

# **Gullewa Limited**

ACN 007 547 480  
ABN 30 007 547 480

## **Annual Report**

30 June 2002

## **REVIEW OF OPERATIONS**

### **GOLD ASSETS**

On 21 December 2001, King Solomon Mines Pty Ltd exercised the amended option to purchase the remaining gold tenements. The consideration was:

- (i) cash and refund of bonds totalling \$200,000.
- (ii) A first mortgage of \$583,000 over Deflector (ML 59/442) which contains 74,690 oz of Gold (indicated resource) to be repaid by a 10% gross royalty.
- (iii) A separate Gross Royalty of 1% on all production.

Until the first mortgage is repaid, Gullewa has a First Right of Refusal on all the assets. If the mortgage is not repaid in full by 31 December 2002, the gross royalty will increase to 2.5% and finally, if not repaid by 30 June 2003, Gullewa can buy back Deflector for \$25,000.

### **PROPERTY**

Gullewa (50%) and Melkonian Constructions Pty Ltd (50%) have entered into an option to acquire a large property in Rosedale Avenue, St Ives for a total consideration of \$1,400,000. The option fee of \$35,000 is in two stages and can be exercised any time up to December 2003.

We prepared a submission to the Department of Urban Affairs and Planning that our site be included in the area designated for medium density development which would increase the floor space ratio by approximately 50%.

In September, we received notification from Kuringai Council that our site was included in the initial rezone area.

The process is complex and subject to variation however, the initial hurdle has been overcome.

### **TELECOMMUNICATIONS**

We financed development of an IP telephone service and an Interactive Voice Response (IVR) bureau. However, the difficult market conditions make sales projections problematic and the projects are on hold.

### **INVESTMENTS**

We have made investments in several public listed companies.

**DAVID DEITZ**  
Chairman

**Gullewa Limited and Controlled Entities ACN 007 547 480**  
Financial Report – 30 June 2002

Contents

Company Particulars	2
Directors' Report	3
Corporate Governance	6
Statements of Financial Performance	7
Statements of Financial Position	8
Statements of Cash Flows	9
Notes to and Forming Part of the Financial Statements	10
Directors' Declaration	20
Independent Audit Report to the Members	21
Shareholder Information	22

## Company Particulars

<b>ABN</b>	30 007 547 480
<b>Directors</b>	D. Deitz <i>Chairman</i>  S.C. Everett  G.H. Steemson  E. Lee  A.W. Howland-Rose (Alternate for D. Deitz)
<b>Secretary</b>	S.J. Dick
<b>Registered office and principal place of business</b>	Level 11 Shaw House 49-51 York Street SYDNEY NSW 2000 Telephone: +61 2 9299 4366 Facsimile: +61 2 9299 1817 Email: <a href="mailto:info@gullewa.com">info@gullewa.com</a> Web Address: <a href="http://www.gullewa.com">http://www.gullewa.com</a>
<b>Share Registers</b>	<b>Computershare Registry Services Pty Limited</b> Level 2 Reserve Bank Building 45 St George's Terrace PERTH WA 6000 Telephone: +61 8 9323 2000 Facsimile: +61 8 9232 2033
<b>Auditor</b>	<b>Horwath Sydney Partnership</b> Level 10 1 Market Street SYDNEY NSW 2000 Telephone: +61 2 9372 0777 Facsimile: +61 2 9372 0606
<b>Solicitors</b>	<b>Blakiston &amp; Crabb</b> 1202 Hay Street WEST PERTH WA 6005
<b>Bankers</b>	<b>National Australia Bank</b> 255 George Street SYDNEY NSW 2000
<b>Stock Exchange Listings</b>	Gullewa Limited shares are listed on the Australian Stock Exchange.

## Directors' Report

Your directors present their report on the financial statements for the year ended 30 June 2002.

### Directors

The following persons held office as directors of Gullewa Limited at the date of this report:

D. Deitz  
S.C. Everett  
G.H. Steemson  
E. Lee  
A.W. Howland-Rose (Alternate for D. Deitz)

### Principal Activities

The principal activity of the economic entity during the financial year was investments in property, telecommunications, exploration and mining.

### Operating Results

The consolidated operating loss of the economic entity for the year was \$902,956 (2001: \$504,590). There was no provision for income tax. The consolidated operating loss includes diminution in listed investments of \$117,445 and write down of assets held for resale of \$450,148.

### Dividends

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

### Review of Operations

A review of the economic entity's operations during the financial year and the results of those operations are set out in the section entitled "Review of Operations" elsewhere in this report.

### Significant Changes in the State of Affairs

King Solomon Mines Pty Limited exercised the amended Second Option Agreement on 21 December 2001, and the sale of the remaining tenement interests held by Gullewa in the Yalgoo District was settled. The terms of the Second Option Agreement were varied as follows:

- (a) A cash payment of \$117,000 and release of obligations on mining tenements totalling \$83,000 settled on 21 December 2001.
- (b) A first mortgage over Deflector (ML 59/442) for \$583,000.
- (c) A royalty of 1% on all the tenements which increases to 2% if the first mortgage is not repaid by 31 December 2001.
- (d) An option to acquire Deflector for a total sum of \$25,000 if the first mortgage is not repaid by 30 June 2003 or there is any significant default on the mortgage.

### Events Subsequent to the End of the Financial Year

Since the end of the financial year, the directors are not aware of any matter or circumstances, that have significantly or may significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in subsequent financial years.

### Likely Developments

Likely future developments in the operations of the economic entity are referred to in the accompanying "Chairman's Letter" and "Review of Operations".

### Information on Directors

#### *David Deitz – Chairman*

B.Com, MAusIMM, CPA

### Experience

Appointed to the Board in July 1999. Mr Deitz, a Financial Accountant has had some ten years experience in the mineral exploration industry. He is also a Director of Allegiance Mining NL

### Interest in Shares and Options

5,000,000 options (unlisted and exercisable at 22 cents on or before 31 December 2002).

Mr Deitz is a Director of Allegiance Mining NL which is the holder of 19,722,374 shares.

Gullewa Limited and Controlled Entities

***Stephen C. Everett – Director***

BE (ChemEng)

**Experience**

Appointed to the Board in July 1999. Mr Everett has over 25 years experience in the resource and resource finance industries, in positions ranging from production and project management, to Managing Director/Chief Executive Officer in both public and private companies. Non-executive directorships included 3 years on the Board of Tasmanian Development and Resources.

**Interest in Shares and Options**

1,000,000 options (unlisted and exercisable at 22 cents on or before 31 December 2002).

***Gregory H. Steemson – Director***

BApp.Sc(Hons), MSc, FAusIMM, FAIG

**Experience**

Appointed to the Board in April 1997. Mr Steemson is a Geologist with over 20 years experience in mineral exploration in Australia. He has a strong background in all aspects of mineral exploration and development.

**Interest in Shares and Options**

750,000 options (unlisted and exercisable at 20 cents on or before 23 June 2003).

1,000,000 options (unlisted and exercisable at 22 cents on or before 31 December 2002).

***Eddie Lee – Director***

BE, BSc, DIP BDG SC

**Experience**

Appointed to the Board in October, 1999. Mr Lee has extensive background in corporate management and is the Australian representative of several substantial Asian investment and corporate groups. He is Chairman of Metroland Australia Limited and is also a Director of Allegiance Mining NL. Mr Lee has wide experience in the fields of civil engineering, finance, corporate management and mining.

**Interest in Shares and Options**

1,000,000 options (unlisted and exercisable at 22 cents on or before 31 December 2002).

Mr Lee is a Director of Allegiance Mining NL which is the holder of 19,722,374 shares.

***Anthony W. Howland-Rose – (Alternate for David Deitz)***

MSc, DIC, FIMM, FAusIMM, FAIG, FGS, CEng

Tony Howland-Rose is a qualified Geophysicist who has extensive experience in mining exploration and has contributed to many major discoveries in Australia including the Mt Windara and South Mr Keith (Cliffs Charterhall) nickel deposit in Western Australia, the Elura Lead Zinc Deposit in New South Wales and Sandy Flat Redbank Copper Project. His experience includes acting as Director and as Vice President of the listed Canadian Geophysical Services Company, Scintrex Limited and as Chairman and Managing Director of its local subsidiary Scintrex Pty Limited. Mr Howland-Rose is presently Chairman of Allegiance Mining NL.

**Interest in Shares and Options**

5,000,000 options (unlisted and exercisable at 22 cents on or before 31 December 2002).

Mr Howland-Rose is a Director of Allegiance Mining NL which is the holder of 19,722,374 shares.

Gullewa Limited and Controlled Entities

**Directors' and Executives' Emoluments**

Details of the nature and amount of each element of the emoluments of each director of Gullewa Limited and the consolidated entity receiving the highest emoluments are set out in the following table:

	<b>Fees and Salaries</b> \$	<b>Superannuation</b> \$	<b>Total</b> \$
<i>Directors of Gullewa Limited</i>			
Companies associated with Mr D. Deitz	47,500	-	47,500
Companies associated with Mr A.W. Howland Rose	55,000	-	55,000
Mr S.C. Everett	14,000	-	14,000
Mr E. Lee	Nil	-	Nil
Mr G.H. Steemson	15,645	1,000	15,645

*Other Executives of Gullewa Limited*

Companies associated with Mr S.J. Dick	17,408	-	17,408
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**Meeting of Directors**

During the financial year, 13 meetings of directors were held. Attendances were:

Dated at Sydney this 30th day of September 2002

Signed in accordance with a resolution of Directors:

**DAVID DEITZ**  
**DIRECTOR**

## **Corporate Governance**

The Board is responsible for the overall Corporate Governance of the Group (“the Group”) including the strategic direction, establishing goals for management and monitoring the achievement of these goals. The Board has also established a framework for the management of the Group including setting levels of remuneration for Executive Directors, Managers and senior personnel, an overall framework of internal control and the establishment of appropriate ethical standards.

The Board regularly reviews operational and financial performance and reviews and approves detailed budgets and investment opportunities. Being a small company at present, the Board works closely with executive management to identify and manage operational, financial and legislative risk.

### **Composition of the Board**

The Board comprises Directors with a broad range of expertise.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board selects a candidate or panel of candidates with the appropriate expertise and experience. The Board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders. The Company does not have a formal Nomination Committee.

### **Independent Professional Advice**

Each Director has the right to seek independent professional advice at the Group’s expense. However, prior approval of the Chairman is required, which may not be unreasonably withheld.

### **Remuneration**

Remuneration levels are set by the Board in accordance with industry standards to attract suitably qualified and experienced Directors and senior executives. The Board obtains independent advice on the appropriateness of remuneration packages.

### **Audit Committee**

The Company is not of a size which justifies having a separate audit committee, however, matters typically dealt with by such a committee are dealt with by the full Board of Directors.

### **Ethical Standards**

All Directors, Managers and employees are to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group.



## Statements of Financial Performance

For the year ended 30 June 2002

	Notes	Consolidated		Parent Entity	
		2002 \$	2001 \$	2002 \$	2001 \$
Revenue from ordinary activities	2	262,802	1,209,523	262,802	1,209,523
Expenses from ordinary activities	3	(1,165,758)	(1,714,113)	(1,165,758)	(1,714,113)
<b>Loss from ordinary activities before income tax expense</b>		<b>(902,956)</b>	<b>(504,590)</b>	<b>(902,956)</b>	<b>(504,590)</b>
Income tax expense		-	-	-	-
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>(902,956)</b>	<b>(504,590)</b>	<b>(902,956)</b>	<b>(504,590)</b>
Basic Loss per share (cents)	7	(0.9)	(0.5)	(0.9)	(0.5)
Diluted Loss per share (cents)	7	(0.9)	(0.5)	(0.9)	(0.5)

*The above statements of financial performance should be read in conjunction with the accompanying notes.*

**Statements of Financial Position**

As at 30 June 2002

	Notes	Consolidated		Parent Entity	
		2002	2001	2002	2001
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash assets	9	1,377,376	1,830,977	1,377,376	1,830,977
Receivables	10	44,189	18,406	44,189	18,406
Other financial assets	11	206,599	60,853	206,599	60,853
Other Current Assets	12	583,000	1,248,046	583,000	1,248,046
<b>Total Current Assets</b>		<b>2,211,164</b>	<b>3,158,282</b>	<b>2,211,164</b>	<b>3,158,282</b>
<b>Non-Current Assets</b>					
Receivables	13	-	83,000	-	83,000
Property, plant and equipment	15	14,282	1,650	14,282	1,650
<b>Total Non-Current Assets</b>		<b>14,282</b>	<b>84,650</b>	<b>14,282</b>	<b>84,650</b>
<b>Total Assets</b>		<b>2,225,446</b>	<b>3,242,932</b>	<b>2,225,446</b>	<b>3,242,932</b>
<b>Current Liabilities</b>					
Payables	16	111,116	142,646	111,116	142,646
Provisions	17	-	83,000	-	83,000
<b>Total Current Liabilities</b>		<b>111,116</b>	<b>225,646</b>	<b>111,116</b>	<b>225,646</b>
<b>Total Liabilities</b>		<b>111,116</b>	<b>225,646</b>	<b>111,116</b>	<b>225,646</b>
<b>Net Assets</b>		<b>2,114,330</b>	<b>3,017,286</b>	<b>2,114,330</b>	<b>3,017,286</b>
<b>Equity</b>					
Contributed equity	18	19,372,343	19,372,343	19,372,343	19,372,343
Reserves	19	284,828	284,828	284,828	284,828
Accumulated losses	19	(17,542,841)	(16,639,885)	(17,542,841)	(16,639,885)
<b>Total Equity</b>		<b>2,114,330</b>	<b>3,017,286</b>	<b>2,114,330</b>	<b>3,017,286</b>
Contingent liabilities	22				
Commitments for expenditure	21				

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

**Statements of Cash Flows**

For the year ended 30 June 2002

	Notes	Consolidated		Parent Entity	
		2002	2001	2002	2001
		\$	\$	\$	\$
<b>Cash Flows from Operating Activities</b>					
Receipts from customers		-	4,130	-	4,130
Payments to suppliers and employees		(418,759)	(610,334)	(386,863)	(610,334)
Other Payments		-	(7,663)	-	(7,663)
Interest received		56,132	93,304	56,132	93,304
<b>Net cash inflow from operating activities</b>	8(a)	<b>(362,627)</b>	<b>(520,563)</b>	<b>(330,731)</b>	<b>(520,563)</b>
<b>Cash Flows from Investing Activities</b>					
Payments for exploration expenditure		-	(87,979)	-	(87,979)
Payment for purchase of property, plant and equipment		(13,117)	(1,650)	(13,117)	(1,650)
Proceeds from sale of property, plant and equipment		198,815	478,008	198,815	478,008
Payment for purchase of investments		(318,589)	(215,896)	(318,589)	(88,282)
Proceeds from sale of investments		62,068	-	62,068	-
Proceeds from disposal of associated entity			320,000		320,000
Loans to controlled entities		-	-	(31,896)	(127,614)
Loans to associated entities		(25,329)	(285,014)	(25,329)	(285,014)
<b>Net cash outflow from investing activities</b>		<b>(96,152)</b>	<b>207,469</b>	<b>(128,048)</b>	<b>207,469</b>
<b>Cash Flows from Financing Activities</b>					
Proceeds from issues of options		-	314,091	-	314,091
Advances from related party		5,178	19,030	5,178	19,030
<b>Net cash inflow from financing activities</b>		<b>5,178</b>	<b>333,121</b>	<b>5,178</b>	<b>333,121</b>
<b>Net Increase (Decrease) in Cash Held</b>		<b>(453,601)</b>	<b>20,027</b>	<b>(453,601)</b>	<b>20,027</b>
Cash at the beginning of the financial year		1,830,977	1,810,950	1,830,977	1,810,950
<b>Cash at the End of the Financial Year</b>	9	<b>1,377,376</b>	<b>1,830,977</b>	<b>1,377,376</b>	<b>1,830,977</b>

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

## Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2002

### Note 1 Summary of Significant Accounting Policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

#### (a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Gullewa Limited as at 30 June 2002 and the results of all controlled entities for the year then ended. Gullewa Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during the financial year its results are included for that part of the year during which control existed.

#### (b) Depreciation

Depreciation is provided on all property, plant and equipment so as to write off assets progressively over their useful economic lives and is calculated on the prime cost method. The expected useful lives are as follows:

Motor vehicles	5 years
Plant and equipment	5 years

#### (c) Cash

For the purpose of the statement of cash flows, cash includes cash on hand and in call deposits with banks or financial institutions which are readily convertible to cash on hand and which are used in the cash management functions on a day to day basis, net of bank overdrafts.

#### (d) Earnings per share

##### (i) Basic Earnings per Share

Basic earnings per share is determined by dividing the profit/loss from ordinary activities of the company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

##### (ii) Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

#### (e) Income Tax

Tax effect accounting procedures are followed whereby income tax expense in the statement of financial performance is matched with the accounting profit/loss after allowing for permanent differences. The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at rates which are expected to apply when those timing differences reverse.

#### (f) Acquisition of Assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs incidental to the acquisition. Where shares are issued in an acquisition, the value of the shares is determined by reference to the fair value of the assets or net assets acquired, including goodwill or discount on acquisition where applicable.

**Note 2 Revenue from Ordinary Activities**

	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
<b>Revenue from operating activities</b>				
Interest received	56,131	93,304	56,131	93,304
Management fees	-	4,130	-	4,130
Share Trading	6,670		6,670	
	<b>62,802</b>	97,434	<b>62,802</b>	97,434
:				
<b>Revenue from outside the operating activities</b>				
Proceeds from the issue of options	-	314,081	-	314,081
Proceeds from sale of tenements	200,000	478,008	200,000	478,008
Proceeds from disposal of associated entity	-	320,000	-	320,000
	<b>200,000</b>	1,112,089	<b>200,000</b>	1,112,089
<b>Revenue from ordinary activities</b>	<b>262,802</b>	1,209,523	<b>262,802</b>	1,209,523

**Note 3 Expenses from Ordinary Activities**

**Loss from ordinary activities includes the following specific expenses:**

Employee benefits	149,553	69,182	149,553	69,182
Depreciation of motor vehicles, plant and equipment	485	-	485	-
Exploration and evaluation expenditure written off	6,085	36,272	6,085	36,272
Write down of assets held for resale	450,148	-	450,148	-
Carrying amount of property tenements sold	200,000	478,008	200,000	478,008
Carrying amount of investments in associate	-	477,614	-	477,614
Other expenses from ordinary activities	359,487	653,037	359,487	653,037
	<b>1,165,758</b>	1,714,113	<b>1,165,758</b>	1,714,113

**Note 4 Loss from Ordinary Activities**

	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
<b>(a) Loss from Ordinary Activities is arrived at after crediting and charging the following specific items:</b>				
(i) Charges				
Depreciation of:				
- motor vehicle, plant and equipment	485	-	485	-
Exploration and evaluation expenditure written off	6,085	36,272	6,085	36,272
Other provisions:				
- Net loss on disposal and write-off of property, plant and equipment	-	3,187	-	3,187
Provision for diminution in value of amounts receivable from controlled entities	-	-	22,510	-
Provision for diminution in listed investments	117,445	-	117,445	-
Loss on disposal of associate	-	91,237	-	-
Write down of assets held for resale	450,148	-	450,148	-
(ii) Credits				
Interest received from other persons	56,131	93,304	56,131	93,304
<b>(b) Operating Revenue</b>				
Sales revenue				
Other operating revenue				
- interest received	56,131	93,304	56,131	93,304
- management fees	-	4,130	-	4,130

**Note 5 Remuneration of Directors and Executives****(a) Directors' Remuneration**

Income paid or payable, or otherwise made available, to directors by entities in the economic entity and related parties

	<b>132,145</b>	137,750	<b>132,145</b>	137,750
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Gullewa Limited and Controlled Entities

Number of parent entity directors whose income from the parent entity or related parties was within the specified bands as follows:

	<b>2002</b>	<b>Number</b>	2001
\$0 - \$9,999	<b>1</b>		3
\$10,000 - \$19,999	<b>2</b>		
\$20,000 - \$29,999	<b>-</b>		1
\$40,000 - \$49,999	<b>1</b>		
\$50,000 - \$59,999	<b>1</b>		2

Included in the above are consulting fees paid in the normal course of business to firms of consultants of which Directors are principals.

The fees covered the provision of geological, management consulting and corporate secretarial services.

**(b) Executive Officers' Remuneration**

There was no executive officer remuneration apart from amounts totalling \$17,408 (2001: \$49,450) paid to entities associated to the company secretary for his services.

**Note 6 Auditors' Remuneration**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	\$	\$	\$	\$
Remuneration for audit or review of the financial reports of the parent entity or any entity in the economic entity:	<b>15,000</b>	24,535	<b>15,000</b>	24,535
Remuneration for other services	-	-	-	-
	<b>15,000</b>	24,535	<b>15,000</b>	24,535

**Note 7 Earnings Per Share**

	<b>2002</b>	2001
	<b>Cents</b>	Cents
<b>(a) Basic loss per share</b>	<b>(0.9)</b>	(0.5)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	<b>104,047,062</b>	104,047,062

**(b) Diluted Earnings Per Share**

Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share on the basis that options on issue are not considered to be potential ordinary shares that are dilutive due to the significant shortfall between the company's share price at balance date and the exercise prices of the options.

**Note 8 Cash Flow Information****(a) Reconciliation of Cash Flow from Operations**

	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Operating loss after income tax	<b>(452,808)</b>	(504,590)	<b>(452,808)</b>	(504,590)
Non-cash flows in operating loss:				
Depreciation	<b>485</b>	-	<b>485</b>	-
Write-off of capitalised exploration expenditure	-	81,172	-	81,172
Loss on disposal of associated entity	-	90,508	-	90,508
Write-off of investment—other	<b>131,066</b>	20,815	<b>131,066</b>	20,815
Provision for diminution in value of amounts receivable from controlled entities	-	-	<b>22,510</b>	157,614
Proceeds from issue of options	-	(314,091)	-	(314,091)
Provision for diminution in shares in associates	-	157,614	-	-
Changes in assets and liabilities:				
(Increase) in receivables	<b>(9,840)</b>	(11,820)	<b>(454)</b>	(11,820)
Decrease in other current assets	<b>83,000</b>	4,270	<b>83,000</b>	4,270
Decrease in trade creditors, accruals	<b>(114,530)</b>	(44,441)	<b>(114,530)</b>	(44,441)
Cash flows from operations	<b>(362,627)</b>	(520,563)	<b>(330,731)</b>	520,563

**Note 9 Current Assets – Cash**

	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Cash at bank and on hand	<b>1,377,376</b>	1,830,977	<b>1,377,376</b>	1,830,977
	<b>1,377,376</b>	1,830,977	<b>1,377,376</b>	1,830,977

**Note 10 Current Assets - Receivables**

	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Sundry debtors and deposits	<b>18,860</b>	18,406	<b>9,500</b>	18,406
Amounts receivable:				
- Telephony Associates Pty Ltd	-	-	<b>9,360</b>	-
- Our Field Pty Ltd	<b>25,329</b>	-	<b>25,329</b>	-
	<b>44,189</b>	18,406	<b>44,189</b>	18,406



**Note 11 Current Assets – Other Financial Assets**

	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
<b>Investments traded on organised markets</b>				
Shares in other corporations - at cost	324,044	60,853	324,044	60,853
Less:				
Provision for Diminution	117,445	-	117,445	-
	<u>206,599</u>	<u>60,853</u>	<u>206,599</u>	<u>60,853</u>

**Note 12 Current Assets – Other**

	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Investments	-	16,083	-	16,083
Amount receivable (1)	583,000	1,231,963	583,000	1,231,963
	<u>583,000</u>	<u>1,248,046</u>	<u>583,000</u>	<u>1,248,046</u>

- (a) In terms of the Sale Agreement for the Gullewa tenements, King Solomon Pty Ltd has agreed to pay royalties to Gullewa of 10% of the revenues derived from the Gullewa tenements up to a maximum of \$583,000 plus interest on the outstanding balance. The debt is secured by a mortgage of Mining Lease M59/442.

An additional royalty of 1% of the revenues derived from the Gullewa tenements is payable in consideration for the sale of the Gullewa tenements, which will increase to 2.5% if the first royalty is not extinguished by 31 December 2002.

**Note 13 Non Current Assets – Receivables**

	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Cash on deposit	-	83,000	-	83,000
Amounts receivable from controlled entity (unsecured)	-	-	-	539,062
	-	83,000	-	622,062
Less				
Provision for diminution in value of controlled entity	-	-	-	539,062
	<u>-</u>	<u>83,000</u>	<u>-</u>	<u>83,000</u>

**Note 14 Controlled Entities**

Name of Entity	Country of Incorporation	Class of Share	Equity holding		Cost of Parent Entity's investment	
			2002	2001	2002	2001
			%	%	\$	\$
Claymor Resources Pty Ltd	Australia	Ordinary	100	100	100,000	100,000
Less: provision for diminution					(100,000)	(100,000)
Telephony Associates Pty Ltd	Australia	Ordinary	70	55	-	-
					<u>-</u>	<u>-</u>

**Note 15 Non Current Assets – Property, Plant and Equipment**

	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Motor Vehicle:				
At Cost	13,117	-	13,117	-
Accumulated Depreciation	(361)	-	(361)	-
Plant and equipment:				
At cost	1,650	1,650	1,650	1,650
Accumulated depreciation	(124)	-	(124)	-
	<u>14,282</u>	<u>1,650</u>	<u>14,282</u>	<u>1,650</u>

**Note 16 Current Liabilities - Payables**

	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
<b>Current</b>				
Trade creditors and accruals	40,210	76,918	40,210	76,918
Advances from related party (unsecured)*	70,906	65,728	70,906	65,728
	<u>111,116</u>	<u>142,646</u>	<u>111,116</u>	<u>142,646</u>

\* non-interest bearing, repayable at call

**Note 17 Current liabilities - Provisions**

	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
<b>Current</b>				
Restoration and rehabilitation	-	83,000	-	83,000
	<u>-</u>	<u>83,000</u>	<u>-</u>	<u>83,000</u>

**Note 18 Contributed Equity**

	Parent Entity			
	2002 No	2001 No	2002 \$	2001 \$
<b>(a) Paid Up Capital</b>				
Ordinary shares – Fully paid	<b>104,047,062</b>	104,047,062	<b>19,372,343</b>	19,372,343
<b>(b) Options</b>				
	<b>Balance 1 July 2001</b>	<b>Additions</b>	<b>Exercised</b>	<b>Lapsed</b>
<b>(i) Listed options</b>	<b>24,059,412</b>			24,059,412
<b>(ii) Unlisted Options</b>				
The Parent Entity has on issue 14,250,000 (2001: 26,300,000) unlisted options to employees and directors and which are exercisable as follows:				
By the payment of \$0.20 at any time up to and including 23 June 2003	1,250,000	-	-	<b>1,250,000</b>
By the payment of \$0.20 at any time up to and including 30 September 2001	12,050,000	-	12,050,000	-
By the payment of \$0.22 at any time up to and including 31 December 2002	13,000,000	-	-	<b>13,000,000</b>
	<b>26,300,000</b>	-	-	<b>14,250,000</b>

**Note 19 Reserves and Accumulated Losses**

	Consolidated		Parent Entity	
	2002 \$	2001 \$	2002 \$	2001 \$
<b>(a) Capital Reserves</b>				
<b>Movements during the year:</b>				
Capital reserve				
Opening balance	<b>284,828</b>	284,828	<b>284,828</b>	284,828
Closing balance	<b>284,828</b>	284,828	<b>284,828</b>	284,828
<b>(b) Accumulated Losses</b>				
Opening balance	<b>(16,639,885)</b>	(16,135,295)	<b>(16,639,885)</b>	(16,135,295)
Net loss attributable to members of the parent entity	<b>(902,956)</b>	(504,590)	<b>(902,956)</b>	(504,590)
Closing balance	<b>(17,542,841)</b>	(16,639,885)	<b>(17,542,841)</b>	(16,639,885)

**Note 20 Financial Instruments**

The net fair value of financial assets and financial liabilities of the economic entity approximates their carrying value. The credit risk on financial assets of the economic entity which have been recognised in the balance sheet is the carrying amount, net of any provisions for doubtful debts. The economic entity's exposure to interest rate risk is limited to that earned on cash which is deposited at a weighted average interest rate of 5%. All other financial instruments are non-interest bearing.

Gullewa Limited and Controlled Entities

## **Note 21 Commitments for Expenditure**

Gullewa has no exploration commitments.

## **Note 22 Contingent Liabilities**

There were no contingent liabilities not provided for in the financial statements of the Consolidated Entity and the Parent Entity as at 30 June 2002.

## **Note 23 Statement of Operations by Segment**

The company has continued its investment in and investigation of property, IT and mining opportunities. The activities of these associated entities and the company were conducted solely within Australia.

## **Note 24 Related Party Transactions**

### **Directors**

The names of the persons who were directors of Gullewa Limited at any time during the financial year are as follows:

D. Deitz  
S.C. Everett  
G.H. Steemson  
E. Lee  
A.W. Howland-Rose (Alternate for D. Deitz)

### **Remuneration**

Information on remuneration of directors is disclosed in Note 5.

### **Other Transactions of Directors and Director-Related Entities**

The following transactions with directors and director-related entities occurred during the period on normal commercial terms and conditions:

- (a) fees for company consulting services were paid to two companies in which D. Deitz is a director and shareholder; and
- (b) fees for consulting services were paid to a company in which A.W. Howland -Rose is a director and shareholder.

All of the above are included in Directors' remuneration set out in Note 5.

### **Wholly-Owned Group**

The wholly-owned group consists of Gullewa Limited and its wholly-owned controlled entity, Claymor Resources Pty Ltd. Ownership interests in the controlled entity is set out in Note 14.

<b>Parent Entity</b>	
<b>2002</b>	<b>2001</b>
<b>\$</b>	<b>\$</b>

### **Controlling Entity**

The ultimate controlling entity in the wholly-owned group is Gullewa Limited

### **Transactions with related parties**

Allegiance Mining NL  
Balance outstanding  
The loan is interest free

<b>70,906</b>	<b>65,728</b>
---------------	---------------

### **Investment in Listed Securities**

The Parent Entity purchased 4,328,270 (2001:735,000) shares and 1,237,000 options in Allegiance Mining N.L, a company in which David Deitz and Eddie Lee are Directors.

The recoverable value of this investment is \$ 183,400 (2001: \$53,700), disclosed at Note 11.

**Note 25 Income Tax**

	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
<b>(a) The prima facie tax benefit on loss from ordinary activities differs from the income tax provided in the accounts as follows:</b>				
Loss from ordinary activities before income tax	<b>902,956</b>	504,590	<b>902,956</b>	504,590
Prima facie tax at 30%	<b>(270,887)</b>	(171,561)	<b>(270,887)</b>	(171,561)
Add (Less) tax effect of:				
Non-deductible expenditure	-	1,059	-	1,059
Share of losses of associates	-	-	-	-
	<b>(270,887)</b>	(170,502)	<b>(270,887)</b>	(170,502)
Tax losses and timing differences not recognised	<b>270,887</b>	170,502	<b>270,887</b>	170,502
Income tax attributable to loss from ordinary activities	-	-	-	-
<b>(b) The directors estimate that the potential future income tax benefit at 30 June in respect of tax losses not brought to account is:</b>	-	-	-	-

Due to the business activities of the company it is not certain that the company will be able to claim a deduction for the accumulated tax losses in the future. Accordingly, the potential future income tax benefit of \$10,268,390 (Consolidated) and \$10,183,550 (Parent Entity) have not been included in the accounts.

**Note 26 Events Occurring after Balance Date**

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

**Note 27 Additional Information**

Gullewa Limited is a listed public company, incorporated and operating in Australia. The Company has no employees other than the Directors.

## **Directors' Declaration**

The directors declare that the financial statements and notes set out on pages 7 to 19:

- (a) comply with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2002 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

**DAVID DEITZ**  
**DIRECTOR**

Sydney

30 September 2002

## **Independent Audit Report to the Members of Gullewa Limited and Controlled Entities**

### **Scope**

We have audited the financial report of Gullewa Limited for the financial year ended 30 June 2002 as set out on pages 7 to 20. The financial report includes the consolidated financial statements 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. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the Corporations Act 2001, so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### **Audit opinion**

In our opinion, the financial report of Gullewa Limited is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Dated the 26th day of September 2002.

**HORWATH**  
**Sydney Partnership**  
Chartered Accountants

Alfred A Nehama  
Partner

**Shareholder Information**

The shareholder information set out below was applicable as at 2 September 2002.

**A. Substantial Shareholders**

Substantial shareholders who have notified the Company are as follows:

	<u>Ordinary Shares</u>
Allegiance Mining NL	19,772,374

**B. Distribution of Equity Securities**

	Quoted Ordinary Shares	Unquoted Options Expiring 31/12/2002 exercisable at 22 cents	Unquoted Options Expiring 23/6/2003 exercisable at 20 cents
(i) Analysis of numbers of holders by size of holding:			
1 - 1,000	208	-	-
1,001 - 5,000	553	-	-
5,001 - 10,000	382	-	-
10,001 - 100,000	756	-	-
100,001 - and over	135	5	2
Total number of holders	2,034	5	2
(ii) Numbers of holders of less than a marketable parcel:	1,547		
(iii) Percentage held by the 20 largest holders:	43.13		
(iv) Issued unquoted equity securities		13,000,000	1,250,000
(v) Holders of 20% or more of equity securities in an unquoted class			
David Deitz		5,000,000	
Anthony Howland-Rose		5,000,000	
Stephen Everett		1,000,000	
Eddie Lee		1,000,000	
Gregory Steemson		1,000,000	750,000
Gillian Swaby			500,000
		<u>13,000,000</u>	<u>1,250,000</u>



**C. Twenty Largest Shareholders**

The names of the 20 largest holders of ordinary shares are listed below:

<b>Ordinary Shares:</b>	<b>Number Held</b>	<b>Percentage Held</b>
Allegiance Mining NL	19,772,374	18.95
Mr Daryl Brian Watts	3,800,000	3.65
Arthur John Dennis	2,900,502	2.79
Scomac Management Services Pty Ltd	2,300,000	2.21
Loftus Lane Investments Pty Ltd	1,899,724	1.83
Mr Kenneth Joseph Hall & Mrs Mary Christine Hall	1,582,248	1.52
PS Consulting Pty Ltd	1,523,461	1.46
Mary Anne Baxter	1,372,920	1.32
Mr Ralph Bard III	1,125,000	1.08
Mr Kent Bourquin & Mrs Mary Bourquin	1,125,000	1.08
Mrs Katharine Bard Dickson	1,025,000	0.99
Shar Holdings Pty Ltd	1,000,000	0.96
Glindemann & Kitching Pty Ltd	972,275	0.93
Powys Engineers Pty Ltd	860,000	0.83
Mr Reid Evans	800,000	0.77
Hales & Co Pty Ltd	800,000	0.77
Brighton Finance Pty Ltd	700,000	0.67
Merrill Lynch (Australia) Nominees Pty Ltd	691,050	0.66
ANZ Nominees Limited	687,500	0.66
Kristi Jordan Pty Limited	650,000	0.62
<b>Total</b>	<b>45,587,054</b>	<b>43.75</b>

**Voting Rights**

The voting rights attached to ordinary shares are that on a show of hands, every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

**D. Twenty Largest Optionholders**

Refer to Note B (v) on Page 22

## Summary of Mining Royalties

	<b>Interest</b>	<b>J V Partners</b>	<b>Operator</b>
Kanowna	\$1/tonne royalty	Delta Gold NL	Delta
Nunngarra	\$1/tonne royalty	Herald Resources Ltd	Herald
Gullewa (refer Note 12)	1% royalty	King Solomon Mines	KSM