# Gullewa Limited

**ABN 30 007 547 480**

# Interim Report - 31 December 2013

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 for the half-year ended 31 December 2013.

**Directors**
The following persons were directors of Gullewa Limited during the whole of the financial half-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 half-year were exploration and mining and investments in equities.

**Review of operations**
The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $819,363 (31 December 2012: $1,275,124).

***Allegiance Coal Limited ('Allegiance') - Gullewa has 57.86% holding***
The consolidated entity maintains focus on cost control and cash preservation.

During the period the decision was made to relinquish Lochaber, Mintovale, Cedar Creek and Mobs Creek projects.

A stratigraphic hole was drilled at Connemarra with the results being reviewed.

Joint Venture discussions continue on tenements, in particular on Kilmain.

There was continuing work on additional value-creating opportunities where free carried interest is created by initiating work on external near term coal projects.

This work is aided by the accessing of archived geological data that is not in the general public domain. This has enabled the company to have insights in the geology of areas in the West Moreton Coalfield and now the Bowen Basin.

The consolidated entity, using this new information, is investigating external near term production coal projects that are viable under current coal pricing and have a low capital profile. The company would earn a free carried interest.

***Central Iron Ore Limited ('CIO') - Gullewa has 36.10% holding***

*Gold*
South Darlot - The South Darlot Gold Project area is approximately 320km North West of Kalgoorlie and 5km west of Barrick Gold Corporation's Darlot Mine. The British King Mine is currently under care and maintenance. All quarterly Health and Safety Executive site inspection and annual reporting obligations have been completed.

Barrick Joint Venture - The company has earned an initial 51% interest in the Barrick JV Tenements in accordance with the Barrick JV and is continuing exploration on the Barrick JV Tenements with a view to earning an additional 19% interest (equal to a total interest of 70%) by spending a further $250,000 of which currently in excess of $675,000 has been spent.

A formal joint venture agreement is in the process of being drafted.

Eureka Gold - All quarterly Health and Safety Executive site inspection and annual reporting obligations have been completed.

There are ongoing discussions for sale of the Eureka Gold Project.

*Iron Ore*
Yilgarn Iron Ore Project ('IOP') - The Yilgarn IOP is considered highly prospective, 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'). All annual reporting obligations have been completed.

***Claymor Resources Pty Ltd - Gullewa has 100% holding***

*Dandaloo Project - New South Wales*
No field activities were undertaken.

Claymor is continuing to maintain tight controls on costs. It has significantly reduced its tenement position over the past 15 months. An increase in the complexity of the regulatory framework in NSW over the past few years combined with decreasing security of project development has resulted in increased sovereign risk in NSW. Accordingly, given its strong financial position, we are monitoring and reviewing investment possibilities in alternative jurisdictions as the exploration and mining sector improves.

***Hydromining Coal Australia Pty Ltd ('HCA') - Gullewa has 50% holding***
On 1 August 2013, Gullewa's interest in HCA reduced from 80% to 50%.

Patent applications for the company's non-entry mining method were lodged in October 2013 to cover Australia and the USA.

EPC 2643 (Elatum Project), near Biloela in Central Queensland, was granted to HCA during December 2013. The company has started to identify potential JV partners who may have an interest in a lignite to humic fertilizer plant that would utilize the targeted lignite as a feedstock.

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

**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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

David Deitz
Director

14 March 2014
Sydney

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Gullewa Limited
Level 2 Quantum House
49-51 York Street
Sydney NSW 2000

14 March 2014

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 half year ended 31 December 2013, 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 review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Chartered Accountants

**Gullewa Limited**
**Financial report**
**31 December 2013**

## Contents



## General information

The financial report covers Gullewa Limited as a consolidated entity consisting of Gullewa Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Gullewa Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

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

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 report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 14 March 2014. The directors have the power to amend and reissue the financial report.

**Gullewa Limited**
**Statement of profit or loss and other comprehensive income**
**For the half-year ended 31 December 2013**

| | Note | Consolidated 31 Dec 2013 $ | Consolidated 31 Dec 2012 $ |
|---|---|---|---|
| **Revenue** | 3 | 2,279 | 148,919 |
| Other income | 4 | 122,894 | 244,495 |
| **Expenses** | | | |
| Administration expenses | | (279,169) | (576,199) |
| Employee benefits expense | 5 | (507,948) | (963,670) |
| Depreciation and amortisation expense | 5 | (17,563) | (20,903) |
| Impairment of assets | 5 | (743,509) | - |
| Share of loss of associates accounted for using the equity method | | (32,969) | (233,605) |
| Other expenses | | (20,501) | (115,683) |
| Finance costs | 5 | (11,187) | (44,588) |
| **Loss before income tax benefit** | | (1,487,673) | (1,561,234) |
| Income tax benefit | | 395,600 | 58,180 |
| **Loss after income tax benefit for the half-year** | | (1,092,073) | (1,503,054) |
| Other comprehensive income for the half-year, net of tax | | - | - |
| **Total comprehensive income for the half-year** | | (1,092,073) | (1,503,054) |
| Loss for the half-year is attributable to: | | | |
| Non-controlling interest | | (272,710) | (227,930) |
| Owners of Gullewa Limited | | (819,363) | (1,275,124) |
| | | (1,092,073) | (1,503,054) |
| Total comprehensive income for the half-year is attributable to: | | | |
| Non-controlling interest | | (272,710) | (227,930) |
| Owners of Gullewa Limited | | (819,363) | (1,275,124) |
| | | (1,092,073) | (1,503,054) |
| | | **Cents** | **Cents** |
| Basic earnings per share | 12 | (0.55) | (0.85) |
| Diluted earnings per share | 12 | (0.55) | (0.85) |

*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 31 December 2013**

| | Note | 31 Dec 2013 | 30 Jun 2013 |
|---|---|---|---|
| | | **Consolidated** | |
| | | **$** | **$** |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 5,846,377 | 6,259,623 |
| Trade and other receivables | | 487,554 | 512,609 |
| Other financial assets | | 196,058 | 195,040 |
| Total current assets | | 6,529,989 | 6,967,272 |
| **Non-current assets** | | | |
| Investments accounted for using the equity method | | 343,525 | 376,494 |
| Other financial assets | | 27,022 | 26,478 |
| Property, plant and equipment | | 50,225 | 93,133 |
| Intangibles | | 48,819 | 51,934 |
| Exploration and evaluation | 7 | 5,034,082 | 5,555,334 |
| Total non-current assets | | 5,503,673 | 6,103,373 |
| **Total assets** | | 12,033,662 | 13,070,645 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 228,216 | 385,774 |
| Borrowings | | 520,171 | 509,170 |
| Total current liabilities | | 748,387 | 894,944 |
| **Total liabilities** | | 748,387 | 894,944 |
| **Net assets** | | 11,285,275 | 12,175,701 |
| **Equity** | | | |
| Issued capital | | 21,294,326 | 21,294,326 |
| Reserves | | 1,274,648 | 1,098,917 |
| Accumulated losses | | (13,094,486) | (12,275,123) |
| Equity attributable to the owners of Gullewa Limited | | 9,474,488 | 10,118,120 |
| Non-controlling interest | | 1,810,787 | 2,057,581 |
| **Total equity** | | 11,285,275 | 12,175,701 |

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

**Gullewa Limited**
**Statement of changes in equity**
**For the half-year ended 31 December 2013**

| Consolidated | Issued capital $ | Reserves $ | Accumulated losses $ | Non-controlling interest $ | Total equity $ |
|---|---|---|---|---|---|
| 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 half-year | - | - | (1,275,124) | (227,930) | (1,503,054) |
| Other comprehensive income for the half-year, net of tax | - | - | - | - | - |
| Total comprehensive income for the half-year | - | - | (1,275,124) | (227,930) | (1,503,054) |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Share-based payments | - | 161,000 | - | - | 161,000 |
| Balance at 31 December 2012 | 21,294,326 | 1,020,506 | (10,755,941) | 2,272,271 | 13,831,162 |

| Consolidated | Issued capital $ | Reserves $ | Accumulated losses $ | Non-controlling interest $ | Total equity $ |
|---|---|---|---|---|---|
| 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 half-year | - | - | (819,363) | (272,710) | (1,092,073) |
| Other comprehensive income for the half-year, net of tax | - | - | - | - | - |
| Total comprehensive income for the half-year | - | - | (819,363) | (272,710) | (1,092,073) |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Share-based payments | - | 175,731 | - | 25,916 | 201,647 |
| Balance at 31 December 2013 | 21,294,326 | 1,274,648 | (13,094,486) | 1,810,787 | 11,285,275 |

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

**Gullewa Limited**
**Statement of cash flows**
**For the half-year ended 31 December 2013**

| | Consolidated | |
|---|---|---|
| | **31 Dec 2013** | **31 Dec 2012** |
| | **$** | **$** |
| **Cash flows from operating activities** | | |
| Payments to suppliers and employees (inclusive of GST) | (730,014) | (1,390,007) |
| Interest received | 122,894 | 169,844 |
| Other revenue | 2,279 | 19,705 |
| Interest and other finance costs paid | (186) | (244) |
| Income taxes refunded | 395,600 | 58,180 |
| Net cash used in operating activities | (209,427) | (1,142,522) |
| **Cash flows from investing activities** | | |
| Payments for property, plant and equipment | - | (38,271) |
| Payments for intangibles | - | (30,237) |
| Payments for exploration and evaluation | (222,257) | (1,155,417) |
| Payments for other financial assets | (1,562) | (6,027) |
| Proceeds from sale of investment property | - | 707,342 |
| Proceeds from sale of property, plant and equipment | 20,000 | - |
| Net cash used in investing activities | (203,819) | (522,610) |
| **Cash flows from financing activities** | | |
| Repayment of bank loans | - | 77 |
| Net cash from financing activities | - | 77 |
| Net decrease in cash and cash equivalents | (413,246) | (1,665,055) |
| Cash and cash equivalents at the beginning of the financial half-year | 6,259,623 | 9,182,853 |
| Cash and cash equivalents at the end of the financial half-year | 5,846,377 | 7,517,798 |

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

## Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2013 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, 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 (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) 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 (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). 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 the assets, liabilities, revenues and expenses in accordance with the standards applicable to the particular asset, liability, revenue or expense.

*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 interests in other entities: subsidiaries, joint arrangements (joint operations or joint ventures), associates and unconsolidated structured entities. It has significantly enhanced the disclosure requirements, when compared to the standards that have been replaced.

*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.

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

*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.

*AASB 127 Separate Financial Statements (Revised)*
*AASB 128 Investments in Associates and Joint Ventures (Reissued)*
*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 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement*
The consolidated entity has applied AASB 2011-4 from 1 July 2013 and amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The 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 annual directors’ report.

*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, which enhanced the disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') to provide information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position.

*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 2012-10 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 Accounting for stripping costs in the production phase of a surface mine and AASB 2011-12 Amendments to Australian Accounting Standards 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.

## Note 1. Significant accounting policies (continued)

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

For the half-year ended 31 December 2013, the consolidated entity incurred a loss from continuing operations after tax of $1,092,073 (31 December 2012: $1,503,054). In the same period the consolidated entity had cash outflows from operating activities of $209,427 (31 December 2012: $1,142,522) and cash outflows from investing activities of $203,819 (31 December 2012: $522,610).

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 fall due.

The consolidated entity has commitments for exploration and evaluation for the next three years. Due to current market conditions the company will not commit to all of the minimum expenditure for the next three years and this has resulted in the impairment expense in the current financial period.

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.

## Note 2. Operating segments

*Identification of reportable operating segments*
The consolidated entity is organised into three operating segments: exploration and evaluation, property development 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 development | The consolidated entity acquires investment properties with a view to 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.

**Gullewa Limited**
**Notes to the financial statements**
**31 December 2013**

**Note 2. Operating segments (continued)**

*Operating segment information*

| **Consolidated - 31 Dec 2013** | Exploration and evaluation $ | Property development $ | Investments $ | Intersegment eliminations/ unallocated $ | Total $ |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Other revenue | 29 | - | - | 2,250 | 2,279 |
| **Total revenue** | 29 | - | - | 2,250 | 2,279 |
| | | | | | |
| **EBITDA** | (349,293) | (2,971) | (326) | (485,718) | (838,308) |
| Depreciation and amortisation | | | | | (17,563) |
| Impairment of assets | | | | | (743,509) |
| Interest income | | | | | 122,894 |
| Finance costs | | | | | (11,187) |
| **Loss before income tax benefit** | | | | | (1,487,673) |
| Income tax benefit | | | | | 395,600 |
| **Loss after income tax benefit** | | | | | (1,092,073) |
| | | | | | |
| **Assets** | | | | | |
| Segment assets | 8,355,268 | (4,124) | 1,619,098 | 2,063,420 | 12,033,662 |
| **Total assets** | | | | | 12,033,662 |
| | | | | | |
| **Liabilities** | | | | | |
| Segment liabilities | 688,591 | 175 | - | 59,621 | 748,387 |
| **Total liabilities** | | | | | 748,387 |

| **Consolidated - 31 Dec 2012** | Exploration and evaluation $ | Property development $ | Investments $ | Intersegment eliminations/ unallocated $ | Total $ |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Other revenue | 13,305 | 6,400 | - | 129,214 | 148,919 |
| **Total revenue** | 13,305 | 6,400 | - | 129,214 | 148,919 |
| | | | | | |
| **EBITDA** | (518,991) | 40,005 | (621) | (1,185,980) | (1,665,587) |
| Depreciation and amortisation | | | | | (20,903) |
| Interest income | | | | | 169,844 |
| Finance costs | | | | | (44,588) |
| **Loss before income tax benefit** | | | | | (1,561,234) |
| Income tax benefit | | | | | 58,180 |
| **Loss after income tax benefit** | | | | | (1,503,054) |
| | | | | | |
| **Consolidated - 30 Jun 2013** | | | | | |
| | | | | | |
| **Assets** | | | | | |
| Segment assets | 9,029,556 | (1,446) | 1,619,188 | 2,423,347 | 13,070,645 |
| **Total assets** | | | | | 13,070,645 |
| | | | | | |
| **Liabilities** | | | | | |
| Segment liabilities | 746,537 | 210 | - | 148,197 | 894,944 |
| **Total liabilities** | | | | | 894,944 |

## Note 3. Revenue

| | Consolidated | |
|---|---|---|
| | 31 Dec 2013 | 31 Dec 2012 |
| | $ | $ |
| Consulting fees | 1,500 | 129,214 |
| Management fees | 750 | - |
| Other revenue | 29 | 19,705 |
| Revenue | 2,279 | 148,919 |

## Note 4. Other income

| | Consolidated | |
|---|---|---|
| | 31 Dec 2013 | 31 Dec 2012 |
| | $ | $ |
| Net gain on disposal of investment property | - | 74,651 |
| Interest income | 122,894 | 169,844 |
| Other income | 122,894 | 244,495 |

**Gullewa Limited**
**Notes to the financial statements**
**31 December 2013**

## Note 5. Expenses

| | Consolidated | |
|---|---|---|
| | **31 Dec 2013** | **31 Dec 2012** |
| | **$** | **$** |
| Loss before income tax includes the following specific expenses: | | |
| *Depreciation* | | |
| Leasehold improvements | 119 | 121 |
| Plant and equipment | 10,014 | 6,599 |
| Motor vehicles | 4,315 | 6,470 |
| Total depreciation | 14,448 | 13,190 |
| *Amortisation* | | |
| Computer software | 3,115 | 7,713 |
| Total depreciation and amortisation | 17,563 | 20,903 |
| *Impairment* | | |
| Exploration and evaluation | 743,509 | - |
| *Finance costs* | | |
| Interest and finance charges paid/payable | 11,187 | 44,588 |
| *Rental expense relating to operating leases* | | |
| Minimum lease payments | 12,926 | 81,056 |
| *Employee benefits expense* | | |
| Defined contribution superannuation expense | 15,732 | 34,987 |
| Share-base payments expense | 201,647 | 161,000 |
| Other wages and salaries | 290,569 | 767,683 |
| Total employee benefits expense | 507,948 | 963,670 |

## Note 6. Current assets - cash and cash equivalents

| | Consolidated | |
|---|---|---|
| | **31 Dec 2013** | **30 Jun 2013** |
| | **$** | **$** |
| Cash on hand | 1,221 | 821 |
| Cash at bank | 5,845,156 | 6,258,802 |
| | 5,846,377 | 6,259,623 |

## Note 7. Non-current assets - exploration and evaluation

| | Consolidated | |
|---|---|---|
| | **31 Dec 2013** | **30 Jun 2013** |
| | **$** | **$** |
| Exploration, evaluation and development assets - at cost | 6,311,278 | 6,089,021 |
| Less: Impairment | (1,277,196) | (533,687) |
| | 5,034,082 | 5,555,334 |

## Note 7. Non-current assets - exploration and evaluation (continued)

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

| **Consolidated** | Exploration, evaluation, development $ | Total $ |
|---|---|---|
| Balance at 1 July 2013 | 5,555,334 | 5,555,334 |
| Additions | 222,257 | 222,257 |
| Impairment of assets | (743,509) | (743,509) |
| Balance at 31 December 2013 | 5,034,082 | 5,034,082 |

The impairment expense during the current period relates to tenements that have been relinquished or have been written down to recoverable amount.

## Note 8. Equity - dividends

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

## Note 9. 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 - 31 Dec 2013** | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| *Assets* | | | | |
| Financial assets at fair value through profit or loss - marketable securities | 64,208 | - | - | 64,208 |
| Total assets | 64,208 | - | - | 64,208 |

| **Consolidated - 30 Jun 2013** | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| *Assets* | | | | |
| Financial assets at fair value through profit or loss - marketable securities | 63,190 | - | - | 63,190 |
| Total assets | 63,190 | - | - | 63,190 |

There were no transfers between levels during the financial half-year.

## Note 10. Related party transactions

*Parent entity*
Gullewa Limited is the parent entity.

*Transactions with related parties*
The following transactions occurred with related parties:

| | Consolidated | |
|---|---|---|
| | **31 Dec 2013** | **31 Dec 2012** |
| | **$** | **$** |
| Other income: | | |
| Management fees from associate, Central Iron Ore Limited | 1,500 | - |
| Payment for other expenses: | | |
| Consulting and administration fees paid to other related party, C Randall & Associates Pty. Limited | 2,032 | 76,574 |
| Other transactions: | | |
| Geological and geochemical fees paid to Interesources Pty Limited, a company wholly-owned by David Deitz, a director of the parent entity | - | 51,971 |
| Wages paid to Mendel Deitz, son of David Deitz, a director of the parent entity. | 17,886 | 26,924 |
| Directors fees paid to Anthony Howland-Rose, a director of the parent entity. | 46,000 | 81,750 |
| Directors fees paid to David Deitz, a director of the parent entity. | 81,035 | 72,000 |
| Directors fees paid to Eddie Lee, a director of the parent entity. | - | 18,700 |

David Deitz has rights to a royalty over tenements EL7022, EL7259, EL7260 and EL7261 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*
The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | Consolidated | |
|---|---|---|
| | **31 Dec 2013** | **30 Jun 2013** |
| | **$** | **$** |
| Current receivables: | | |
| Trade receivables from other related party | 609 | 609 |
| Current payables: | | |
| Consulting and administration fees payable to other related party, C Randall & Associates Pty. Limited | 62,000 | - |

## Note 10. 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:

| | Consolidated | |
|---|---|---|
| | 31 Dec 2013 | 30 Jun 2013 |
| | $ | $ |
| Current receivables: | | |
| Loan to David Deitz, a director of the parent entity | 26,630 | 10,228 |
| Current borrowings: | | |
| Loan from C Randall & Associates Pty. Limited | 520,171 | 520,171 |

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

## Note 11. Events after the reporting period

No matter or circumstance has arisen since 31 December 2013 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 12. Earnings per share

| | Consolidated | |
|---|---|---|
| | 31 Dec 2013 | 31 Dec 2012 |
| | $ | $ |
| Loss after income tax | (1,092,073) | (1,503,054) |
| Non-controlling interest | 272,710 | 227,930 |
| Loss after income tax attributable to the owners of Gullewa Limited | (819,363) | (1,275,124) |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 149,723,100 | 149,723,100 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 149,723,100 | 149,723,100 |
| | **Cents** | **Cents** |
| Basic earnings per share | (0.55) | (0.85) |
| Diluted earnings per share | (0.55) | (0.85) |

28,155,000 (31 December 2012: 12,255,000) options are excluded from the above calculation as they would be anti-dilutive for the period.

## Note 13. Share-based payments

*Employee Option Scheme*
Details of the Employee Option Scheme are disclosed in the annual financial report.

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

31 Dec 2013

| Grant date | Expiry date | Exercise price | Balance at the start of the half-year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the half-year |
|---|---|---|---|---|---|---|---|
| 08/12/2009 | 30/11/2014 | $0.1190 | 5,480,000 | - | - | - | 5,480,000 |
| 07/03/2011 | 06/03/2016 | $0.2230 | 4,475,000 | - | - | - | 4,475,000 |
| 16/05/2011 | 15/05/2016 | $0.2230 | 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 |
| 05/12/2013 | 27/11/2018 | $0.0435 | - | 10,900,000 | - | - | 10,900,000 |
| | | | 17,255,000 | 10,900,000 | - | - | 28,155,000 |

In addition during the interim period, 4,100,000 options with a value of $61,500, were issued to key management personnel of Allegiance Coal Limited. $25,916 of this expense relates to non-controlling interest.

Set out below are the options exercisable at the end of the financial half-year:

| Grant date | Expiry date | 31 Dec 2013 Number |
|---|---|---|
| 08/12/2009 | 30/11/2014 | 5,480,000 |
| 07/03/2011 | 06/03/2016 | 4,475,000 |
| 16/05/2011 | 15/05/2016 | 1,000,000 |
| 16/05/2012 | 16/05/2017 | 1,300,000 |
| 04/07/2012 | 04/07/2017 | 5,000,000 |
| 05/12/2013 | 27/11/2018 | 10,900,000 |
| | | 28,155,000 |

For the options granted during the current financial half-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 |
|---|---|---|---|---|---|---|---|
| 05/12/2013 | 27/11/2018 | $0.0300 | $0.0435 | 64.00% | -% | 3.01% | $0.0110 |

As a result $119,900 has been expensed in the current period.

A further amount of $20,247 for options issued in a previous financial period which vest in the current period have been expensed.

**Gullewa Limited**
**Directors' declaration**
**31 December 2013**

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

David Deitz
Director

14 March 2014
Sydney

Deloitte.

Deloitte Touche Tohmatsu
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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 statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in 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 4 to 19.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

*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 a 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 half-year 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 2013 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 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*. 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 review report.

Deloitte.

*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 2013 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*.

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Chartered Accountants
Sydney, 14 March 2014