GULLEWA LIMITED

ACN 007 547 480
ABN 30 007 547 480

31 October 2006

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

LODGED ONLINE

Dear Sirs

2006 ANNUAL REPORT

We enclose a copy of our 2006 Annual Report. This report will be mailed to all shareholders today.

Yours faithfully

DAVID DEITZ
Director

Encl

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Gullewa Limited and Controlled Entities ACN 007 547 480

Financial Report – 30 June 2006

Contents

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 2 Quantum House 49-51 York Street SYDNEY NSW 2000 Telephone: +61 2 9397 7555 Facsimile: +61 2 9397 7575 Email: info@gullewa.com Web Address: http://www.gullewa.com
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 **Mr Robert Edel** Gadens Lawyers Level 32 St Martins Tower 44 St Georges Terrace PERTH WA 6000
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 2006.

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 profit of the consolidated entity for the year was $1,273,634 (2005: $(336,730)). 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 has crystallised gains on shares in Allegiance Mining NL by selling and re-purchasing shares. At 30 June 2006 Gullewa held 23,325,478 shares representing an interest of 3.7%.

Events Subsequent to the End of the Financial Year
There have been no significant transactions since the end of the financial year.

Likely Developments
Likely future developments in the operations of the consolidated entity are referred to in the "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.

Remuneration Report

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

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

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the *Corporations Act 2001* and the *Corporations Regulations 2001* which have not been audited.

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 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. Options have been issued to directors, details of which can be found later in this report

B. Details of remuneration

Information on Directors

David Deitz – Chairman
B.Com, MAusIMM, CPA

Experience and expertise
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

Other current directorships
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 3,149,698 shares.

Eddie Lee – Director
BE, BSc, DIP BDG SC

Experience and 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.

Other current directorships

Allegiance Mining NL

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.

David J Atkinson – Director

Experience and expertise
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.

Other current directorships
Mr Atkinson is not a director of any other listed entities.

Interest in shares
Mr Atkinson has no direct interest in the shares of the company.

Stephen Dick – Company Secretary
B.Bus., LL.B., CA

Experience and expertise
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

Amounts of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures)* of Gullewa Limited and the Gullewa Group are set out in the following tables.

The key management personnel of Gullewa Limited are the directors as per pages 4-5 above. There are no other executive officers of the Company or the Group.

Key management personnel of Gullewa Limited

2006	Short-term benefits	Share-based payment	
Name	Cash salary and fees $	Options $	Total $
Non-executive directors			
E Lee	25,006	24,229	49,235
D J Atkinson	24,960	24,229	49,189
Sub-total non-executive directors	**49,966**	**48,458**	**98,424**
Executive directors			
D Deitz	72,000	76,500	148,500
Totals	**121,966**	**124,958**	**246,924**

Key management personnel of Gullewa Limited

2005	Short-term benefits	
Name	Cash salary and fees $	Total $
Non-executive directors		
Mr E Lee	25,006	25,006
Mr DJ Atkinson	24,960	24,960
Sub-total non-executive directors	**49,966**	**49,966**
Executive directors		
Mr D Deitz	48,182	48,182
Totals	**98,148**	**98,148**

C. Service agreements

There are no service agreements with the directors.

D. Share-based compensation (audited)

Options

Gullewa has no formal Employee Option Plan with the directors approving all grants of options.

Options are granted with no vesting conditions and expire at varying dates. Options are granted for no consideration, with the exercise price as listed below payable on exercise of the options. When exercisable, each option is convertible into one ordinary share.

Options granted carry no dividend or voting rights.

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
11 October 2005	30 November 2010	3.25 cents	1.02 cents	11 October 2005

Options carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share of Gullewa Limited.

Details of options over ordinary shares in the company provided as remuneration to each director of Gullewa Limited and each of the key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share of Gullewa Limited. Further information on the options is set out in note 28 to the financial statements. Options are issued with no performance conditions, however they are issued with an exercise price above the current market price

Name	Number of options granted during the year		Number of options vested during the year	
	2006	2005	**2006**	2005
Directors of Gullewa Limited				
Mr D Deitz	**7,500,000**	-	**7,500,000**	-
Mr E Lee	**2,378,378**	-	**2,378,378**	-
Mr DJ Atkinson	**2,378,378**	-	**2,378,378**	-
There are no other key management personnel of the Group				

2006 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Gullewa Limited **Ordinary shares**				
Mr D Deitz	3,080,876	-	68,822	3,149,698
Mr E Lee	-	-	-	-
Mr D J Atkinson	1,814,022	-	(1,814,022)	-
There were no other key management personnel of the Group				

2005 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Gullewa Limited **Ordinary shares**				
Mr D Deitz	2,214,022	-	866,854	3,080,876
Mr E Lee	-	-	-	-
Mr D J Atkinson	2,214,022	-	(400,000)	1,814,022
There were no other key management personnel of the Group				

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2006 included:

(a) options are granted for no consideration. There are no vesting conditions.
(b) exercise price: 3.25 cents
(c) grant date: 11 October 2005
(d) expiry date: 30 November 2010
(e) fair value per option at grant date: 1.02 cents.

Shares provided on exercise of remuneration options

There were no ordinary shares in the company provided as a result of the exercise of remuneration options to any director of Gullewa Limited.

Share-based compensation: Options

Further details relating to options are set out below.

Name	**A** **Remuneration consisting of options**	**B** **Value at grant date** **$**	**C** **Value at exercise date** **$**	**D** **Value at lapse date** **$**	**E** **Total of columns B-D** **$**
D Deitz	76,500	76,500	-	-	76,500
E Lee	24,229	24,229	-	-	24,229
DJ Atkinson	24,229	24,299	-	-	24,229

Shares under option

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

Date options granted	Expiry date	Issue price of shares	Number under option
28 November 2003	30 June 2009	6 cents	11,000,000
11 October 2005	30 November 2010	3.25 cents	12,256,766
			23,256,756

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

Auditors Independence and 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 12.

	Parent Entity	
	2006	2005
	$	$
Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:	**33,000**	25,250
Remuneration for other services – consulting	**5,100**	-
	38,100	25,250

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.

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2006, and the numbers of meetings attended by each director were:

	Full meetings of directors	
	A	**B**
D Deitz	4	4
E Lee	4	4
DJ Atkinson	4	4

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year

Dated at Sydney this 29th day of September 2006.

Signed in accordance with a resolution of Directors:

DAVID DEITZ
DIRECTOR

REVIEW OF OPERATIONS

Investments

Our main investment is the shares in Allegiance Mining NL. These have appreciated from $3,422,164 in July 2005 to $6,297,879 in June 2006. Allegiance have raised over $50 million dollars and proceeded to construction of the Avebury Nickel Project.

In the words of Tony Howland-Rose the Chairman of Allegiance Mining:

"With the successful conclusions to our offtake agreement and finance raising, the emphasis of work during the quarter has focused on the construction and development of the Avebury Nickel Project – "Nothing but Nickel"! The arrival of our Processing Manager, Peter Clay in August is timely and we are pleased to have painstakingly recruited a full complement of key operating staff at Avebury; I welcome Peter to the team.

High real nickel prices continue to surprise on the upside. The lack of new sources of supply due to delays in construction and too few new deposits are the predicable causes. With the major industrial expansions in China, India etc, it is difficult to see much change over the next few years. The positive fundamentals continue for Allegiance!

Planning for construction, ordering of long lead time equipment, awarding of major contracts and mine and site preparation continue apace – a busy but exciting few quarters ahead!"

Property

The property market had another generally quiet year. We purchased a residential property in Normanhurst in October which has now been approved for subdivision into four individual lots. We intend to sell these lots in the next four months.

The Future

We have a 50% interest in the property at St Ives. The medium density residential market in the area is still untested. Our intention is not to be one of the early redevelopments so we will still need to be patient.

We are investigating mineral opportunities in Victoria and Queensland and the possibility of acquiring further shares in Allegiance.

Auditor's Independence Declaration

Horwath

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 2, Quantum House
49-51York Street
Sydney NSW 2000

AUDITOR'S INDEPENDENCE DECLARATION

This declaration is made in connection with my audit of the financial report of Gullewa Limited for the year ended 30 June 2006 and in accordance with the provisions of the Corporations Act 2001.

As lead auditor I 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

29 September 2006

2006 Annual Report
Corporate Governance Statement

Gullewa Limited

Website:	www.gullewa.com
Financial year:	2005/2006

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

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

EXPLANATIONS FOR DEPARTURES FROM BEST PRACTICE RECOMMENDATIONS

During the Company's 2005/2006 financial year ("**Reporting Period**") the Company has complied with the ASX Principles and Recommendations other than in relation to the matters specified below.

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

NOMINATION COMMITTEE

The full Board, in its capacity as the Nomination Committee, held [one] meeting during the Reporting Period. All members attended the meeting.

REMUNERATION COMMITTEE

Company's Remuneration Policies

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

Names of Remuneration Committee Members and their attendance at Committee Meetings

The full Board, in its capacity as the Remuneration Committee, held one meeting during the Reporting Period. All members attended the meeting.

OTHER

Skills, Experience, Expertise and term of office of each Director

A profile of each director containing the skills, experience, expertise and term of office of each director is set out in the Directors' Report.

Identification of Independent Directors

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

Applying the independence criteria, the Board considers that Mr David Atkinson is independent.

Statement concerning availability of Independent Professional Advice

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

Confirmation whether performance Evaluation of the Board and its members have taken place and how conducted

During the Reporting Period an evaluation of the Board and its members was carried out. The evaluation process comprised an informed review of the functioning of the Board by the Chairman. This occurred as part of a meeting of the Board and included an open discussion amongst directors as to performance and structure of the Board as relevant to the Company's current operations.

Existence and Terms of any Schemes for Retirement Benefits for Non-Executive Directors

There are no termination or retirement benefits for non-executive directors.

Income Statements

For the year ended 30 June 2006

	Notes	Consolidated 2006 $	Consolidated 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Revenue	4	**1,567,510**	119,261	**1,567,510**	119,261
Other income	5	**125,669**	-	**2,500**	-
Depreciation		**(11,038)**	(11,038)	**(11,038)**	(11,038)
Employee benefits expense		**(55,188)**	(27,993)	**(55,188)**	(27,993)
Finance costs		**(32,163)**	(14,513)	**(32,163)**	(14,513)
Other expenses	6	**(492,887)**	(347,703)	**(493,869)**	(346,721)
Share of net profits/(losses) of associates accounted for using the equity method		**171,731**	(54,744)	**-**	-
Proft/(Loss) before income tax expense		**1,273,634**	(336,730)	**977,752**	(281,004)
Income tax expense		**-**	-	**-**	-
Profit/(Loss) after income tax		**1,273,634**	(336,730)	**977,752**	(281,004)
Basic earnings/(loss) per share (cents)	7	**1.01**	(0.23)		
Diluted earnings/(loss) per share (cents)	7	**1.01**	(0.23)		

The above income statements should be read in conjunction with the accompanying notes.

Balance Sheets
As at 30 June 2006

		Consolidated		Parent Entity	
		2006	2005	**2006**	2005
	Notes	**$**	$	**$**	$
Current Assets					
Cash and cash equivalents	9	**65,524**	21,339	**65,524**	21,339
Trade and other receivables	10	**23,733**	91,198	**350,464**	92,080
Other financial assets at fair value through profit and loss	11	**20,140**	21,811	**20,140**	21,811
Total Current Assets		**109,397**	134,348	**436,128**	135,230
Non-Current Assets					
Investments accounted for using the equity method	13	**443,633**	256,278	**-**	-
Available for sale financial assets	12	**6,298,501**	3,422,164	**6,625,247**	3,733,286
Property, plant and equipment	15	**18,846**	29,884	**18,846**	29,884
Investment properties	16	**1,050,000**	-	**-**	-
Total Non-Current Assets		**7,810,980**	3,708,326	**6,644,093**	3,763,170
Total Assets		**7,920,377**	3,842,674	**7,080,221**	3,898,400
Current Liabilities					
Trade and other payables	17	**150,247**	191,277	**150,247**	191,277
Interest bearing liabilities	18	**1,077,290**	202,123	**477,290**	202,123
Total Current Liabilities		**1,227,537**	393,400	**627,537**	393,400
Non-Current Liabilities					
Interest bearing liabilities	18	**-**	18,992	**-**	18,992
Total Non-Current Liabilities		**-**	18,992	**-**	18,992
Total Liabilities		**1,227,537**	412,392	**627,537**	412,392
Net Assets		**6,692,840**	3,430,282	**6,452,684**	3,486,008
Equity					
Contributed equity	19	**19,845,098**	19,845,098	**19,845,098**	19,845,098
Reserves	20	**4,200,455**	2,211,531	**4,200,455**	2,211,531
Accumulated losses	20	**(17,352,713)**	(18,626,347)	**(17,592,869)**	(18,570,621)
Total Equity		**6,692,840**	3,430,282	**6,452,684**	3,486,008

The above balance sheets should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

As at 30 June 2006

		Consolidated		Parent entity	
		2006	2005	**2006**	2005
	Notes	**$'000**	$'000	**$'000**	$'000
Total equity at the beginning of the financial year		**3,430,282**	4,021,250	**3,486,008**	4,021,250
Changes in the fair value of available-for-sale financial assets, net of tax	20(a)	**2,685,748**	-	**2,685,748**	-
Net income recognised directly in equity					
Transfer from available for sale investments revaluation reserve realised increment on sale during the year		**(821,782)**	-	**(821,782)**	-
Profit for the year		**1,273,634**	(336,730)	**977,752**	(281,004)
Total recognised income and expense for the year		**6,567,882**	3,303,542	**6,327,726**	3,359,268
Transactions with equity holders in their capacity as equity holders					
Employee share options	28(c)	**124,958**	-	**124,958**	-
Issue of shares, net of transaction costs		**-**	126,740	**-**	126,740
		124,958	126,740	**124,958**	126,740
Total equity at the end of the financial year		**6,692,840**	3,430,282	**6,452,684**	3,486,008

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

Cash Flow Statements

For the year ended 30 June 2006

	Notes	Consolidated 2006 $	Consolidated 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Cash Flows from Operating Activities					
Payments to suppliers and employees		**(394,182)**	(317,930)	**(394,182)**	(315,990)
Interest received		**1,608**	385	**1,608**	385
Interest paid		**(32,163)**	(1,750)	**(32,163)**	(1,750)
Net cash (outflow) from operating activities	8	**(424,737)**	(319,295)	**(424,737)**	(317,355)
Cash Flows from Investing Activities					
Payment to acquire investment property		**(926,831)**	-	**-**	-
Proceeds from sale of available for sale financial assets		**2,008,854**	197,667	**2,008,854**	197,667
Payment for purchase of available for sale financial assets		**(1,453,752)**	(187,717)	**(1,453,752)**	(189,657)
Amounts advanced to controlled entity		**-**	-	**(326,731)**	-
Payments for equity accounted investments		**(15,624)**	(1,840)	**(15,624)**	(1,840)
Net cash (outflow) / inflow from investing activities		**(378,253)**	8,110	**(462,663)**	6,170
Cash Flows from Financing Activities					
Proceeds from issues of shares		**-**	126,740	**-**	126,740
Repayment of borrowings		**(5,129)**	(5,129)	**(5,129)**	(5,129)
Proceeds from borrowings		**861,304**	132,842	**261,304**	132,842
Net cash inflow/(outflow) from financing activities		**856,175**	254,453	**256,175**	254,453
Net Increase/(Decrease) in Cash Held		**44,185**	(56,732)	**44,185**	(56,732)
Cash at the beginning of the Reporting Period		**21,339**	78,071	**21,339**	78,071
Cash at the End of the Reporting Period	9	**65,524**	21,339	**65,524**	21,339

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 2006

Note 1 Summary of Significant Accounting Policies

The financial report is a general purpose financial report and covers the economic entity of Gullewa Ltd and controlled entities ('consolidated financial statements'), and Gullewa Ltd as an individual parent entity ('parent entity financial statements'). Gullewa Ltd is a listed public company, incorporated and domiciled in Australia.

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

The consolidated and parent entity financial statements have been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS). Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first financial statements of Gullewa Ltd to be prepared in accordance with AIFRS.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity financial statements resulting from the introduction of AIFRS have been applied retrospectively to 2004 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied (see below).

Reconciliations and descriptions of the effect of the transition from previous Australian GAAP to AIFRS have been included in Note 29 to this report.

Transitional Exemptions on First Time Adoption of Australian Equivalents to International Financial Reporting Standards

The Group has used the following exemptions from retrospective application, as allowed by AASB 1 'First Time adoption of Australian Equivalents to International Financial Reporting Standards'.

Financial Instruments

The Group has taken the exemption available under AASB 1 to apply AASB 132 'Financial Instruments: Presentation and Disclosure' and AASB 139 'Financial Instruments: Recognition and Measurement' only from 1 July 2005. The Group has applied previous Australian accounting standards to comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Share-based Payments

The Group has elected not to apply AASB 2 Share-based Payments to equity instruments that were granted on or before 7 November 2002 and to equity instruments that were granted after 7 November 2002 that vested before the later of the date of transition to Australian equivalents to IFRSs on 1 January 2004 and 1 January 2005.

The Group has elected not to apply AASB 2 Share-based Payments to liabilities arising from share-based payment transactions that were settled before the date of transition to Australian equivalents to IFRSs and to liabilities that were settled before 1 January 2005.

Compliance with IFRS

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Gullewa Ltd comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 'Financial Instruments: Presentation and Disclosure'.

New Accounting Standards and UIG Interpretations

Australian Accounting Standards that have recently been issued or amended which are not yet effective and are not expected to affect the accounting policies of the company are as follows:

None of these standards or amendments are expected to affect the company's accounting policies. AASB 7 on disclosures will be adopted for the year ended 30 June 2007 which will result in additional disclosures only.

AASB Amendment:	**Affected Standard(s):**	**Application date of amendment:**
2004-3	AASB 1 *First Time Adoption of AIFRS*, AASB 101 *Presentation of Financial Statements*, AASB 124 *Related Party Disclosures*	Periods commencing 1 January 2006
2005-1	AASB 139 : *Financial Instruments : Recognition and Measurement*	Periods commencing 1 January 2006
2005-4	AASB 139 : *Financial Instruments : Recognition and Measurement*, AASB 132 : *Financial Instruments : Disclosure and Presentation*, AASB 1 : *First time Adoption of AIFRS*, AASB 1023 : *General Insurance Contracts*, AASB 1028 : *Life Insurance Contracts*	Periods commencing 1 January 2006
2005-5	AASB 1 *First Time Adoption of AIFRS*, AASB 139 *Financial Instruments: Recognition and Measurement*	Periods commencing 1 January 2006
2005-6	AASB 3 : *Business Combinations*	Periods commencing 1 January 2006
AASB Amendment:	**Affected Standard(s):**	**Application date of amendment:**
2005-9	AASB 4 *Insurance contracts*, AASB 1023 *General Insurance Contracts*, AASB 139 *Financial Instruments : Recognition and Measurement* and AASB 132 *Financial Instruments: Disclosure and Presentation*	Periods commencing 1 January 2006
2005-10	AASB 132 *Financial Instruments : Disclosure and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings Per Share*, AASB 139 *Financial Instruments : Recognition and Measurement*, AASB 1 *First time Adoption of AIFRS*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts*, AASB 1028 *Life Insurance Contracts*	Periods commencing 1 January 2007
2006-1	AASB 121 *The Effects of Changes in Foreign Exchange Rates*	Periods ending on or after 31 December 2006
Amendment to AASB 119	119 *Employee Benefits*	Periods commencing 1 January 2007
AASB 7	*Financial Instruments : Disclosures*	Periods commencing 1 January 2007

UIG Interpretation	Affected Standard(s):	Application date of UIG Interpretation:
UIG Interpretation 4	AASB 117 *Leases*	Periods commencing 1 January 2006
UIG Interpretation 5	AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*	Periods commencing 1 January 2006
UIG Interpretation 6	AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*	Periods commencing 1 December 2005
UIG Interpretation 7	AASB 129 *Financial Reporting in Hyperinflationary Economies*	Periods commencing 1 March 2006
UIG Interpretation 8	AASB 2 *Share Based Payments*	Periods commencing 1 May 2006
UIG Interpretation 9	AASB 139 *Financial Instruments : Recognition and Measurement*	Periods commencing 1 June 2006

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs as modified by the revaluation of available for sale financial assets, investment properties and investments held at fair value through profit and loss.
The accounting policies set out below have been consistently applied to all years presented, except as noted above.

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Gullewa Limited ("parent entity") as at 30 June 2006 and the results of all subsidiaries for the year then ended. Gullewa Limited and its subsidiaries are referred to in this financial report as the "Group".

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

A list of subsidiaries is contained in Note 14 to the financial statements. All subsidiaries have a June financial year-end.

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

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

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations). Cost is measured as the fair value of the assets given, equity instruments issued (net of transaction costs) or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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

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

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

(c) Investments in Associates

Associates are all entities over which the Group has significant influence but not control. Investments in associates are recognised in the parent entity financial statements at cost, and are accounted for in the consolidated financial statements using the equity method of accounting. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of the associate's post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised directly in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

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

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

(d) Property, Plant and Equipment

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

Plant and equipment

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

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

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding land, is depreciated on a straight-line basis over their useful lives (commencing from the time the asset is ready for use). Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciable amount is the carrying value of the asset less estimated residual amounts. The residual amount is based on what a similar asset of the expected condition of the asset at the end of its useful life could be sold for. Property plant and equipment is measured initially at cost. Cost includes all directly attributable expenditure incurred including costs to get the asset ready for its use as intended by management. Costs include an estimate of any expenditure expected to be incurred at the end of the asset's useful life, including restoration, rehabilitation and decommissioning costs.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Motor vehicles	20%
Plant and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred back to the income statement as part of the profit or loss on disposal.

(e) Investment Property

Investment property, principally comprising freehold land and buildings, is held for capital growth and is not occupied by the Group. Investment property is carried at fair value, representing open-market value determined annually by external valuers. Changes in fair values are recorded in the income statement as part of other income.

(f) Leases

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

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

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

Leased assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged to the income statement on a straight line basis over the lease term.

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

(g) Impairment

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

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

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

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

(h) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax assets and liabilities are recognised using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and on unused tax losses. No deferred tax assets or liabilities will be recognised from the initial recognition of an asset or liability excluding a business combination, that at the time of the transaction did not affect either accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the income statement except where it relates to items which are recognised directly in equity, in which case the deferred tax is recognised directly in equity.

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

(i) Financial Instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

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

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose 'terms require delivery of the investment within 'the time frame' established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

<u>From 1 July 2004 to 30 June 2005</u>

The Group has taken the exemption available under AASB 1 to apply AASB 139 'Financial Instruments: Recognition and Measurement' only from 1 July 2005. The Group has applied previous AGAAP to the comparative information within the scope of AASB 139. Under AGAAP interests in listed securities are brought to account at their market value, with changes being recognised in the income statement.

<u>From 1 July 2005</u>

Investments in listed securities are measured initially, and at subsequent reporting dates, at fair value. Gains and losses arising from changes in fair value are recognised directly in equity for available for sale financial assets. When the available for sale financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period.

Available for sale financial assets are those investments that are not held with the intention of actively trading them.

Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Gains and losses arising from changes in fair value are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Trade Payables

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

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(j) Revenue Recognition

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

Revenue on the sale of shares is recognised on trade date when the risks and rewards of ownership have passed.
Interest revenue is recognised on an effective interest rate method in relation to the outstanding financial asset.

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

All revenue is stated net of the amount of goods and services tax (GST) returns, trade allowances and other duties and taxes paid.

(k) Finance Costs

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

All other borrowing costs are expensed in the income statement using the effective rate of interest method.

(l) Earnings per Share

Basic earnings per share is determined by dividing the loss from ordinary activities after income tax attributable to members of Gullewa Ltd by the weighted average number of ordinary shares outstanding during the financial year.

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

(m) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(n) 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.

(o) 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.

(p) Fair Value Estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

(q) Employee benefits

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

(iv) Share-based payments
Share-based compensation benefits are provided to directors. Information relating to these options is set out in note 28.

Shares and options granted before 7 November 2002 and/or vested before 1 January 2005
No expense is recognised in respect of the options or shares issued to employees for nil consideration. Shares issued following the exercise of options are recognised at that time and the proceeds received allocated to share capital.

Shares and options granted after 7 November 2002 and vested after 1 January 2005
The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2006

Note 2 Critical Accounting Estimates and Judgements

(i) In the process of applying the Group's accounting policies, management have made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification of Investments

Where it is considered that the Group has significant influence, but not control, investments have been equity accounted. This has resulted in the Group accounting for their share of each associate's post acquisition reserves.

Other investments have been classified as 'available for sale', as they are not held with the intention of actively trading them. Although trading activity has occurred during the year, the Directors do not believe that this would change the classification due to the strategic nature of the holding of the shares. By classifying them as 'available for sale', any movement in the fair value of these investments is recognised directly in reserves in a separate asset revaluation reserve.

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

Share based payments

The values of amounts recognised in respect of share based payments has been estimated based on the fair value of the options. To estimate this fair value an option pricing model has been used. There are many variables and assumptions used as inputs into the model (which have been detailed in Note 28). If any of these assumptions or estimates were to change this could have a significant effect on the amounts recognised.

Investment property

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

Note 3 Segment Information

(a) Description of Segments

Business Segments

Gullewa Limited operates in 2 main segments, namely investments and property development (in one geographical segment, Australia). To date, no revenue has been generated from the property development business.

Investments

The Company invests in shares in listed entities and an associate.

Property

The Company acquires investment properties with a view to make capital appreciation.

(b) Primary reporting format – business segments

2006	Investments $	Property $	Inter-segment eliminations/ unallocated $	Consolidated $
Sales	**1,530,706**	-	**1,608**	1,532,314
Share net profits of associates	**171,731**	-	**-**	171,731
Other income	**-**	125,669	**-**	125,669
Total segment revenue/ income	**1,702,437**	125,699	**1,608**	1,829,714
Segment result	**1,702,437**	125,669	**(554,472)**	1,273,634
Segment assets	**6,361,816**	1,050,000	**508,561**	7,920,377
Segment liabilities	**(458,298)**	(600,000)	**(169,239)**	(1,227,537)
Investment in associates	**443,633**	-	**-**	443,633
Acquisitions of property plant and equipment	**-**	926,831	**-**	926,831
Depreciation and amortization expense	**-**	-	**11,038**	11,038
Other non-cash expenses	**-**	-	**124,958**	124,958

2005:
All income is earned from company's investments, therefore no further segmental information is provided.

(c) Secondary reporting format – Geographical segments

Gullewa Limited operates in one geographical segment, Australia.

Note 4 Revenue

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Revenue				
Interest received	**1,608**	385	**1,608**	385
Realised gains on the sale of available for sale investments	**1,530,706**	55,535	**1,530,706**	55,535
Fair value gains on financial assets at fair value through profit and loss	**35,196**	63,341	**35,196**	63,341
	1,567,510	119,261	**1,567,510**	119,261

Note 5 Other Income

	2006 **$**	2005 $	**2006** **$**	2005 $
Revaluation of investment property	**123,169**	-	**-**	-
Other Income	**2,500**	-	**2,500**	-
	125,669	-	**2,500**	-

Note 6 Expenses

Included in profit/loss for the year are the following expenses:	**2006** **$**	2005 $	**2006** **$**	2005 $
Accounting fees	**3,640**	10,186	**3,640**	10,186
Administrative	**42,750**	28,041	**42,750**	28,041
Advertising	**15,400**	24,000	**15,400**	24,000
Audit fees	**18,850**	25,880	**18,850**	25,880
Bad debts	**2,474**	-	**2,474**	-
Communication expenses	**10,429**	10,830	**10,429**	10,830
Consulting fees	**110,206**	73,188	**110,206**	73,188
Key management personnel remuneration	**24,960**	24,960	**24,960**	24,960
Fringe Benefits tax:				
- current year	**3,678**	12,626	**3,678**	12,626
- previous years	**-**	-	**-**	-
Insurance	**11,002**	7,259	**11,002**	7,259
Legal fees	**4,283**	23,397	**4,283**	23,397
Motor and travel expenses	**9,700**	14,655	**9,700**	14,655
Office rental	**16,100**	8,692	**16,100**	8,692
Property evaluation costs	**47,562**	37,644	**47,562**	37,644
Repairs and maintenance	**20,007**	9,724	**20,007**	9,724
Share based payments	**124,958**	-	**124,958**	-
Share registry expenses	**11,293**	7,202	**11,293**	7,202
Other expenses from ordinary activities	**15,595**	29,419	**16,577**	28,437
	492,887	347,703	**493,869**	346,721

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2006

Note 7 Earnings Per Share

	2006 Cents	2005 Cents
(a) Basic earnings/(loss) per share		
Earnings/(Loss) attributable to the ordinary equityholders of the company	**1.01**	**(0.23)**

(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.

(c) Reconciliations of earnings used in calculating earnings per share

	2006 $	2005 $
Basic and diluted earnings/(loss) per share		
Earnings/(Loss) and earnings/(loss) attributable to the ordinary equityholders of the company used in calculating basic and diluted earnings/(loss) per share	**1,273,634**	**(336,730)**

(d) Weighted average number of shares used as the denominator

	2006 $	2005 $
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings/(loss) per share	**125,931,531**	**122,621,723**

Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2006

Note 8 Cash Flow Information

Reconciliation of Cash Flow from Operations

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Profit/(loss) after income tax	**1,273,634**	(336,730)	**977,752**	(281,004)
Non-cash flows:				
Depreciation	**11,038**	11,038	**11,038**	11,038
(Write-back)/off of investment –other	**(35,196)**	(63,341)	**(35,196)**	(63,341)
Share of (profits)/ losses in associate	**(171,731)**	52,904	**-**	-
Profit on sale of investments	**(1,530,706)**	(55,535)	**(1,530,706)**	(55,535)
Revaluation increment on investment property	**(123,169)**	-	**-**	-
Non-cash employee benefits expense – share based payments	**124,958**	-	**124,958**	-
Changes in operating assets and liabilities:				
(Increase)/decrease in receivables	**67,465**	(81,962)	**68,447**	(82,844)
Increase/(decrease) in trade creditors, accruals	**(41,030)**	154,331	**(41,030)**	154,331
Cash flows used in operations	**(424,737)**	(319,295)	**(424,737)**	(317,355)

Note 9 Cash and Cash Equivalents

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Cash at bank and on hand	**65,524**	21,339	**65,524**	21,339
	65,524	21,339	**65,524**	21,339

Note 10 Trade and Other Receivables

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Sundry debtors and deposits	**23,733**	91,198	**23,733**	92,080
Amounts receivable from controlled entity	**-**	-	**326,731**	-
	23,733	91,198	**350,464**	92,080

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2006

Note 11 Other Financial Assets – Investments held at fair value through profit and loss

	Consolidated 2006 $	Consolidated 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Current				
Shares in listed entities – at fair value	**20,140**	21,811	**20,140**	21,811
	20,140	21,811	**20,140**	21,811

Note 12 Available for Sale Financial Assets

	Consolidated 2006 $	Consolidated 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Non Current				
Shares in controlled entities	**-**	-	**100**	100
Available for sale financial assets – at fair value	**6,298,501**	3,422,164	**6,298,501**	3,422,164
Investment in associate - at cost	**-**	-	**326,646**	311,022
	6,298,501	3,422,164	**6,625,247**	3,733,286

Available for sale financial assets are listed.

Note 13 Investments Accounted for using the Equity Method

	Consolidated 2006 $	Consolidated 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Interest in associate	**443,633**	256,278	**-**	**-**
	443,633	256,278	**-**	-

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.

(a) Carrying amounts

Name	Principal Activity	Ownership interest 2006 %	Ownership interest 2005 %	Consolidated Entity carrying amount 2006 $	Consolidated Entity carrying amount 2005 $
Our Field Pty Limited	Property development	50	50	443,633	256,278

(b) Movements in carrying amounts

	Consolidated 2006 $'000	Consolidated 2005 $'000
Carrying amount at the beginning of the financial year	**256,278**	309,182
Share of profits/(losses) after income tax	**171,731**	(54,744)
Additional investment during the year	**15,624**	1,840
Carrying amount at the end of the financial year	**443,633**	256,278

(c) Share of associates' profits or losses

Profit before income tax	**221,868**	(54,744)
Income tax expense	**(50,137)**	-
Profit after income tax	**171,731**	(54,744)

(d) Summarised financial information of associates

	Group's share of:			
	Assets $'000	Liabilities $'000	Revenues $'000	Profit/(Loss) $'000
2006				
Our Field Pty Ltd	1,012,391	895,404	228,118	171,731
	1,012,391	895,404	228,118	171,731
2005				
Our Field Pty Ltd	771,356	826,100	5,750	(54,744)
	771,356	826,100	5,750	(54,744)

(e) Share of associates' expenditure commitments

The associate had no capital or lease commitments outstanding as of 30 June 2006.

(f) Contingent liabilities of associates

There were no contingent liabilities of the associate as of 30 June 2006.

Note 14 Controlled Entities

Name of Entity	Country of Incorporation	Class of Share	Equity holding		Cost of Parent Entity's investment	
			2006 %	2005 %	**2006 %**	2005 %
Rondav Pty Limited	Australia	Ordinary	**100**	100	**100**	100
Claymor Resources Pty Ltd	Australia	Ordinary	**100**	100	**100,000**	100,000
Less: impairment writedown					**(100,000)**	(100,000)
Telephony Associates Pty Ltd	Australia	Ordinary	**70**	70	**-**	-
					100	100

Note 15 Property, Plant and Equipment

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Motor Vehicle:				
At Cost	**49,632**	49,632	**49,632**	49,632
Accumulated Depreciation	**(32,974)**	(23,047)	**(32,974)**	(23,047)
Plant and equipment:	**16,658**	26,585	**16,658**	26,585
At cost	**5,557**	5,557	**5,557**	5,557
Accumulated depreciation	**(3,369)**	(2,258)	**(3,369)**	(2,258)
	2,188	3,299	**2,188**	3,299
	18,846	29,884	**18,846**	29,884

Consolidated & parent entity	**Motor Vehicles**	**Plant & Equipment**	**Total**
Carrying amount at 1 July 2005	26,585	3,299	29,884
Additions	-	-	-
Depreciation	(9,927)	(1,111)	(11,038)
Carrying amount at 30 June 2006	16,658	2,188	18,846

Consolidated & parent entity	**Motor Vehicles**	**Plant & Equipment**	**Total**
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 16 Investment Property

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
At Fair value				
Opening balance at 1 July 2005	**-**	-	**-**	-
Acquisitions	**750,000**	-	**-**	-
Capitalised subsequent expenditure	**176,831**	-	**-**	-
Classified as held for sale or disposals	**-**	-	**-**	-
Net gain from fair value adjustment	**123,169**	-	**-**	-
Transfer (to) from inventories and owner occupied property	**-**	-	**-**	-
Closing balance at 30 June 2006	**1,050,000**	-	**-**	-

(a) Amounts recognised in profit and loss for investment property

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Net gain from fair value adjustment	**123,169**	-	**-**	-
	123,169	-	**-**	-

(b) Valuation basis

The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar market conditions. The 2006 revaluations were based on independent assessments made by a qualified member of the Australian Property Institute, who has recent experience in the location and category of property being valued.

(c) Non-current assets pledged as security

Refer to note 18 for information on non-current assets pledged as security by the parent entity or its controlled entities.

(d) Contractual obligations

There were no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements as of June 30, 2006.

Note 17 Trade and Other Payables

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Trade creditors and accruals	**137,809**	81,277	**137,809**	81,277
Other	**12,438**	110,000	**12,438**	110,000
	150,247	191,277	**150,247**	191,277

Note 18 Interest Bearing Liabilities

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Current				
Advances from related party (unsecured)*	**458,298**	196,994	**458,298**	196,994
Other loans	**600,000**	-	**-**	-
Hire purchase liability (Note 22)	**18,992**	5,129	**18,992**	5,129
	1,077,290	202,123	**477,290**	202,123
Non-Current				
Hire purchase liability (Note 22)	**-**	18,992	**-**	18,992

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

The other loan is secured over the investment property.

* Advances from related parties bear interest at 8.3%

Note 19 Contributed Equity

	Consolidated		Consolidated	
	2006	2005	**2006**	2005
	Shares	Shares	**$'000**	$'000
(a) Share capital				
Ordinary shares of no par value				
Fully paid	**125,931,551**	125,931,551	**19,845,098**	19,845,098

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$'000
1 July 2004	Opening balance	119,067,420		19,718,358
23 December 2004	Placement at 1.84 cents	6,864,131	1.84 cents	126,740
30 June 2005 and 2006	Balance	125,931,551		19.845,098

(c) Ordinary shares

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

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

Note 20 Reserves and Accumulated Losses

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
(a) Reserves				
Capital reserve	**284,828**	284,828	**284,828**	284,828
Share based payments reserve	**124,958**	-	**124,958**	-
Available for sale investments revaluation reserve	**3,790,669**	1,926,703	**3,790,669**	1,926,703
	4,200,455	2,211,531	**4,200,455**	2,211,531

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
Share based payments reserve				
Opening balance	**-**	-	**-**	-
Option expense	**124,958**	-	**124,958**	-
Closing balance	**124,958**	-	**124,958**	-
Available for sale investments revaluation reserve				
Opening balance	**1,926,703**	2,307,681	**1,926,703**	2,307,681
Fair value adjustment of investment	**2,685,748**	-	**2,685,748**	-
Transfer of realised increment on sale during the year	**(821,782)**	-	**(821,782)**	-
Closing balance	**3,790,669**	1,926,703	**3,790,669**	1,926,703

(b) Nature and purpose of reserves

(i) Available-for-sale investments revaluation reserve
Changes in the fair value of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve, as described in note 1(i), until the investments are sold.

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

(iii) Capital reserve

The capital reserve arose historically and is distributable.

(c) Accumulated Losses

Opening balance	**(18,626,347)**	(18,289,617)	**(18,570,621)**	(18,289,617)
Net profit/(loss) attributable to members	**1,273,634**	(336,730)	**977,752**	(281,004)
Closing balance	**(17,352,713)**	(18,626,347)	**(17,592,869)**	(18,570,621)

Note 21 Financial Instruments

The company and group are subject to various financial risks, the significant risks being price risk relating to the listed investments, liquidity risk, which is the risk that the company and group will be able to meet operating funding requirements, and interest rate risk on liabilities, which is the risk that floating interest rates will fluctuate. The company and group does not have any specific risk management policies in place. Rather the directors manage these risks as they arise. More details on these risks can be found below:

(a) Interest rate risk

Interest rate risk arises on cash, receivables, hire purchase liability and loans payable . The company's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities are as follows:

	Total carrying amount as per the Balance Sheet		Weighted average effective interest rate			
			Floating		Fixed	
	2006	2005	**2006**	2005	**2006**	2005
	$	$	%	%	%	%
Cash	**65,524**	21,339	**3.97**	3.71	-	-
Payables – related party loans	**(458,298)**	(196,994)	-	-	**8.3%**	8.3%
Hire Purchase Liability	**(18,992)**	(24,121)	-	-	**7.057%**	7.057%
Other loan	**(600,000)**	-	-	-	**13.5%**	-
Total	**(1,011,766)**	(199,776)				

All other financial instruments are interest free.

(b) Fair value

The total carrying amount per the Balance Sheet for financial assets and financial liabilities approximates their fair value.

(c) Credit risk

The company's maximum exposures to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet.

(d) Liquidity risk

Liquidity risk management is carried out by the directors who ensure that there are available facilities for the group to meet its operating funding requirements.

Note 22 Commitments for Expenditure

Hire Purchase Commitments

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Commitments in relation to hire purchase agreements are payable as follows:				
Within one year	**20,013**	6,879	**20,013**	6,879
Later than one year but not later than 5 years	**-**	20,013	**-**	20,013
	20,013	26,892	**20,013**	26,892
Less future finance changes	**1,021**	2,771	**1,021**	2,771
Total hire purchase liability	**18,992**	24,121	**18,992**	24,121

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Representing :				
Current (Note 19)	**18,992**	5,129	**18,992**	5,129
Non-current (Note 19)	**-**	18,992	**-**	18,992
	18,992	24,121	**18,992**	24,121

Note 23 Contingent Liabilities

Gullewa Limited has given a guarantee in respect of a bank loan of its associate company amounting to $1,050,000 (2005: $1,050,000). (See note 25(f)) No material losses are anticipated in respect of the contingent liabilities.

Note 24 Key management personnel disclosures

The Company has taken the exemption under the Corporations Amendment Regulation 2006/4 which exempts listed companies from providing certain remuneration disclosures required by AASB124 "Related Party Disclosures" in their financial statements provided this information has been given in the Directors' report, and has been audited.

(a) Key management personnel compensation

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Short-term employee benefits	**121,966**	98,148	**121,966**	98,148
Share-based payments	**124,958**	-	**124,958**	-
	246,924	98,148	**246,924**	98,148

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options
Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on pages 7-8

(ii) Option holdings
The numbers of options over ordinary shares in the company held during the financial year by each director of Gullewa Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2006 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Gullewa Limited						
Mr D Deitz	9,000,000	7,500,000	-	-	16,500,000	16,500,000
Mr E Lee	1,000,000	2,378,378	-	-	3,378,378	3,378,378
Mr DJ Atkinson	1,000,000	2,378,378	-	-	3,378,378	3,378,378
There are no other key management personnel of the Group						

2005 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Gullewa Limited						
Mr D Deitz	9,000,000	-	-	-	9,000,000	9,000,000
Mr E Lee	1,000,000	-	-	-	1,000,000	1,000,000
Mr DJ Atkinson	1,000,000	-	-	-	1,000,000	1,000,000
There were no other key management personnel of the Group						

(iii) Share holdings

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

2006 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Gullewa Limited **Ordinary shares**				
Mr D Deitz	3,080,876	-	68,822	3,149,698
Mr E Lee	-	-	-	-
Mr DJ Atkinson	1,814,022	-	(1,814,022)	-
There were no other key management personnel of the Group				

2005 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Gullewa Limited **Ordinary shares**				
Mr D Deitz	2,214,022	-	866,854	3,080,876
Mr E Lee	-	-	-	-
Mr D J Atkinson	2,214,022	-	(400,000)	1,814,022
There were no other key management personnel of the Group				

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2006

Note 25 Related Party Transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 14.

(b) Key management personnel

Disclosures relating to key management personnel remuneration, options and shareholdings are set out in note 24.

Other related party transactions with director related entities (as defined in Accounting Standard AASB124 : Related Party Disclosure):

	2006 **$**	2005 $
Payment for services		
Amounts paid to Allegiance Mining NL for Gullewa's portion of shared costs	**137,222**	83,162
Other transactions		
The parent entity purchased 5,178,252 at an average cost of 28.1 cents (2005: 1,711,339) and sold 8,114,168 at an average price of 24.7 cents (2005: 500,000) shares in Allegiance Mining NL, a company in which D Deitz and E Lee are directors. At the year end, the parent entity held the 23,325,478 shares (2005: 26,261,394) representing 3.7% (2005: 6.45%) – at market value	**6,297,879**	3,422,164

(c) Loans to/(from) related parties

	Consolidated		**Parent entity**	
	2006 **$**	2005 $	**2006** **$**	2005 $
Loans to subsidiaries				
Beginning of the year	**-**	-	**-**	-
Loans advanced	**-**	-	**326,731**	-
End of year	**-**	-	**326,731**	-
Loans from director related entities				
Beginning of the year	**(196,994)**	(64,152)	**(196,994)**	(64,152)
Additional borrowing	**(261,304)**	(132,842)	**(261,304)**	(132,842)
End of year	**(458,298)**	(196,994)	**(458,298)**	(196,994)

(d) Guarantees

The following guarantee has been given:

	Consolidated		**Parent entity**	
	2006 **$**	2005 $	**2006** **$**	2005 $
Guarantee of a mortgage to Our Field Pty Limited	**1,050,000**	1,050,000	**1,050,000**	1,050,000

Note 26 Income Tax

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
(a) Numerical reconciliation of income tax expense to prima facie tax payable:				
Profit/(Loss) before income tax	**1,273,634**	(336,730)	**977,752**	(281,004)
Tax expense/(benefit) at the Australian tax rate of 30% (2005: 30%)	**382,090**	(101,019)	**293,326**	(84,301)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share based payments	**37,487**	-	**37,487**	-
Share of profits/losses of associates	**(51,519)**	16,423	**-**	-
Tax losses and timing differences not recognised	**-**	84,596	**-**	84,301
Prior year tax losses not recognised now recouped	**(368,058)**	-	**330,813**	-
Income tax attributable to loss from ordinary activities	**-**	-	**-**	-

Due to the business activities of the company, the directors do not believe it is probable that the company will be able to claim a deduction for the accumulated tax losses in the future. Accordingly, the potential deferred tax asset estimated at $5,255,000 has not been recognised in the financial statements.

Note 27 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 28 Share Based Payments

(a) Employee Option Plan

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

Options are granted with no vesting conditions and expire at varying dates. Options are granted for no consideration, with the exercise price as listed below payable on exercise of the options. When exercisable, each option is convertible into one ordinary share.

Options granted carry no dividend or voting rights.

Set out below are summaries of options granted:

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated and parent entity - 2006								
28 Nov 2003	30 June 2009	$0.06	11,000,000	-	-	-	11,000,000	11,000,000
11 Oct 2005	30 Nov 2010	$0.0325	-	12,256,756	-	-	12,256,756	12,256,756
Total			11,000,000	12,256,756	-	-	23,256,756	23,256,756
Weighted average exercise price			$0.06	$0.0325			$0.0455	$0.0455
Consolidated and parent entity - 2005								
28 Nov 2003	30 June 2009	$0.06	11,000,000	-	-	-	11,000,000	11,000,000
Weighted average exercise price			$0.06				$0.06	$0.06

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.25 years (2005 - 4 years).

Fair value of options granted
The assessed fair value at grant date of options granted during the year ended 30 June 2006 was 1.02 cents per option. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2006 included:

(a) options are granted for no consideration. There are no vesting conditions.
(b) exercise price: 3.25 cents
(c) grant date: 11 October 2005
(d) expiry date: 30 November 2010
(e) share price at grant date: 2.6 cents
(f) expected price volatility of the company’s shares: 57.11%
(g) expected dividend yield: 1.25%
(h) risk-free interest rate: 5.4%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Options issued under employee option plan	**124,958**	-	**124,958**	-

Note 29 Explanations of Transition to Australian equivalents to IFRS's

(a) Reconciliation of total equity as presented under AGAAP to that under AIFRS

	Consolidated		Parent Entity	
	30 June 2005 $	**1 July 2004 $**	**30 June 2005 $**	**1 July 2004 $**
Total equity under AGAAP and AIRFS	3,430,282	4,021,250	3,486,008	4,021,250

(b) Reconciliation of net profit under AGAAP to that under AIFRS

	30 June 2005	
	Consolidated $	**Parent Entity $**
Net Loss as reported under AGAAP	(336,730)	(281,004)
Net Profit/Loss under AIFRS	(336,730)	(281,004)

(c) Restated AIFRS Statement of Cash Flows for the half-year ended 31 December 2005

No adjustments have been made to the cash flow statement on adoption of AIFRS.

Note 30 Remuneration of auditors.

During the year the following fees paid or payable for the services provided by the auditor of the parent entity, its related practices, and non-related audit firm:

	Consolidated		Parent Entity	
	2006 $	2005 $	**2006 $**	2005 $
(a) Assuarance services:				
Audit Services				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**33,000**	25,250	**30,000**	25,250
Other assurance services				
AIFRS accounting services	**4,700**	-	**4,700**	-
Other	**400**	-	**400**	-
Total remuneration for assurance services	**38,100**	25,250	**35,100**	25,250
(b) Taxation Services:				
Tax compliance services, including review of company income tax returns	**750**	-	**750**	-
Total remuneration for taxation services.	**750**	-	**750**	-

Note 31 Additional Information

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

The address of the registered office is as follows:
Level 2 Quantum House
49-51 York Street
SYDNEY NSW 2000

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 16 to 47:

(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 2006 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 29th day of September 2006.

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

We have audited the accompanying financial report of both Gullewa Limited (the company) and Gullewa Limited (the consolidated entity) for the year ended 30 June 2006. The financial report comprises the balance sheet at 30 June 2006, and the income statement, statement of changes in equity, cash flow statement, summary of significant accounting policies and other explanatory notes, and the directors' declaration for the year then ended.

We have also audited the information about the remuneration of directors and executives ("remuneration disclosures"), the company has disclosed in accordance with Accounting Standard AASB 124 Related Party Disclosures, under the heading "remuneration report" in pages 4 to 10 of the directors' report, as permitted by the Corporations Regulations 2001.

Directors' Responsibility for the Financial Report and the AASB 124 Remuneration Disclosures Contained in the Directors' Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Accounting Standards in Australia and the *Corporations Act 2001*. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

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

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

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

Independence

We are independent of the company and the group, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditors' Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial statements, 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.

Auditor's Opinion on the Financial Report

In our opinion:

1. The financial reports of Gullewa Limited and Gullewa Limited are in accordance with the Corporations Act 2001, including:

   (a) giving a true and fair view of the company's and the group's financial position as at 30 June 2006 and of its performance for the year ended on that date; and

   (b) complying with Accounting Standards in Australia including the Australian Accounting Interpretations and the Corporations Regulations 2001.

Auditor's Opinion on the AASB 124 Remuneration Disclosures Contained in the Directors' Report

In our opinion the remuneration disclosures that are contained in pages 4 - 8 of the directors' report comply with Accounting Standard AASB 124 and the Corporations Regulations 2001.

Dated the 29th day of September 2006

Horwath Sydney Partnership

HORWATH
SYDNEY PARTNERSHIP
Chartered Accountants

ALFRED NEHAMA
Partner

Shareholder Information

The shareholder information set out below was applicable as at 29/09/06.

A. Substantial Shareholders

Substantial shareholders who have notified the Company are as follows:

	Ordinary Shares
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	194
1,001	-	5,000	479
5,001	-	10,000	312
10,001	-	100,000	567
100,001	-	And over	143
Total number of holders			1,695

(ii) Numbers of holders of less than a marketable parcel: 858

(iii)Percentage held by the 20 largest holders: 51.76%

Ordinary Shares	Number Held	Percentage Held
Allegiance Mining NL	30,086,767	23.89
Anything Communication Pty Ltd	4,502,481	3.57
Fezune Pty Ltd Reid Family Super Fund A/C	3,250,000	2.58
David Deitz	3,149,698	2.50
Mr Shomo Thaler	2,927,777	2.32
Ashecorp Pty Ltd MD&DS Moss Super Fund A/C	2,770,000	2.20
Scomac Management Services Pty Ltd	2,300,000	1.83
David Dawson	2,000,000	1.59
Mesuta Pty Ltd	2,000,000	1.59
Howland Rose Holdings Pty Ltd	1,845,018	1.46
Mr Kenneth Joseph Hall & Mrs Mary Christine Hall Super Fund A/C	1,582,248	1.26
Mr Nicholas Charles Richards	1,391,266	1.10
UOB Kay Hian (Hong Kong) Ltd	1,300,000	1.03
Allan Frederick Harrison	1,258,749	1.00
ANZ Nominees Limited	1,289,584	0.99
Arthur John Dennis	1,145,018	0.91
Mr Ralph Bard III	1,125,000	0.89
Krystal Holdings Pty Ltd Share Super Fund A/C	1,000,000	0.79
Nationwide Mineral Consultants Pty Ltd	1,000,000	0.79
Onyx Pty Ltd	1,000,000	0.79
Total	**66,923,606**	**53.08**

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