GULLEWA LIMITED
ABN 30 007 547 480

HALF-YEAR ACCOUNTS

DECEMBER 2006

CONTENTS

CORPORATE DIRECTORY

Directors

D. Deitz (Chairman)
E. Lee
D. Atkinson

Company Secretary

E.G.Slater

Share Registry

Computershare Investor Services Pty Limited
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PERTH WA 6000
Tel: +61 8 9323 2000
Fax: +61 8 9323 2033

Bankers

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255 George Street
SYDNEY NSW 2000

Registered & Head Office

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Fax: +61 2 9397 7575

Auditors

DTT NSW
(formerly Horwath Sydney Partnership)
Grosvenor Place
225 George Street
SYDNEY NSW 2000
Tel: +61 2 9322 7000
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Solicitors

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1202 Hay Street
WEST PERTH WA 6005
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DLA Phillips Fox
Level 32 St Martins Tower
44 St George's Terrace
PERTH WA 6000

Stock Exchange Listings

Gullewa Limited shares are listed on the Australian Stock Exchange Limited.

Home Exchange - Perth

The options in Gullewa Limited are unlisted.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Gullewa Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2006.

1. DIRECTORS

The following persons were directors of Gullewa Limited during the whole of the half year and up to the date of this report:

D Deitz (Chairman)
E Lee
D Atkinson

2. REVIEW OF OPERATIONS

The Consolidated entity continued to investigate investment opportunities in mineral resources, property and technology.

A summary of consolidated revenues and results is set out below:

	6 months ended	
	December 2006 $	December 2005 $
Total Revenues	2,072,291	159,872
Profit (Loss) from ordinary activities	2,222,974	(103,762)
Interim dividend (cents per share)	NIL	NIL

3. AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independent declaration from our auditors, DTT NSW, which is attached to this report.

The report is made in accordance with a resolution of the directors.

D Deitz
Chairman

12 March 2007

DTT NSW

DTT NSW has changed its name from Horwath Sydney Partnership and is a continuation of that partnership.
The partners of DTT NSW have also joined the Australian partnership of Deloitte Touche Tohmatsu.
All changes with effect from 1 February 2007

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ABN 30 856 062 171

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12 March 2007

The Board of Directors
Gullewa Limited
Level 2 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 review of the financial statements of Gullewa Limited for the financial period ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to this review; and
- any applicable code of professional conduct in relation to this review.

Yours sincerely

DTT NSW

Ben Arthur
Partner

CONSOLIDATED INCOME STATEMENT
For the Half-Year ended 31 December 2006

	Notes	December 2006 $	December 2005 $
Revenue from continuing operations	2	1,116	57
Other income	2	2,071,175	159,815
Expenses	3	(657,081)	(319,073)
Finance costs		(73,085)	(12,616)
Share of net loss of associates accounted for using the equity method		(24,961)	-
Profit/(loss) before income tax		1,317,164	(171,817)
Income tax credit		905,810	68,055
Profit (Loss) for the half year		2,222,974	(103,762)
Profit (Loss) per share	4	1.45 cents	(0.08) cents

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

CONSOLIDATED BALANCE SHEET
As at 31 December 2006

	Notes	December 2006 $	June 2006 $
CURRENT ASSETS			
Cash assets		1,362,948	65,524
Receivables		82,291	23,733
Other financial assets at fair value through profit or loss	6	98,590	20,140
Total current assets		1,543,829	109,397
NON-CURRENT ASSETS			
Investments accounted for using the equity method	5	442,552	443,633
Available for sale financial assets	6	10,439,997	6,298,501
Property, plant and equipment	7	13,326	18,846
Investment properties	7	1,052,398	1,050,000
Exploration, evaluation and development		20,120	-
Total non-current assets		11,968,393	7,810,980
TOTAL ASSETS		13,512,222	7,920,377
CURRENT LIABILITIES			
Trade and other payables		149,958	150,247
Interest bearing liabilities		2,124,993	1,077,290
Total current liabilities		2,274,951	1,227,537
TOTAL LIABILITIES		2,274,951	1,227,537
NET ASSETS		11,237,271	6,692,840
EQUITY			
Contributed equity		19,845,098	19,845,098
Reserves	9	5,384,711	3,063,254
Accumulated Losses	8	(13,992,538)	(16,215,512)
TOTAL EQUITY		11,237,271	6,692,840

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2006

	Half year December 2006 $	Half year December 2005 $
Total equity at the beginning of the half-year	6,692,840	3,430,282
Changes in the fair value of available for sale financial assets	2,113,557	158,797
Net income recognised directly into equity	2,113,557	158,797
Profit (Loss) for the half-year	2,222,974	(103,762)
Total recognised income and expense for the half-year	4,336,531	55,035
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs	-	-
Employee share option	207,900	124,958
Total equity at the end of the half-year	11,237,271	3,610,275
Total recognised income and expense for the half year attributable to:		
Members of Gullewa Limited	4,336,531	55,035
Minority interest	-	-

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Half-Year ended 31 December 2006

	Consolidated	
	December 2006 $	December 2005 $
Cash flow from Operating Activities		
Receipts from customers (inclusive of GST)	-	-
Payments to suppliers and employees (inclusive of GST)	(375,759)	(272,891)
Interest received	1,116	57
Interest and other costs of finance paid	(73,085)	(12,616)
Net cash inflow (outflow) from operating activities	(447,728)	(285,450)
Cash flow from Investing Activities		
Proceeds from sale of available for sale investments	2,375,081	386,854
Payment for available for sale investments	(1,427,611)	-
Payments for equity accounted investments	-	(9,329)
Payments for exploration costs	(20,120)	
Net payments for other financial assets	(204,622)	-
Payments for investment property	(2,398)	(880,827)
Net cash inflow/(outflow) from investing activities	720,330	(503,302)
Cash flow from Financing Activities		
Loans from related parties	-	164,053
Proceeds from borrowings	1,024,822	600,000
Net cash inflow (outflow) from financing activities	1,024,822	764,053
Net increase/(decrease) in cash and cash equivalents	1,297,424	(24,699)
Opening cash and cash equivalents at beginning of the reporting period	65,524	21,339
Cash and cash equivalents at the End of the Reporting Period	1,362,948	(3,360)

Cash and cash equivalents at the end of the reporting period is made up of the following balances:	December 2006 $	December 2005 $
Cash assets	1,362,948	3,416
Bank overdraft	-	(6,776)
	1,362,948	(3,360)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Half-Year ended 31 December 2006

NOTE 1 – BASIS OF PREPARATION OF HALF-YEAR REPORT

This interim financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS"). The interim financial report of the consolidated entity also complies with the relevant IFRS and interpretations adopted by the International Accounting Standards Board.

The financial report covers Gullewa Limited and controlled entities ("the Group"), Gullewa Limited is a listed public company, incorporated and domiciled in Australia.

This interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and public announcements made by Gullewa Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Gullewa Limited's functional and presentation currency.

The half year financial report has been prepared on an actual basis using historic costs, except for available-for-sale financial assets that have been measured at fair value.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Subsequent to the issuance of the 30 June 2006 consolidated financial statements the Group changed the amounts previously reported for the accounting for deferred income taxes as follows:

In prior years the Group recognised the income tax benefit of its brought forward tax losses directly in the available for sale investments revaluation reserve instead of through the income statement. This has been corrected by restating each of the affected financial statement lines for the comparative periods, as described below.

Income Statement	Year-ended June 2006 $	Half-year ended December 2005 $
Income tax as previously reported	-	-
Restated deferred income tax	559,190	68,055
Restated income tax credit	559,190	68,055
Profit/(loss) for the period as previously reported	1,273,634	(171,817)
Restated profit/(loss) for the period	1,832,824	(103,762)
EPS as previously reported (cents)	1.01	(0.14)
EPS as restated (cents)	1.45	(0.08)

Balance Sheet	Year-ended June 2006 $	Year-ended June 2005 $
Accumulated losses as previously reported	(17,352,713)	(18,570,621)
Restated deferred income tax	1,137,201	578,011
Restated Accumulated losses	(16,215,512)	(17,992,610)
Available for sale investments revaluation reserve as previously reported	3,790,669	1,926,703
Restated deferred income tax	(1,137,201)	(578,011)
Restated available for sale investments revaluation reserve, net	2,653,468	1,348,692

Net assets at 30 June 2006 and 30 June 2005 remain unchanged.

Statement of Changes in Equity	Year-ended June 2006 $	Half-year ended December 2005 $
Total recognised income and expense for the period as previously reported and as restated	6,567,882	4,336,531
Shareholders equity as previously reported and as restated	6,692,840	3,610,275

NOTE 2 – REVENUE FROM CONTINUING OPERATIONS/OTHER INCOME

	December 2006 $	December 2005 $
Revenue		
Interest income	1,116	57
Other income		
Realised gains on the sale of available for sale financial assets	2,071,175	124,668
Fair value gains on financial assets at fair value through profit and loss	-	35,147
	2,071,175	159,815

Available for sale financial assets are sold on an occasional basis to support operating cashflows.

NOTE 3 – EXPENSES

	December 2006 $	December 2005 $
Accounting	-	3,640
Advertising and publicity	60	6,000
Audit fees	30,000	10,750
Annual Report	-	10,298
Property costs	20,898	25,616
Repairs and maintenance	10,296	12,527
Directors fees	12,480	12,480
Salaries and wages	44,452	22,487
Consulting fees	71,718	17,783
Exploration expenses	10,623	-
Share based payments	207,900	124,958
Fair value loss on other financial assets at fair value through profit or loss	126,172	-
Insurance	2,943	6,169
Rent	25,236	7,829
Stock Exchange and share registry costs	17,815	13,287
Depreciation	5,519	5,519
Fringe benefit tax	4,523	3,678
Legal fees	1,672	4,263
Communications	8,847	4,839
Motor vehicle and travel expenses	19,362	6,716
Other expenses	36,565	20,234
	657,081	319,073

NOTE 4 – EARNINGS/(LOSS) PER SHARE

	December 2006 $	December 2005 $
Basic earnings/(loss) per share	1.45 cents	(0.08) cents
Diluted earnings/(loss) per share	1.45 cents	(0.08) cents
Weighted average number of ordinary shares outstanding during the period used in the basic loss per share	125,931,551	125,931,551
Profit (Loss) for the period	2,222,974	(103,762)

NOTE 5 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 2006 $	30 June 2006 $
Investment in Our Field Pty Limited	442,552	443,633

Gullewa Limited has a 50% interest in Our Field Pty Limited.
The shares in Our Field Pty Limited are held by David Deitz on behalf of Gullewa Limited.

NOTE 6 – OTHER FINANCIAL ASSETS/AVAILABLE FOR SALE FINANCIAL ASSETS

	December 2006 $	June 2006 $
Current		
Investments held at fair value through profit and loss:		
Shares in listed corporations		
- at market value	98,590	20,140
Non-Current		
Available for sale financial assets:		
Shares in Allegiance Mining NL		
- at market value	10,439,997	6,298,501

NOTE 7 – INVESTMENT PROPERTIES/PROPERTY PLANT AND EQUIPMENT

	December 2006 $	June 2006 $
Investment properties		
At valuation	1,052,398	1,050,000
	1,052,398	1,050,000
Property, Plant & Equipment		
Motor Vehicle		
At cost	49,632	49,632
Accumulated depreciation	(37,937)	(32,974)
	11,695	16,658
Plant and Equipment		
At cost	5,557	5,557
Accumulated depreciation	(3,926)	(3,369)
	1,631	2,188
	13,326	18,846

The investment property is subject to a first mortgage to secure interest-bearing liabilities of $600,000. The property is held by Gullewa's wholly owned subsidiary, Rondav Pty Limited.

NOTE 8 – ACCUMULATED LOSSES

	DECEMBER 2006 $	JUNE 2006 $
Accumulated Losses at the beginning of the half year	(16,215,512)	(18,048,336)
Net profit (loss) attributed to members of Gullewa Limited	2,222,974	1,832,824
Accumulated losses at the end of the year	(13,992,538)	(16,215,512)

NOTE 9 – RESERVES

	DECEMBER 2006 $	JUNE 2006 $
Capital reserve	284,827	284,828
Share based payments reserve	332,858	124,958
Available for sale investments revaluation reserve	4,767,026	2,653,468
	5,384,711	3,063,254

NOTE 10 – NET TANGIBLE ASSET BACKING PER ORDINARY SHARE

	DECEMBER 2006	JUNE 2006
Net tangible asset backing	8.9 cents	5.3 cents
Net tangible assets	11,237,271	6,692,840
Ordinary shares on issue	125,931,551	125,931,551

NOTE 11 – EVENTS SUBSEQUENT TO BALANCE DATE

There were no significant events subsequent to balance date.

NOTE 12 – CONTINGENT LIABILITIES

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

NOTE 13 – SEGMENT REPORTING

Gullewa Limited operates in 3 main segments, namely investments, property development and exploration and mining activities (in one geographical segment, Australia). To date, no revenue has been generated from the property development or exploration and mining segment.

Investments
The Consolidated entity invests in shares in listed entities and an associate,

Property
The Consolidated entity acquires investment properties with a view to make capital appreciation.

Exploration and mining
The Consolidated entity performs exploration with a view to mining scarce resources

Half Year 2006	Investments	Property	Exploration	Inter-segment eliminations/ unallocated	Consolidated
	$	$	$	$	$
Total segment revenue	2,071,175	-	-	1,116	2,072,291
Segment result	1,945,003	-	(10,623)	288,594	2,222,974

Half Year 2005	Investments	Property	Exploration	Inter-segment eliminations/ unallocated	Consolidated
	$	$	$	$	$
Total segment revenue	159,815	-	-	57	159,872
Segment result	159,815	-	-	(263,577)	(103,762)

NOTE 14 – GOING CONCERN

As at 31 December 2006, the consolidated entity's current liabilities exceed its current assets by $731,122 (31 December 2005: $1,118,140).

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

DIRECTORS' DECLARATION

In the accordance with a resolution of the directors Gullewa Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity:

  (i) give a true and fair view of the financial position as at 31 December 2006 and the performance for the half year on that date of the consolidated entity; and

  (ii) comply with Accounting Standards 134 "Interim Financial Reporting" and the *Corporations Regulations 2001;* and

(b) There are reasonable grounds to believe the Gullewa Limited will be able to pay its debts as and when they become due and payable.

On behalf of the Board

David Deitz
Director

Sydney, 12 March 2007

DTT NSW

DTT NSW has changed its name from Horwath Sydney Partnership and is a continuation of that partnership
The partners of DTT NSW have also joined the Australian partnership of Deloitte Touche Tohmatsu
All changes with effect from 1 February 2007

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Independent Auditor's Review Report to the Members of Gullewa Limited

We have reviewed the accompanying half-year financial report of Gullewa Limited, which comprises the balance sheet as at 31 December 2006, and the income statement, cash flow statement, statement of changes of equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 3 to 15.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Gullewa Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance

DTT NSW

that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Gullewa Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DTT NSW

Ben Arthur

BEN ARTHUR
Partner
Chartered Accountants
Sydney, 12 March 2007