidated entity does not have any significant receivables.

The consolidated entity's maximum exposure to credit risk at the reporting date in relation to each class of recognised financial assets is the carrying amount as disclosed in the statement of financial position and notes to the financial statements, and the guarantee provided to an associate detailed in note 30.

Liquidity risk

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

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and realising its financial assets at fair value through profit or loss, or its available-for-sale investments to meet any forecast cash outflow commitments.

Remaining contractual maturities

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



Note 28: Financial instruments continued

| | Weighted average interest rate | 1 year or less | Between 1 & 2 years | Between 2 & 5 years | Over 5 years | Remaining contractual maturities |
|---|--------------------------------|------------------|---------------------|---------------------|--------------|----------------------------------|
| | % | \$ | \$ | \$ | \$ | \$ |
| Consolidated – 2012 | | | | | | |
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | – | 603,872 | – | – | – | 603,872 |
| Other payables | – | 70,749 | – | – | – | 70,749 |
| Advance from shareholder | – | 465,876 | – | – | – | 465,876 |
| <i>Interest-bearing – variable rate</i> | | | | | | |
| Bank loans | 6.78 | 628,089 | – | – | – | 628,089 |
| Total non-derivatives | | 1,768,586 | – | – | – | 1,768,586 |
| Consolidated – 2011 | | | | | | |
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | – | 152,207 | – | – | – | 152,207 |
| Other payables | – | 93,771 | – | – | – | 93,771 |
| Advance from shareholder | – | 353,394 | – | – | – | 353,394 |
| <i>Interest-bearing – variable rate</i> | | | | | | |
| Bank loans | 7.67 | 639,018 | – | – | – | 639,018 |
| Total non-derivatives | | 1,238,390 | – | – | – | 1,238,390 |

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

Fair value of financial instruments

The following tables detail the consolidated entity's fair values of financial instruments categorised by the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)



Note 28: Financial instruments continued

| | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------|----------------|
| | \$ | \$ | \$ | \$ |
| Consolidated – 2012 | | | | |
| Assets | | | | |
| Financial assets at fair value through profit or loss – marketable securities | 128,054 | – | – | 128,054 |
| Available-for-sale financial assets – unquoted equities | – | 127,050 | – | 127,050 |
| Total assets | 128,054 | 127,050 | – | 255,104 |
| Consolidated – 2011 | | | | |
| Assets | | | | |
| Financial assets at fair value through profit or loss – marketable securities | 209,505 | – | – | 209,505 |
| Available-for-sale financial assets – unquoted equities | – | 102,050 | – | 102,050 |
| Total assets | 209,505 | 102,050 | – | 311,555 |

There were no transfers between levels during the financial year.

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.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 29: Key management personnel disclosures

Directors

The following persons were directors of Gullewa Limited during the financial year:

| | |
|----------------------|--|
| Anthony Howland-Rose | Executive Director and Chairman |
| David Deitz | Executive Director and Chief Executive Officer |
| Eddie Lee | Non-Executive Director |
| David Atkinson | Non-Executive Director |

Compensation

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

| | CONSOLIDATED | |
|------------------------------|----------------|----------------|
| | 2012 | 2011 |
| | \$ | \$ |
| Short-term employee benefits | 447,229 | 350,762 |
| Post-employment benefits | 67,341 | 14,715 |
| | 514,570 | 365,477 |



Note 29: Key management personnel disclosures continued

Shareholding

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

| | Balance at start of the year | Received as part of remuneration | Additions | Disposals/ other | Balance at end of the year |
|------------------------|------------------------------|----------------------------------|-------------------|--------------------|----------------------------|
| 2012 | | | | | |
| <i>Ordinary shares</i> | | | | | |
| Anthony Howland-Rose | 12,159,478 | – | 1,039,000 | – | 13,198,478 |
| David Deitz | 25,625,677 | – | 4,000,000 | (1,000,000) | 28,625,677 |
| Eddie Lee | 3,038,378 | – | – | – | 3,038,378 |
| David Atkinson | 395,278 | – | – | (395,278) | – |
| | 41,218,811 | – | 5,039,000 | (1,395,278) | 44,862,533 |
| 2011 | | | | | |
| <i>Ordinary shares</i> | | | | | |
| Anthony Howland-Rose | – | – | 12,159,478 | – | 12,159,478 |
| David Deitz | 17,862,137 | – | 7,763,540 | – | 25,625,677 |
| Eddie Lee | – | – | 3,038,378 | – | 3,038,378 |
| David Atkinson | – | – | 2,378,378 | (1,983,100) | 395,278 |
| | 17,862,137 | – | 25,339,774 | (1,983,100) | 41,218,811 |

Option holding

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

| | Balance at start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at end of the year |
|-------------------------------------|------------------------------|----------|--------------------|---------------------------|----------------------------|
| 2012 | | | | | |
| <i>Options over ordinary shares</i> | | | | | |
| David Deitz | 11,200,000 | – | (4,000,000) | (3,000,000) | 4,200,000 |
| Eddie Lee | 1,980,000 | – | – | (1,340,000) | 640,000 |
| David Atkinson | 2,640,000 | – | – | (2,000,000) | 640,000 |
| | 15,820,000 | – | (4,000,000) | (6,340,000) | 5,480,000 |

| | Vested and exercisable | Vested and unexercisable | Vested at end of the year |
|-------------------------------------|------------------------|--------------------------|---------------------------|
| 2012 | | | |
| <i>Options over ordinary shares</i> | | | |
| David Deitz | 4,200,000 | – | 4,200,000 |
| Eddie Lee | 640,000 | – | 640,000 |
| David Atkinson | 640,000 | – | 640,000 |
| | 5,480,000 | – | 5,480,000 |



Note 29: Key management personnel disclosures continued

| | Balance at start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at end of the year |
|-------------------------------------|------------------------------|----------|---------------------|---------------------------|----------------------------|
| 2011 | | | | | |
| <i>Options over ordinary shares</i> | | | | | |
| David Deitz | 18,700,000 | – | (7,500,000) | – | 11,200,000 |
| Eddie Lee | 5,018,378 | – | (3,038,378) | – | 1,980,000 |
| David Atkinson | 5,018,378 | – | (2,378,378) | – | 2,640,000 |
| | 28,736,756 | – | (12,916,756) | – | 15,820,000 |

| | Vested and exercisable | Vested and unexercisable | Vested at end of the year |
|-------------------------------------|------------------------|--------------------------|---------------------------|
| 2011 | | | |
| <i>Options over ordinary shares</i> | | | |
| David Deitz | 11,200,000 | – | 11,200,000 |
| Eddie Lee | 1,980,000 | – | 1,980,000 |
| David Atkinson | 2,640,000 | – | 2,640,000 |
| | 15,820,000 | – | 15,820,000 |

Related party transactions

Related party transactions are set out in note 33.

| | CONSOLIDATED | |
|---|---------------|----------------|
| | 2012 | 2011 |
| | \$ | \$ |
| Note 30: Remuneration of auditors | | |
| During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company, and unrelated firms: | | |
| <i>Audit services – Deloitte Touche Tohmatsu</i> | | |
| Audit or review of the financial statements | 67,050 | 79,390 |
| <i>Other services – Deloitte Touche Tohmatsu</i> | | |
| Preparation of the tax return | 20,900 | 36,200 |
| | 87,950 | 115,590 |
| <i>Audit services – unrelated practices</i> | | |
| Audit or review of the financial statements | 35,000 | 6,050 |
| Note 31: Contingent liabilities | | |
| Gullewa Limited has given a guarantee in respect of a bank loan of its associate company amounting to \$nil (2011: \$1,050,000). | | |
| Bank guarantees | – | 1,050,000 |

The bank loan due by Our Field Pty Limited to a bank was repaid in full on 8 July 2011.



Note 32: Commitments

Capital commitments

Committed at the reporting date but not recognised as liabilities, payable:

Intangible assets

| CONSOLIDATED | |
|--------------|------|
| 2012 | 2011 |
| \$ | \$ |
| 5,971,884 | – |

The amount is the minimum spend on Gullewa Limited and Allegiance Coal Limited tenements in order to maintain the tenements.

Note 33: Related party transactions

Parent entity

Gullewa Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 36.

Associates

Interests in associates are set out in note 37.

Key management personnel

Disclosures relating to key management personnel are set out in note 29 and the remuneration report in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

Other transactions:

Interresources 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.

Wages paid to Mendel Deitz, son of David Deitz, a director of the parent entity.

Receivable from and payable to related parties

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

Loans to/from related parties

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

Current receivables:

Loan to Interresources Pty Limited, a company wholly-owned by David Deitz, a director of the parent entity.

| CONSOLIDATED | |
|--------------|---------|
| 2012 | 2011 |
| \$ | \$ |
| 63,800 | 197,047 |
| 48,333 | 3,333 |
| 22,295 | 22,618 |

Terms and conditions

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



| | PARENT | |
|---|--------------|--------------|
| | 2012 | 2011 |
| | \$ | \$ |
| Note 34: Parent entity information | | |
| Set out below is the supplementary information about the parent entity. | | |
| Statement of comprehensive income | | |
| Loss after income tax | (2,004,484) | (1,042,344) |
| Total comprehensive income | (2,004,484) | (1,042,344) |
| Statement of financial position | | |
| Total current assets | 3,735,697 | 5,306,801 |
| Total assets | 5,389,551 | 7,029,950 |
| Total current liabilities | 100,594 | 169,428 |
| Total liabilities | 100,593 | 169,427 |
| Equity | | |
| Contributed equity | 21,294,326 | 20,928,726 |
| Capital profits reserve | 284,828 | 284,828 |
| Share-based payments reserve | 472,263 | 404,944 |
| Accumulated losses | (16,762,459) | (14,757,975) |
| Total equity | 5,288,958 | 6,860,523 |
| Guarantees entered into by the parent entity in relation to the debts of its subsidiaries | | |
| The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2012 and 30 June 2011. | | |
| Contingent liabilities | | |
| Guarantees entered into by the parent entity in relation to the debts of its associate are: | | |
| Bank guarantees | – | 1,050,000 |

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2012 and 30 June 2011.

Significant accounting policies

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

- Investments in subsidiaries are accounted for at cost, less any impairment.
- Investments in associates are accounted for at cost, less any impairment.



Note 35: Business combinations

Moreton Coal Pty Limited (comparative period)

On 14 October 2010 Echidna Coal Pty Limited, a wholly owned subsidiary of Mineral & Coal Investments Pty Limited, acquired 100% of the ordinary shares of Moreton Coal Pty Limited. The purchase price for the shares is a royalty amounting to 4% of the net amount received by the buyer for coal sold.

Details of the acquisition are as follows:

| | Acquiree's carrying amount | Fair value |
|--|----------------------------|------------|
| | \$ | \$ |
| Other current assets | 12,166 | 12,166 |
| Exploration and evaluation | 210,324 | 210,324 |
| Other loans | (184,380) | – |
| Net assets acquired | 38,110 | 222,490 |
| Goodwill | | – |
| Acquisition-date fair value of the total consideration transferred | | 222,490 |

Note 36: Subsidiaries

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

| Name of entity | Country of incorporation | EQUITY HOLDING | |
|---|--------------------------|----------------|--------|
| | | 2012 | 2011 |
| | | % | % |
| Rondav Pty Limited | Australia | 100.00 | 100.00 |
| Claymor Resources Pty Limited | Australia | 100.00 | 100.00 |
| Telephony Associates Pty Limited | Australia | 82.00 | 82.00 |
| Gullewa Geothermal Pty Limited | Australia | 100.00 | 100.00 |
| York Corporate Pty Limited | Australia | 100.00 | 100.00 |
| Hydromining Coal Australia Pty Limited | Australia | 80.00 | 80.00 |
| Cauldron Geothermal Pty Limited | Australia | 100.00 | 100.00 |
| Canton Property Pty Limited | Australia | 60.00 | 60.00 |
| Windora Exploration Pty Limited | Australia | 100.00 | 100.00 |
| Goonoo Exploration Pty Limited | Australia | 100.00 | 100.00 |
| Narwonah Pty Limited | Australia | 100.00 | 100.00 |
| New Italy Resources Pty Limited | Australia | 100.00 | 100.00 |
| Thedal Pty Limited | Australia | 100.00 | 100.00 |
| Minyan Pty Ltd | Australia | 100.00 | 100.00 |
| Mummulgum Exploration Pty Ltd | Australia | 100.00 | 100.00 |
| Brooklyn Bay Pty Limited | Australia | 100.00 | 100.00 |
| Wymble Pty Limited | Australia | 100.00 | 100.00 |
| Allegiance Coal Limited * | Australia | 57.86 | 80.00 |
| Mineral & Coal Investments Pty Limited ** | Australia | 57.86 | 80.00 |
| Echidna Coal Pty Limited ** | Australia | 57.86 | 80.00 |
| Moreton Coal Pty Limited ** | Australia | 57.86 | 80.00 |

* Allegiance Coal Limited (previously Allegiance Coal Pty Limited) was listed on the ASX on 29 May 2012 and raised additional capital both pre IPO and on IPO, effectively reducing Gullewa's shareholding to 57.86% (refer Note 25).

** Effective from 13 April 2012 these entities are subsidiaries of Allegiance Coal Limited (ASX: AHQ).



Note 37: Investments in associates

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

| Associate | Principal activities | CONSOLIDATED | |
|--------------------------|----------------------|---------------------|-------|
| | | Percentage Interest | |
| | | 2012 | 2011 |
| | | % | % |
| Our Field Pty Limited * | Property development | 50.00 | 50.00 |
| Central Iron Ore Limited | Mineral extraction | 36.10 | 36.10 |

* The shares in Our Field Pty Limited are held by David Deitz (Chief Executive Officer) on behalf of Gullewa Limited.

Information relating to the associates is set out below:

| | CONSOLIDATED | |
|--|--------------|-----------|
| | 2012 | 2011 |
| | \$ | \$ |
| Share of assets and liabilities | | |
| Assets (current and non-current) – Our Field Pty Limited | – | 1,409,770 |
| Assets (current and non-current) – Central Iron Ore Limited | 1,881,032 | 2,398,921 |
| Total assets | 1,881,032 | 3,808,691 |
| Liabilities (current and non-current) – Our Field Pty Limited | – | 1,101,684 |
| Liabilities (current and non-current) – Central Iron Ore Limited | 39,737 | 117,202 |
| Total liabilities | 39,737 | 1,218,886 |
| Net assets | 1,841,295 | 2,589,805 |
| Share of revenue, expenses and results | | |
| Revenue – Our Field Pty Limited | 1,364,612 | 40,000 |
| Expenses – Our Field Pty Limited | (1,806,542) | (35,559) |
| Revenue – Central Iron Ore Limited | 95,159 | 21,846 |
| Expenses – Central Iron Ore Limited | (559,928) | (187,698) |
| Income tax benefit/(expense) | 131,485 | (62,648) |
| Loss after income tax | (775,214) | (224,059) |

Note 38: Events after the reporting period

Subsequent to the end of the financial year, contracts have been exchanged for lots C and D on the property at 123 Pennant Hills Road, Normanhurst and their cost will be recovered.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.



Note 39: Reconciliation of loss after income tax to net cash used in operating activities

| | CONSOLIDATED | |
|--|--------------|-------------|
| | 2012 | 2011 |
| | \$ | \$ |
| Loss after income tax (expense)/benefit for the year | (4,541,379) | (2,357,279) |
| Adjustments for: | | |
| Depreciation and amortisation | 35,803 | 28,935 |
| Net gain on disposal of investment property | (101,667) | – |
| Share-based payments | 142,919 | 353,413 |
| Profit on shares | – | (103,232) |
| Revaluation of shares | 81,451 | 113,293 |
| Interest received | (622,390) | (369,235) |
| Share of net losses of associates | 775,214 | 224,059 |
| Discount on consolidation | – | (196,259) |
| Change in operating assets and liabilities: | | |
| Decrease in trade and other receivables | 152,084 | 82,097 |
| Decrease in inventories | 681,279 | – |
| Increase in income tax refund due | – | (216,704) |
| Decrease/(increase) in deferred tax assets | 913,534 | (437,955) |
| Increase in trade and other payables | 140,302 | 310,220 |
| Net cash used in operating activities | (2,342,850) | (2,568,647) |

Note 40: Earnings per share

| | | |
|---|---------------|---------------|
| Loss after income tax | (4,541,379) | (2,357,279) |
| Non-controlling interest | 495,948 | 168,737 |
| Loss after income tax attributable to the owners of Gullewa Limited | (4,045,431) | (2,188,542) |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 147,887,035 | 140,788,974 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 147,887,035 | 140,788,974 |
| | Cents | Cents |
| Basic earnings per share | (2.735) | (1.554) |
| Diluted earnings per share | (2.735) | (1.554) |

12,255,000 (2011: 21,295,000) options are excluded from the above calculation as they would be antidilutive for the period.



Note 41: Share-based payments

Employee option plan

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

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

| Grant date | Expiry date | Exercise price | Balance at start of the year | Granted | Exercised | Expired/forfeited/other | Balance at end of the year |
|-------------|-------------|----------------|------------------------------|------------------|---------------------|-------------------------|----------------------------|
| 2012 | | | | | | | |
| 30/11/06 | 30/11/11 | \$0.073 | 10,340,000 | – | (4,000,000) | (6,340,000) | – |
| 08/12/09 | 30/11/14 | \$0.119 | 5,480,000 | – | – | – | 5,480,000 |
| 07/03/11 | 06/03/16 | \$0.223 | 4,475,000 | – | – | – | 4,475,000 |
| 16/05/11 | 15/05/16 | \$0.223 | 1,000,000 | – | – | – | 1,000,000 |
| 16/05/12 | 16/05/17 | \$0.100 | – | 1,300,000 | – | – | 1,300,000 |
| | | | 21,295,000 | 1,300,000 | (4,000,000) | (6,340,000) | 12,255,000 |
| 2011 | | | | | | | |
| 11/10/05 | 30/11/10 | \$0.033 | 12,256,756 | – | (12,256,756) | – | – |
| 30/11/06 | 30/11/11 | \$0.073 | 11,000,000 | – | (660,000) | – | 10,340,000 |
| 08/12/09 | 30/11/14 | \$0.119 | 5,480,000 | – | – | – | 5,480,000 |
| 07/03/11 | 06/03/16 | \$0.223 | – | 4,475,000 | – | – | 4,475,000 |
| 16/05/11 | 15/05/16 | \$0.223 | – | 1,000,000 | – | – | 1,000,000 |
| | | | 28,736,756 | 5,475,000 | (12,916,756) | – | 21,295,000 |

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.5 years (2011: 3.5 years).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|------------|-------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 16/05/12 | 16/05/17 | \$0.086 | \$0.100 | 63.69% | 0.00% | 4.75% | \$0.0373 |

Note 42: Retirement benefits

Superannuation commitments

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

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors



David Deitz
Director

12 September 2012

Sydney

Independent Auditor's Report

To the members of Gullewa Limited



Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Report on the Financial Report

We have audited the accompanying financial report of Gullewa Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 25 to 64.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

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

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited



Opinion

In our opinion:

- (a) the financial report of Gullewa Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 18 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Gullewa Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

Alfie Nehama
Partner
Chartered Accountants

Sydney, 12 September 2012

Shareholder Information

30 June 2012

The shareholder information set out below was applicable as at 1 October 2012.

Distribution of equitable securities

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

| | Number of holders of ordinary shares |
|---------------------------------------|--------------------------------------|
| 1 to 1,000 | 186 |
| 1,001 to 5,000 | 415 |
| 5,001 to 10,000 | 297 |
| 10,001 to 100,000 | 527 |
| 100,001 and over | 143 |
| | 1,568 |
| Holding less than a marketable parcel | 771 |

Equity security holders

Twenty largest quoted equity security holders

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

| | Ordinary Shares | |
|--|-------------------|--------------------------|
| | Number held | % of total shares issued |
| McNeil Nominees Pty Limited | 13,638,219 | 9.11 |
| Mr David Deitz | 9,509,896 | 6.35 |
| Fanchel Pty Ltd | 9,333,648 | 6.23 |
| Mr Anthony Howland-Rose | 6,421,233 | 4.29 |
| Mrs Judith Krasnjanski | 4,285,714 | 2.86 |
| Fezune Pty Ltd <The Reid Family S/F A/C> | 4,150,000 | 2.77 |
| Moshe Ambarchi & Nadine Ambarchi <Buline Superannuation A/C> | 4,000,000 | 2.67 |
| Whittingham Securities Pty Ltd | 4,000,000 | 2.67 |
| Howlandrose Holdings Pty Limited <Howlandrose Family A/C> | 3,932,227 | 2.63 |
| UBS Wealth Management Australia Nominees Pty Ltd | 3,482,143 | 2.33 |
| Rainidays Pty Ltd <Rainidays Super Fund A/C> | 3,000,000 | 2.00 |
| Mr Sholomo Thaler | 2,927,777 | 1.96 |
| Howlandrose Holdings Pty Limited | 2,845,018 | 1.90 |
| Ashecorp Pty Ltd <MD & DS Moss Super Fund A/C> | 2,770,000 | 1.85 |
| Mr Shlomo Thaler | 2,332,084 | 1.56 |
| Scomac Management Services Pty Ltd | 2,300,000 | 1.54 |
| Mr David Deitz | 2,214,022 | 1.48 |
| Mr Eddie Lee | 1,738,378 | 1.16 |
| Goldberg Super Pty Ltd <Goldberg Super A/C> | 1,600,000 | 1.07 |
| Mr Kenneth Joseph Hall & Mrs Mary Christine Hall <Hall Super Fund A/C> | 1,582,248 | 1.06 |
| | 86,062,607 | 57.48 |



Shareholder Information

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

Substantial holders in the company are set out below:

| | Ordinary Shares | |
|--|-----------------|--------------------------|
| | Number held | % of total shares issued |
| Mr David Deitz (including McNeil Nominees Pty Ltd, Rainidays Pty Ltd and Walkaround Pty Ltd) | 28,625,677 | 19.12 |
| Mr Anthony Howland-Rose (including Howlandrose Holdings Pty Ltd) | 13,198,478 | 8.82 |
| Fanchel Pty Ltd | 9,333,648 | 6.23 |

Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.

Schedule of Tenements and Mining Royalties

| New South Wales Tenement | Subsidiary | Location | Gullewa Interest | Area (Units) | Tenement Status |
|--------------------------|---------------------------|---|------------------|--------------|-----------------|
| GULLEWA LIMITED | | | | | |
| EL 7022 DANDALOO | Claymor Resources P/L | 20 km east of Tottenham; 60 km west of Narromine | 100% | 103 | Granted |
| EL 7259 NEVERTIRE | Claymor Resources P/L | 55 km south east of Nyngan; 65 km north west of Narromine | 100% | 45 | Granted |
| EL 7260 WARREN | Claymor Resources P/L | 40 km east of Nyngan | 100% | 48 | Granted |
| EL 7261 RED HILL | Claymor Resources P/L | 62 km east south east of Nyngan; 72 km north north west of Narromine | 100% | 44 | Granted |
| EL 7778 NARROMINE | Narwonah P/L | 20 km north west of Narromine | 100% | 100 | Granted |
| EL 7779 FARRENDALE | Narwonah P/L | 30 km south west of Narromine | 100% | 100 | Granted |
| EL 7780 BALLIMORE | Windora Exploration P/L | 44 km east of Dubbo | 100% | 100 | Granted |
| EL 7762 TALBRAGAR | Windora Exploration P/L | 28 km east north east of Dubbo | 100% | 100 | Granted |
| EL 7695 WONGARBON | Windora Exploration P/L | 10 km east of Dubbo | 100% | 100 | Granted |
| EL 7781 COMOBELLA | Windora Exploration P/L | 45 km south east of Dubbo | 100% | 26 | Granted |
| EL 7708 WOODENBONG | Mummulgum Exploration P/L | 70 km north west of Casino | 100% | 100 | Granted |
| EL 7709 GORDONBROOK | Mummulgum Exploration P/L | 35 km north north west of Grafton | 100% | 100 | Granted |
| EL 7710 BONALBO | Mummulgum Exploration P/L | 30 km west north west of Casino | 100% | 100 | Granted |
| EL 7716 NEW ITALY | New Italy Resources P/L | 35 km south east of Casino | 100% | 88 | Granted |

| Tasmania Tenement | Subsidiary | Location | Gullewa Interest | Area (km ²) | Tenement Status |
|-------------------|------------------------|-----------------------|------------------|-------------------------|-----------------|
| SEL 9/2009 | Gullewa Geothermal P/L | 40 km south of Burnie | 100% | 3,028 | Granted |

| Queensland Tenement | Subsidiary | Location | Gullewa Interest | Area (Units) | Tenement Status |
|---|--------------------------------|---|------------------|--------------|-----------------|
| ALLEGIANCE COAL LIMITED (Gullewa 57.75%) | | | | | |
| EPC 1926 CONNEMARRA | Mineral & Coal Investments P/L | 27 km north west of Springsure | 57.75% | 40 | Renewal Pending |
| EPC 1927 BACK CREEK | Mineral & Coal Investments P/L | 40 km north east of Miles; 40 km south east of Wandoan | 57.75% | 20 | Granted |
| EPC 1298 KILMAIN | Mineral & Coal Investments P/L | 43 km east of Springsure | 57.75% | 16 | Renewal Pending |
| EPC 1492 TOWNSVILLE | Mineral & Coal Investments P/L | adjacent to Townsville | 57.75% | 152 | Granted |
| EPC 1617 TOWNSVILLE EXTENDED | Mineral & Coal Investments P/L | 35 km south south east of Townsville | 57.75% | 65 | Granted |
| EPC 1631 CALEN SOUTH | Mineral & Coal Investments P/L | 30 km west north west of Mackay | 57.75% | 52 | Granted |
| EPC 1672 LOCHABER | Mineral & Coal Investments P/L | 60 km south of Monto | 57.75% | 47 | Granted |
| EPC 1820 BOLDON | Mineral & Coal Investments P/L | 25 km west of Mackay | 57.75% | 17 | Granted |
| EPC 1874 NORMANBY | Mineral & Coal Investments P/L | 40 km south west of Cooktown | 57.75% | 86 | Granted |
| EPC 1875 PINETREE | Mineral & Coal Investments P/L | 110 km west of Cooktown | 57.75% | 217 | Granted |
| EPC 1917 KILMAIN SOUTH | Mineral & Coal Investments P/L | 46 km east south east of Springsure | 57.75% | 2 | Granted |



Schedule of Tenements

| Queensland Tenement | Subsidiary | Location | Gullewa Interest | Area (Units) | Tenement Status |
|----------------------|--------------------------------|---|------------------|--------------|-----------------|
| EPC 2278 CEDAR CREEK | Mineral & Coal Investments P/L | 30 km north west of Injune | 57.75% | 12 | Granted |
| EPC 2309 MOBS CREEK | Mineral & Coal Investments P/L | 27 km east north east of Dalby | 57.75% | 28 | Granted |
| EPCA 2374 MT MARROW | Mineral & Coal Investments P/L | 12 km north west of Amberley | 57.75% | 30 | Application |
| MDL 138 MINTOVALE | Moreton Coal P/L | 16 km south south west of Boonah; 59 km east north east of Warwick | 57.75% | 244.6 Ha | Granted |

| Western Australia Tenement | Subsidiary | Location | CIO Interest | Area (Units) | Tenement Status |
|----------------------------|------------|----------|--------------|--------------|-----------------|
|----------------------------|------------|----------|--------------|--------------|-----------------|

CENTRAL IRON ORE LIMITED (Gullewa 36.1%)

| | | | | | |
|-------------------------|--------------------------------|----------------------------------|-------------|--------|---------|
| E30/414 WALLING ROCK | Central West Resources Pty Ltd | 85 km west of Menzies | 100% | 93 | Granted |
| E30/415 PERINVALE S | Central West Resources Pty Ltd | 82 km south west of Menzies | 100% | 93 | Granted |
| P30/1084 P S EXTENSION | Central Iron Ore Limited | 98 km north of Leonora | 100% | 1 | Granted |
| E57/818 PERINVALE N | Central West Resources Pty Ltd | 170 km northwest of Leonora | 100% | 120 | Granted |
| E77/1820 WINDARLING W | Central West Resources Pty Ltd | 132 km north of Southern Cross | 100% | 12 | Granted |
| E77/1737 WINDARLING E | Central West Resources Pty Ltd | 57 km west south west of Menzies | 100% | 42 | Granted |
| E17/1749 DIEMALS N | Central West Resources Pty Ltd | 148 km west of Menzies | 100% | 111 | Granted |
| E77/1757 DIEMALS FAR E | Central West Resources Pty Ltd | 133 km west of Menzies | 100% | 114 | Granted |
| E77/1758 JOHNSON N | Central West Resources Pty Ltd | 132 km north of Southern Cross | 100% | 39 | Granted |
| E77/1840 DIEMALS FAR SE | Central Iron Ore Limited | 130 km west of Menzies | 100% | 27 | Pending |
| E37/882 SOUTH DARLOT | Central Iron Ore Limited | 100 km north of Leonora | 100% | 141 | Granted |
| E37/1054 SOUTH DARLOT | Central Iron Ore Limited | 100 km north of Leonora | 100% | 33 | Pending |
| E37/1085 SOUTH DARLOT | Central Iron Ore Limited | 100 km north of Leonora | 100% | 24 | Pending |
| E37/1086 SOUTH DARLOT | Central Iron Ore Limited | 100 km north of Leonora | 100% | 3 | Pending |
| E37/1106 SOUTH DARLOT | Central Iron Ore Limited | 100 km north of Leonora | 100% | 123 | Pending |
| M37/30 BRITISH KING | Central Iron Ore Limited | 100 km north of Leonora | 100% | 0.1 | Granted |
| P37/7026 BRITISH KING | Central Iron Ore Limited | 100 km north of Leonora | 100% | 0.1 | Granted |
| M37/421 BARRICK JV | Barrick (Darlot) NL | 100 km north of Leonora | Earning 51% | 381 | Granted |
| M37/552 BARRICK JV | Barrick (Darlot) NL | 100 km north of Leonora | Earning 51% | 200 | Granted |
| M37/631 BARRICK JV | Barrick (Darlot) NL | 100 km north of Leonora | Earning 51% | 776 | Granted |
| M37/632 BARRICK JV | Barrick (Darlot) NL | 100 km north of Leonora | Earning 51% | 595 | Granted |
| M37/709 BARRICK JV | Barrick (Darlot) NL | 100 km north of Leonora | Earning 51% | 98 | Granted |
| M37/1045 BARRICK JV | Barrick (Plutonic) Limited | 100 km north of Leonora | Earning 51% | 90 | Granted |
| P37/7364 BARRICK JV | Barrick (Darlot) NL | 100 km north of Leonora | Earning 51% | 197 | Granted |
| P37/7365 BARRICK JV | Barrick (Darlot) NL | 100 km north of Leonora | Earning 51% | 200 | Granted |
| P37/7366 BARRICK JV | Barrick (Darlot) NL | 100 km north of Leonora | Earning 51% | 113 | Granted |
| P37/7367 BARRICK JV | Barrick (Darlot) NL | 100 km north of Leonora | Earning 51% | 45 | Granted |
| M24/189 EUREKA GOLD | Central Iron Ore Limited | 50 km north of Kalgoorlie | 100% | 218.15 | Granted |
| M24/584 EUREKA GOLD | Central Iron Ore Limited | 50 km north of Kalgoorlie | 100% | 110.5 | Granted |
| M24/585 EUREKA GOLD | Central Iron Ore Limited | 50 km north of Kalgoorlie | 100% | 104.5 | Granted |
| M24/586 EUREKA GOLD | Central Iron Ore Limited | 50 km north of Kalgoorlie | 100% | 130 | Granted |

| 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).



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