



ACN 007 547 480
ABN 30 007 547 480

26 October 2005

Company Announcements Office
Australian Stock Exchange Limited
Level 4 Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

LODGED ONLINE

Dear Sirs

2005 ANNUAL REPORT

We enclose a copy of our 2005 Annual Report. This report will be mailed to all shareholders today.

Yours faithfully

DAVID DEITZ
Director

Encl

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49-51 York Street
SYDNEY NSW 2000
AUSTRALIA
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info@gullewa.com

Web Address:
<http://www.gullewa.com>

REVIEW OF OPERATIONS

PROPERTY

NORMANHURST

Gullewa Limited have purchased a property in Normanhurst, Sydney which is suitable for sub-division into residential lots subject to Council approval. We will shortly be lodging the Development Application.

ST IVES

The property in St Ives is owned 50% by Gullewa Limited. The value of the property has increased due to rezoning of the neighbouring properties that now allows medium density housing to be built on the site. We intend to wait before commencing development to determine the pricing of new construction in the current market.

GOLD

The Company has a 1% gross royalty on leases in the Gullewa Gold Project in Western Australia.

ALLEGIANCE MINING NL

Gullewa holds 25,436,394 shares in Allegiance. The latest information from Allegiance reported as follows:-

AVEBURY FEASIBILITY STUDY

- All Government approvals for the Avebury Nickel Project were granted – a significant milestone in the development of the Project.
- An updated estimation of the Avebury nickel sulphides resource commenced with a draft estimate to be validated over the next two months.
- Significant metallurgical test work was finalized to determine comminution design requirements and flotation circuit configuration and reagent regime optimization.

EXPLORATION

- The Underground Resource Infill Drilling Program was completed.
- Indications of significant nickel mineralization interpreted at Burbank 3km West of Avebury.

MARKETING

- Potential offtake customers have reviewed the project and expressed interest in purchasing nickel concentrates from the Avebury Nickel Project when production commences.

FINANCE

- Bank discussions and preliminary site visits have commenced concerning the possibilities of financing of the Avebury Nickel Project.

CORPORATE

- Mr Ian Levy was appointed Chief Executive Officer.
- Mr David Leedham was appointed as the Mining Manager for the Avebury Project.

Gullewa Limited and Controlled Entities ACN 007 547 480
Financial Report – 30 June 2005

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Company Particulars

ABN 30 007 547 480

Directors D. Deitz
Chairman

E. Lee

D.J. Atkinson

Secretary S.J. Dick

Registered office and principal place of business Level 11
49-51 York Street
SYDNEY NSW 2000
Telephone: +61 2 9299 4366
Facsimile: +61 2 9299 1817
Email: info@gullewa.com
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Share Registers **Computershare Registry Services Pty Limited**
Level 2 Reserve Bank Building
45 St George's Terrace
PERTH WA 6000
Telephone: +61 8 9323 2000
Facsimile: +61 8 9232 2033

Auditor **Horwath Sydney Partnership**
Level 10
1 Market Street
SYDNEY NSW 2000
Telephone: +61 2 9372 0777
Facsimile: +61 2 9372 0606

Solicitors **Blakiston & Crabb**
1202 Hay Street
WEST PERTH WA 6005

Bankers **National Australia Bank**
255 George Street
SYDNEY NSW 2000

Stock Exchange Listings 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 2005.

Directors

The following persons held office as directors of Gullewa Limited during the whole of the period and up to the date of this report:

D. Deitz
E. Lee
D.J. Atkinson

Company Secretary

S. Dick

Principal Activities

The principal activity of the consolidated entity during the period was investments in listed equities, property, exploration and mining.

Operating Results

The consolidated operating loss of the consolidated entity for the year was \$336,730 (2004: \$514,888). There was no provision for income tax.

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 consolidated entity's operations during the 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

The consolidated entity acquired a further 1,211,339 shares in Allegiance Mining NL, representing its interest of 6.46%.

The company has set up a wholly owned subsidiary, Rondav Pty Limited which had exchanged contracts on a property in Normanhurst.

Events Subsequent to the End of the Financial Year

Since the end of the year, Rondav Pty Limited have completed the purchase of a property in Normanhurst. A mortgage of \$600,000 has been obtained to finance the purchase.

Likely Developments

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

Environmental Issues

During the year under review, the directors are not aware of any particular or significant environmental issues, which have been raised in relation to the entity's 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 over ten years experience in the mineral exploration industry. He is also a Director of Allegiance Mining NL

Interest in Shares

Mr Deitz is a Director of Allegiance Mining NL, which is the holder of 30,086,767 shares, and has a direct interest in 3,114,999 shares.

Gullewa Limited and Controlled Entities

Directorships in listed companies in the last three years

Allegiance Mining NL

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

Mr Lee is a Director of Allegiance Mining NL which is the holder of 30,086,767 shares. He has no direct interest in the shares of the company.

Directorships in listed companies in the last three years

Allegiance Mining NL

Metroland Australia Limited

Norton Gold Fields Limited

Rocklands Richfield PCI Limited

David J Atkinson – Director

Experience

Appointed to the Board in October 2002. Mr Atkinson has over 15 years experience in the IT industry. He has held many roles as a Director. He has extensive experience in the development of financial systems for Government, Advertising, Property and Telecommunications industries.

Interest in shares

Mr Atkinson has a direct interest in 1,614,427 shares.

Stephen Dick – Company Secretary

B.Bus., LL.B., CA

Experience

Stephen Dick is a chartered accountant and lawyer and has been actively associated with the resource industry for many years. Appointed Company Secretary on 1st March 2000

Interest in Shares

Mr Dick has a direct interest in 4,750 shares

Share Capital

During the year, the Company issued 6,864,131 shares, raising \$126,740.

Options

No options were issued during the year.

Remuneration Report

Executives

Gullewa Limited has no executives other than the directors.

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

As there is only one key executive, Mr Deitz, who is also the chairman of the Company, a detailed policy which distinguishes between executive and non-executive remuneration has not been warranted to date. All of the directors

Gullewa Limited and Controlled Entities

receive a fixed fee for their services, which fees are set in accordance with a shareholder-approved threshold. Mr Deitz's remuneration is set at a level which also takes into account his executive services, and is subject to adjustment from time to time as deemed appropriate with Board approval. There is no bonus system in place or other performance based remuneration such as the achievement of certain key performance indicators.

All of the directors have received a one-off issue of options in accordance with the Company's shareholder-approved option plan.

B. Details of remuneration

Amount of remuneration

| 2005 | Primary Salary & Fees \$ | Post Employment Superannuation \$ | Equity Options \$ | Other \$ | Total \$ |
|---------------|---|--|----------------------------------|---------------------|---------------------|
| Mr D Deitz | 48,182 | - | - | - | 48,182 |
| Mr E Lee | 25,006 | - | - | - | 25,006 |
| Mr D Atkinson | <u>24,960</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>24,960</u> |
| | <u>98,148</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>98,148</u> |
| 2004 | | | | | |
| Mr D Deitz | 79,000 | - | 9,000 | 8,651 | 96,651 |
| Mr E Lee | 22,649 | - | 1,000 | - | 23,649 |
| Mr D Atkinson | <u>24,960</u> | <u>-</u> | <u>1,000</u> | <u>-</u> | <u>25,960</u> |
| Total | <u>126,609</u> | <u>-</u> | <u>11,000</u> | <u>8,651</u> | <u>146,260</u> |

C. Service agreements

There are no service agreements with the directors.

D. Share-based compensation

Options provided as remuneration

No options over ordinary shares were provided to directors during the financial year.

The directors have not exercised any options during the year.

Option holdings

The number of options held during the financial year by each director of Gullewa Limited including their personally related entities are set out below.

| Name | Balance at Start of year | Granted during the year | Balance at end of year | Vested and exercisable |
|---------------|-------------------------------------|--|---------------------------------------|-----------------------------------|
| Mr Deitz | 9,000,000 | - | 9,000,000 | 9,000,000 |
| Mr E Lee | 1,000,000 | - | 1,000,000 | 1,000,000 |
| Mr D Atkinson | 1,000,000 | - | 1,000,000 | 1,000,000 |

Shareholdings

The number of shares held during the financial year by each director of Gullewa Limited including their personally related entities are set out below.

| Name | Balance and Start of year | Other changes during the year | Balance at end of year |
|---------------|---------------------------|-------------------------------|------------------------|
| Mr D Deitz | 2,214,022 | 866,854 | 3,080,876 |
| Mr E Lee | - | - | - |
| Mr D Atkinson | 2,214,022 | (400,000) | 1,814,022 |

Non-audit Services

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

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

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

| | Parent Entity | |
|--|---------------|---------------|
| | 2005 | 2004 |
| | \$ | \$ |
| Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity: | 21,815 | 18,750 |
| Remuneration for other services – consulting | 4,000 | 8,000 |
| | <u>25,815</u> | <u>26,750</u> |

Indemnifying Officers or Auditors

The parent entity has paid premiums to insure all of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the company, other than conduct involving a wilful breach of duty in relation to the company. The contracts of insurance prohibit the disclosure of the nature of the liabilities covered and the amount of the premiums paid. The *Corporations Act 2001* does not require disclosure of the information in those circumstances.

Proceedings on behalf of the Company

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

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

Meeting of Directors

During the period, 1 meeting of directors was held. Attendances were:

| | Number eligible to attend | Number attended |
|--------------|---------------------------|-----------------|
| D J Atkinson | 3 | 3 |
| D Deitz | 3 | 3 |
| E Lee | 3 | 3 |

Dated at Sydney this 23rd day of September 2005.

Signed in accordance with a resolution of Directors:


DAVID DEITZ
DIRECTOR

Auditor's Independence Declaration



Horwath Sydney Partnership
ABN 30 856 062 171
Chartered Accountants
1 Market Street Sydney NSW 2000
GPO Box 1455 Sydney NSW 2001
DX 13004 Sydney Market Street
E-mail sydney@horwath.com.au
Telephone (02) 9372 0777
Facsimile (02) 9372 0606

The Board of Directors
Gullewa Limited
Level 11, Shaw House
49-51 York Street
Sydney NSW 2000

AUDITOR'S INDEPENDENCE DECLARATION

This declaration is made in connection with our audit of the financial report of Gullewa Limited for the year ended 30 June 2005 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to this audit;
- No contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to this audit.

Yours faithfully
HORWATH
SYDNEY PARTNERSHIP


ALFRED A NEHAMA
Partner

23rd September 2005

Corporate Governance

INTRODUCTION

Gullewa Limited ("**Company**") has adopted systems of internal control and accountability as the basis for the administration of Corporate Governance. These policies and procedures are summarised below.

The following additional information about the Company's Corporate Governance will be set out on the Company's website at www.gullewa.com as soon as possible after the release of this annual report:

- Corporate Governance Disclosures and explanations;
- Statement of Board and Management Functions;
- Nomination Committee Charter;
- Policy and Procedure for Selection and Appointment of New Directors;
- Code of Conduct for Company Executives;
- Policy for Trading in Company Securities;
- Audit Committee Charter;
- Procedure for Selection, Appointment and Rotation of External Auditor;
- Summary of Compliance Procedures for ASX Listing Rule Disclosure;
- Shareholder Communication Strategy;
- Company's Risk Management Policy and Internal Compliance and Control System;
- Statement of process for performance evaluation of the Board, Board committees, individual directors and key executives;
- Remuneration Committee Charter; and
- Corporate Code of Conduct.

SKILLS, EXPERIENCE, EXPERTISE AND TERM OF OFFICE OF EACH DIRECTOR

A profile of each director containing the applicable information is set out in the Directors' Report.

IDENTIFICATION OF INDEPENDENT DIRECTORS

The independent directors of the Company are David Atkinson and Eddie Lee.

Mr Atkinson is independent in accordance with the criteria of independence as set out in Box 2.1 of the ASX Principles and Recommendations ("**Independence Criteria**").

Mr Lee is a director of Allegiance Mining NL, which is a substantial shareholder of the Company. Accordingly, Mr Lee does not meet paragraph 1 of the Independence Criteria. However, he fulfils all of the other criteria. The Board (in the absence of Mr Lee) considers that, given the limited scope of the Independence Criteria which Mr Lee does not fulfill, he is capable of acting in the best interests of shareholders in general, and can be considered to be independent. The Board notes the potential for conflict in matters concerning Allegiance Mining NL and recognises that in such circumstances, Mr Lee would declare an interest and not participate in the decision making process unless otherwise allowed by the Board, which is required under the Corporations Act.

STATEMENT CONCERNING AVAILABILITY OF INDEPENDENT PROFESSIONAL ADVICE

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

NAMES OF NOMINATION COMMITTEE MEMBERS AND THEIR ATTENDANCE AT COMMITTEE MEETINGS

The full Board carries out the function of the Nomination Committee. The Board did not meet formally as the Nomination Committee during the Reporting Period, however any relevant matters were discussed on an as-required basis from time to time during regular meetings of the Board.

NAMES AND QUALIFICATIONS OF AUDIT COMMITTEE MEMBERS

The Company does not have an audit sub-committee, as this is not considered to be an appropriate mechanism for ensuring the integrity of the Company's financial accounts in the context of the Board's composition. However, the two independent members of the Board, Eddie Lee and David Atkinson, will meet with the external auditors in respect of the half-year and full-year reports from the commencement of the Company's 2004/2005 financial year.

CONFIRMATION WHETHER PERFORMANCE EVALUATION OF THE BOARD AND ITS MEMBERS HAVE TAKEN PLACE AND HOW CONDUCTED

During the Reporting Period the composition and functioning of the Board as a whole was discussed from time to time at regular meetings of the Board. The Board considers that a more formal procedure is not warranted at present in view of the small size, and overlap of many of the key functions, of the Board and management.

COMPANY'S REMUNERATION POLICIES

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.

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

All of the directors have received a one-off issue of options in accordance with the Company's shareholder-approved option plan.

NAMES OF REMUNERATION COMMITTEE MEMBERS AND THEIR ATTENDANCE AT COMMITTEE MEETINGS.

The full Board carried out the functions of the Remuneration Committee. The Committee did not meet formally during the year but rather, addressed remuneration related issues on an as required basis during the Reporting Period.

EXISTENCE AND TERMS OF ANY SCHEMES FOR RETIREMENT BENEFITS FOR NON-EXECUTIVE DIRECTORS

There are no retirement benefits for non-executive directors.

EXPLANATIONS FOR DEPARTURES FROM BEST PRACTICE RECOMMENDATIONS

During the Company's 2004/2005 financial year ("**Reporting Period**"), the Company has complied with each of the Ten Essential Corporate Governance Principles [A copy of the Ten Essential Corporate Governance Principles and Best Practice Recommendations will be set out on the Company's website under the Section entitled "Corporate Governance". They are also available on the ASX website – www.asx.com.au/about/CorporateGovernance_AA2.shtm] and the corresponding Best Practice Recommendations [A copy of the Best Practice Recommendations are set out on the Company's website under the section entitled "Corporate Governance"] as published by the ASX Corporate Governance Council ("**ASX Principles and Recommendations**"), other than in relation to the matters specified below.

| Principle Ref | Recommendation Ref | Notification of Departure | Explanation for Departure |
|----------------------|---------------------------|---|--|
| 1 | 1.1 | Formalisation and disclosure of the functions reserved for the Board and those delegated to management occurred on 23 September 2004. | As from 23 September 2004 the Company achieved compliance. Prior to this time the functions were delegated as now disclosed but without formalisation. |
| 2 | 2.2; 2.3 | The chairman is the chief executive of the Company. | The Board considers that, in view of the size and scope of the Company's activities, it is appropriate for Mr Deitz to lead the Company in both a strategic and day-to-day capacity. The Board considers that Mr Deitz is the most suitably qualified Board member to fulfill the role of chairman, and it is intended that Mr Deitz will continue to fulfill this role subject to review by the Board from time to time to ensure that the best interests of the Company and its shareholders continue to be served by the current structure. |
| 2 | 2.4 | A separate Nomination Committee has not been formed. | The role of the Nomination Committee is carried out by the full Board. The Board considers that given its size, no efficiencies or other benefits would be gained by establishing a separate Nomination Committee. |
| 3 | 3.1; 3.2 | A written code of conduct for executives and a written securities trading policy were adopted on 23 September 2004. | On 23 September 2004 the Company adopted a code of conduct for executives and a written securities trading policy. These documents reflected the existing but undocumented practices of the Company's executives and employees in this area. |
| 4 | 4.2; 4.3 | A separate Audit Committee has not been formed. | The composition of the Board is not suitable for the formation of an audit sub-committee (given that the executive chairman prepares the financial reports of the Company and the two non-executive directors do not possess the requisite financial expertise). However, the Company has developed an audit review process whereby the independent directors meet with the external auditor bi-annually and finance management as required to ensure the highest possible degree integrity of the Company's financial operations. |

| Principle Ref | Recommendation Ref | Notification of Departure | Explanation for Departure |
|----------------------|---------------------------|--|--|
| 5 | 5.1 | Written policies and procedures to ensure compliance with ASX Listing Rule disclosure requirements were adopted on 23 September 2004. | Prior to 23 September 2004 the Company had undocumented policies for compliance. |
| 6 | 6.1 | Documentation of a formal communication strategy with shareholders occurred on 23 September 2004. | Prior to 23 September 2004 the Company had an undocumented but positive strategy for communication with shareholders, in particular by making information available to shareholders on its website. Those practices formed the basis of the new formalised policy. |
| 7 | 7.1 | The Company did not have a formal risk oversight and management policy and internal compliance and control system until 23 September 2004. | The Company has developed a framework for risk management, which the Company intends to review and enhance as required. |
| 8 | 8.1 | The process for evaluation of the Board, individual directors and key executives was not disclosed. | The process was not disclosed, however a review of the functioning of the Board in general did occur by way of an informal review by the chairman prior to the end of the Reporting Period. |
| 9 | 9.1 | The Company's remuneration policy was not disclosed. | Remuneration has been, and continues to be, in accordance with the general principles recommended by the ASX; that is, non-executive directors receive a fixed fee for their services and do not receive performance based remuneration. There is only one key executive in the Company (the Executive Chairman), who also receives fixed fee remuneration which is subject to annual review. To the extent that additional executives are appointed in the future and the Company's operations continue to grow the Company will reconsider whether a change in the structure of executive remuneration is appropriate. |
| 9 | 9.2 | The full Board forms the Remuneration Committee. | The Board considers that given its size, no efficiencies, or other benefits would be gained by establishing a separate Remuneration Committee. |
| 10 | 10.1 | There was no disclosed code of conduct for the Company. | On 23 September 2004 the Company adopted a code based on the existing business practices promoted in the Company. |

Statements of Financial Performance

For the year ended 30 June 2005

| | Notes | Consolidated | | Parent Entity | |
|---|-------|------------------|------------|------------------|------------|
| | | 2005 \$ | 2004 \$ | 2005 \$ | 2004 \$ |
| Revenue from ordinary activities | 2 | 55,920 | 24,957 | 55,920 | 24,957 |
| Expenses from ordinary activities | 3 | (323,393) | (537,959) | (322,411) | (537,959) |
| Share of net losses of associates accounted for using the equity method | | (54,744) | - | - | - |
| Borrowing costs expense | | (14,513) | (1,886) | (14,513) | (1,886) |
| Loss from ordinary activities before income tax expense | | (336,730) | (514,888) | (281,004) | (514,888) |
| Income tax expense | | - | - | - | - |
| Loss from ordinary activities after income tax | | (336,730) | (514,888) | (281,004) | (514,888) |
| Revaluation of investments | 16 | (380,978) | 2,307,681 | (380,978) | 2,307,681 |
| Total changes in equity other than those resulting from transactions with owners as owners | | (717,708) | 1,792,793 | (661,982) | 1,792,793 |
| Basic Loss per share (cents) | 5 | (0.23) | (0.45) | | |
| Diluted Loss per share (cents) | 5 | (0.23) | (0.45) | | |

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

Statements of Financial Position

As at 30 June 2005

| | Notes | Consolidated | | Parent Entity | |
|---|-------|------------------|--------------|------------------|--------------|
| | | 2005 | 2004 | 2005 | 2004 |
| | | \$ | \$ | \$ | \$ |
| Current Assets | | | | | |
| Cash assets | 7 | 21,339 | 78,071 | 21,339 | 78,071 |
| Receivables | 8 | 91,198 | 9,236 | 92,080 | 9,236 |
| Other financial assets | 9 | 21,811 | 72,802 | 21,811 | 72,802 |
| Total Current Assets | | 134,348 | 160,109 | 135,230 | 160,109 |
| Non-Current Assets | | | | | |
| Investments accounted for using the equity method | 10 | 256,278 | 309,182 | - | - |
| Other financial assets | 9 | 3,422,164 | 3,641,385 | 3,733,286 | 3,950,567 |
| Property, plant and equipment | 12 | 29,884 | 40,922 | 29,884 | 40,922 |
| Total Non-Current Assets | | 3,708,326 | 3,991,489 | 3,763,170 | 3,991,489 |
| Total Assets | | 3,842,674 | 4,151,598 | 3,898,400 | 4,151,598 |
| Current Liabilities | | | | | |
| Payables | 13 | 388,271 | 101,098 | 388,271 | 101,098 |
| Interest bearing liabilities | 14 | 5,129 | 5,129 | 5,129 | 5,129 |
| Total Current Liabilities | | 393,400 | 106,227 | 393,400 | 106,227 |
| Non-Current Liabilities | | | | | |
| Interest bearing liabilities | 14 | 18,992 | 24,121 | 18,992 | 24,121 |
| Total Non-Current Liabilities | | 18,992 | 24,121 | 18,992 | 24,121 |
| Total Liabilities | | 412,392 | 130,348 | 412,392 | 130,348 |
| Net Assets | | 3,430,282 | 4,021,250 | 3,486,008 | 4,021,250 |
| Equity | | | | | |
| Contributed equity | 15 | 19,845,098 | 19,718,358 | 19,845,098 | 19,718,358 |
| Reserves | 16(a) | 2,211,531 | 2,592,509 | 2,211,531 | 2,592,509 |
| Accumulated losses | 16(b) | (18,626,347) | (18,289,617) | (18,570,621) | (18,289,617) |
| Total Equity | | 3,430,282 | 4,021,250 | 3,486,008 | 4,021,250 |
| Commitments for expenditure | 18 | | | | |
| Contingent liabilities | 19 | | | | |

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 2005

| | Notes | Consolidated | | Parent Entity | |
|---|-------|------------------|------------------|------------------|------------------|
| | | 2005 | 2004 | 2005 | 2004 |
| | | \$ | \$ | \$ | \$ |
| Cash Flows from Operating Activities | | | | | |
| Receipts from operations | | - | 2,070 | - | 2,070 |
| Payments to suppliers and employees | | (317,930) | (470,882) | (315,990) | (470,822) |
| Interest received | | 385 | 22,887 | 385 | 22,887 |
| Interest paid | | (1,750) | (1,886) | (1,750) | (1,886) |
| Net cash outflow from operating activities | 6 | (319,295) | (447,811) | (317,355) | (447,811) |
| Cash Flows from Investing Activities | | | | | |
| Payment for purchase of property, plant and equipment | | - | (9,036) | - | (9,036) |
| Proceeds from sale of investments | | 197,667 | - | 197,667 | - |
| Payment for purchase of investments | | (189,557) | (337,843) | (189,557) | (337,843) |
| Payments for equity accounted investments | | - | (309,182) | (1,840) | (309,182) |
| Net cash outflow from investing activities | | 8,110 | (656,061) | 6,270 | (656,061) |
| Cash Flows from Financing Activities | | | | | |
| Proceeds from issues of shares | | 126,740 | 225,000 | 126,740 | 225,000 |
| Repayment of borrowings | | (5,129) | (22,010) | (5,129) | (22,010) |
| Proceeds from borrowings | | 132,842 | - | 132,842 | - |
| Net cash inflow from financing activities | | 254,453 | 202,990 | 254,453 | 202,990 |
| Net Decrease in Cash Held | | (56,732) | (900,882) | (56,732) | (900,882) |
| Cash at the beginning of the Reporting Period | | 78,071 | 978,953 | 78,071 | 978,953 |
| Cash at the End of the Reporting Period | 7 | 21,339 | 78,071 | 21,339 | 78,071 |

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 2005

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 2005 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.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits or losses of associates is recognised in the consolidated statement of financial performance, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

(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 reporting period, 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 to take into account the after income tax affect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2005

(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.

(g) Investments

Interests in listed securities, other than controlled and associated entities in the consolidated financial statements, are brought to account at market value and dividend income is recognised in the statement of financial performance when received.

For investments considered current, any movement in market value is charged/credited to the statement of financial performance.

For investments considered non-current, movements are taken directly to equity.

(h) Revenue

Revenue from the sale of investments is recognised on completion of the transaction.

(i) Deficiency of net current assets

As at 30 June 2005, the consolidated entity's current liabilities exceeded its current assets by \$259,052.

The Directors believe that the consolidated entity will continue as a going concern as it will be able to liquidate portion of its listed investments or raise further capital should operating cash flows be required. Accordingly, the financial report has been prepared on a going concern basis.

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2005

Note 2 Revenue from Ordinary Activities

| | Consolidated | | Parent Entity | |
|--|---------------------|-------------|----------------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ |
| Revenue from operating activities | | | | |
| Interest received | 385 | 22,887 | 385 | 22,887 |
| Share Trading | 55,535 | 2,070 | 55,535 | 2,070 |
| Revenue from ordinary activities | 55,920 | 24,957 | 55,920 | 24,957 |

Note 3 Expenses from Ordinary Activities

| Loss from ordinary activities includes the following specific expenses: | 2005 | 2004 | 2005 | 2004 |
|--|-----------------|-------------|-----------------|-------------|
| | \$ | \$ | \$ | \$ |
| Accounting fees | 10,186 | 26,750 | 10,186 | 26,750 |
| Advertising | 24,000 | 26,900 | 24,000 | 26,900 |
| Audit fees | 25,880 | 21,245 | 25,880 | 21,245 |
| Bad debts | - | - | - | - |
| Communication expenses | 10,830 | 18,320 | 10,830 | 18,320 |
| Consulting fees | 73,188 | 14,343 | 73,188 | 14,343 |
| Depreciation of motor vehicles, plant and equipment | 11,038 | 10,826 | 11,038 | 10,826 |
| Directors remuneration | 24,960 | 126,609 | 24,960 | 126,609 |
| Employee benefits | 27,993 | 33,700 | 27,993 | 33,700 |
| Fringe Benefits tax: | | | | |
| - current year | 12,626 | 8,651 | 12,626 | 8,651 |
| - previous years | - | 28,857 | - | 28,857 |
| Investments written (back)/down | (63,341) | 37,044 | (63,341) | 37,044 |
| Insurance | 7,259 | 13,501 | 7,259 | 13,501 |
| Legal fees | 23,397 | 9,245 | 23,397 | 9,245 |
| Motor and travel expenses | 14,655 | 24,715 | 14,655 | 24,715 |
| Office rental | 8,692 | 31,372 | 8,692 | 31,372 |
| Property evaluation costs | 37,644 | 38,962 | 37,644 | 38,962 |
| Share registry expenses | 7,202 | 12,304 | 7,202 | 12,304 |
| Other expenses from ordinary activities | 67,184 | 54,615 | 66,202 | 54,615 |
| | 323,393 | 537,959 | 322,411 | 537,959 |

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2005

Note 4 Loss from Ordinary Activities

| | Consolidated | | Parent Entity | |
|---|-----------------|--------|-----------------|--------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ |
| (a) Loss from Ordinary Activities is arrived at after crediting and charging the following specific items: | | | | |
| (i) Charges | | | | |
| Depreciation of: | | | | |
| - motor vehicle, plant and equipment | 11,038 | 10,826 | 11,038 | 10,826 |
| (Write back)/provision for revaluation/diminution in listed investments | (63,341) | 37,044 | (63,341) | 37,044 |
| Interest paid hire purchase | 1,750 | 1,886 | 1,750 | 1,886 |
| (ii) Credits | | | | |
| Interest received from other persons | 385 | 22,887 | 385 | 22,887 |

Note 5 Earnings Per Share

| | 2005 | 2004 |
|--|--------------------|--------------|
| | Cents | Cents |
| (a) Basic loss per share | (0.2) | (0.4) |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of basic loss per share | 122,621,723 | 114,995,743 |
| (b) Diluted Earnings Per Share | | |

Options to acquire ordinary shares are not considered to be potential ordinary shares because their exercise price is higher than the current market price of the company's shares. For this reason, basic earnings per share is equal to diluted earnings per share.

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2005

Note 6 Cash Flow Information

Reconciliation of Cash Flow from Operations

| | Consolidated | | Parent Entity | |
|--|------------------|------------------|------------------|------------------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ |
| Operating loss after income tax | (336,730) | (514,888) | (281,004) | (514,888) |
| Non-cash flows in operating loss: | | | | |
| Depreciation | 11,038 | 10,826 | 11,038 | 10,826 |
| (Write-back)/off of investment –other | (63,341) | 37,044 | (63,341) | 37,044 |
| Share of losses in associate | 52,904 | - | - | - |
| Profit on sale of investments | (55,535) | - | (55,535) | - |
| Changes in assets and liabilities: | | | | |
| (Increase)/decrease in receivables | (81,962) | 38,130 | (82,844) | 38,130 |
| Increase/(decrease) in trade creditors, accruals | 154,331 | (18,923) | 154,331 | (18,923) |
| Cash flows from operations | <u>(319,295)</u> | <u>(447,811)</u> | <u>(317,355)</u> | <u>(447,811)</u> |

Note 7 Cash Assets

| | Consolidated | | Parent Entity | |
|--------------------------|---------------|---------------|---------------|---------------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ |
| Cash at bank and on hand | 21,339 | 78,071 | 21,339 | 78,071 |
| | <u>21,339</u> | <u>78,071</u> | <u>21,339</u> | <u>78,071</u> |

Note 8 Receivables

| | Consolidated | | Parent Entity | |
|-----------------------------|---------------|--------------|---------------|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ |
| Sundry debtors and deposits | 91,198 | 9,236 | 92,080 | 9,236 |
| | <u>91,198</u> | <u>9,236</u> | <u>92,080</u> | <u>9,236</u> |

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2005

Note 9 Other Financial Assets

| | Consolidated | | Parent Entity | |
|---|---------------------|-------------|----------------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ |
| Current | | | | |
| Shares in listed entities - at market value | 21,811 | 72,802 | 21,811 | 72,802 |
| | 21,811 | 72,802 | 21,811 | 72,802 |
| Non Current | | | | |
| Shares in controlled entities | - | - | 100 | - |
| Shares in listed entities - at market value | | | | |
| - Allegiance Mining NL | 3,422,164 | 3,641,385 | 3,422,164 | 3,641,385 |
| Investment in associate - at cost | - | - | 311,022 | 309,182 |
| | 3,422,164 | 3,641,385 | 3,733,286 | 3,950,567 |

Note 10 Investments Accounted for using the Equity Method

| | Consolidated | | Parent Entity | |
|-----------------------|---------------------|-------------|----------------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ |
| Interest in associate | 256,278 | 309,182 | - | - |
| | 256,278 | 309,182 | - | - |

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity. Information relating to the associate is set out below.

| Name | Principal Activity | Ownership interest | | Consolidated Entity carrying amount | |
|-----------------------|---------------------------|---------------------------|-------------|--|-------------|
| | | 2005 | 2004 | 2005 | 2004 |
| | | % | % | \$ | \$ |
| Our Field Pty Limited | Property development | 50 | 50 | 256,278 | 309,182 |

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2005

| | Consolidated | |
|--|---------------------|------------------|
| | 2005 | 2004 |
| | \$ | \$ |
| Results attributable to associate | | |
| Loss from ordinary activities before tax | (109,489) | - |
| Movements in carrying amount of investment in associate | | |
| Carrying amount at beginning of financial year | 309,182 | 25,328 |
| Additional investment during year | 1,840 | 283,854 |
| Share of losses from ordinary activities | <u>(54,744)</u> | <u>-</u> |
| Carrying amount at end of the financial year | <u>256,278</u> | <u>309,182</u> |
| Summary of financial position of associate | | |
| Current Assets | | |
| Cash and other current assets | 61,782 | 168,000 |
| Non Current Asset | | |
| Land and buildings, at cost ⁽¹⁾ | <u>1,481,013</u> | <u>1,500,364</u> |
| Total Assets | <u>1,542,795</u> | <u>1,668,364</u> |
| Non Current Liabilities | | |
| Bank loan ⁽²⁾ | 1,050,000 | 1,050,000 |
| Shareholders' loans | <u>602,283</u> | <u>618,364</u> |
| | <u>1,652,283</u> | <u>1,668,364</u> |
| Net liabilities | <u>(109,488)</u> | <u>-</u> |

⁽¹⁾ located at 167 Rosedale Road, St Ives, NSW⁽²⁾ secured over land and buildings.**Note 11 Controlled Entities**

| Name of Entity | Country of Incorporation | Class of Share | Equity holding | | Cost of Parent Entity's investment | |
|--------------------------------|--------------------------|----------------|----------------|------|------------------------------------|-----------|
| | | | 2005 | 2004 | 2005 | 2004 |
| | | | % | % | % | % |
| Rondav Pty Limited | Australia | Ordinary | 100 | - | 100 | - |
| 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 | 70 | - | - |
| | | | | | 100 | - |

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2005

Note 12 Property, Plant and Equipment

| | Consolidated | | Parent Entity | |
|---|-----------------------|------------------------------|----------------------|---------------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ |
| Motor Vehicle: | | | | |
| At Cost | 49,632 | 49,632 | 49,632 | 49,632 |
| Accumulated Depreciation | (23,047) | (13,120) | (23,047) | (13,120) |
| Plant and equipment: | 26,585 | 36,512 | 26,585 | 36,512 |
| At cost | 5,557 | 5,557 | 5,557 | 5,557 |
| Accumulated depreciation | (2,258) | (1,147) | (2,258) | (1,147) |
| | 3,299 | 4,410 | 3,299 | 4,410 |
| | 29,884 | 40,922 | 29,884 | 40,922 |
| | | | | |
| | Motor Vehicles | Plant & Equipment | Total | |
| Consolidated & parent entity | | | | |
| Carrying amount at 1 July 2004 | 36,512 | 4,410 | 40,922 | |
| Additions | - | - | - | |
| Depreciation | (9,927) | (1,111) | (11,038) | |
| Carrying amount at 30 June 2005 | 26,585 | 3,299 | 29,884 | |

Note 13 Payables

| | Consolidated | | Parent Entity | |
|--|---------------------|-------------|----------------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ |
| Trade creditors and accruals | 81,277 | 36,946 | 81,277 | 36,946 |
| Other | 110,000 | - | 110,000 | - |
| Advances from related party (unsecured)* | 196,994 | 64,152 | 196,994 | 64,152 |
| | 388,271 | 101,098 | 388,271 | 101,098 |

*interest bearing

Note 14 Interest Bearing Liabilities

| | Consolidated | | Parent Entity | |
|-----------------------------------|---------------------|-------------|----------------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ |
| Current | | | | |
| Hire purchase liability (Note 18) | 5,129 | 5,129 | 5,129 | 5,129 |
| Non-Current | | | | |
| Hire purchase liability (Note 18) | 18,992 | 24,121 | 18,992 | 24,121 |

The hire-purchase liability is secured over the motor vehicle.

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2005

Note 15 Contributed Equity

| | Consolidated | | Parent Entity | |
|---|--------------------|----------------|-------------------|---------------------|
| | 2005 No | 2004 No | 2005 \$ | 2004 \$ |
| (a) Paid Up Capital | | | | |
| Ordinary shares – fully paid | | | | |
| Balance at beginning of reporting period | 119,067,420 | 110,764,839 | 19,718,358 | 19,493,358 |
| Placement on 26 December 2003 at 2.71 cents each | - | 8,302,581 | - | 225,000 |
| Placement on 23 December 2004 at 1.84 cents | 6,864,131 | - | 126,740 | - |
| Balance at end of reporting period | 125,931,551 | 119,067,420 | 19,845,098 | 19,718,358 |
| (b) Unlisted Options | | | | |
| | Balance | | | Balance |
| | 1 July 2004 | Granted | Exercised | Lapsed |
| | | | | 30 June 2005 |
| By the payment of \$0.06 at any time up to and including 30 June 2009 | 11,000,000 | - | - | - |
| | | | | 11,000,000 |

Note 16 Reserves and Accumulated Losses

| | Consolidated | | Parent Entity | |
|---|---------------------|--------------|---------------------|--------------|
| | 2005 \$ | 2004 \$ | 2005 \$ | 2004 \$ |
| (a) Reserves | | | | |
| Capital reserve | 284,828 | 284,828 | 284,828 | 284,828 |
| Asset revaluation reserve | 1,926,703 | 2,307,681 | 1,926,703 | 2,307,681 |
| | 2,211,531 | 2,592,509 | 2,211,531 | 2,592,509 |
| Movements during the period: | | | | |
| Capital reserve | | | | |
| Opening balance | 284,828 | 284,828 | 284,828 | 284,828 |
| Closing balance | 284,828 | 284,828 | 284,828 | 284,828 |
| Asset revaluation reserve | | | | |
| Opening balance | 2,307,681 | - | 2,307,681 | - |
| (Decrement)/increment on revaluation of investment | (380,978) | 2,307,681 | (380,978) | 2,307,681 |
| Closing balance | 1,926,703 | 2,307,681 | 1,926,703 | 2,307,681 |
| (b) Accumulated Losses | | | | |
| Opening balance | (18,289,617) | (17,774,729) | (18,289,617) | (17,774,729) |
| Net loss attributable to members of the parent entity | (336,730) | (514,888) | (281,004) | (514,888) |
| Closing balance | (18,626,347) | (18,289,617) | (18,570,621) | (18,289,617) |

Note 17 Financial Instruments

The net fair value of financial assets and financial liabilities of the consolidated entity approximates their carrying value. The credit risk on financial assets of the consolidated entity which have been recognised in the statement of financial position is the carrying amount, net of any provisions for doubtful debts. The consolidated entity's exposure to interest rate risk is limited to that earned on cash which is deposited at a weighted average interest rate of X% (2004:5%). All other financial instruments, other than the hire-purchase liability described in Note 18, are non-interest bearing.

Note 18 Commitments for Expenditure

Hire Purchase Commitments

| | Consolidated | | Parent Entity | |
|---|---------------|--------|---------------|--------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ |
| Commitments in relation to hire purchase agreements are payable as follows: | | | | |
| Within one year | 6,879 | 6,879 | 6,879 | 6,879 |
| Later than one year but not later than 5 years | 20,013 | 26,891 | 20,013 | 26,891 |
| | 26,892 | 33,770 | 26,892 | 33,770 |
| Less future finance changes | 2,771 | 4,520 | 2,771 | 4,520 |
| Total hire purchase liability | 24,121 | 29,250 | 24,121 | 29,250 |
| Representing : | | | | |
| Current (Note 14) | 5,129 | 5,129 | 5,129 | 5,129 |
| Non-current (Note 14) | 18,992 | 24,121 | 18,992 | 24,121 |
| | 24,121 | 29,250 | 24,121 | 29,250 |

Note 19 Contingent Liabilities

Gullewa Limited has given a guarantee in respect of a bank loan of its associate company amounting to \$1,050,000 (2004: \$1,050,000). No material losses are anticipated in respect of the contingent liabilities.

Note 20 Statement of Operations by Segment

All income is earned from the company's investments therefore no further segmental information is provided.

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2005

Note 21 Related Party Transactions**Wholly-Owned Group**

The wholly-owned group consists of Gullewa Limited and its controlled entities, Claymor Resources Pty Ltd, Telephony Associate Pty Ltd and Rondov Pty Limited. Ownership interests in the controlled entity is set out in Note 11.

| | Parent Entity | |
|---|----------------------|-------------|
| | 2005 | 2004 |
| | \$ | \$ |
| Controlling Entity | | |
| The ultimate controlling entity in the wholly-owned group is Gullewa Limited | | |
| Transactions with related parties | | |
| Allegiance Mining NL | | |
| Loan payable | 196,994 | 64,152 |
| The loan is interest bearing and unsecured | | |
| Investment in Listed Securities | | |
| The Parent Entity purchased 1,711,339 (2004: 2,050,675) and sold 500,000 (2004: 165,000) shares and NIL (2004: 1,237,000) options in Allegiance Mining N.L, a company in which David Deitz and Eddie Lee are Directors. | | |
| As at the end of the reporting period, the Parent Entity held the following interests in Allegiance Mining N.L | | |
| - 26,261,394 (2004: 25,113,003) shares, representing 6.45% (2004: 9.16%) interest | | |
| - market value | 3,422,164 | 3,641,385 |
| - NIL (2004: nil) options – market value | | - |

Note 22 Income Tax

| | Consolidated | | Parent Entity | |
|---|---------------------|-------------|----------------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ |
| (a) The prima facie tax benefit on loss from ordinary activities differs from the income tax provided in the accounts as follows: | | | | |
| Loss from ordinary activities before income tax | 336,730 | 514,888 | 281,004 | 514,888 |
| Prima facie tax benefit at 30% | (101,019) | (154,466) | (84,301) | (154,466) |
| Tax losses and timing differences not recognised | (101,019) | 154,466 | (84,301) | 154,466 |
| Income tax attributable to loss from ordinary activities | - | - | - | - |
| (b) The directors estimate that the potential future income tax benefit at 30 June in respect of tax losses not brought to account is: | | | | |
| | - | - | - | - |

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2005

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 estimated at \$5,585,000 has not been recognised in the financial statements.

Note 23 Events Occurring after Balance Date

There has not arisen during the interval between the end of the reporting period 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 consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

Note 24 Australian Equivalents to International Financial Reporting Standards (AIFRS)

Impact of adopting Australian Equivalents to International Financial Reporting Standards (IFRS)

Gullewa Limited is in the process of preparing, and transitioning, its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS), which is effective for financial years commencing on or after 1 January 2005. The adoption of AIFRS will be reflected for the first time in the consolidated and parent entity's financial statements for the year ending 30 June 2006.

On first time adoption of AIFRS, comparatives (amounts reported for the financial year ended 30 June 2005) are required to be restated on the basis that AIFRS had always applied, with certain limited exceptions (which will be specified). Part of the adjustments required to comply with AIFRS will be made retrospectively against retained earnings at 1 July 2004.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS, and our best estimate of the quantitative impact of these changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to:

- (a) potential amendments to AIFRS's and Interpretations being issued by the standard setters; and
- (b) emerging accepted practice in the interpretation and application of AIFRS and UIG interpretations.

(i) Available for Sale Financial Assets

Investments not held for the purposes of short term profit taking will be classified as 'available for sale financial assets'. This classification will have no impact on the current accounting for these types of investments (which are recognised as non-current assets), except that the annual revaluation to fair value will be recognised in the new primary statement 'Statement of Changes in Equity'. However, on the eventual sale of these investments, any amount still recognised in reserves in respect of sold securities will be recycled back to the income statement as part of the profit or loss on sale. As none of these investments have been sold, no adjustments are required on transition to IFRS.

(ii) Held for Trading Financial Assets

Investments held for the purposes of short term profit taking will be classified as financial assets 'held for trading'. The accounting treatment of these current assets will not change, and there will be no financial impact resulting from the adoption of AIFRS.

(iii) Recoverable amounts of non-current assets

Presently, the expected cash flows used in determining the recoverable amounts of non-current assets are not discounted to their present values. AASB 136 "Impairment of Assets" requires that future cash flows used in determining recoverable amount be discounted to present value using a risk adjusted pre-tax discount rate. The economic entity has reassessed its impairment testing policy, and tested all assets for impairment at 1 July 2005. It is not expected that any of the non-current assets will be impaired further than what has currently been recognised.

Gullewa Limited and Controlled Entities

(iv) Equity-based compensation benefits

Under AASB 2 “Share-Based Payments”, equity-based compensation to employees will be recognised as an expense in respect of the services received, over the expected period of that service. The related cost in respect of the employees’ service is based on the fair value of the benefit received by the employee (such as an option to purchase shares).

This will result in a change to the current accounting policy. No expense is currently recognised for equity-based compensation which conforms to existing Australian accounting standards.

AASB 2 ‘Share Based Payment’ will not be applied retrospectively to all options granted after 7 November 2002 which have vested before 1 January 2005.

(v) Income Tax

The economic entity currently adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for permanent differences. Timing differences are currently brought to account through deferred taxation. Future income benefits are only recognised when the benefit is “virtually certain”. Therefore tax losses in this economic entity have not been recognised. Under AASB 112 “Income Taxes”, the “virtual certainty” test is replaced by a “probability” of future benefit test. At 1 July 2005 it is still uncertain whether these losses will result in a benefit, and therefore no deferred tax asset has been included in the expected changes on adoption of AIFRS.

In addition, the entity will be required to adopt a balance sheet approach of calculating deferred taxation, under which temporary differences are identified for each asset and liability, rather than based on timing differences between taxable income and accounting profit. This change includes calculating deferred taxation on revaluations. This change will have no impact on reported financial position or financial performance and assuming there will be an un-recognised deferred tax asset, this will be reduced by approximately \$578,011.

The directors are of the opinion that there will be no material adjustments required to either the reported financial position, or reported financial performance, on transition to AIFRS. Users of the financial statements should note that this could change if there are any amendments by standard-setters to the current AIFRS, or interpretation of the AIFRS requirements changes based on current guidance.

Note 25 Additional Information

Gullewa Limited is a listed public company, incorporated and operating in Australia.

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 12 to 27:

- (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 2004 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

Dated at Sydney this 23rd day of September 2005

Independent Audit Report

HORWATH SYDNEY PARTNERSHIP

Chartered Accountants

A member of Horwath International

1 Market Street Sydney NSW 2000

GPO Box 1455 Sydney NSW 1041

Independent audit report to members of Gullewa Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial performance, statement of financial position, statement of cash flows, and accompanying notes to the financial statements for both Gullewa Limited (the company) and Gullewa Limited (the consolidated entity), and the directors' declaration for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard AASB 1046 Director and Executive Disclosures by Disclosing Entities, under the heading "remuneration report" in pages 4 to 6 of the directors' report, as permitted by the Corporations Regulations 2001.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

We are independent of the company and group, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

In accordance with ASIC Class Order 05/83 we declare that, to the best of our knowledge and belief, the auditor's independence declaration set out on page 7 of the financial report has not changed as at the date of providing this audit opinion.

Audit opinion

In our opinion:

1. 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 2005 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 financial reporting requirements in Australia.
2. the remuneration disclosures that are contained in pages 4 to 6 of the directors' report comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001.

Dated the 23rd day of September 2005


HORWATH
SYDNEY PARTNERSHIP
Chartered Accountants


ALFRED NEHAMA
Partner

Shareholder Information

The shareholder information set out below was applicable as at 22 September 2005.

A. Substantial Shareholders

Substantial shareholders who have notified the Company are as follows:

| | <u>Ordinary Shares</u> |
|----------------------|------------------------|
| Allegiance Mining NL | 30,086,767 |

B. Distribution of Equity Securities

| | Quoted Ordinary Shares |
|---|---------------------------------------|
| (i) Analysis of numbers of holders by size of holding: | |
| 1 - 1,000 | 201 |
| 1,001 - 5,000 | 494 |
| 5,001 - 10,000 | 317 |
| 10,001 - 100,000 | 600 |
| 100,001 - and over | 137 |
| Total number of holders | 1,749 |
| (ii) Numbers of holders of less than a marketable parcel: | 1,172 |
| (iii) Percentage held by the 20 largest holders: | 53.96% |

C. Twenty Largest Shareholders

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

| Ordinary Shares: | Number Held | Percentage Held |
|--|------------------------|----------------------------|
| Allegiance Mining NL | 30,086,767 | 23.88 |
| Bell IXL Investments Limited | 4,502,481 | 3.57 |
| Mesuta Pty Ltd | 3,222,591 | 2.56 |
| Mr David Deitz | 3,114,999 | 2.47 |
| Mr Sholomo Thaler | 2,927,777 | 2.32 |
| Ashecorp Pty Ltd | 2,770,000 | 2.20 |
| Scomac Management Services Pty Ltd | 2,300,000 | 1.83 |
| Mr Carl Reid | 1,920,000 | 1.52 |
| Mr John Dennis | 1,845,018 | 1.46 |
| Howland Rose Holdings Pty Ltd | 1,845,018 | 1.46 |
| Hartree Pty Ltd | 1,822,000 | 1.45 |
| Mr David Atkinson | 1,641,427 | 1.30 |
| Mr Kenneth Joseph Hall & Mrs Mary Christine Hall | 1,582,248 | 1.26 |
| Bilboa Nominees Pty Ltd | 1,414,250 | 1.12 |
| Mary Anne Baxter | 1,372,920 | 1.09 |
| Arthur John Dennis | 1,200,000 | 0.95 |
| Mr David Dawson | 1,166,800 | 0.93 |
| Mr Ralph Bard III | 1,125,000 | 0.89 |
| ANZ Nominees Limited | 1,107,518 | 0.88 |
| Krystal Holdings Pty Ltd | 1,000,000 | 0.79 |
| Total | 67,966,814 | 53.96 |

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.

Summary of Mining Royalties

| | Interest | J V Partners | Operator |
|---------|-----------------|------------------------|-----------------|
| Gullewa | 1% royalty | Batavia Mining Limited | BTV |