

**Gullewa Limited**

**ABN 30 007 547 480**

**Annual Report - 30 June 2014**

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## Corporate Directory

### Directors

Anthony Howland-Rose - Chairman  
David Deitz  
Eddie Lee

### Company secretary

Graham Hurwitz

### Notice of annual general meeting

The annual general meeting of Gullewa Limited will be held at:  
The Occidental Hotel  
Level 2, 43 York Street  
Sydney NSW 2000  
on 27 November 2014 at 11:30am.

### Registered office

Level 2, Quantum House  
49-51 York Street  
Sydney NSW 2000  
Tel: +61 2 9397 7555  
Fax: +61 2 9397 7575

### Share register

Computershare Investor Services Pty Limited  
Level 2, Reserve Bank Building  
45 St George's Terrace  
Perth WA 6000  
Tel: 1300 787 272

### Auditor

Deloitte Touche Tohmatsu  
Grosvenor Place  
225 George Street  
Sydney NSW 2000

### Solicitors

Cardinals  
Ground Floor  
57 Havelock Street  
West Perth WA 6872

### Bankers

National Australia Bank  
255 George Street  
Sydney NSW 2000

### Stock exchange listing

Gullewa Limited shares are listed on the Australian Securities Exchange (ASX code: GUL)

Home exchange is in Perth

### Website

[www.gullewa.com](http://www.gullewa.com)

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# Chairman's Letter to Shareholders

Dear Fellow Shareholders

The year under review proved to be a continuation of the difficulties encountered the previous year, namely a continuing high dollar, declining metal commodity prices and adverse government regulations and increased Government charges. All these adverse influences have dramatically decreased exploration activity. While these conditions will reverse in time, expenditures on all areas from administration to exploration must be minimised. Essentially Gullewa carried out no material exploration in fiscal 2014.

The anticipated Federal Government assistance to the junior exploration industry has been announced, and as feared, it will be of minimal assistance and in no way resembles the highly successful flow through scheme enjoyed by juniors in Canada for over fifty years. Central Iron Ore (CIO-TSV) in which Gullewa holds a 37% interest continues to hold a number of prospective gold mining leases and exploration licences in the Darlot area in the Western Australian goldfields. During the year CIO undertook only minimal exploration on these leases and discussions are ongoing with respect to a farm-in on one area. We consider CIO to have high prospectivity however in the circumstances to date of low gold prices and minimal financial resources. CIO has refrained from major exploration campaigns. It remains our view that the "money printing" regime worldwide will result in a significant increase in the value of real assets such as gold.

Allegiance Coal Limited (AHQ-AU) in which Gullewa holds a 58% interest has also reduced all expenses including overheads, exploration and salaries. Of significant importance is a joint venture with the Japanese Government Agency JOGMEC (Japan Oil, Gas and Metals National Corporation) which has agreed to spend \$2.25m to earn a 30% interest in Allegiance's Kilmain, Bowen Basin licences. A further \$0.75m can be spent to earn a further 10%. As this is only one of two such companies JOGMEC has in Australia, this event has obviously been a morale booster! The current year could well be a turning point for AHQ – in spite of the almost all consuming gloom on the coal front!

During the year Allegiance Coal Limited agreed to repay the \$1m made to GUL at the time of the IPO. This has increased Gullewa's cash reserves to \$3m as at 30 June, 2014. This cash asset will equip us well for the upturn ahead. In the meantime, we will remain vigilant to potential opportunities however, expenditures will have to meet strict criteria.

In line with our resolve to cut all expenditures possible, you will be asked to approve a change of auditors at the upcoming AGM. I would like to thank our present auditor, Deloitte, for their long and valued services to Gullewa shareholders.

Finally, I would like to thank the (much reduced) Gullewa team for their work during the year, and to my fellow directors for their input in charting a course for Gullewa over these past two difficult years. I hope to report in a more positive view a year from now!



AW Howland-Rose  
MSc, DIC, FGS, FIMMM, FAusIMM, MAICD, FAIG, CEng  
**Executive Chairman**

# Review of Projects

## **Allegiance Coal Limited**

Operations were constrained as the continuing decrease in investor sentiments mirrored the decline in coal prices and lead to conserving cash. As a result, minimal activity was undertaken except in relation to Connemarra where there was the prospect for intersection of strata in a deep borehole to solve geological issues associated with a potential coking coal seam at depth.

### *Connemarra*

Drilling of a deep stratigraphic hole to a depth of 620m was completed in December. Significance of the non-coal bearing stratigraphy is under investigation. Earlier drilling of three shallow holes did not intersect coal. The tenement is under consideration for relinquishment.

### *Kilmain*

Discussions proceeded during the year with two potential Joint Venture partners who had an interest in the Kilmain project. One party was interested in the coking coal potential while the other had an interest in low ash thermal coal. Kilmain is an attractive underground project having regard to its potential for a coking coal fraction within the Pollux Seam, potential for Run of Mine low ash thermal coal and its proximity to existing infrastructure being the now under electrification Rolleston rail line which is 12km to the east of the project.

### *Back Creek*

The Mineral Development Licence ('MDL') application lodged for the Back Creek Project in March 2013 was withdrawn at the request of the Department of Industry. Planning for a revised MDL was undertaken. The current 98 million tonnes of JORC Inferred Resources was subjected to review taking into account drill hole data either not included in the original study or past exploration data that has come to light since the preparation of the resource report.

### *Mount Marrow*

Extensive archival drill hole data was captured during the year and provided further data for the Mount Marrow tenement in the West Moreton coalfield. Discussions were held on advancing the potential for joint activities however the continued down ward pressure on coal prices and the demand for lower ash coal had started to mitigate against the potential for early development of the Mount Marrow tenement. Unless there is a major change in coal pricing and in spite of the proximity to rail and port facilities the tenement was considered for relinquishment unless a JV partner could be established or the sale of the tenement.

### *Townsville*

Following extensive study of archival information the potential sites for old shafts and reported coal seam outcrops were detailed. We conducted a field mapping exercise within the Townsville tenement in May 2013. With this knowledge a geological map was prepared to assist in selecting potential drill sites. Discussions proceeded with potential JV partners but there was no interest at this stage since there had been no further exploration. The unexplored areas to the south were nominated for relinquishment while further sub block relinquishments were considered to focus further exploration within the State Development Area and also within the extractive Industries dedicated zone. If no JV partners are found the area to be relinquished or sold if possible.

The company investigated additional value creating opportunities where a free carried interest could be created by initiating work on external near term coal projects.

Attention throughout the year to reducing operating costs lead to a new reduced cost budget for 2014/2015 and 2015/2016 with increased focus on cost control and cash preservation approved by the board of directors in June 2014.

### *Calen*

This is subject to a joint venture with Square Resources who are managing the project. Environment review has been conducted.

### *Relinquishments*

The following tenements are in the process of relinquishment : EPC 1296 (Connemarra), EPC 1820 (Baldon), EPC 1617 (Townsville Extended), EPC 1672 (Lochaber), EPC 1874 (Normanby), EPC 1875 (Pinetree), EPC 2278 (Cedar Creek), EPC 2309 (Mobbs Creek) and MDL 138 (Mintovale).

# Review of Projects

## Central Iron Ore Limited

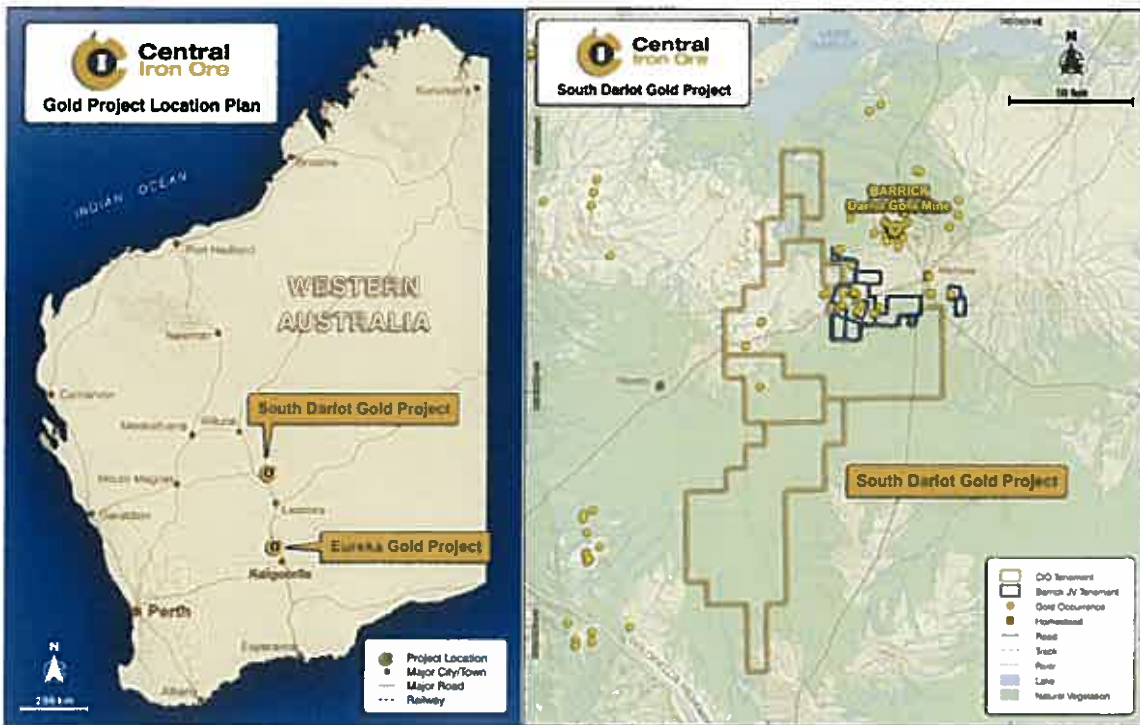
During the year ended 30 June 2014 the Company :

- Continued its gold exploration strategy; and
- Continued its iron ore exploration strategy.

### South Darlot Gold Project

The Company's South Darlot Gold Project area is located approximately 320km northwest of Kalgoorlie in Western Australia and includes:

- The British King Mine which is 100% owned by the Company and which is NI43-101 compliant. The British King Mine is 5km southwest of Barrick Gold Corporation Limited's Darlot Mine. The British King Mine is currently under care and maintenance.
- A 100% CIO owned tenement package covering 267km<sup>2</sup>.
- A number of tenements which are subject to a joint venture with subsidiaries of Barrick Gold Corporation Limited ("Barrick"), in which CIO has earned 70% interest.



The Company's strategy and objective in respect of the South Darlot Gold Project is to evaluate the gold prospectivity of the region, generate targets, consolidate the tenement position and acquire all necessary access approvals in order to progress to the next stage of exploration. The Company has identified seven prospective targets on its 100% owned tenements and intends to systematically evaluate those targets over the next 12 months.

### Barrick Joint Venture Project (Western Australia)

The tenements ("Barrick JV Tenements") are the subject of a joint venture between the Company and subsidiaries of Barrick ("Barrick JV"), and are situated southwest of Barrick's Darlot gold mine and are contiguous with CIO's current holdings in the area.

The Company's strategy and objective for the Barrick JV Tenements, the strategy and objective is to evaluate their gold prospectivity and deliver on target generation and access. The Company has identified 24 prospective targets on the Barrick JV Tenements and will systematically evaluate those targets over the next 12 months, with a priority being placed on the exploration of the Mermaid and Endeavour Prospects.

## Review of Projects

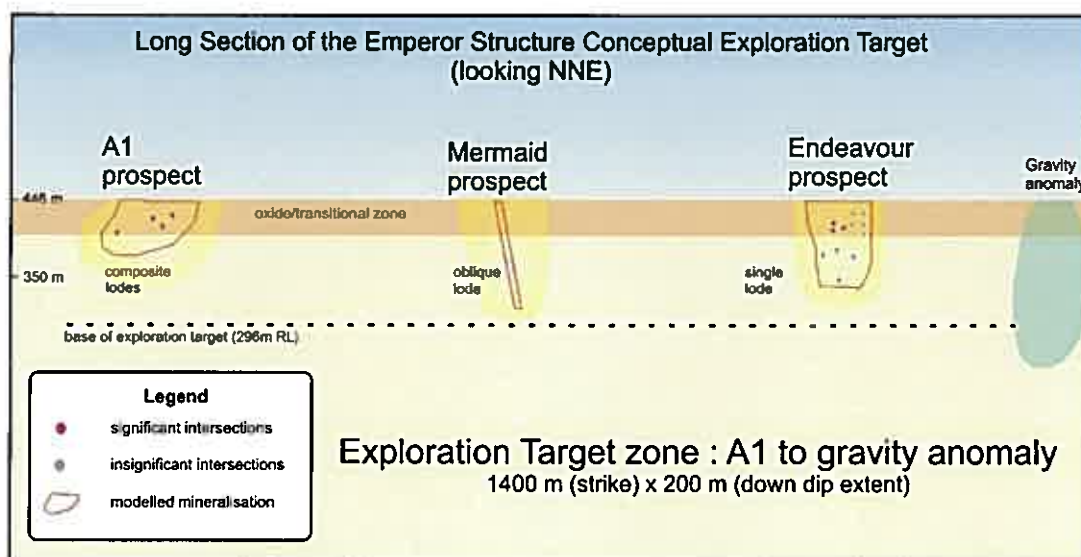
As at the date of this report, the Company has earned a 70% interest in the Barrick JV Tenements in accordance with the Barrick JV and is continuing exploration on the Barrick JV Tenements.

### Emperor Structure Exploration Target

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

The exploration target for the Emperor Structure has been estimated based on a number of assumptions and limitations which include, among other things:

- The strike length of the structure is 1,400m.
- The geometry of the Structure remains constant over their entire length.
- The model depth extent has been fixed to 150 metres (200m down dip extent).
- The average true width is 3.9 metres.
- 100% recovery and no dilution.
- The specific gravity of the material is 2.51t/m<sup>3</sup>.
- The grade range reflects the average gold concentrations utilising suitable gold top cuts.
- Tonnage range is +20% and -50%.
- It does not take into account the depth to top or effect of dip of the models and how this may impact potential mining viability.



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

### Endeavour Prospect

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

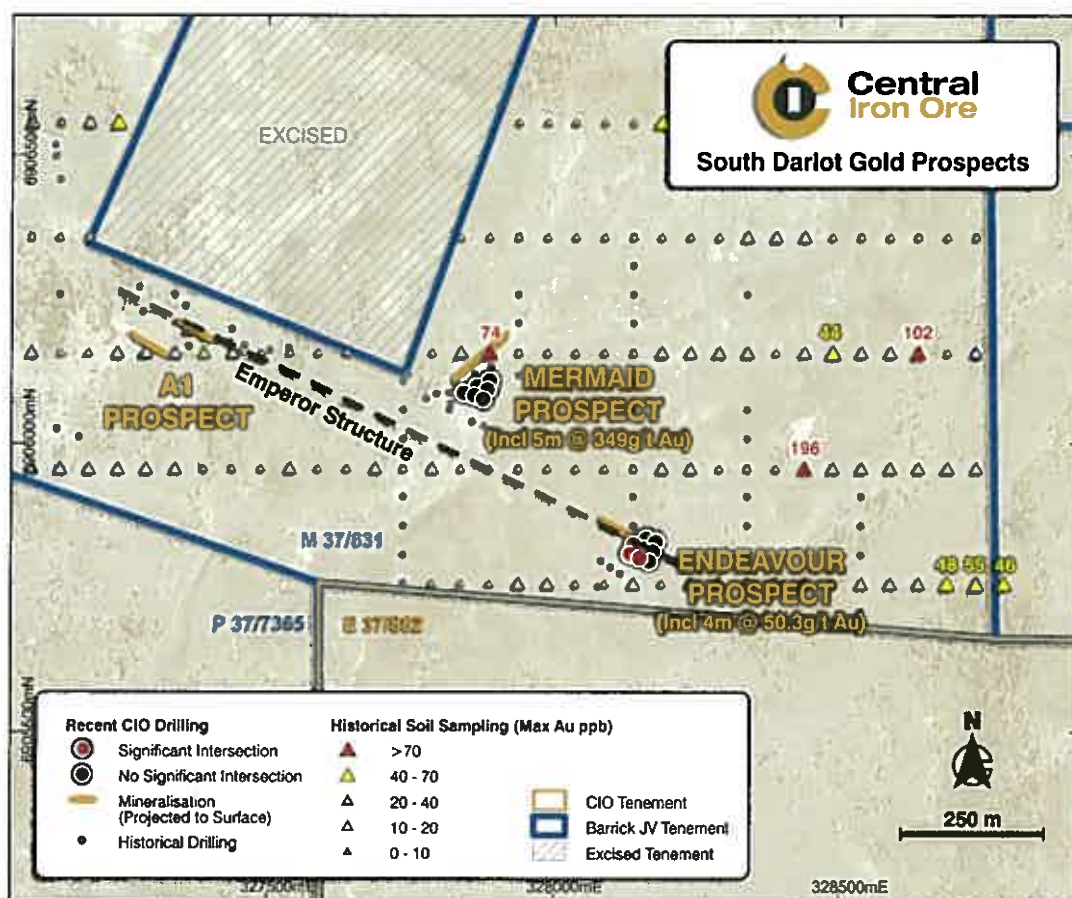
- 4m at 50.3 g/t Au including 1m at 158 g/t Au from 43m.
- 7m at 27.1g/t Au including 1m at 159 g/t Au from 46m.
- 4m at 23.2 g/t Au including 1m at 81.8 g/t Au from 28m.

## Review of Projects

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

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

The widths described are drill intersection lengths and the true widths have not been estimated. The true widths will be estimated as part of the exploration target process.



### Qualified Person

Mr Darryl Mapleson who is a Fellow of Australasian Institute of Mining and Metallurgy has compiled the information within this report relating to mineralisation and drill results. Mr Mapleson has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity currently being undertaken to qualify as a Competent Person as defined in National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101").

### Eureka Gold Project

The Eureka gold project is approximately 50km north of Kalgoorlie and includes the Eureka open pit gold mine which is 100% owned by the Company and is NI43-101 compliant. The Eureka gold mine is currently under care and maintenance. The Company's tenement package comprising the Eureka gold project covers 563 hectares.

### Yilgarn Iron Ore Project (Western Australia)

The Company holds 5 iron ore tenements covering 570km<sup>2</sup>, located within the Yilgarn Iron Ore Province ("Yilgarn IOP") in Western Australia, of which all tenements are granted. The Yilgarn IOP is considered highly prospective for iron ore, given its history of large-scale iron ore production, with the Cliffs Natural Resources Ltd-owned Koolyanobbing operation (formerly operated by Portman Limited) currently producing at a rate of approximately 8Mtpa of direct shipping ore ("DSO").



Gullewa Limited  
**Directors' Report**  
30 June 2014

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Gullewa Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2014.

#### **Directors**

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

Anthony Howland-Rose - Chairman  
David Deitz  
Eddie Lee

#### **Principal activities**

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

#### **Dividends**

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

#### **Review of operations**

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$2,495,942 (30 June 2013: \$2,794,306).

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

There has been no significant trading activity in Gullewa during the financial year.

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

##### *Connemarra*

Drilling of a deep stratigraphic hole to a depth of 620 metres was completed in December. Significance of the non-coal bearing stratigraphy is under investigation.

##### *Kilmain*

Discussions proceeded during the period with two potential Joint Venture partners. Subsequent to the year end an agreement was entered into with one partner. Refer to 'Matters subsequent to the end of the financial year' for further details.

##### *Back Creek*

The Mineral Development Licence ('MDL') application lodged for the Back Creek Project in March 2013 was withdrawn at the request of the Department of Industry. Planning for a revised MDL was undertaken.

##### *Mount Marrow*

Extensive archival drill hole data was captured during the year and provided further data for the Mount Marrow tenement in the West Moreton coalfield.

##### *Townsville*

Following extensive study of archival information, coal seam outcrops were uncovered within the Townsville tenement in May 2013. With this knowledge a geological map was prepared to assist in selecting potential drill sites.

Allegiance is investigating additional value creating opportunities where a free carried interest could be created by initiating work on external near term coal projects.

Attention throughout the year to reducing operating costs lead to a new reduced cost budget for 2014/2015 and 2015/2016 with increased focus on cost control and cash preservation approved by the board of directors in June 2014.

**Central Iron Ore ('CIO') – Gullewa has 36.1% holding**

During the year ended 30 June 2014 the company:

- Continued its iron ore exploration strategy and;
- Continued its gold exploration strategy.

Through its wholly-owned subsidiaries, the company holds 1 mineral exploration licence in New South Wales. EL7022, Dandaloo, which is located approximately 70 kilometres west of Narromine in the central Lachlan Fold Belt. The company is targeting copper-gold porphyry style and orogenic gold deposits in this project. There has been no further work undertaken on the Dandaloo project in NSW during the year.

**Yilgarn Iron Ore Project (Western Australia)**

The company holds 5 iron ore tenements covering 570 square kilometres, located within the Yilgarn Iron Ore Province ('Yilgarn IOP') in Western Australia, of which all tenements are granted.

**South Darlot Gold Project**

The company's South Darlot Gold Project area is located approximately 320 kilometres northwest of Kalgoorlie in Western Australia and includes:

- The British King Mine which is 100% owned by the company and which is NI43-101 compliant. The British King Mine is 5 kilometres southwest of Barrick Gold Corporation Limited's ('Barrick') Darlot Mine. The British King Mine is currently under care and maintenance;
- A 100% CIO owned tenement package covering 267 square kilometres; and
- A number of tenements which are subject to a joint venture with subsidiaries of Barrick, in which CIO has earned 70% interest.

**Eureka Gold Project**

The Eureka gold project is approximately 50 kilometres north of Kalgoorlie and includes the Eureka open pit gold mine which is 100% owned by the company and is NI43-101 compliant. The Eureka gold mine is currently under care and maintenance. The company's tenement package comprising the Eureka gold project covers 563 hectares.

**Significant changes in the state of affairs**

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

**Matters subsequent to the end of the financial year**

Two matters or circumstances have arisen since 30 June 2014 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Japan Oil, Gas and Metals National Corporation ('JOGMEC')**

On 14 July 2014, Allegiance Coal Limited (ASX: AHQ) entered into an agreement with JOGMEC, A Japanese government entity, for a 40% farm-in to the Kilmain project. JOGMEC will provide \$3,000,000 over three years to undertake exploration within EPC 1298 and EPC1917.

**Loan repayment**

On 22 July 2014 a partial repayment of outstanding loans totalling \$200,000 was made to C. Randall & Associates Pty Limited from Allegiance Coal Limited. The remaining loan of \$335,501 was renegotiated with an extension of the repayment date to 30 September 2015.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Likely developments and expected results of operations**

The consolidated entity has currently reduced field exploration activities until confidence has picked up in the coal sector and the market price of coal has recovered to a level where further field exploration becomes viable again.

**Environmental regulation**

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

**Gullewa Limited**  
**Directors' report**  
30 June 2014

**Information on directors**

**Name:** Anthony Howland-Rose  
**Title:** Executive Director and Chairman  
**Qualifications:** MSc, DIC, FGS, FIMMM, FAusIMM, FAIG, CEng  
**Experience and expertise:** Appointed to the Board in December 2010, Mr Howland-Rose has over 50 years experience in exploration, discovery, development and corporate activity worldwide in the junior exploration sector. He has been involved in some dozen discoveries and, most recently, in the Avebury Nickel Project, which was taken over by Zinifex Limited for approximately \$860 million.

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

**Former directorships (last 3 years):** None

**Special responsibilities:** None

**Interests in shares:** 13,448,478 ordinary shares

**Interests in options:** 8,800,000 options over ordinary shares

**Name:** David Deitz  
**Title:** Executive Director and Chief Executive Officer

**Qualifications:** B.Com, MAusIMM, CPA

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

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

**Former directorships (last 3 years):** None

**Special responsibilities:** None

**Interests in shares:** 28,625,677 ordinary shares

**Interests in options:** 8,000,000 options over ordinary shares

**Name:** Eddie Lee  
**Title:** Non-Executive Director

**Qualifications:** BE, BSc, DIP BDG SC

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

**Other current directorships:** None

**Former directorships (last 3 years):** None

**Special responsibilities:** None

**Interests in shares:** 3,038,378 ordinary shares

**Interests in options:** 1,490,000 options over ordinary shares

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

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

**Company secretary**

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

## Directors' report

30 June 2014

### Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2014, and the number of meetings attended by each director were:

	Full Board Attended	Full Board Held
Anthony Howland-Rose	6	6
David Deitz	6	6
Eddie Lee	6	6

Held: represents the number of meetings held during the time the director held office.

The roles of the Nomination and Remuneration Committee and Audit Committee were performed by the full Board.

### Remuneration report (audited)

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

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

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

#### ***Principles used to determine the nature and amount of remuneration***

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

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

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

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

Alignment to shareholders' interests:

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

Alignment to program participants' interests:

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

## Directors' report

30 June 2014

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

### *Non-executive directors remuneration*

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

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

### *Executive remuneration*

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

The executive remuneration and reward framework has three components:

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

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

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

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

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

The long-term incentives ('LTI') includes long service leave and share-based payments.

### *Consolidated entity performance and link to remuneration*

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

### *Use of remuneration consultants*

During the financial year ended 30 June 2014, the company did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the short-term incentives ('STI') and long-term incentives ('LTI') programs.

### *Voting and comments made at the company's 2013 Annual General Meeting ('AGM')*

At the last AGM 99.7% of the shareholders voted to adopt the remuneration report for the year ended 30 June 2013. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Gullewa Limited  
**Directors' report**

3 30 June 2014

**Details of remuneration**

*Amounts of remuneration*

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

2014	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
E Lee	23,000	-	-	12,025	-	9,350	44,375
<i>Executive Directors:</i>							
A Howland-Rose	72,000	-	-	-	-	41,800	113,800
D Deitz	130,000	-	-	-	-	41,800	171,800
	225,000	-	-	12,025	-	92,950	329,975

2013	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
E Lee	27,500	-	-	-	-	-	27,500
D Atkinson *	9,500	-	-	-	-	-	9,500
<i>Executive Directors:</i>							
A Howland-Rose	108,000	-	-	-	-	161,000	269,000
D Deitz	146,750	-	-	13,208	-	-	159,958
	291,750	-	-	13,208	-	161,000	465,958

\* Remuneration is for the period to resignation.

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2014	2013	2014	2013	2014	2013
<i>Non-Executive Directors:</i>						
E Lee	79%	100%	-%	-%	21%	-%
D Atkinson	-%	100%	-%	-%	-%	-%
<i>Executive Directors:</i>						
A Howland-Rose	63%	40%	-%	-%	37%	60%
D Deitz	76%	100%	-%	-%	24%	-%

**Service agreements**

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

**Share-based compensation**

*Issue of shares*

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2014.

*Options*

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
27 November 2013	27 November 2013	27 November 2018	\$0.0495	\$0.015

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

Name	Number of options granted during the year 2014	Number of options granted during the year 2013	Number of options vested during the year 2014	Number of options vested during the year 2013
Anthony Howland-Rose	3,800,000	5,000,000	3,800,000	5,000,000
David Deitz	3,800,000	-	3,800,000	-
Eddie Lee	850,000	-	850,000	-

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

Name	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year %
Anthony Howland-Rose	41,800	-	-	37%
David Deitz	41,800	-	-	24%
Eddie Lee	9,350	-	-	21%

Details of options over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

Name	Grant date	Vesting date	Number of options granted	Value of options granted \$	Value of options vested \$	Number of options lapsed	Value of options lapsed \$
Anthony Howland-Rose	27 Nov 2013	27 Nov 2013	3,800,000	41,800	41,800	-	-
David Deitz	27 Nov 2013	27 Nov 2013	3,800,000	41,800	41,800	-	-
Eddie Lee	27 Nov 2013	27 Nov 2013	850,000	9,350	9,350	-	-

**Additional disclosures relating to key management personnel**

In accordance with Class Order 14/632, issued by the Australian Securities and Investments Commission, relating to 'Key management personnel equity instrument disclosures', the following disclosure relates only to equity instruments in the company or its subsidiaries.

**Shareholding**

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Anthony Howland-Rose	13,448,478	-	-	-	13,448,478
David Deitz	28,625,677	-	-	-	28,625,677
Eddie Lee	3,038,378	-	-	-	3,038,378
	<u>45,112,533</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,112,533</u>

**Option holding**

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Anthony Howland-Rose	5,000,000	3,800,000	-	-	8,800,000
David Deitz	4,200,000	3,800,000	-	-	8,000,000
Eddie Lee	640,000	850,000	-	-	1,490,000
	<u>9,840,000</u>	<u>8,450,000</u>	<u>-</u>	<u>-</u>	<u>18,290,000</u>

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
<i>Options over ordinary shares</i>			
Anthony Howland-Rose	8,800,000	-	8,800,000
David Deitz	8,000,000	-	8,000,000
Eddie Lee	1,490,000	-	1,490,000
	<u>18,290,000</u>	<u>-</u>	<u>18,290,000</u>

**Loans to key management personnel and their related parties**

There were no loans made to key management personnel and their related parties during the financial year ended 30 June 2014.

**Other transactions with key management personnel and their related parties**

Administration fees and reimbursements paid to other related party, C. Randall & Associates Pty. Limited totalling \$2,302.

Wages paid to Mendel Deitz, son of David Deitz, a director of the parent entity. totalling \$32,877.



**Directors' report**

30 June 2014

On 1 August 2013 Hydromining Coal Australia Pty Limited ('HCA') (previously a subsidiary of Gullewa Limited) issued 59,820 shares to a related party, Colin Randall and Associates Pty Limited, at \$0.01 per share. Under the terms of the issue, \$300,000 becomes payable to Gullewa Limited when the following conditions are met:

- HCA's net profit exceeds \$500,000 in any given year;
- HCA's net assets exceed \$2,000,000; or
- An act of insolvency is committed by HCA.

In the event of a sale of HCA, if the \$300,000 has not been paid, Gullewa Limited is to receive \$300,000 as a priority from proceeds of sale, the balance of the proceeds are then to be distributed on a shareholding basis.

As a result, Gullewa Limited no longer controls Hydromining Coal Australia Pty Limited and Gullewa Limited's shareholding has been diluted from 80% to 50%. This has not resulted in a material change to the financial statements.

Loan from C Randall & Associates Pty. Limited totalling \$535,501.

Loan from director, David Deitz, totalling \$4,320.

***This concludes the remuneration report, which has been audited.***

**Shares under option**

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

Grant date	Expiry date	Exercise price	Number under option
8 December 2009	30 November 2014	\$0.1200	5,480,000
7 March 2011	6 March 2016	\$0.2200	4,475,000
16 May 2011	15 May 2016	\$0.2200	1,000,000
16 May 2012	16 May 2017	\$0.1000	1,300,000
4 July 2012	4 July 2017	\$0.1000	5,000,000
27 November 2013	27 November 2018	\$0.0495	10,900,000
			28,155,000

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

**Shares issued on the exercise of options**

There were no ordinary shares of Gullewa Limited issued on the exercise of options during the year ended 30 June 2014 and up to the date of this report.

**Indemnity and insurance of officers**

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

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

**Indemnity and insurance of auditor**

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

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

**Proceedings on behalf of the company**

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

Gullewa Limited

## Directors' report

30 June 2014

### Non-audit services

There were no non-audit services provided during the financial year by the auditor.

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

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

### Auditor's independence declaration

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

### Auditor

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

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

On behalf of the directors



---

David Deitz  
Director

30 September 2014  
Sydney

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

Dear Board Members

### Gullewa Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Gullewa Limited.

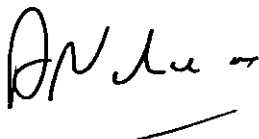
As lead audit partner for the audit of the financial statements of Gullewa Limited for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Alfred Nehama  
Partner  
Chartered Accountants  
Sydney, 30 September 2014

**Corporate Governance Statement**

30 June 2014

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2014.

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

Further information about the company's corporate governance practices is set out on the company's website at [www.gullewa.com](http://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 2012/2013 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 of Departure
2	2.1	The majority of the board's directors are not independent as 2 of the 3 directors are both substantial shareholders and executive directors of the company.	The skills and experience of both the independent and non-independent directors allow the board to act in the best interests of the shareholder.
2	2.4	The chairman is an executive of the company. He is also a substantial shareholder.	The board considers that, in view of the size and scope of the company's activities, it is appropriate for Mr. Howland-Rose to lead the company. The Board considers that Mr. Howland-Rose is the most suitably qualified Board member to fulfil this role subject to review by the Board from time to time to ensure that the best interests of the company and its shareholders continue to be served by the current structure.
3	3.3	The board is composed of male directors.	The skills and experience of the directors allow the board to act in the best interests of the shareholder.  The company does not have the resources or infrastructure to set, monitor or report on measurable objectives for achieving gender diversity, and as such does not comply with ASX Governance Recommendation 3.3.

**Nomination committee**

The names and qualifications of those appointed to the nomination committee, being the full Board, and their attendance at meetings of the committee are included in the directors' report.

**Remuneration committee**

The names of the members of the remuneration committee, being the full Board, and their attendance at meetings of the committee are detailed in the directors' report.

Further details of remuneration, including the company's policy on remuneration, are contained in the 'Remuneration report' which forms part of the directors' report.

# Corporate Governance Statement

30 June 2014

## Board composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors' report.

### *Independent directors*

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

Applying the independence criteria, the Board considers that Eddie Lee 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*

The names of the members of the nomination committee and their attendance at meetings of the committee are detailed in the directors' report.

## Diversity policy

The participation of women in the company and consolidated entity at 30 June 2014 was as follows:

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

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

## Other information

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

Website: [www.gullewa.com](http://www.gullewa.com).

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30 June 2014

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## General information

The financial statements cover Gullewa Limited as a consolidated entity consisting of Gullewa Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is Gullewa Limited's functional and presentation currency.

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

Suite 1, Level 2  
49-51 York Street  
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2014. The directors have the power to amend and reissue the financial statements.

## Statement of profit or loss and other comprehensive income

For the year ended 30 June 2014

	Note	Consolidated	
		2014 \$	2013 \$
<b>Revenue</b>	4	229	21,221
Other income	5	216,668	353,967
<b>Expenses</b>			
Administration expenses		(503,091)	(1,223,207)
Employee benefits expense		(674,876)	(983,150)
Depreciation and amortisation expense	6	(32,961)	(41,637)
Impairment of exploration, evaluation and development asset		(1,966,194)	(533,687)
Subsidiary listing expense written off		-	(50,600)
Share of loss of associates accounted for using the equity method	32	(218,883)	(526,328)
Other expenses		(54,226)	(235,202)
Finance costs	6	(26,966)	(76,483)
<b>Loss before income tax benefit</b>		(3,260,300)	(3,295,106)
Income tax benefit	7	395,600	58,180
<b>Loss after income tax benefit for the year</b>		(2,864,700)	(3,236,926)
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<u>(2,864,700)</u>	<u>(3,236,926)</u>
Loss for the year is attributable to:			
Non-controlling interest		(368,758)	(442,620)
Owners of Gullewa Limited	20	(2,495,942)	(2,794,306)
		<u>(2,864,700)</u>	<u>(3,236,926)</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(368,758)	(442,620)
Owners of Gullewa Limited		(2,495,942)	(2,794,306)
		<u>(2,864,700)</u>	<u>(3,236,926)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	35	(1.66)	(1.87)
Diluted earnings per share	35	(1.66)	(1.87)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Gullewa Limited  
**Statement of financial position**

As at 30 June 2014

	Note	Consolidated 2014 \$	2013 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	5,293,771	6,259,623
Trade and other receivables	9	597,443	512,609
Other financial assets	10	186,808	195,040
<b>Total current assets</b>		<u>6,078,022</u>	<u>6,967,272</u>
<b>Non-current assets</b>			
Investments accounted for using the equity method	11	157,611	376,494
Other financial assets	12	27,520	26,478
Property, plant and equipment	13	41,975	93,133
Intangibles	14	44,803	51,934
Exploration, evaluation and development	15	3,905,043	5,555,334
<b>Total non-current assets</b>		<u>4,176,952</u>	<u>6,103,373</u>
<b>Total assets</b>		<u>10,254,974</u>	<u>13,070,645</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	202,505	385,774
Borrowings	17	539,821	509,170
<b>Total current liabilities</b>		<u>742,326</u>	<u>894,944</u>
<b>Total liabilities</b>		<u>742,326</u>	<u>894,944</u>
<b>Net assets</b>		<u>9,512,648</u>	<u>12,175,701</u>
<b>Equity</b>			
Contributed equity	18	21,294,326	21,294,326
Reserves	19	1,274,648	1,098,917
Accumulated losses	20	(14,771,065)	(12,275,123)
Equity attributable to the owners of Gullewa Limited		7,797,909	10,118,120
Non-controlling interest	21	1,714,739	2,057,581
<b>Total equity</b>		<u>9,512,648</u>	<u>12,175,701</u>

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



**Statement of changes in equity**

For the year ended 30 June 2014

<b>Consolidated</b>	<b>Contributed equity</b> <b>\$</b>	<b>Reserves</b> <b>\$</b>	<b>Accumulated losses</b> <b>\$</b>	<b>Non-controlling interest</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2012	21,294,326	859,506	(9,480,817)	2,500,201	15,173,216
Loss after income tax benefit for the year	-	-	(2,794,306)	(442,620)	(3,236,926)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(2,794,306)	(442,620)	(3,236,926)
<i>Transactions with owners in their capacity as owners:</i>					
Issue of options	-	239,411	-	-	239,411
Balance at 30 June 2013	<u>21,294,326</u>	<u>1,098,917</u>	<u>(12,275,123)</u>	<u>2,057,581</u>	<u>12,175,701</u>

<b>Consolidated</b>	<b>Contributed equity</b> <b>\$</b>	<b>Reserves</b> <b>\$</b>	<b>Accumulated losses</b> <b>\$</b>	<b>Non-controlling interest</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2013	21,294,326	1,098,917	(12,275,123)	2,057,581	12,175,701
Loss after income tax benefit for the year	-	-	(2,495,942)	(368,758)	(2,864,700)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(2,495,942)	(368,758)	(2,864,700)
<i>Transactions with owners in their capacity as owners:</i>					
Issue of options	-	175,731	-	25,916	201,647
Balance at 30 June 2014	<u>21,294,326</u>	<u>1,274,648</u>	<u>(14,771,065)</u>	<u>1,714,739</u>	<u>9,512,648</u>

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

**Statement of cash flows**

For the year ended 30 June 2014

	Note	Consolidated	
		2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(1,277,638)	(2,400,574)
Dividends received		200	-
Interest received		216,668	317,567
Other revenue		29	21,221
Interest and other finance costs paid		(26,966)	(76,483)
Income taxes refunded		395,600	-
Net cash used in operating activities	34	(692,107)	(2,138,269)
<b>Cash flows from investing activities</b>			
Payments for investments		(1,042)	-
Payments for property, plant and equipment	13	(4,032)	(38,271)
Payments for intangibles	14	-	(34,453)
Payments for exploration and evaluation	15	(315,903)	(1,578,760)
Payments for other financial assets		-	(1,821)
Proceeds from sale of investment property		-	1,413,258
Proceeds from sale of property, plant and equipment		20,001	-
Proceeds from sale of intangibles		900	-
Net cash used in investing activities		(300,076)	(240,047)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		26,331	43,294
Repayment of borrowings		-	(588,208)
Net cash from/(used in) financing activities		26,331	(544,914)
Net decrease in cash and cash equivalents		(965,852)	(2,923,230)
Cash and cash equivalents at the beginning of the financial year		6,259,623	9,182,853
Cash and cash equivalents at the end of the financial year	8	5,293,771	6,259,623

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

## Notes to the financial statements

30 June 2014

### Note 1. Significant accounting policies

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

#### **New, revised or amending Accounting Standards and Interpretations adopted**

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

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

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

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

#### *AASB 10 Consolidated Financial Statements*

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

#### *AASB 11 Joint Arrangements*

The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications.

#### *AASB 12 Disclosure of Interests in Other Entities*

The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

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

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

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

The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

## Notes to the financial statements

30 June 2014

### Note 1. Significant accounting policies (continued)

*AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*

The consolidated entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

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

The consolidated entity has applied AASB 2012-2 from 1 July 2013. The amendments enhance AASB 7 'Financial Instruments: Disclosures' and requires disclosure of information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

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

The consolidated entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

*AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039*

The consolidated entity has applied AASB 2012-9 amendments from 1 July 2013. The amendments remove reference in AASB 1048 following the withdrawal of Interpretation 1039 'Substantive Enactment of Major Tax Bills in Australia'.

*AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments*

The consolidated entity has applied AASB 2012-10 amendments from 1 July 2013, which amends AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

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

The consolidated entity has applied Interpretation 20 and its consequential amendments from 1 July 2013. The Interpretation clarifies when production stripping costs should lead to the recognition of an asset and how that asset should be initially and subsequently measured. The Interpretation only deals with waste removal costs that are incurred in surface mining activities during the production phase of the mine.

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

The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

### Going concern

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

For the year ended 30 June 2014, the consolidated entity incurred a loss from continuing operations after tax of \$2,864,700 (2013: \$3,236,926). In the same period the consolidated entity had operating cash outflows of \$692,107 (2013: \$2,138,269) and cash outflows from investing activities of \$300,072 (2013: \$240,047).

## Notes to the financial statements

30 June 2014

### Note 1. Significant accounting policies (continued)

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

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

#### Basis of preparation and statement of compliance

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

#### *Historical cost convention*

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

#### *Critical accounting estimates*

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

#### Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 30.

#### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Gullewa Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Gullewa Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

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

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

## Notes to the financial statements

30 June 2014

### Note 1. Significant accounting policies (continued)

#### Operating segments

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

#### Revenue recognition

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

#### Interest

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

#### Other revenue

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

#### Income tax

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

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

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

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

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

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

The R&D Tax Incentive is a government run program which helps to offset some of the costs of R&D. The consolidated entity claimed a refundable tax offset and has disclosed this as income tax benefit in the statement of profit or loss and other comprehensive income.

#### Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

## Notes to the financial statements

30 June 2014

### Note 1. Significant accounting policies (continued)

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

#### Cash and cash equivalents

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

#### Trade and other receivables

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

#### Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

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

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

#### Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

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

#### Loans and receivables

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

#### Impairment of financial assets

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

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

## Notes to the financial statements

30 June 2014

### Note 1. Significant accounting policies (continued)

#### Property, plant and equipment

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

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

Plant and equipment	5 years
Motor vehicles	5 years

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

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

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

#### Leases

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

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

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

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

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

#### Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

#### Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

#### Software

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



# Notes to the financial statements

30 June 2014

## Note 1. Significant accounting policies (continued)

### Exploration and evaluation assets

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

### Impairment of non-financial assets

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

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

### Trade and other payables

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

### Borrowings

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

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

### Finance costs

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

- interest on short-term and long-term borrowings

### Employee benefits

#### *Short-term employee benefits*

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

#### *Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Defined contribution superannuation expense*

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

#### *Share-based payments*

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

## Notes to the financial statements

30 June 2014

### Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

#### Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

#### Issued capital

Ordinary shares are classified as equity.

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

## Notes to the financial statements

30 June 2014

### Note 1. Significant accounting policies (continued)

#### Business combinations

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

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

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

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

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss.

Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

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

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

#### Earnings per share

##### *Basic earnings per share*

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

##### *Diluted earnings per share*

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

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

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

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

## Notes to the financial statements

30 June 2014

### Note 1. Significant accounting policies (continued)

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

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

#### **New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

##### *AASB 9 Financial Instruments and its consequential amendments*

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

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

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

##### *AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

##### *AASB 2014-1 Amendments to Australian Accounting Standards*

These amendments are in several parts. Part A makes various amendments to Australian Accounting Standards arising from the issuance of IASB's 'Annual Improvements to IFRSs 2010-2012 Cycle' and 'Annual Improvements to IFRSs 2011-2013 Cycle'. Part B makes amendments to AASB 119 'Employee in relation to the requirements for contributions from employees or third parties that are linked to service which arise from the issuance of IASB's 'Defined Benefit Plans – Employee Contributions (Amendments to IAS 19)'. Part C makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031 'Materiality'. Part D makes consequential amendments arising from the issuance of AASB 14 'Regulatory Deferral Accounts'. Part E makes consequential amendments to numerous other Standards as a consequence of the introduction of hedge accounting requirements into AASB 9 'Financial Instruments' in December 2013. Amendments Part A to D are applicable to annual reporting periods beginning on or after 1 July 2014 or as specified in each Part. Amendments Part E are applicable to annual reporting periods beginning on or after 1 January 2015 or as specified in Part E.

## Notes to the financial statements

30 June 2014

### Note 1. Significant accounting policies (continued)

#### *Annual Improvements to IFRSs 2010-2012 Cycle*

These amendments affect several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments will not have a material impact on the consolidated entity.

#### *Annual Improvements to IFRSs 2011-2013 Cycle*

These amendments affect four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments will not have a material impact on the consolidated entity.

#### *Interpretation 21 Levies*

This interpretation is applicable to annual reporting periods beginning on or after 1 January 2014. The Interpretation clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. The adoption of the interpretation from 1 January 2014 will not have a material impact on the consolidated entity.

#### *IFRS 15 Revenue from Contracts with Customers*

This standard is expected to be applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

## Notes to the financial statements

30 June 2014

### Note 1. Significant accounting policies (continued)

#### *AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. AASB 2014-3 amends AASB 11 'Joint Arrangements' to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require that the acquirer of an interest in a joint operation (in which the activity constitutes a business, as defined in AASB 3 'Business Combinations') apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11. It also requires the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. The adoption of these amendments from 1 July 2016 is not currently expected to impact the consolidated entity.

#### *AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. AASB 2014-4 amends AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets' to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It clarifies that the use of revenue-based methods to calculate the depreciation of an asset are not appropriate and that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The adoption of these amendments from 1 July 2016 is not currently expected to impact the consolidated entity.

### Note 2. Critical accounting judgements, estimates and assumptions

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

#### *Share-based payment transactions*

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

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

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

#### *Exploration and evaluation costs*

The consolidated entity capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at cost (refer to note 15).

### Note 3. Operating segments

#### *Identification of reportable operating segments*

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

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

#### *Types of products and services*

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

Exploration and evaluation	The consolidated entity is involved in exploration and evaluation for minerals.
Property holding	The consolidated entity acquires investment properties for capital appreciation and derivation of rental income.
Investments	The consolidated entity invests in shares in listed and unlisted entities.

#### *Intersegment transactions*

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

#### *Intersegment receivables, payables and loans*

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

#### *Major customers*

The consolidated entity does not generate revenue from customers.

**Notes to the financial statements**

30 June 2014

**Note 3. Operating segments (continued)***Operating segment information*

<b>Consolidated - 2014</b>	Exploration and evaluation \$	Property holding \$	Investments \$	Intersegment eliminations/ unallocated \$	Total \$
<b>Revenue</b>					
Other revenue	29	-	-	200	229
<b>Total revenue</b>	<u>29</u>	<u>-</u>	<u>-</u>	<u>200</u>	<u>229</u>
<b>EBITDA before net loss of associates</b>	<u>(520,198)</u>	<u>(6,818)</u>	<u>(653)</u>	<u>(704,295)</u>	<u>(1,231,964)</u>
Depreciation and amortisation					(32,961)
Impairment of assets					(1,966,194)
Interest revenue					216,668
Finance costs					(26,966)
Share of net losses of associates					(218,883)
<b>Loss before income tax benefit</b>					<u>(3,260,300)</u>
Income tax benefit					395,600
<b>Loss after income tax benefit</b>					<u>(2,864,700)</u>
<b>Assets</b>					
Segment assets	7,482,080	(3,844)	(117,320)	2,894,058	10,254,974
<b>Total assets</b>					<u>10,254,974</u>
<i>Total assets includes:</i>					
Investments in associates	-	-	157,611	-	157,611
Acquisition of non-current assets	315,903	-	-	-	315,903
<b>Liabilities</b>					
Segment liabilities	684,286	94	-	57,946	742,326
<b>Total liabilities</b>					<u>742,326</u>



**Notes to the financial statements**

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**Note 3. Operating segments (continued)**

Consolidated - 2013	Exploration and evaluation \$	Property holding \$	Investments \$	Intersegment eliminations/ unallocated \$	Total \$
<b>Revenue</b>					
Other revenue	13,634	12,132	-	(4,545)	21,221
<b>Total revenue</b>	<u>13,634</u>	<u>12,132</u>	<u>-</u>	<u>(4,545)</u>	<u>21,221</u>
<b>EBITDA before net loss of associates</b>	<u>(1,008,357)</u>	<u>(5,904)</u>	<u>(711)</u>	<u>(1,419,566)</u>	<u>(2,434,538)</u>
Depreciation and amortisation					(41,637)
Impairment of assets					(533,687)
Interest revenue					317,567
Finance costs					(76,483)
Share of net losses of associates					(526,328)
<b>Loss before income tax benefit</b>					<u>(3,295,106)</u>
Income tax benefit					58,180
<b>Loss after income tax benefit</b>					<u>(3,236,926)</u>
<b>Assets</b>					
Segment assets	9,029,556	(1,446)	(116,904)	4,159,439	13,070,645
<b>Total assets</b>					<u>13,070,645</u>
<i>Total assets includes:</i>					
Investments in associates	-	-	376,494	-	376,494
Acquisition of non-current assets	1,578,760	-	-	-	1,578,760
<b>Liabilities</b>					
Segment liabilities	746,537	210	-	148,197	894,944
<b>Total liabilities</b>					<u>894,944</u>

**Note 4. Revenue**

	Consolidated 2014 \$	Consolidated 2013 \$
Dividends	200	-
Other revenue	29	21,221
<b>Revenue</b>	<u>229</u>	<u>21,221</u>

**Note 5. Other income**

	Consolidated 2014 \$	Consolidated 2013 \$
Net gain on disposal of investment property	-	36,400
Interest income	216,668	317,567
<b>Other income</b>	<u>216,668</u>	<u>353,967</u>

**Notes to the financial statements**

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**Note 6. Expenses**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	392	240
Plant and equipment	18,077	13,771
Motor vehicles	8,261	14,855
Total depreciation	<u>26,730</u>	<u>28,866</u>
<i>Amortisation</i>		
Computer software	6,231	12,771
Total depreciation and amortisation	<u>32,961</u>	<u>41,637</u>
<i>Impairment</i>		
Exploration, evaluation and development	1,966,194	533,687
<i>Finance costs</i>		
Interest and finance charges paid/payable	26,966	76,483
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	33,320	140,379
<i>Revaluation of shares</i>		
Revaluation of shares	2,353	64,864
<i>Employee benefits expense</i>		
Defined contribution superannuation expense	40,803	104,813
Share-based payments expense	201,647	239,411
Other wages and salaries	432,426	638,926
Total employee benefits expense	<u>674,876</u>	<u>983,150</u>

**Notes to the financial statements**

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**Note 7. Income tax benefit**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Income tax benefit</i>		
Current tax	(395,600)	(58,180)
Aggregate income tax benefit	<u>(395,600)</u>	<u>(58,180)</u>
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(3,260,300)	(3,295,106)
Tax at the statutory tax rate of 30%	(978,090)	(988,532)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of assets	589,858	160,106
Share-based payments	52,719	71,823
Losses of associates	110,627	132,786
	<u>(224,886)</u>	<u>(623,817)</u>
Current year tax losses not recognised	224,886	565,637
Research and development refund received	(395,600)	-
Income tax benefit	<u>(395,600)</u>	<u>(58,180)</u>

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	7,744,502	6,990,853
Potential tax benefit @ 30%	<u>2,323,351</u>	<u>2,097,256</u>

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

**Note 8. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Cash on hand	1,100	821
Cash at bank	2,400,785	6,258,802
Cash on deposit	2,891,886	-
	<u>5,293,771</u>	<u>6,259,623</u>

**Note 9. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Other receivables and deposits	<u>597,443</u>	<u>512,609</u>

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**Note 10. Current assets - other financial assets**

	Consolidated	
	2014	2013
	\$	\$
Shares designated at fair value through profit or loss	54,958	63,190
Shares in unlisted corporations - at cost	131,850	131,850
	<u>186,808</u>	<u>195,040</u>

**Note 11. Non-current assets - investments accounted for using the equity method**

	Consolidated	
	2014	2013
	\$	\$
Investment in associates	157,611	376,494

Refer to note 32 for further information on interests in associates.

**Note 12. Non-current assets - other financial assets**

	Consolidated	
	2014	2013
	\$	\$
Term deposits	27,520	26,478

**Note 13. Non-current assets - property, plant and equipment**

	Consolidated	
	2014	2013
	\$	\$
Leasehold improvements - at cost	2,522	2,403
Less: Accumulated depreciation	(854)	(462)
	<u>1,668</u>	<u>1,941</u>
Plant and equipment - at cost	99,367	95,454
Less: Accumulated depreciation	(66,509)	(48,432)
	<u>32,858</u>	<u>47,022</u>
Motor vehicles - at cost	39,469	75,258
Less: Accumulated depreciation	(32,020)	(31,088)
	<u>7,449</u>	<u>44,170</u>
	<u>41,975</u>	<u>93,133</u>

**Notes to the financial statements**

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**Note 13. Non-current assets - property, plant and equipment (continued)***Reconciliations*

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

<b>Consolidated</b>	Leasehold improvements \$	Plant and equipment \$	Motor vehicles \$	Total \$
Balance at 1 July 2012	2,181	58,312	23,235	83,728
Additions	-	2,481	35,790	38,271
Depreciation expense	(240)	(13,771)	(14,855)	(28,866)
Balance at 30 June 2013	1,941	47,022	44,170	93,133
Additions	119	3,913	-	4,032
Disposals	-	-	(28,460)	(28,460)
Depreciation expense	(392)	(18,077)	(8,261)	(26,730)
Balance at 30 June 2014	<u>1,668</u>	<u>32,858</u>	<u>7,449</u>	<u>41,975</u>

**Note 14. Non-current assets - intangibles**

	<b>Consolidated</b>	
	2014 \$	2013 \$
Patents and trademarks - at cost	24,453	24,453
Computer software - at cost	52,714	52,714
Less: Accumulated amortisation	(35,879)	(29,648)
	<u>16,835</u>	<u>23,066</u>
Other intangibles - at cost	3,515	4,415
	<u>44,803</u>	<u>51,934</u>

*Reconciliations*

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

<b>Consolidated</b>	Patents and trademarks \$	Computer software \$	Other intangibles \$	Total \$
Balance at 1 July 2012	-	25,837	4,415	30,252
Additions	24,453	10,000	-	34,453
Amortisation expense	-	(12,771)	-	(12,771)
Balance at 30 June 2013	24,453	23,066	4,415	51,934
Disposals	-	-	(900)	(900)
Amortisation expense	-	(6,231)	-	(6,231)
Balance at 30 June 2014	<u>24,453</u>	<u>16,835</u>	<u>3,515</u>	<u>44,803</u>

**Notes to the financial statements**

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**Note 15. Non-current assets - exploration, evaluation and development**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Exploration, evaluation and development assets - at cost	6,404,924	6,089,021
Less: Impairment	<u>(2,499,881)</u>	<u>(533,687)</u>
	<u><b>3,905,043</b></u>	<u><b>5,555,334</b></u>

*Reconciliations*

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

<b>Consolidated</b>	Exploration, evaluation and development \$	Total \$
Balance at 1 July 2012	4,510,261	4,510,261
Additions	1,578,760	1,578,760
Impairment of assets	<u>(533,687)</u>	<u>(533,687)</u>
Balance at 30 June 2013	5,555,334	5,555,334
Additions	315,903	315,903
Impairment of assets	<u>(1,966,194)</u>	<u>(1,966,194)</u>
Balance at 30 June 2014	<u><b>3,905,043</b></u>	<u><b>3,905,043</b></u>

*Impairment*

The consolidated entity has stopped mining certain tenements and impaired these tenements exploration, evaluation and development expenditure to reflect the fact that they are no longer meeting minimum expenditure requirements of those.

On the remaining tenements the rights to tenure of the area of interest are current; and at least one of the following conditions is also met:

- i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- ii) exploration and evaluation activities in the area of interest have not at the end of the reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

**Note 16. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Trade payables	19,924	172,115
Accrued expenses	67,654	95,883
Other payables	<u>114,927</u>	<u>117,776</u>
	<u><b>202,505</b></u>	<u><b>385,774</b></u>

Refer to note 23 for further information on financial instruments.

**Notes to the financial statements**

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**Note 17. Current liabilities - borrowings**

	Consolidated	
	2014	2013
	\$	\$
Advance from shareholder in controlled entity (unsecured)	535,501	509,170
Loan – Director, David Deitz	4,320	-
	<u>539,821</u>	<u>509,170</u>

Refer to note 23 for further information on financial instruments.

The advance from shareholder in controlled entity was due for repayment on 30 June 2014, unless at least 14 days before the repayment date, the subsidiary company Allegiance Coal Limited and its subsidiary company, Mineral and Coal Investments Pty Limited ('MCI'), provides C. Randall & Associates Pty. Limited evidence on the basis of which MCI reasonably considers that if it were to repay the debt Allegiance Coal Limited and its consolidated entities ('Allegiance') would not have sufficient cash to cover its 12 month operating budget, in which case the repayment date will be extended by 90 days.

The repayment date can continue to be extended by 90 day periods in this manner until a sunset repayment date of 30 June 2017, at which time all of the debts must be repaid. However, if on the repayment date MCI reasonably considers that it can pay part of the money comprising its debts, such that Allegiance will have sufficient cash to cover its 12 month operating budget, it must repay that part of the debt.

Interest charged is based on the 90 day bank bill swap rate plus 4%.

Subsequent to the year end, on 22 July 2014 a partial repayment of outstanding loans totalling \$200,000 was made to C. Randall & Associates Pty Limited. The remaining loan of \$335,501 was renegotiated with an extension of the repayment date to 30 September 2015.

**Note 18. Equity - contributed equity**

	Consolidated			
	2014	2013	2014	2013
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>150,123,100</u>	<u>150,123,100</u>	<u>21,294,326</u>	<u>21,294,326</u>

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 July 2012	149,723,100		21,294,326
Issue of shares	19 June 2013	<u>400,000</u>	\$0.0000	<u>-</u>
Balance	30 June 2013	<u>150,123,100</u>		<u>21,294,326</u>
Balance	30 June 2014	<u>150,123,100</u>		<u>21,294,326</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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

*Share buy-back*

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

**Notes to the financial statements**

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**Note 18. Equity - contributed equity (continued)***Capital risk management*

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

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

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

The capital risk management policy remains unchanged from the 30 June 2013 Annual Report.

**Note 19. Equity - reserves**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	\$	\$
Capital profits reserve	204,828	204,828
Share-based payments reserve	1,069,820	894,089
	<u>1,274,648</u>	<u>1,098,917</u>

*Capital profit reserve*

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

*Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

*Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

<b>Consolidated</b>	Capital profits \$	Share-based payments \$	Total \$
Balance at 1 July 2012	204,828	654,678	859,506
Issue of options	-	239,411	239,411
Balance at 30 June 2013	204,828	894,089	1,098,917
Issue of options	-	175,731	175,731
Balance at 30 June 2014	<u>204,828</u>	<u>1,069,820</u>	<u>1,274,648</u>



**Notes to the financial statements**

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**Note 20. Equity - accumulated losses**

	Consolidated	
	2014	2013
	\$	\$
Accumulated losses at the beginning of the financial year	(12,275,123)	(9,480,817)
Loss after income tax benefit for the year	(2,495,942)	(2,794,306)
Accumulated losses at the end of the financial year	<u>(14,771,065)</u>	<u>(12,275,123)</u>

**Note 21. Equity - non-controlling interest**

	Consolidated	
	2014	2013
	\$	\$
Contributed equity	8,625,388	8,625,388
Reserves	88,970	63,054
Accumulated losses	(6,999,619)	(6,630,861)
	<u>1,714,739</u>	<u>2,057,581</u>

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

**Note 22. Equity - dividends**

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

**Note 23. Financial instruments****Financial risk management objectives**

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

**Market risk****Foreign currency risk**

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

**Price risk**

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

At 30 June 2014, if equity prices had been 10% higher or lower and all other variables were held constant the consolidated entity's net assets would increase/decrease by \$5,496 (2013: \$6,319) as a result of the change in the value of financial assets held at fair value through profit or loss and available-for-sale investments.

**Notes to the financial statements**

30 June 2014

**Note 23. Financial instruments (continued)***Interest rate risk*

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

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

At reporting date, if interest rates had been 50 basis points (2013: 50 basis points) higher or lower and all other variables were held constant, the consolidated entity's net profit and net assets would increase/decrease by \$26,469 (2013: \$31,294).

*Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

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

*Liquidity risk*

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

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

*Remaining contractual maturities*

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

<b>Consolidated - 2014</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-%	19,924	-	-	-	19,924
Other payables	-%	114,927	-	-	-	114,927
<i>Interest-bearing - variable</i>						
Borrowings	6.70%	575,989	-	-	-	575,989
<b>Total non-derivatives</b>		<b>710,840</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>710,840</b>

**Notes to the financial statements**

30 June 2014

**Note 23. Financial instruments (continued)**

Consolidated - 2013	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-%	172,115	-	-	-	172,115
Other payables	-%	117,776	-	-	-	117,776
<i>Interest-bearing - variable</i>						
Advance from shareholder	8.91%	554,537	-	-	-	554,537
<b>Total non-derivatives</b>		<b>844,428</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>844,428</b>

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

**Fair value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**Note 24. Fair value measurement****Fair value hierarchy**

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 2014	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
Financial assets at fair value through profit or loss - marketable securities	54,958	-	-	54,958
<b>Total assets</b>	<b>54,958</b>	<b>-</b>	<b>-</b>	<b>54,958</b>

Consolidated - 2013	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
Financial assets at fair value through profit or loss - marketable securities	63,190	-	-	63,190
<b>Total assets</b>	<b>63,190</b>	<b>-</b>	<b>-</b>	<b>63,190</b>

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

**Notes to the financial statements**

30 June 2014

**Note 25. Key management personnel disclosures***Compensation*

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

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	225,000	291,750
Post-employment benefits	12,025	13,208
Share-based payments	92,950	161,000
	<u>329,975</u>	<u>465,958</u>

**Note 26. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company:

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - Deloitte Touche Tohmatsu</i>		
Audit or review of the financial statements	<u>70,000</u>	<u>75,000</u>

**Note 27. Contingent liabilities**

There were no contingent liabilities at 30 June 2014 or 30 June 2013.

**Note 28. Commitments**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	<u>-</u>	<u>27,500</u>
<i>Capital commitments - exploration and evaluation</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	415,115	1,941,854
One to five years	880,745	2,160,382
	<u>1,295,860</u>	<u>4,102,236</u>

An operating leases was entered into as a means of acquiring plant and equipment. The lease was fixed for one year and then moved onto a monthly rolling contract.

Capital commitments have significantly decreased in the year due to the tenements which have been impaired.

## Notes to the financial statements

30 June 2014

### Note 29. Related party transactions

#### *Parent entity*

Gullewa Limited is the parent entity.

#### *Subsidiaries*

Interests in subsidiaries are set out in note 31.

#### *Associates*

Interests in associates are set out in note 32.

#### *Key management personnel*

Disclosures relating to key management personnel are set out in note 25 and the remuneration report in the directors' report.

#### *Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Other income:		
Management fees from associate, Central Iron Ore Limited	-	133,702
Other transactions:		
Interresources Pty Limited, a company wholly-owned by David Deitz, a director of the parent entity, carried out geological surveys for the parent entity during the year.	-	124,215
Administration fees and reimbursements paid to other related party, C. Randall & Associates Pty. Limited	2,302	-
Wages paid to Mendel Deitz, son of David Deitz, a director of the parent entity.	32,877	59,174

David Deitz has a right to a royalty over tenement EL7022 being:

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

On 1 August 2013 Hydromining Coal Australia Pty Limited ('HCA') (previously a subsidiary of Gullewa Limited) issued 59,820 shares to a related party, Colin Randall and Associates Pty Limited, at \$0.01 per share. Under the terms of the issue, \$300,000 becomes payable to Gullewa Limited when the following conditions are met:

- HCA's net profit exceeds \$500,000 in any given year;
- HCA's net assets exceed \$2,000,000; or
- An act of insolvency is committed by HCA.

In the event of a sale of HCA, if the \$300,000 has not been paid, Gullewa Limited is to receive \$300,000 as a priority from proceeds of sale, the balance of the proceeds are then to be distributed on a shareholding basis.

As a result, Gullewa Limited no longer controls Hydromining Coal Australia Pty Limited and Gullewa Limited's shareholding has been diluted from 80% to 50%. This has not resulted in a material change to the financial statements.

#### *Receivable from and payable to related parties*

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

**Notes to the financial statements**

30 June 2014

**Note 29. Related party transactions (continued)***Loans to/from related parties*

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

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Current receivables:		
Loan to Interresources Pty Limited, a company wholly-owned by David Deitz, a director of the parent entity.	-	25,090
Current borrowings:		
Administration fees and reimbursements payable to other related party, C Randall & Associates Pty. Limited	1,414	-
Loan from C Randall & Associates Pty. Limited	535,501	509,170
Loan from director, David Deitz	4,320	-

*Terms and conditions*

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

**Note 30. Parent entity information**

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(3,160,259)	(1,919,138)
Total comprehensive income	(3,160,259)	(1,919,138)

*Statement of financial position*

	<b>Parent</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Total current assets	5,780,980	8,872,544
Total assets	7,400,320	10,511,507
Total current liabilities	6,811,201	6,902,276
Total liabilities	6,811,201	6,902,276
Equity		
Contributed equity	21,294,326	21,294,326
Capital profits reserve	284,828	284,828
Share-based payments reserve	851,821	711,674
Accumulated losses	(21,841,856)	(18,681,597)
Total equity	589,119	3,609,231

**Notes to the financial statements**

30 June 2014

**Note 30. Parent entity information (continued)***Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2014 and 30 June 2013.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2014 and 30 June 2013.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2014 and 30 June 2013.

*Significant accounting policies*

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

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

**Note 31. Interests in subsidiaries**

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2014 %	2013 %
Rondav Pty Limited	Australia	100.00%	100.00%
Claymor Resources Pty Limited	Australia	100.00%	100.00%
Telephony Associates Pty Limited	Australia	82.00%	82.00%
Gullewa Geothermal Pty Limited	Australia	100.00%	100.00%
York Corporate Pty Limited	Australia	100.00%	100.00%
Hydromining Coal Australia Pty Limited	Australia	50.00%	80.00%
Cauldron Geothermal Pty Limited	Australia	100.00%	100.00%
Canton Property Pty Limited	Australia	60.00%	60.00%
Windora Exploration Pty Limited	Australia	100.00%	100.00%
Goonoo Exploration Pty Limited	Australia	100.00%	100.00%
Narwonah Pty Limited	Australia	100.00%	100.00%
New Italy Resources Pty Limited	Australia	100.00%	100.00%
Thedal Pty Limited	Australia	100.00%	100.00%
Minyan Pty Ltd	Australia	100.00%	100.00%
Mummulgum Exploration Pty Ltd	Australia	100.00%	100.00%
Brooklyn Bay Pty Limited	Australia	100.00%	100.00%
Wymble Pty Limited	Australia	100.00%	100.00%
Allegiance Coal Limited	Australia	57.86%	57.86%
Mineral & Coal Investments Pty Limited	Australia	57.86%	57.86%
Echidna Coal Pty Limited	Australia	57.86%	57.86%
Moreton Coal Pty Limited	Australia	57.86%	57.86%

**Notes to the financial statements**

30 June 2014

**Note 32. Interests in associates**

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2014 %	2013 %
Our Field Pty Limited *	Property development	50.00%	50.00%
Central Iron Ore Limited	Mineral extraction	36.10%	36.10%

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

*Summarised financial information*

	Central Iron Ore Limited	
	2014 \$	2013 \$
<i>Summarised statement of financial position</i>		
Current assets	91,876	94,531
Non-current assets	1,346,834	1,307,928
<b>Total assets</b>	<b>1,438,710</b>	<b>1,402,459</b>
Current liabilities	140,338	87,550
<b>Total liabilities</b>	<b>140,338</b>	<b>87,550</b>
<b>Net assets</b>	<b>1,298,372</b>	<b>1,314,909</b>
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	2,395	39,154
Expenses	(233,415)	(565,482)
Loss before income tax	(231,020)	(526,328)
Income tax benefit	12,137	-
Loss after income tax	(218,883)	(526,328)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(218,883)</b>	<b>(526,328)</b>

The summarised financial information above relates to the consolidated entity's share of the associate.



**Notes to the financial statements**

30 June 2014

**Note 33. Events after the reporting period**

Two matters or circumstances have arisen since 30 June 2014 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

*Japan Oil, Gas and Metals National Corporation ('JOGMEC')*

On 14 July 2014, Allegiance Coal Limited (ASX: AHQ) entered into an agreement with JOGMEC, A Japanese government entity, for a 40% farm-in to the Kilmain project. JOGMEC will provide \$3,000,000 over three years to undertake exploration within EPC 1298 and EPC1917.

*Loan repayment*

On 22 July 2014 a partial repayment of outstanding loans totalling \$200,000 was made to C. Randall & Associates Pty Limited from Allegiance Coal Limited. The remaining loan of \$335,501 was renegotiated with an extension of the repayment date to 30 September 2015.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Note 34. Reconciliation of loss after income tax to net cash used in operating activities**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax benefit for the year	(2,864,700)	(3,236,926)
Adjustments for:		
Depreciation and amortisation	32,961	41,637
Impairment of non-current assets	1,966,194	533,687
Write off of property, plant and equipment	8,460	-
Net gain on disposal of non-current assets	-	(1,311,994)
Net gain on disposal of investment property	-	(36,400)
Share-based payments	201,647	239,411
Profit on shares	-	(4,800)
Share of net losses of associates	218,883	526,328
Change in operating assets and liabilities:		
Increase in trade and other receivables	(76,602)	(85,617)
Decrease in inventories	-	1,595,725
Decrease in trade and other payables	(178,950)	(377,775)
Decrease in employee benefits	-	(21,545)
Net cash used in operating activities	<u>(692,107)</u>	<u>(2,138,269)</u>

**Notes to the financial statements**

30 June 2014

**Note 35. Earnings per share**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(2,864,700)	(3,236,926)
Non-controlling interest	368,758	442,620
Loss after income tax attributable to the owners of Gullewa Limited	<u>(2,495,942)</u>	<u>(2,794,306)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	150,123,100	149,736,251
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>150,123,100</u>	<u>149,736,251</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(1.66)	(1.87)
Diluted earnings per share	(1.66)	(1.87)

28,155,000 (2013: 17,255,000) options are excluded from the above calculation as they would be anti-dilutive for the period.

**Note 36. Share-based payments***Employee option plan*

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

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

2014							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
08/12/2009	30/11/2014	\$0.1200	5,480,000	-	-	-	5,480,000
07/03/2011	06/03/2016	\$0.2200	4,475,000	-	-	-	4,475,000
16/05/2011	15/05/2016	\$0.2200	1,000,000	-	-	-	1,000,000
16/05/2012	16/05/2017	\$0.1000	1,300,000	-	-	-	1,300,000
04/07/2012	04/07/2017	\$0.1000	5,000,000	-	-	-	5,000,000
27/11/2013	27/11/2018	\$0.0495	-	10,900,000	-	-	10,900,000
			<u>17,255,000</u>	<u>10,900,000</u>	-	-	<u>28,155,000</u>

Weighted average exercise price

\$0.1077

**Notes to the financial statements**

30 June 2014

**Note 36. Share-based payments (continued)**

2013

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
08/12/2009	30/11/2014	\$0.1200	5,480,000	-	-	-	5,480,000
07/03/2011	06/03/2016	\$0.2200	4,475,000	-	-	-	4,475,000
16/05/2011	15/05/2016	\$0.2200	1,000,000	-	-	-	1,000,000
16/05/2012	16/05/2017	\$0.1000	1,300,000	-	-	-	1,300,000
04/07/2012	04/07/2017	\$0.1000	-	5,000,000	-	-	5,000,000
			12,255,000	5,000,000	-	-	17,255,000

Weighted average exercise price

\$0.1444

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.38 years (2013: 2.97 years).

The weighted average share price during the year was \$0.0267 (2013: \$0.0615).

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
27/11/2013	27/11/2018	\$0.0300	\$0.0495	64.00%	-%	3.01%	\$0.015

**Note 37. Retirement benefits***Superannuation commitments*

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

Gullewa Limited

## Directors' declaration

30 June 2014

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors



---

David Deitz  
Director

30 September 2014  
Sydney

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

### Report on the Financial Report

We have audited the accompanying financial report of Gullewa Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 20 to 57.

#### *Directors' Responsibility for the Financial Report*

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

#### *Auditor's Responsibility*

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

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

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

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## *Auditor's Independence Declaration*

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

## *Opinion*

In our opinion:

- (a) the financial report of Gullewa Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 11 to 14 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Opinion*

In our opinion the Remuneration Report of Gullewa Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

  
DELOITTE TOUCHE TOHMATSU



Alfred Nehama  
Partner  
Chartered Accountants  
Sydney, 30 September 2014

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**Shareholder information**

30 June 2014

The shareholder information set out below was applicable as at 18 September 2014.

**Distribution of equitable securities**

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

	Number of holders of ordinary shares
1 to 1,000	189
1,001 to 5,000	400
5,001 to 10,000	288
10,001 to 100,000	484
100,001 and over	138
	<hr/>
	1,499
	<hr/>
Holding less than a marketable parcel	998
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**Equity security holders***Twenty largest quoted equity security holders*

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

	Number held	Ordinary shares % of total shares issued
Mr David Deitz	13,638,219	9.06
Fanchel Pty Ltd	9,333,648	6.20
Mr David Deitz	8,809,896	5.85
Mrs Soshana Koncepolski	6,510,276	4.33
Mr Anthony Howland-Rose	6,421,233	4.27
Whittingham Securities Pty Ltd	5,000,000	3.32
Judith Krasnjanski	4,285,714	2.85
Howlandrose Holdings Pty Ltd (Howlandrose Family A/c)	4,182,227	2.78
Fezune Pty Ltd (The Reid Family S/F A/c)	4,150,000	2.76
Moshe Ambarchi + Nadine Ambarchi (Buline Superannuation A/c)	4,000,000	2.66
UBS Wealth Management Australia Nominees Pty Ltd	3,482,143	2.31
Rainidays Pty Ltd (Rainiday Super Fund A/c)	3,000,000	1.99
Howlandrose Holdings Pty Ltd	2,845,018	1.89
Ashecorp Pty Ltd (MD & DS Moss Super Fund A/c)	2,770,000	1.84
Scomac Management Services Pty Ltd	2,300,000	1.53
Mr David Deitz	2,214,022	1.47
Talfresh Pty Ltd	2,094,289	1.39
Mr Eddie Lee	1,738,378	1.15
Goldberg Super Pty Ltd (Goldberg Super A/c)	1,600,000	1.06
Sept Pty Ltd (Hall Super Fund A/c)	1,582,248	1.05
	<hr/>	
	89,957,311	59.76
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*Unquoted equity securities*

There are no unquoted equity securities.

**Substantial holders**

There are no substantial holders in the company.

**Shareholder information**

30 June 2014

**Voting rights**

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

*Ordinary shares*

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

There are no other classes of equity securities.

**Tenements**

<b>Description</b>	<b>Tenement number</b>	<b>Interest owned</b>
<i>NEW SOUTH WALES – Claymor Resources P/L</i> Exploration Licence – Dandeloo	EL 7022	100.00%
<i>QUEENSLAND – Mineral &amp; Coal Investments P/L</i> Exploration Permit for Coal - Connemara - Bowen Basin	EPC 1296	57.86%
Exploration Permit for Coal - Back Creek - Surat Basin	EPC 1297	57.86%
Exploration Permit for Coal - Kilmain - Bowen Basin	EPC 1298	57.86%
Exploration Permit for Coal - Townsville - Bowen Basin	EPC 1492	57.86%
Exploration Permit for Coal - Extended Townsville - Bowen Basin	EPC 1617	57.86%
Exploration Permit for Coal - Calen South - Calen Basin	EPC 1631	57.86%
Exploration Permit for Coal - Lochaber - Mulgildie Basin	EPC 1672	57.86%
Exploration Permit for Coal - Boldon - Calen Basin	EPC 1820	57.86%
Exploration Permit for Coal - Normanby - Hodgkinson Basin	EPC 1874	57.86%
Exploration Permit for Coal - Pinetree - Laura Basin	EPC 1875	57.86%
Exploration Permit for Coal - Kilmain South - Bowen Basin	EPC 1917	57.86%
Exploration Permit for Coal - Cedar Creek - Surat Basin	EPC 2278	57.86%
Exploration Permit for Coal - Mobs Creek - Surat Basin	EPC 2309	57.86%
Exploration Permit for Coal - Mt Marrow	EPCA 2374	57.86%
Exploration Permit for Coal - Kilmain - Bowen Basin	EPCA 2836	57.86%
<i>QUEENSLAND – Moreton Coal P/L</i> Exploration Permit for Coal - Mintovale - Moreton Basin	MDL 138	57.86%
<i>TASMANIA – Gullewa Geothermal P/L</i> Northwest Tasmania	SEL9/2009	100.00%
<i>WESTERN AUSTRALIA – Central Iron Ore P/L</i> Exploration Licence - Menzies - Walling Rock	E30/414	36.10%
Exploration Licence - Menzies - Perinvale S	E30/415	36.10%
Exploration Licence - Leonora - P S Extension	P30/1084	36.10%
Exploration Licence - Leonora - Perinvale N	E57/818	36.10%
Exploration Licence - Menzies - Windarling E	E77/1737	36.10%
Exploration Licence - Menzies - Diemals N	E77/1749	36.10%
Exploration Licence - Menzies - Diemals Far E	E77/1757	36.10%
Exploration Licence - Southern Cross - Johnson N	E77/1758	36.10%
Exploration Licence - Southern Cross - Windarling W	E77/1820	36.10%
Exploration Licence - Leonora - South Darlot	E37/882	36.10%
Exploration Licence - Leonora - British King	M37/30	36.10%
Exploration Licence - Leonora - British King (	P37/7026	36.10%
Exploration Licence - Kalgoorlie - Eureka Gold	M24/189	36.10%
Exploration Licence - Kalgoorlie - Eureka Gold	M24/584	36.10%
Exploration Licence - Kalgoorlie - Eureka Gold	M24/585	36.10%
Exploration Licence - Kalgoorlie - Eureka Gold	M24/586	36.10%



**Shareholder information**

30 June 2014

Description	Tenement number	Interest owned
<i>WESTERN AUSTRALIA – Barrick (Darlot) NL</i>		
Exploration Licence - Leonora Earning - Barrick JV	M37/421	36.10%
Exploration Licence - Leonora Earning - Barrick JV	M37/552	36.10%
Exploration Licence - Leonora Earning - Barrick JV	M37/631	36.10%
Exploration Licence - Leonora Earning - Barrick JV	M37/632	36.10%
Exploration Licence - Leonora Earning - Barrick JV	M37/709	36.10%
Exploration Licence - Leonora Earning - Barrick JV	P37/7364	36.10%
Exploration Licence - Leonora Earning - Barrick JV	P37/7365	36.10%
Exploration Licence - Leonora Earning - Barrick JV	P37/7366	36.10%
Exploration Licence - Leonora Earning - Barrick JV	P37/7367	36.10%

*WESTERN AUSTRALIA – Barrick Plutonic Limited*

Exploration Licence - Leonora Earning - Barrick JV	M37/1045	36.10%
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*Summary of Mining Royalties*

Gullewa Limited is entitled to a 1% royalty from its joint venture partner Muting Gold Limited which relates to the following tenements:

Western Australia

L59/50  
M59/50  
M59/50  
M59/68  
M59/132  
M59/294  
M59/335  
M59/336  
M59/356  
M59/391  
M59/442  
M59/522  
M59/530  
M59/531  
L59/35  
L59/49  
E59/1241 (part)  
E59/1242 (part)