



**GULLEWA LIMITED**

A  
S  
X  
  
R  
e  
l  
e  
a  
s  
e

## **Gullewa Consolidated Interim Report - December 2012**

Please find attached Gullewa Limited's (Gullewa) Consolidated Interim Report for December 2012.

This report includes the Consolidated Accounts of Gullewa Limited and Allegiance Coal Limited.

**AW Howland-Rose**

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

**Chairman**

For any enquiries : Tony Howland-Rose      02 9397 7555  
0418 972 112

13 March, 2013

ASX Code : GUL

ABN 30 007 547 480  
Level 8  
49-51 York Street  
Sydney NSW 2000  
Australia

Tele : +61 2 9397 7555  
Fax : +61 2 9397 7575

[www.gullewa.com](http://www.gullewa.com)  
[info@gullewa.com](mailto:info@gullewa.com)

**Gullewa Limited**

**ABN 30 007 547 480**

**Interim Report - 31 December 2012**

**Gullewa Limited**  
**Corporate directory**  
**31 December 2012**

Directors	Anthony Howland-Rose - Chairman David Deitz Eddie Lee
Company secretary	Graham Hurwitz
Registered office	Level 8, 49-51 York Street Sydney NSW 2000 Tel: +61 2 9397 7555 Fax: +61 2 9397 7575
Principal place of business	Level 8, 49-51 York Street Sydney NSW 2000
Share register	Computershare Investor Services Pty Limited Level 2, Reserve Bank Building 45 St George's Terrace Perth WA 6000 Tel: 1300 787 272
Auditor	Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney NSW 2000
Solicitors	Cardinals Ground Floor 57 Havelock Street West Perth WA 6872
Bankers	National Australia Bank 255 George Street Sydney NSW 2000
Stock exchange listing	Gullewa Limited shares are listed on the Australian Securities Exchange (ASX code: GUL)  Home exchange is in Perth
Website	<a href="http://www.gullewa.com">www.gullewa.com</a>

**Gullewa Limited  
Directors' report  
31 December 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 half-year ended 31 December 2012.

**Directors**

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

Anthony Howland-Rose - Chairman  
David Deitz  
Eddie Lee  
David Atkinson (resigned on 19 October 2012)

**Principal activities**

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

**Review of operations**

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$1,275,124 (31 December 2011: \$1,426,255).

***Gullewa Limited ('Gullewa')***

*Minerals*

Through its wholly-owned subsidiaries, Gullewa holds 14 mineral exploration licences in New South Wales. 10 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.

Drilling of two holes at Dandaloo, west of Narromine in central NSW, was completed by the company before 31 December 2012. The drilling is part of a 5 hole program to test soil geoelectrochemical anomalies previously identified using IONEX technology. This technology is being used in an attempt to identify economic concentrations of gold and copper buried beneath deep younger cover. The results are expected to be available towards the end of the March Quarter 2013.

*Property*

The sale of lots 3 and 4 on Pennant Hills Road, Normanhurst was settled for \$660,000.

Contracts were exchanged on Yanko Road, West Pymble and the company received a deposit of \$47,500.

***Allegiance Coal Limited ('Allegiance') - Gullewa has 57.86% holding***

At the end of the period Allegiance posted a Maiden Resource compliant with the JORC Code.

A 98 Mt Inferred JORC Resource was reported for the Back Creek Project in the Surat Basin following on from the completion of stage 2 drilling.

Allegiance was notified of the grant of the Mt Marrow tenement with potential to bring the project into production in near term.

Continuing attention has been given to reducing operating costs during the period.

*Back Creek Project*

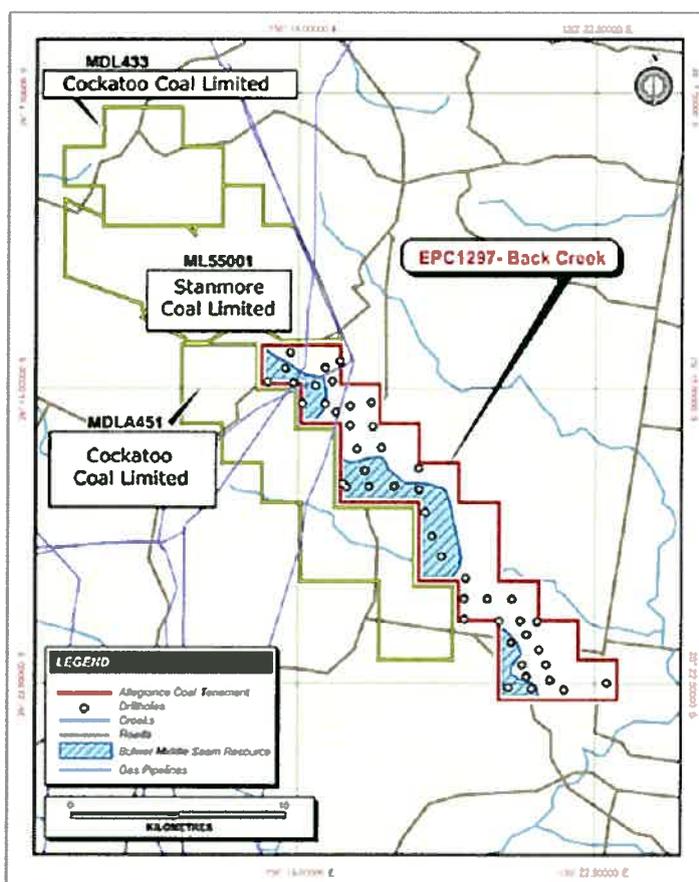
Stage 2 drilling within Back Creek included the drilling of 27 non-cored and 4 partially diamond drill cored holes and was completed in the first half of the period inspite of a period of wet weather.

The data package generated from Allegiance's two stages of drilling, plus the coal quality data generated from Stage 2 coal cores, as well as data from Cockatoo Coal Limited and Stanmore Coal Limited on their adjacent tenements, provided sufficient data to allow the Reporting of an Inferred Resource of 98 Mt\* compliant with the JORC Code.

The Resource Report was prepared by Runge Limited (now RungePincockMinarco Limited), an independent mining advisory and geological consultant group.

The Inferred Resource significantly exceeded the previous target of 60-80 Mt\*\*.

Allegiance anticipates that further drilling will expand Back Creek's Inferred Resource figure.



*At Back Creek the consolidated entity's 98 Mt of Inferred Resources of shallow, open cut low ash thermal coal are located in the central and southern portions of the tenement - Plan 1.*

**Gullewa Limited**  
**Directors' report**  
**31 December 2012**

*Kilmain Project*

Coal quality data obtained from the earlier drilling of three holes within the tenement demonstrated that a coking fraction exists within the Aries and conjoined Castor /Pollux seams intersected in the drill holes.

Planning for crossing the Comet River to undertake drilling on the south eastern portion of the tenement continued. The continuing high flow rates in the river and steep river banks are providing significant challenges to commencement of drilling.

A data swap arrangement with neighbour Bandanna Energy on their Arcturus and Springsure Creek projects concluded during the previous quarter and enabled the flow of data to commence. Detailed coal quality information from this data along with that from our 3 cored holes will enable an Indicative Typical Coal Specification to be developed.

The Kilmain Project has potential for an underground deposit of coking/thermal coal within the Rangal Coal Measures and has an initial exploration target of 100-200 Mt of coal\*\*.

*Mintovale Project*

Consideration was given as to potential coal preparation and transport routes and methodologies.

Meanwhile the Queensland Government is yet to advise of a mooted ban on future mining within the Scenic Rim Shire.

There were no field activities conducted during the quarter.

Potential exists for Mintovale to be a small open cut direct shipping thermal coal project with transport by road and rail to the Port of Brisbane.

*Connemarra Project*

Three drill holes, each to a depth of 120m, were drilled within the Connemarra project area during the period to test for possible open cut depths coal. None of the holes intersected coal. The potential for coal at greater depths and suitable for underground mining will form part of a further review of the geology of the tenement.

Allegiance considers that the Connemarra Project EPC1296 remains a speculative exploration area.

*Calen Project*

During the Quarter, Allegiance continued negotiations for a potential farm-out with an adjacent tenement holder.

The Calen Project, EPC 1631 and EPC 1820, has potential for underground PCI coal deposits.

*Lochaber*

There were no field activities undertaken during the period.

Allegiance, as a member of the North Burnett Mineral Group, has been considering road/rail transport options for bulk commodities from the North Burnett region which includes the Lochaber tenement.

The Lochaber project has potential for open pit thermal coal deposits.

*Townsville*

Further consideration was given to a future drilling program following the reported presence of coal in water bores to the east of the project area.

Negotiations continued with adjoining tenement applicant regarding data swap and cooperation on future airborne geophysical exploration.

The Townsville Project, EPC 1492 and EPC 1617, has potential for open pit and underground thermal coal deposits.

**Gullewa Limited**  
**Directors' report**  
**31 December 2012**

*Pinetree*

Negotiation for an access agreement is continuing.

The Pinetree Project EPC 1875 has potential for open pit and underground coal deposits.

*Normanby*

Allegiance completed access arrangements for field mapping.

Field mapping took place with delineation of a section of the Permian Normanby Formation identified within the tenement. The structurally deformed nature of the strata, where exposed, confirms that should any coal in the area be found, it may be anthracitic in nature. Future exploration will include the use of geophysical techniques to delineate the edge of the narrow zone of coal measures under cover.

The Normanby Project has potential for open pit and underground coal deposits.

*Cedar Creek*

The potential for development of a gasification project based on the Cedar Creek deposit and adjacent tenements was given further consideration during the period with potential participants and end users being identified and approached.

*Mobs Creek*

The review of available geological data within and adjacent to the Mobs Creek tenement continued during the period.

A review of the soils associated within the tenement has defined an area where strategic cropping issues may be minimised and delineated a potential exploration target area.

The Mobs Creek Project EPC 2309 has potential for an open pit thermal coal deposit.

*Mt Marrow*

Allegiance was notified of the grant of the Mt Marrow area EPCA2374 which is located within the West Moreton coalfield west of Ipswich.

The area hosts sequences from the Walloon Coal Measures and the company is targeting shallow open cut coal.

There are numerous parameters which make this tenement very significant: its proximity to existing rail infrastructure (only 90km from Port of Brisbane); Walloon coal is export quality thermal coal with low sulphur and low nitrogen; potential near term producer; and most importantly low capital cost.

Allegiance was able to gain access to data from some 200 drill holes (mainly cored) located in the West Moreton coalfields, drilled in the early 1950's, over 300 individual coal quality data sets and detailed core logs. Many of the cores are understood to be stored in the State Core Library.

The Mt Marrow Project EPCA2374 has potential to be a near term open pit thermal coal mine.

*Infrastructure*

Following actions initiated from the review of infrastructure needs for the two lead projects, Back Creek and Kilmain, Allegiance has reviewed what, if any, additional actions are needed at this time to ensure that infrastructure will be in place to enable a first coal production from both lead projects in 2017.

Having regard to uncertainties associated with the Surat Basin Rail project no action has been taken at this time in relation to securing rail and port capacity for the Back Creek Project.

In relation to Kilmain, the current underutilisation of existing rail and port capacity, together with the restrictive nature of take or pay contracts for new port capacity, has caused Allegiance to defer any decision in relation to securing rail and port capacity for this project which is only 15 km from existing Rolleston rail line.

With the imminent granting of the prospective Mt Marrow project, the company has investigated alternative coal washing, stockpiling and train loading facilities within the West Moreton coalfield as well as potential for export through the Port of Brisbane.

*Environmental*

During the period, Allegiance engaged Environmental Licensing and Planning Pty Limited ('ELP') to undertake a review of the environmental factors and considerations in relation to the development of the two lead projects i.e. Back Creek and Kilmain. The recommendations from these reports remain under consideration by Allegiance.

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

*Iron Ore - Yilgarn Iron Ore Project Area*

CIO now has a total of 16 iron ore tenements covering 1,594 km<sup>2</sup> within the Yilgarn Iron Ore Province ('Yilgarn IOP') in Western Australia, of which ten tenements are granted and six tenements are pending applications. The main focus of iron ore exploration has been at the Pernivale South Iron Ore Hub.

2 HQ3 core holes were drilled at Perinvale South Iron Ore Hub (Walling Rock Project –E30/414) in August, 2012. The first hole, WRD001, was stepped off a short distance to the west from surface outcrop of banded iron formations and drilled vertically to intersect the formations at a shallow depth. The principal purpose of this hole was to confirm the dip angle of layering, and thereby assist in the planning of the second hole. WRD002 was drilled in the direction of dip, and intersected the banded iron formation at low angle, below the base of oxidation.

The aim of drilling was to provide CIO with samples for initial metallurgical test-work. The test-work is aimed at prioritising the various options for upgrading the magnetite ore by a combination of magnetic separation and screening. Results from this test-work are anticipated in the first quarter of 2013.

*Gold - South Darlot Gold Project (Western Australia)*

The South Darlot Gold Project area is approximately 320km northwest of Kalgoorlie and includes:

- The British King Mine which is 100% owned by the Company and NI43-101 compliant. The British King Mine is 5km southwest of Barrick Gold Corporation Limited's Darlot Mine. The British King Mine is currently under care and maintenance.
- 100% CIO owned tenement package covering 324km<sup>2</sup>.
- The Barrick JV tenements, in which CIO can earn an interest of up to 70%.

BM Geological Services was contracted by CIO to build and analyse the historical data provided from Barrick Gold Limited as part of the Joint Venture Agreement for the South Darlot Gold Project. The data consisted of 1,104 drill holes drilling some 44,635 metres. The dataset also included a vast array of geophysical data which included gravity and magnetics. Identified targets with a breakdown of the drill hole information are tabulated below. 24 Targets have been identified and prioritised from the data review.

**Gullewa Limited**  
**Directors' report**  
**31 December 2012**

*Endeavour Prospect*

The drilling at the Endeavour Prospect included 5 holes for resource definition, 2 holes for metallurgical test work and 1 diamond tail hole for geotechnical test work. A total of 554 metres were drilled at the Endeavour Prospect as part of this program. The highlights of the drill results include:

- 4m at 50.3 g/t Au including 1m at 158 g/t Au from 43m.
- 7m at 27.1g/t Au including 1m at 159 g/t Au from 46m.
- 4m at 23.2 g/t Au including 1m at 81.8 g/t Au from 28m.

The drill results confirm and extend the results from historical drilling while recent surface sampling and mapping infer further extensions. The significant historical results for the Endeavour Prospect were:

- 4m at 70.6 g/t Au from 36m.
- 8m at 23.6g/t Au from 34m.

*Mermaid Prospect*

The drilling at the Mermaid Prospect included 3 reverse circulation drill holes for resource definition, 2 holes for metallurgical test work and 1 diamond tail for geotechnical test work. A total of 463 metres will be drilled at the Mermaid Prospect as part of this program. The highlights of the drill results include:

- 3m at 1.8g/t Au including 1m at 3.8 g/t Au from 66m.
- 1m at 1.2 g/t Au from 57m.
- 1m at 1.6 g/t Au from 51m.
- 1m at 1.6 g/t Au from 56m.
- 1.35m at 1.9 g/t Au from 86.15m.

The drill results confirm the structure identified from historical drilling and recent surface sampling and mapping. The significant historical results for the Mermaid Prospect were:

- 5m at 348.9 g/t Au including 1m at 1510g/t Au from 79m.
- 3m at 13.0g/t Au from 11m.
- 4m at 13.0g/t Au from 7.9m.

*Emperor Structure Exploration Target*

On January 22, 2013 CIO announced an exploration target of 1.7 to 4.1 million tonnes at 5.0g/t to 11.5g/t Au (270,000 to 1,500,000 Oz of Au) on the Emperor structure at its South Darlot Gold Project. The exploration target was interpreted as a linear structure from historical gold workings, gold occurrences within historical drill holes, aeromagnetic and gravity geophysics as well as results from the company's recent drilling program.

The estimates of exploration target sizes mentioned in this announcement should not be misunderstood or misconstrued as estimates of mineral resources as defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"). The potential quantity and grade of the exploration targets are conceptual in nature and there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the determination of a mineral resource.

*Eureka Gold Project*

The Eureka Gold Project is approximately 50km north of Kalgoorlie in Western Australia and covers an area of 563 hectares. The Eureka Gold Project includes the Eureka open pit gold mine which is 100% owned by CIO and is NI43-101 compliant. The Eureka gold mine is currently under care and maintenance.

On 5 December 2011, CIO announced that it had entered into an agreement for the \$4 million sale of its Eureka Gold Project to Greenstone Minerals Pty Ltd ('Greenstone'). CIO and Greenstone are in negotiations to vary the agreement so that completion of the sale and purchase is extended, 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 by CIO for the sale and purchase (including any required TSXV approvals) have been obtained.

\* Allegiance Coal Limited ASX Announcement 26 November 2012

\*\* Exploration targets are conceptual in nature. They are used where there has been insufficient exploration undertaken to define a resource in accordance with the JORC Code, and it is uncertain if future exploration would result in the definition of resources in accordance with the JORC Code.

**Gullewa Limited**  
**Directors' report**  
**31 December 2012**

**Significant changes in the state of affairs**

During the period the property at 123 Pennant Hills Road, Normanhurst was sold.

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

**Auditor's independence declaration**

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

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

On behalf of the directors

A handwritten signature in black ink, appearing to read 'David Deitz', written over a horizontal line. The signature is stylized and cursive.

David Deitz  
Director

12 March 2013  
Sydney

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

12 March 2013

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 review of the financial statements of Gullewa Limited for the half year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



**Alfred Nehama**  
Partner  
Chartered Accountants

**Contents**

	Page
Financial report	
Statement of comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial statements	14
Directors' declaration	24
Independent auditor's review report to the members of Gullewa Limited	25

**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 March 2013. The directors have the power to amend and reissue the financial report.

**Gullewa Limited**  
**Statement of comprehensive income**  
**For the half-year ended 31 December 2012**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>	3	148,919	6,718
Other income	4	302,675	516,507
<b>Expenses</b>			
Administration expenses		(576,199)	(577,943)
Employee benefits expense	5	(963,670)	(929,169)
Depreciation and amortisation expense	5	(20,903)	(16,973)
Share of loss of associates accounted for using the equity method		(233,605)	(480,285)
Other expenses		(115,683)	(68,785)
Finance costs	5	<u>(44,588)</u>	<u>(43,366)</u>
<b>Loss before income tax expense</b>		(1,503,054)	(1,593,296)
Income tax expense		<u>-</u>	<u>-</u>
<b>Loss after income tax expense for the half-year</b>		(1,503,054)	(1,593,296)
Other comprehensive income for the half-year, net of tax		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the half-year</b>		<u>(1,503,054)</u>	<u>(1,593,296)</u>
Loss for the half-year is attributable to:			
Non-controlling interest		(227,930)	(167,041)
Owners of Gullewa Limited		<u>(1,275,124)</u>	<u>(1,426,255)</u>
		<u>(1,503,054)</u>	<u>(1,593,296)</u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(227,930)	(167,041)
Owners of Gullewa Limited		<u>(1,275,124)</u>	<u>(1,426,255)</u>
		<u>(1,503,054)</u>	<u>(1,593,296)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	17	(0.852)	(0.976)
Diluted earnings per share	17	(0.852)	(0.976)

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

**Gullewa Limited**  
**Statement of financial position**  
**As at 31 December 2012**

	<b>Consolidated</b>		
	<b>Note</b>	<b>31 Dec 2012</b>	<b>30 Jun 2012</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		7,517,798	9,182,853
Trade and other receivables		388,236	426,992
Inventories	6	936,111	1,595,725
Other financial assets		<u>227,674</u>	<u>255,104</u>
<b>Total current assets</b>		<u><b>9,069,819</b></u>	<u><b>11,460,674</b></u>
<b>Non-current assets</b>			
Investments accounted for using the equity method	7	669,217	902,822
Other financial assets		30,684	24,657
Property, plant and equipment		108,809	83,728
Intangibles		52,776	30,252
Exploration and evaluation	8	<u>5,267,015</u>	<u>4,510,261</u>
<b>Total non-current assets</b>		<u><b>6,128,501</b></u>	<u><b>5,551,720</b></u>
<b>Total assets</b>		<u><b>15,198,320</b></u>	<u><b>17,012,394</b></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	257,643	763,549
Borrowings		588,285	588,208
Provisions		<u>34,188</u>	<u>21,545</u>
<b>Total current liabilities</b>		<u><b>880,116</b></u>	<u><b>1,373,302</b></u>
<b>Non-current liabilities</b>			
Borrowings		<u>487,042</u>	<u>465,876</u>
<b>Total non-current liabilities</b>		<u><b>487,042</b></u>	<u><b>465,876</b></u>
<b>Total liabilities</b>		<u><b>1,367,158</b></u>	<u><b>1,839,178</b></u>
<b>Net assets</b>		<u><u><b>13,831,162</b></u></u>	<u><u><b>15,173,216</b></u></u>
<b>Equity</b>			
Issued capital		21,294,326	21,294,326
Reserves		1,020,506	859,506
Accumulated losses		<u>(10,755,941)</u>	<u>(9,480,817)</u>
Equity attributable to the owners of Gullewa Limited		<u>11,558,891</u>	<u>12,673,015</u>
Non-controlling interest	10	<u>2,272,271</u>	<u>2,500,201</u>
<b>Total equity</b>		<u><u><b>13,831,162</b></u></u>	<u><u><b>15,173,216</b></u></u>

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

**Gullewa Limited**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2012**

	Issued capital \$	Reserves \$	Accumulated losses \$	Non- controlling interest \$	Total equity \$
<b>Consolidated</b>					
Balance at 1 July 2011	20,928,726	861,988	(11,116,229)	1,803	10,676,288
Loss after income tax expense for the half-year	-	-	(1,426,255)	(167,041)	(1,593,296)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,426,255)	(167,041)	(1,593,296)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	-	-	-	2,500,000	2,500,000
Issue of shares on conversion of options	290,000	-	-	-	290,000
Share options	-	315,270	-	-	315,270
Transfer of options to shares	75,600	(75,600)	-	-	-
Difference arising on disposal of interest in Allegiance Coal Limited	-	-	2,647,928	(2,647,928)	-
Balance at 31 December 2011	<u>21,294,326</u>	<u>1,101,658</u>	<u>(9,894,556)</u>	<u>(313,166)</u>	<u>12,188,262</u>
	Issued capital \$	Reserves \$	Accumulated losses \$	Non- controlling interest \$	Total equity \$
<b>Consolidated</b>					
Balance at 1 July 2012	21,294,326	859,506	(9,480,817)	2,500,201	15,173,216
Loss after income tax expense for the half-year	-	-	(1,275,124)	(227,930)	(1,503,054)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,275,124)	(227,930)	(1,503,054)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	161,000	-	-	161,000
Balance at 31 December 2012	<u>21,294,326</u>	<u>1,020,506</u>	<u>(10,755,941)</u>	<u>2,272,271</u>	<u>13,831,162</u>

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

**Gullewa Limited**  
**Statement of cash flows**  
**For the half-year ended 31 December 2012**

	<b>Consolidated</b>	
	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees (inclusive of GST)	(1,390,007)	(1,551,436)
Interest received	169,844	489,660
Other revenue	77,885	6,718
Interest and other finance costs paid	(244)	(505)
	<u>                    </u>	<u>                    </u>
Net cash used in operating activities	<u>(1,142,522)</u>	<u>(1,055,563)</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(38,271)	(18,483)
Payments for intangibles	(30,237)	(5,857)
Payments for exploration and evaluation	(1,155,417)	(1,226,523)
Payments for other financial assets	(6,027)	(931)
Repayment of loan from associate	-	506,295
Proceeds from sale of investment property	707,342	760,000
Additions to non-current assets held-for-sale	-	(49,150)
Loans (to)/from related party	-	110,900
	<u>                    </u>	<u>                    </u>
Net cash from/(used in) investing activities	<u>(522,610)</u>	<u>76,251</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	290,000
Proceeds on disposal of partial interest in a subsidiary that does not involve loss on control	-	2,500,000
Repayment of bank loans	77	-
	<u>                    </u>	<u>                    </u>
Net cash from financing activities	<u>77</u>	<u>2,790,000</u>
Net increase/(decrease) in cash and cash equivalents	(1,665,055)	1,810,688
Cash and cash equivalents at the beginning of the financial half-year	<u>9,182,853</u>	<u>3,542,078</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>7,517,798</u></u>	<u><u>5,352,766</u></u>

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

## **Note 1. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2012 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

### **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.

The following amending Accounting Standards is most relevant to the consolidated entity:

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

The consolidated entity has applied AASB 2011-9 amendments from 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.

## **Note 2. 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*

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

Exploration and evaluation	The consolidated entity is involved in exploration and evaluation for minerals.
Property 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.

**Gullewa Limited**  
**Notes to the financial statements**  
**31 December 2012**

**Note 2. Operating segments (continued)**

*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.

*Operating segment information*

<b>Consolidated - 31 Dec 2012</b>	Exploration and evaluation \$	Property development \$	Investments \$	Intersegment eliminations/ unallocated \$	Total \$
<b>Revenue</b>					
Other revenue	104,425	81,112	48	266,009	451,594
<b>Total revenue</b>	<u>104,425</u>	<u>81,112</u>	<u>48</u>	<u>266,009</u>	<u>451,594</u>
<b>EBITDA</b>	<u>(518,991)</u>	<u>40,005</u>	<u>(621)</u>	<u>(1,127,800)</u>	(1,607,407)
Depreciation and amortisation					(20,903)
Interest income					169,844
Finance costs					<u>(44,588)</u>
<b>Loss before income tax expense</b>					(1,503,054)
Income tax expense					<u>-</u>
<b>Loss after income tax expense</b>					<u>(1,503,054)</u>
<b>Assets</b>					
Segment assets	9,648,876	903,284	1,845,014	2,801,146	15,198,320
<b>Total assets</b>	<u>9,648,876</u>	<u>903,284</u>	<u>1,845,014</u>	<u>2,801,146</u>	<u>15,198,320</u>
<b>Liabilities</b>					
Segment liabilities	762,713	588,285	-	16,160	1,367,158
<b>Total liabilities</b>	<u>762,713</u>	<u>588,285</u>	<u>-</u>	<u>16,160</u>	<u>1,367,158</u>

**Gullewa Limited**  
**Notes to the financial statements**  
**31 December 2012**

**Note 2. Operating segments (continued)**

	Exploration and evaluation \$	Property development \$	Investments \$	Intersegment eliminations/ unallocated \$	Total \$
<b>Consolidated - 31 Dec 2011</b>					
<b>Revenue</b>					
Other revenue	16,207	38,657	9,430	458,931	523,225
<b>Total revenue</b>	<u>16,207</u>	<u>38,657</u>	<u>9,430</u>	<u>458,931</u>	<u>523,225</u>
<b>EBITDA</b>					
	<u>(503,494)</u>	<u>(3,054)</u>	<u>(546)</u>	<u>(1,515,523)</u>	(2,022,617)
Depreciation and amortisation					(16,973)
Interest income					489,660
Finance costs					<u>(43,366)</u>
<b>Loss before income tax expense</b>					<u>(1,593,296)</u>
Income tax expense					-
<b>Loss after income tax expense</b>					<u>(1,593,296)</u>
<b>Consolidated - 30 Jun 2012</b>					
<b>Assets</b>					
Segment assets	10,484,086	1,616,896	913,586	3,997,826	17,012,394
<b>Total assets</b>					<u>17,012,394</u>
<i>Total assets includes:</i>					
Investments in associates	-	-	902,822	-	902,822
Acquisition of non-current assets	<u>2,308,707</u>	<u>-</u>	<u>67,639</u>	<u>-</u>	<u>2,376,346</u>
<b>Liabilities</b>					
Segment liabilities	1,149,201	589,383	-	100,594	1,839,178
<b>Total liabilities</b>					<u>1,839,178</u>

**Note 3. Revenue**

	<b>Consolidated</b>	
	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
	<b>\$</b>	<b>\$</b>
Commission	-	1,600
Consulting fees	129,214	-
Management fees	-	1,818
Rent	-	3,300
Other revenue	<u>19,705</u>	<u>-</u>
<b>Revenue</b>	<u>148,919</u>	<u>6,718</u>

**Gullewa Limited**  
**Notes to the financial statements**  
**31 December 2012**

**Note 4. Other income**

	<b>Consolidated</b>	
	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
	<b>\$</b>	<b>\$</b>
Net gain on disposal of investment property	74,651	26,847
Interest income	169,844	489,660
Research and development tax refund	58,180	-
	<u>302,675</u>	<u>516,507</u>

**Note 5. Expenses**

	<b>Consolidated</b>	
	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
	<b>\$</b>	<b>\$</b>
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	121	-
Plant and equipment	6,599	8,745
Motor vehicles	6,470	5,181
	<u>13,190</u>	<u>13,926</u>
<i>Amortisation</i>		
Computer software	7,713	2,537
Other intangibles	-	510
	<u>7,713</u>	<u>3,047</u>
Total depreciation and amortisation	<u>20,903</u>	<u>16,973</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	44,588	43,366
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	81,056	75,091
<i>Employee benefits expense</i>		
Defined contribution superannuation expense	34,987	30,421
Share-base payments expense	161,000	315,270
Other wages and salaries	767,683	583,478
	<u>963,670</u>	<u>929,169</u>

**Gullewa Limited**  
**Notes to the financial statements**  
**31 December 2012**

**Note 6. Current assets - inventories**

	<b>Consolidated</b>	
	<b>31 Dec 2012</b>	<b>30 Jun 2012</b>
	<b>\$</b>	<b>\$</b>
Property at Normanhurst	-	659,614
Property at West Pymble	936,111	936,111
	<u>936,111</u>	<u>1,595,725</u>

Contracts have been exchanged on Yanko Road, West Pymble and a deposit has been received. The property is due to be settled on 31 March 2013.

**Note 7. Non-current assets - investments accounted for using the equity method**

	<b>Consolidated</b>	
	<b>31 Dec 2012</b>	<b>30 Jun 2012</b>
	<b>\$</b>	<b>\$</b>
Investment in associates	<u>669,217</u>	<u>902,822</u>

Refer to note 15 for further information on investments in associates.

**Note 8. Non-current assets - exploration and evaluation**

	<b>Consolidated</b>	
	<b>31 Dec 2012</b>	<b>30 Jun 2012</b>
	<b>\$</b>	<b>\$</b>
Exploration, evaluation and development assets - at cost	<u>5,267,015</u>	<u>4,510,261</u>
	<u>5,267,015</u>	<u>4,510,261</u>
	<u>5,267,015</u>	<u>4,510,261</u>

*Reconciliations*

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

	Exploration, evaluation, development	Total
	\$	\$
<b>Consolidated</b>		
Balance at 1 July 2012	4,510,261	4,510,261
Additions	721,754	721,754
Transfer in	35,000	35,000
	<u>5,267,015</u>	<u>5,267,015</u>
Balance at 31 December 2012	<u>5,267,015</u>	<u>5,267,015</u>

**Gullewa Limited**  
**Notes to the financial statements**  
**31 December 2012**

**Note 9. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>31 Dec 2012</b>	<b>30 Jun 2012</b>
	<b>\$</b>	<b>\$</b>
Trade payables	111,028	603,872
Accrued expenses	34,374	88,928
Other payables	112,241	70,749
	<u>257,643</u>	<u>763,549</u>

**Note 10. Equity - non-controlling interest**

	<b>Consolidated</b>	
	<b>31 Dec 2012</b>	<b>30 Jun 2012</b>
	<b>\$</b>	<b>\$</b>
Contributed equity	8,625,388	8,625,388
Reserves	63,054	63,054
Accumulated losses	(6,416,171)	(6,188,241)
	<u>2,272,271</u>	<u>2,500,201</u>

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

**Note 11. Equity - dividends**

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

**Note 12. Contingent liabilities**

The consolidated entity had no contingent liabilities at 31 December 2012 or 30 June 2012.

**Note 13. Commitments**

	<b>Consolidated</b>	
	<b>31 Dec 2012</b>	<b>30 Jun 2012</b>
	<b>\$</b>	<b>\$</b>
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Intangible assets	<u>7,051,702</u>	<u>5,971,884</u>

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

**Gullewa Limited**  
**Notes to the financial statements**  
**31 December 2012**

**Note 14. Related party transactions**

*Parent entity*

Gullewa Limited is the parent entity.

*Associates*

Interests in associates are set out in note 15.

*Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
	\$	\$
Other transactions:		
Geological and geochemical fees paid to Interresources Pty Limited, a company wholly-owned by David Deitz, a director of the parent entity	51,971	-
Wages paid to Mendel Deitz, son of David Deitz, a director of the parent entity.	26,924	25,000
Directors fees paid to Anthony Howland-Rose, a director of the parent entity.	81,750	81,750
Directors fees paid to David Deitz, a director of the parent entity.	72,000	72,000
Directors fees paid to Eddie Lee, a director of the parent entity.	18,700	19,000
Directors fees paid to David Atkinson, a director of the parent entity	6,233	19,000

David Deitz has rights to a royalty over tenements EL7022, EL7259, EL7260 and EL7261 being:

- 1% Gold - Net Smelter Return; and
- 2% Base Metals - Net Smelter Return.

*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:

	<b>Consolidated</b>	
	<b>31 Dec 2012</b>	<b>30 Jun 2012</b>
	\$	\$
Current receivables:		
Loan to David Deitz, a director of the parent entity	10,228	5,059

*Terms and conditions*

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

**Gullewa Limited**  
**Notes to the financial statements**  
**31 December 2012**

**Note 15. Investments in associates**

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

<b>Associate</b>	<b>Principal activities</b>	<b>Consolidated Percentage interest</b>	
		<b>31 Dec 2012</b>	<b>30 Jun 2012</b>
		<b>%</b>	<b>%</b>
Our Field Pty Limited *	Dormant	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.

	<b>Consolidated</b>	
	<b>31 Dec 2012</b>	<b>30 Jun 2012</b>
	<b>\$</b>	<b>\$</b>
<i>Share of assets and liabilities</i>		
Assets (current and non-current) - Central Iron Ore Limited	<u>1,688,856</u>	<u>1,881,032</u>
Total assets	<u>1,688,856</u>	<u>1,881,032</u>
Liabilities (current and non-current) - Central Iron Ore Limited	<u>81,139</u>	<u>39,737</u>
Total liabilities	<u>81,139</u>	<u>39,737</u>
Net assets	<u><u>1,607,717</u></u>	<u><u>1,841,295</u></u>
<i>Share of revenue, expenses and results</i>		
Revenue - Our Field Pty Limited	-	1,364,612
Expenses - Our Field Pty Limited	-	(1,806,542)
Revenue - Central Iron Ore Limited	18,647	95,159
Expenses - Central Iron Ore Limited	<u>(252,252)</u>	<u>(559,928)</u>
Loss before income tax	(233,605)	(906,699)
Income tax benefit	-	<u>131,485</u>
Loss after income tax	<u>(233,605)</u>	<u>(775,214)</u>

**Gullewa Limited**  
**Notes to the financial statements**  
**31 December 2012**

**Note 16. Events after the reporting period**

On 15 January 2013 Allegiance Coal Limited ('Allegiance') entered into a Farm-In and Joint Venture Agreement between its wholly owned subsidiary Mineral & Coal Investments Pty Ltd ('MCI') and Square Exploration Pty Ltd ('Square'); with respect to MCI's tenements EPC 1631 and EPC 1820 and competing/secondary EPC applications 2154, 2634, 2698 and 2899. These tenements are in the Calen Basin which is some 45km north of Mackay.

Under the terms of the Agreement, Square is able to earn up to a 51% interest in the tenements through sole funding of Stage 1 exploration program expenditure including 3,000 metres of exploration drilling.

Square can earn an additional 24% interest through sole funding of Stage 2 exploration program expenditure including a pre-feasibility study.

Square can earn an additional 15% interest through sole funding of Stage 3 exploration program expenditure including a feasibility study.

If the Farm-In proceeds to completion of Stage 3, Allegiance will hold 10% of the joint venture.

No other matter or circumstance has arisen since 31 December 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 17. Earnings per share**

	<b>Consolidated</b>	
	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(1,503,054)	(1,593,296)
Non-controlling interest	<u>227,930</u>	<u>167,041</u>
Loss after income tax attributable to the owners of Gullewa Limited	<u>(1,275,124)</u>	<u>(1,426,255)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>149,723,100</u>	<u>146,070,926</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>149,723,100</u>	<u>146,070,926</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.852)	(0.976)
Diluted earnings per share	(0.852)	(0.976)

The consolidated entity had losses in both financial half-years. As a result, the shares from the assumed exercise of share options are not included in the calculation of earnings per share as their effect will be anti-dilutive.

**Note 18. Comparatives**

Comparative information for the half-year ended 31 December 2011 has been restated to be in-line with disclosure in the consolidated entity's annual report. This has only resulted in reclassification of expense items in the statement of comprehensive income.

**Gullewa Limited**  
**Directors' declaration**

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



David Deitz  
Director

12 March 2013  
Sydney

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

We have reviewed the accompanying half-year financial report of Gullewa Limited, which comprises the statement of financial position as at 31 December 2012, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 10 to 24.

### *Directors' Responsibility for the Half-Year Financial Report*

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

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Gullewa Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### *Auditor's Independence Declaration*

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

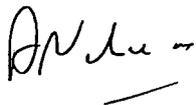
## *Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



**Alfred Nehama**  
Partner  
Chartered Accountants  
Sydney, 12 March 2013