

Gullewa Limited

ACN 007 547 480
ABN 30 007 547 480

Annual Report

30 June 2004

Gullewa Limited and Controlled Entities ACN 007 547 480
Financial Report – 30 June 2004

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Company Particulars

ABN	30 007 547 480
Directors	D. Deitz BCom, CPA, MAusIMM <i>Chairman</i> E. Lee BE(Syd), BSc, DIP BDG Sc D.J. Atkinson
Secretary	S.J. Dick
Registered office and principal place of business	Level 11 Shaw House 49-51 York Street SYDNEY NSW 2000 Telephone: +61 2 9299 4366 Facsimile: +61 2 9299 1817 Email: info@gullewa.com Web Address: http://www.gullewa.com
Share Registers	Computershare Registry Services Pty Limited Level 2 Reserve Bank Building 45 St George's Terrace PERTH WA 6000 Telephone: +61 8 9323 2000 Facsimile: +61 8 9232 2033
Auditor	Horwath Sydney Partnership Level 10 1 Market Street SYDNEY NSW 2000 Telephone: +61 2 9372 0777 Facsimile: +61 2 9372 0606
Solicitors	Blakiston & Crabb 1202 Hay Street WEST PERTH WA 6005
Bankers	National Australia Bank 255 George Street SYDNEY NSW 2000
Stock Exchange Listings	Gullewa Limited shares are listed on the Australian Stock Exchange.

Directors' Report

Your directors present their report on the financial statements for the year ended 30 June 2004.

Directors

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

D. Deitz
E. Lee
D.J. Atkinson

Principal Activities

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

Operating Results

The consolidated operating loss of the consolidated entity for the year was \$514,888 (2003: \$231,888). There was no provision for income tax.

Dividends

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

Review of Operations

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

Significant Changes in the State of Affairs

During the year the consolidated entity's associate exercised its option to acquire property in St Ives, NSW. The consolidated entity also acquired a further 1,885,675 shares in Allegiance Mining NL, increasing its interest to 9.16%.

Events Subsequent to the End of the Financial Year

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

Likely Developments

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

Information on Directors

David Deitz – Chairman

BCom, CPA, MAusIMM

Experience

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

Interest in Shares

Mr Deitz is a Director of Allegiance Mining NL which is the holder of 26,827,636 shares and has a direct interest in 2,214,022 shares.

Eddie Lee – Director

BE(Syd), BSc, DIP BDG Sc

Experience

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

Interest in Shares

Mr Lee is a Director of Allegiance Mining NL which is the holder of 26,827,636 shares.

David J Atkinson – Director

Experience

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

Interest in shares

Mr Atkinson has a direct interest in 2,214,022 shares.

Share Capital

During the year, the Company issued 8,302,581 shares, raising \$225,000.

Options

During the year, the Company issued 11,000,000 options to directors for no consideration. The options are exercisable at 6 cents each and expire on 30 June 2009.

Directors' and Executives' Emoluments

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

	Fees and Salaries	Other Benefits	Options	Total
	\$	\$	\$	\$
<i>Directors of Gullewa Limited</i>				
- Mr D.J. Atkinson	24,960	-	1,000	25,960
- Mr D Deitz	79,000	8,651	9,000	96,651
- Mr E. Lee	<u>22,649</u>	<u>-</u>	<u>1,000</u>	<u>23,649</u>
	<u>126,609</u>	<u>8,651</u>	<u>11,000</u>	<u>146,260</u>

Option value have been calculated using the Black-Scholes Option Pricing Model.

Meeting of Directors

During the period, 9 meetings of directors were held. Attendances were:

	Number eligible to attend	Number attended
D J Atkinson	9	9
D Deitz	9	9
E Lee	9	9

Dated at Sydney this 29th day of September 2004.

Signed in accordance with a resolution of Directors:

DAVID DEITZ
DIRECTOR

CORPORATE GOVERNANCE

INTRODUCTION

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

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

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

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

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

IDENTIFICATION OF INDEPENDENT DIRECTORS

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

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

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

STATEMENT CONCERNING AVAILABILITY OF INDEPENDENT PROFESSIONAL ADVICE

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

NAMES OF NOMINATION COMMITTEE MEMBERS AND THEIR ATTENDANCE AT COMMITTEE MEETINGS

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

NAMES AND QUALIFICATIONS OF AUDIT COMMITTEE MEMBERS

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

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

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

COMPANY'S REMUNERATION POLICIES

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

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

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

NAMES OF REMUNERATION COMMITTEE MEMBERS AND THEIR ATTENDANCE AT COMMITTEE MEETINGS

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

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

There are no retirement benefits for non-executive directors.

EXPLANATIONS FOR DEPARTURES FROM BEST PRACTICE RECOMMENDATIONS

During the Company's 2003/2004 financial year ("**Reporting Period**"), the Company has complied with each of the Ten Essential Corporate Governance Principles [A copy of the Ten Essential Corporate Governance Principles and Best Practice Recommendations will be set out on the Company's website under the Section entitled "Corporate Governance". They are also available on the ASX website – www.asx.com.au/about/CorporateGovernance_AA2.shtm] and the corresponding Best Practice Recommendations [A copy of the Best Practice Recommendations are set out on the Company's website under the section entitled "Corporate Governance"] as published by the ASX Corporate Governance Council ("**ASX Principles and Recommendations**"), other than in relation to the matters specified below.

Principle Ref	Recommendation Ref	Notification of Departure	Explanation for Departure
1	1.1	Formalisation and disclosure of the functions reserved to the Board and those delegated to management occurred on 23 September 2004.	As from 23 September 2004 the Company achieved compliance. Prior to this time the functions were delegated as now disclosed but without formalisation.
2	2.2; 2.3	The chairman is the chief executive of the Company.	The Board considers that, in view of the size and scope of the Company's activities, it is appropriate for Mr Deitz to lead the Company in both a strategic and day-to-day capacity. The Board considers that Mr Deitz is the most suitably qualified Board member to fulfill the role of chairman, and it is intended that Mr Deitz will continue to fulfill this role subject to review by the Board from time to time to ensure that the best interests of the Company and its shareholders continue to be served by the current structure.
2	2.4	A separate Nomination Committee has not been formed.	The role of the Nomination Committee is carried out by the full Board. The Board considers that given its size, no efficiencies or other benefits would be gained by establishing a separate Nomination Committee.
3	3.1; 3.2	A written code of conduct for executives and a written securities trading policy were adopted on 23 September 2004.	On 23 September 2004 the Company adopted a code of conduct for executives and a written securities trading policy. These documents reflected the existing but undocumented practices of the Company's executives and employees in this area.

Principle Ref	Recommendation Ref	Notification of Departure	Explanation for Departure
4	4.2; 4.3	A separate Audit Committee has not been formed.	The composition of the Board is not suitable for the formation of an audit sub-committee (given that the executive chairman prepares the financial reports of the Company and the two non-executive directors do not possess the requisite financial expertise). However, the Company has developed an audit review process whereby the independent directors meet with the external auditor bi-annually and finance management as required to ensure the highest possible degree integrity of the Company's financial operations.
5	5.1	Written policies and procedures to ensure compliance with ASX Listing Rule disclosure requirements were adopted on 23 September 2004.	Prior to 23 September 2004 the Company had undocumented policies for compliance.
6	6.1	Documentation of a formal communication strategy with shareholders occurred on 23 September 2004.	Prior to 23 September 2004 the Company had an undocumented but positive strategy for communication with shareholders, in particular by making information available to shareholders on its website. Those practices formed the basis of the new formalised policy.
7	7.1	The Company did not have a formal risk oversight and management policy and internal compliance and control system until 23 September 2004.	The Company has developed a framework for risk management, which the Company intends to review and enhance as required.
8	8.1	The process for evaluation of the Board, individual directors and key executives was not disclosed.	The process was not disclosed, however a review of the functioning of the Board in general did occur by way of an informal review by the chairman prior to the end of the Reporting Period.

Principle Ref	Recommendation Ref	Notification of Departure	Explanation for Departure
9	9.1	The Company's remuneration policy was not disclosed.	Remuneration has been, and continues to be, in accordance with the general principles recommended by the ASX; that is, non-executive directors receive a fixed fee for their services and do not receive performance based remuneration. There is only one key executive in the Company (the Executive Chairman), who also receives fixed fee remuneration which is subject to annual review. To the extent that additional executives are appointed in the future and the Company's operations continue to grow the Company will reconsider whether a change in the structure of executive remuneration is appropriate.
9	9.2	The full Board forms the Remuneration Committee.	The Board considers that given its size, no efficiencies, or other benefits would be gained by establishing a separate Remuneration Committee.
10	10.1	There was no disclosed code of conduct for the Company.	On 23 September 2004 the Company adopted a code based on the existing business practices promoted in the Company.

Statements of Financial Performance

For the year ended 30 June 2004

		Consolidated		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
	Notes				
Revenue from ordinary activities	2	24,957	170,086	24,957	170,086
Expenses from ordinary activities	3	(537,959)	(401,974)	(537,959)	(401,974)
Borrowing costs expense		(1,886)	-	(1,886)	-
Loss from ordinary activities before income tax expense		(514,888)	(231,888)	(514,888)	(231,888)
Income tax expense		-	-	-	-
Loss from ordinary activities after income tax		(514,888)	(231,888)	(514,888)	(231,888)
Revaluation of investments	18	2,307,681	-	2,307,681	-
Total changes in equity other than those resulting from transactions with owners as owners		1,792,793	(231,888)	1,792,793	(231,888)
Basic Loss per share (cents)	7	(0.45)	(0.21)		
Diluted Loss per share (cents)	7	(0.45)	(0.21)		

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

Statements of Financial Position

As at 30 June 2004

	Notes	Consolidated		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
Current Assets					
Cash assets	9	78,071	978,953	78,071	978,953
Receivables	10	9,236	22,038	9,236	22,038
Other financial assets	11	72,802	32,998	72,802	32,998
Total Current Assets		160,109	1,033,989	160,109	1,033,989
Non-Current Assets					
Investments accounted for using the equity method	12	309,182	25,328	-	-
Other financial assets	11	3,641,385	1,072,709	3,950,567	1,098,037
Property, plant and equipment	14	40,922	47,840	40,922	47,840
Total Non-Current Assets		3,991,489	1,145,877	3,991,489	1,145,877
Total Assets		4,151,598	2,179,866	4,151,598	2,179,866
Current Liabilities					
Payables	15	101,098	142,031	101,098	142,031
Interest bearing liabilities	16	5,129	5,129	5,129	5,129
Total Current Liabilities		106,227	147,160	106,227	147,160
Non-Current Liabilities					
Interest bearing liabilities	16	24,121	29,249	24,121	29,249
Total Non-Current Liabilities		24,121	29,249	24,121	29,249
Total Liabilities		130,348	176,409	130,348	176,409
Net Assets		4,021,250	2,003,457	4,021,250	2,003,457
Equity					
Contributed equity	17	19,718,358	19,493,358	19,718,358	19,493,358
Reserves	18(a)	2,592,509	284,828	2,592,509	284,828
Accumulated losses	18(b)	(18,289,617)	(17,774,729)	(18,289,617)	(17,774,729)
Total Equity		4,021,250	2,003,457	4,021,250	2,003,457
Commitments for expenditure	20				
Contingent liabilities	21				

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

Statements of Cash Flows

For the year ended 30 June 2004

	Notes	Consolidated		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
Cash Flows from Operating Activities					
Receipts from operations		2,070	62,151	2,070	62,151
Payments to suppliers and employees		(470,882)	(445,063)	(470,822)	(445,063)
Interest received		22,887	107,935	22,887	107,935
Interest paid		(1,886)	-	(1,886)	-
Net cash outflow from operating activities	8	(447,811)	(274,977)	(447,811)	(274,977)
Cash Flows from Investing Activities					
Payment for purchase of property, plant and equipment		(9,036)	(36,515)	(9,036)	(36,515)
Payment for purchase of investments		(337,843)	(839,850)	(337,843)	(839,850)
Payments for equity accounted investments		(309,182)	-	(309,182)	-
Loans to related entities		-	15,256	-	15,256
Proceeds from non-current receivables		-	583,000	-	583,000
Net cash outflow from investing activities		(656,061)	(278,109)	(656,061)	(278,109)
Cash Flows from Financing Activities					
Proceeds from issues of shares		225,000	121,015	225,000	121,015
Repayment of borrowings		(22,010)	-	(22,010)	-
Proceeds from borrowings		-	33,648	-	33,648
Net cash inflow from financing activities		202,990	154,663	202,990	154,663
Net Decrease in Cash Held		(900,882)	(398,423)	(900,882)	(398,423)
Cash at the beginning of the Reporting Period		978,953	1,377,376	978,953	1,377,376
Cash at the End of the Reporting Period	9	78,071	978,953	78,071	978,953

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

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2004

Note 1 Summary of Significant Accounting Policies

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

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

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Gullewa Limited as at 30 June 2004 and the results of all controlled entities for the year then ended. Gullewa Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

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

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

(b) Depreciation

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

Motor vehicles	5 years
Plant and equipment	5 years

(c) Cash

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

(d) Earnings per share

(i) Basic Earnings per Share

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

(ii) Diluted Earnings per Share

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

(e) Income Tax

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

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2004

(f) Acquisition of Assets

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

(g) Investments

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

Changes in accounting policy for the measurement of investments

The policy of revaluation was adopted with effect from 1 July 2003. The previous policy was to carry investments in the financial statements at cost. The new policy was adopted to provide more relevant information about the investments.

The change in accounting policy resulted in an increase of \$65,430 in the carrying amount of investments as at 1 July 2003, with a corresponding increase in the asset revaluation reserve and consolidated total assets, net assets and total equity. The change had no effect on revenues or expenses in the statement of financial performance.

The restatements of consolidated and parent investments and asset revaluation reserve below show the information that would have been disclosed had the new accounting policy always been applied.

	June 2004 (Restated) \$	June 2003 \$ (Restated) \$
Investments		
Previously reported carrying amount at the end of the financial year	3,641,385	1,072,709
Adjustment for change in accounting policy	-	65,430
Restated carrying amount at the end of the financial year	3,641,385	1,138,139
Asset revaluation reserve		
Previously reported revaluation reserve at the end of the previous financial year	-	-
Adjustment for the change in accounting policy for measurement of investments	65,430	-
Restated asset revaluation reserve at the beginning of the financial year	65,430	-
Increment on revaluation of investments	2,242,251	65,430
Restated asset revaluation reserve at the end of the financial year	2,307,681	65,430

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2004

Note 2 Revenue from Ordinary Activities

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Revenue from operating activities				
Interest received	22,887	107,935	22,887	107,935
Royalties	-	61,196	-	61,196
Share Trading	2,070	955	2,070	955
Revenue from ordinary activities	24,957	170,086	24,957	170,086

Note 3 Expenses from Ordinary Activities

Loss from ordinary activities includes the following specific expenses:	2004	2003	2004	2003
	\$	\$	\$	\$
Accounting fees	26,750	11,363	26,750	11,363
Advertising	26,900	19,173	26,900	19,173
Audit fees	21,245	15,750	21,245	15,750
Bad debts	-	25,984	-	25,984
Communication expenses	18,320	19,923	18,320	19,923
Consulting fees	14,343	26,250	14,343	26,250
Depreciation of motor vehicles, plant and equipment	10,826	2,957	10,826	2,957
Directors remuneration	126,609	92,598	126,609	92,598
Employee benefits	33,700	52,881	33,700	52,881
Exploration and evaluation expenditure written off	-	5,983	-	5,983
Fringe Benefits tax:				
- current year	8,651	-	8,651	-
- previous years	28,857	-	28,857	-
Investments written down/(back)	37,044	(59,627)	37,044	(59,627)
Insurance	13,501	4,672	13,501	4,672
Legal fees	9,245	22,628	9,245	22,628
Motor and travel expenses	24,715	27,989	24,715	27,989
Office rental	31,372	25,405	31,372	25,405
Property evaluation costs	38,962	49,005	38,962	49,005
Share registry expenses	12,304	12,424	12,304	12,424
Other expenses from ordinary activities	54,610	46,616	54,610	46,616
	537,954	401,974	537,954	401,974

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2004

Note 4 Loss from Ordinary Activities

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
(a) Loss from Ordinary Activities is arrived at after crediting and charging the following specific items:				
(i) Charges				
Depreciation of:				
- motor vehicle, plant and equipment	10,826	2,957	10,826	2,957
Exploration and evaluation expenditure written off	-	5,983	-	5,983
Provision/write back for diminution/revaluation in listed investments	37,044	(59,258)	37,044	(59,258)
Interest paid hire purchase	1,886	-	1,886	-
(ii) Credits				
Interest received from other persons	22,887	107,935	22,887	107,935

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2004

Note 5 Remuneration of Directors and Executives

Directors

The following persons were directors of Gullewa Limited during the financial year.

Dr D Deitz – Chairman

Mr E Lee

Mr D Atkinson

Executives

Gullewa Limited has no executives other than the directors.

Directors' Remuneration

	Primary Salary & Fees \$	Other Benefits \$	Post Employment Superannuation \$	Equity Options \$	Total \$
2004					
Mr D Deitz	79,000	8,651	-	9,000	88,000
Mr E Lee	22,649	-	-	1,000	23,649
Mr D Atkinson	<u>24,960</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>25,960</u>
	<u>126,609</u>	<u>8,651</u>	<u>-</u>	<u>11,000</u>	<u>137,609</u>
2003					
Total	<u>92,598</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,598</u>

Service agreements

There are no service agreements with the directors.

Share based compensation – options

The terms and conditions of each grant of options affecting remuneration in this or future periods are as follows:

Grant date	Expiry Date	No of Options	Exercise Price	Value per Option at grant date
28 November 2003	30 June 2009	11,000,000	\$0.06	\$0.01

Options provided as remuneration

The following options over ordinary shares were provided to directors during the financial year.

Director	No of Options Granted during the year
Mr D Deitz	9,000,000
Mr E Lee	1,000,000
Mr D Atkinson	<u>1,000,000</u>
	<u>11,000,000</u>

The directors have not exercised any options during the year.

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2004

Option holdings

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

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

Shareholdings

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

Name	Balance and Start of year	Other charges during the year	Balance at end of year
Mr D Deitz	-	2,214,022	2,214,022
Mr E Lee	-	-	-
Mr D Atkinson	-	2,214,022	2,214,022

Note 6 Auditors' Remuneration

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:	18,750	15,750	18,750	15,750
Remuneration for other services	8,000	-	8,000	-
	26,750	15,750	26,750	15,750

Note 7 Earnings Per Share

	2004	2003
	Cents	Cents
(a) Basic loss per share	(0.45)	(0.21)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic loss per share	114,995,743	110,764,839

(b) Diluted Earnings Per Share

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

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2004

Note 8 Cash Flow Information

Reconciliation of Cash Flow from Operations

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Operating loss after income tax	(514,888)	(231,888)	(514,888)	(231,888)
Non-cash flows in operating loss:				
Depreciation	10,826	2,957	10,826	2,957
Write-off (back) of investment –other	37,044	(59,258)	37,044	(59,258)
Changes in assets and liabilities:				
(Increase)/decrease in receivables	38,130	(3,177)	38,130	(3,177)
Increase/(decrease) in trade creditors, accruals	(18,923)	16,389	(18,923)	16,389
Cash flows from operations	(447,811)	(274,977)	(447,811)	(274,977)

Note 9 Cash Assets

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Cash at bank and on hand	78,071	978,953	78,071	978,953
	<u>78,071</u>	<u>978,953</u>	<u>78,071</u>	<u>978,953</u>

Note 10 Receivables

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Sundry debtors and deposits	9,236	22,038	9,236	22,038
	<u>9,236</u>	<u>22,038</u>	<u>9,236</u>	<u>22,038</u>

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2004

Note 11 Other Financial Assets

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Current				
Shares in listed entities – at market value	72,802	32,998	72,802	32,998
	72,802	32,998	72,802	32,998
Non Current				
Shares in listed entities - at cost (note 23)	-	1,072,709	-	1,072,709
- at market value	3,641,385	-	3,641,385	-
Investment in associate – at cost	-	-	309,182	25,328
	3,641,385	1,072,709	3,950,567	1,098,037
Market value of shares in listed entities at 30 June 2003	-	1,138,139	-	1,138,139

Note 12 Investments Accounted for using the Equity Method

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Interest in associate	309,182	25,328	-	-
	309,182	25,328	-	-

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

Name	Principal Activity	Ownership interest		Consolidated Entity carrying amount	
		2004	2003	2004	2003
		%	%	\$	\$
Our Field Pty Limited	Property development	50	50	309,182	25,328

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2004

	Consolidated	
	2004	2003
	\$	\$
Results attributable to associate		
Profits from ordinary activities before tax	-	-
Income tax	<u>-</u>	<u>-</u>
	-	-
Retained profit attributable to associate at beginning of financial year	<u>-</u>	<u>-</u>
Retained profits attributable to associate at end of financial year	<u>-</u>	<u>-</u>
Movements in carrying amount of investment in associate		
Carrying amount at beginning of financial year	25,328	-
Additional investment during year	283,854	25,328
Share of profit (losses) from ordinary activities	<u>-</u>	<u>-</u>
Carrying amount at end of the financial year	<u>309,182</u>	<u>25,328</u>
Summary of financial position of associate		
Current Assets		
Cash and other current assets	168,000	50,656
Non Current Asset		
Land and buildings, at cost ⁽¹⁾	<u>1,500,364</u>	<u>-</u>
Total Assets	<u>1,668,364</u>	<u>50,656</u>
Non Current Liabilities		
Bank loan ⁽²⁾	1,050,000	-
Shareholders' loans	<u>618,364</u>	<u>50,656</u>
	<u>1,668,364</u>	<u>50,656</u>
Net assets	<u>-</u>	<u>-</u>

⁽¹⁾ located at 167 Rosedale Road, St Ives, NSW⁽²⁾ secured over land and buildings.**Note 13 Controlled Entities**

Name of Entity	Country of Incorporation	Class of Share	Equity holding		Cost of Parent Entity's investment	
			2004	2003	2004	2003
			%	%	%	%
Claymor Resources Pty Ltd	Australia	Ordinary	100	100	100,000	100,000
Less: provision for diminution					(100,000)	(100,000)
Telephony Associates Pty Ltd	Australia	Ordinary	70	70	-	-
					<u>-</u>	<u>-</u>

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2004

Note 14 Property, Plant and Equipment

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Motor Vehicle:				
At Cost	49,632	49,632	49,632	49,632
Accumulated Depreciation	(13,120)	(3,194)	(13,120)	(3,194)
Plant and equipment:	36,512	46,438	36,512	46,438
At cost	5,557	1,650	5,557	1,650
Accumulated depreciation	(1,147)	(248)	(1,147)	(248)
	4,410	1,402	4,410	1,402
	40,922	47,840	40,922	47,840

	Motor Vehicles	Plant & Equipment	Total
Consolidated & parent entity			
Carrying amount at 1 July 2003	46,438	1,402	47,840
Additions	-	3,907	3,907
Depreciation	(9,926)	(899)	(10,825)
Carrying amount at 30 June 2004	36,512	4,410	40,922

Note 15 Payables

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Current				
Trade creditors and accruals	36,946	55,869	36,946	55,869
Advances from related party (unsecured)*	64,152	86,162	64,152	86,162
	101,098	142,031	101,098	142,031

* non-interest bearing, repayable at call

Note 16 Interest Bearing Liabilities

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Current				
Hire purchase liability (Note 20)	5,129	5,129	5,129	5,129
Non-Current				
Hire purchase liability (Note 20)	24,121	29,249	24,121	29,249

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2004

Note 17 Contributed Equity

	2004 No	2003 No	Parent Entity 2004 \$	2003 \$
(a) Paid Up Capital				
Ordinary shares – fully paid				
Balance at beginning of reporting period	110,764,839	104,047,062	19,493,358	19,372,343
Placement on 26 December 2003 at 2.71 cents each	8,302,581	6,717,777	225,000	121,015
Balance at end of reporting period	119,067,420	110,764,839	19,718,358	19,493,358
(b) Unlisted Options				
	Balance 1 July 2003	Granted	Exercised	Lapsed
By the payment of \$0.06 at any time up to and including 30 June 2009				Balance 30 June 2004
	-	11,000,000	-	-
				11,000,000

Note 18 Reserves and Accumulated Losses

	Consolidated 2004 \$	2003 \$	Parent Entity 2004 \$	2003 \$
(a) Reserves				
Capital reserve	284,828	284,828	284,828	284,828
Asset revaluation reserve	2,307,681	-	2,307,681	-
	2,592,509	284,828	2,592,509	284,828
Movements during the period:				
Capital reserve				
Opening balance	284,828	284,828	284,828	284,828
Closing balance	284,828	284,828	284,828	284,828
Asset revaluation reserve				
Opening balance	-	-	-	-
Increment on revaluation of investment	2,307,681	-	2,307,681	-
Closing balance	2,307,681	-	2,307,681	-
(b) Accumulated Losses				
Opening balance	(17,774,729)	(17,542,841)	(17,774,729)	(17,542,841)
Net loss attributable to members of the parent entity	(514,888)	(231,888)	(514,888)	(231,888)
Closing balance	(18,289,617)	(17,774,729)	(18,289,617)	(17,774,729)

Note 19 Financial Instruments

The net fair value of financial assets and financial liabilities of the consolidated entity approximates their carrying value. The credit risk on financial assets of the consolidated entity which have been recognised in the statement of financial position is the carrying amount, net of any provisions for doubtful debts. The consolidated entity's exposure to interest rate risk is limited to that earned on cash which is deposited at a weighted average interest rate of 5% (2003:5%). All other financial instruments are non-interest bearing.

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2004

Note 20 Commitments for Expenditure

Hire Purchase Commitments

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Commitments in relation to hire purchase agreements are payable as follows:				
Within one year	6,879	6,879	6,879	6,879
Later than one year but not later than 5 years	26,891	33,770	26,891	33,770
	33,770	40,649	33,770	40,649
Less future finance changes	4,520	6,271	4,520	6,271
Total hire purchase liability	29,250	34,378	29,250	34,378
Representing :				
Current	5,129	5,129	5,129	5,129
Non-current	24,121	29,249	24,121	29,249
	29,250	34,378	29,250	34,378

Note 21 Contingent Liabilities

Gullewa Limited has given a guarantee in respect of a bank loan of its associate company amounting to \$1,050,000 (2003: Nil). No material losses are anticipated in respect of the contingent liabilities.

Note 22 Statement of Operations by Segment

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

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2004

Note 23 Related Party Transactions**Wholly-Owned Group**

The wholly-owned group consists of Gullewa Limited and its controlled entities, Claymor Resources Pty Ltd and Telephony Associate Pty Ltd. Ownership interests in the controlled entity is set out in Note 13.

	Parent Entity	
	2004	2003
	\$	\$
Controlling Entity		
The ultimate controlling entity in the wholly-owned group is Gullewa Limited		
Transactions with related parties		
Allegiance Mining NL		
Loan payable	64,152	86,162
The loan is interest free and unsecured		
Investment in Listed Securities		
The Parent Entity purchased 2,050,675 (2003: 17,111,111) and sold 165,000 (2003: nil) shares and 1,237,000 (2003: nil) options in Allegiance Mining N.L, a company in which David Deitz and Eddie Lee are Directors.		
As at the end of the reporting period, the Parent Entity held the following interests in Allegiance Mining N.L		
- 25,113,003 (2003: 23,227,328) shares, representing 9.16% (2003: 10.17%) interest		
- market value	3,641,385	1,138,139
- Nil (2003: 1,237,000) options – market value	-	3,711

In the current reporting period, a change in accounting policy resulted in the investment in Allegiance Mining NL being recorded at market value. Refer note 1(g).

Note 24 Income Tax

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
(a) The prima facie tax benefit on loss from ordinary activities differs from the income tax provided in the accounts as follows:				
Loss from ordinary activities before income tax	514,888	231,888	514,888	231,888
Prima facie tax benefit at 30%	(154,466)	(69,566)	(154,466)	(69,566)
Tax losses and timing differences not recognised	154,466	69,566	154,466	69,566
Income tax attributable to loss from ordinary activities	-	-	-	-
(b) The directors estimate that the potential future income tax benefit at 30 June in respect of tax losses not brought to account is:				
	-	-	-	-

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2004

Due to the business activities of the company it is not certain that the company will be able to claim a deduction for the accumulated tax losses in the future. Accordingly, the potential future income tax benefit estimated at \$11,014,000 (Consolidated and parent) have not been recognised in the financial statements.

Note 25 Events Occurring after Balance Date

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

Note 26 Australian Equivalents to International Financial Reporting Standards (AEIFRS)

The Australian Accounting Standards Board (AASB) has adopted AEIFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued AASB equivalents to International Financial Reporting Standards and Urgent Issues Group Abstracts corresponding to International Financial Reporting Interpretations adopted by the International Accounting Standards Board. These Australian pronouncements will be known as Australian Equivalents to International Financial Reporting Standards (AEIFRS). The adoption of AEIFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and year ending 30 June 2006.

The company's management, along with its auditors, are assessing the significance of these changes and are preparing for their implementation.

The directors will oversee and manage the company's transition to AEIFRS including implementing systems necessary to gather all the required financial information.

Major changes to date that will be required to the consolidated entity's existing accounting policies include the following:

Recoverable amounts of non-current assets

Presently the expected cash flows used in determining the recoverable amounts of non-current assets are not discounted to their present values. The new AASB 136 "Impairment of Assets" requires that future cash flows used in determining recoverable amount be discounted to present value. The new standard will apply to most current and non-current assets. At present it is restricted to non-current assets. This change may impact the carrying values of certain assets, including goodwill.

Equity-based compensation benefits

Under the new Australian AASB 2 "Share-Based Payment", equity-based compensation to employees will be recognised as an expense in respect of the services received.

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

Recognition of deferred tax on listed investments

Under the new Australian AASB 112 "Income Tax", the company must recognise a deferred tax payable on unrealised gains on its listed investment portfolio. This additional deferred tax liability is offset against the unrealised gains on the listed investment portfolio recognised in the Asset Revaluation Reserve.

Note 27 Additional Information

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

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 11 to 27:

- (a) comply with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

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

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

DAVID DEITZ
DIRECTOR

Dated at Sydney this 29th day of September 2004.

Independent audit report to members of Gullewa Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial performance, statement of financial position, statement of cash flows, and accompanying notes to the financial statements for Gullewa Limited, and the directors' declaration for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

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

Audit approach

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

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

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

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors. While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of [name of entity] is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the [company/registered scheme/disclosing entity]'s and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

Dated the 29th day of September 2004

HORWATH

Sydney Partnership

Chartered Accountants

Alfred A Nehama

Partner

Shareholder Information

The shareholder information set out below was applicable as at 17 September 2004.

A. Substantial Shareholders

Substantial shareholders who have notified the Company are as follows:

	<u>Ordinary Shares</u>
Allegiance Mining NL	26,827,636

B. Distribution of Equity Securities

	Quoted Ordinary Shares
(i) Analysis of numbers of holders by size of holding:	
1 - 1,000	199
1,001 - 5,000	514
5,001 - 10,000	327
10,001 - 100,000	658
100,001 - and over	140
Total number of holders	1,838
(ii) Numbers of holders of less than a marketable parcel	1,450
(iii) Percentage held by the 20 largest holders:	50.82%

C. Twenty Largest Shareholders

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

Ordinary Shares:	Number Held	Percentage Held
Allegiance Mining NL	26,827,636	22.53
Mr Sholomo Thaler	2,927,777	2.46
Mesuta Pty Ltd	2,911,261	2.45
Ashecorp Pty Ltd	2,770,000	2.33
Scomac Management Services Pty Ltd	2,300,000	1.93
Mr David Atkinson	2,214,022	1.86
Mr David Deitz	2,214,022	1.86
PS Consulting Pty Ltd	2,000,000	1.68
Mr John Dennis	1,845,018	1.55
Howlandrose Holdings Pty Ltd	1,845,018	1.55
Hartree Pty Ltd	1,822,000	1.53
Mr Kenneth Joseph & Mrs Mary Christine Hall	1,582,248	1.33
Mr Carl Reid	1,521,400	1.28
Mary Anne Baxter	1,372,920	1.15
Bilboa Nominees Pty Ltd	1,248,750	1.05
Mr Ralph Bard III	1,125,000	0.94
Onyx Pty Ltd	1,000,000	0.84
Shar Holdings Pty Ltd	1,000,000	0.84
Mr Timothy Charles Winspear	1,000,000	0.84
Glindemann & Kitching Pty Ltd	972,275	0.82
Total	60,499,347	50.82

Voting Rights

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

Summary of Mining Royalties

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