

# QUARTERLY REPORT

30 June 2011



## Highlights

**Exploration drilling scheduled at Eucalyptus**

**Gold test work results positive**

**Capital raising completed**

## Operations

### Nickel Heap Leach Feasibility Study

The Company's "NiWest" nickel laterite project is located in the North Eastern goldfields of Western Australia. The Company is assessing the potential to develop a large scale nickel-cobalt hydrometallurgical processing plant.

The preferred development option is to construct a plant using heap leach technology. This is based on positive studies completed by GME during the last 3 years and the successful trials of this process at other nickel laterite projects globally including European Nickel and the Murrin Murrin JV (which is located adjacent to NiWest). The heap leach process has materially lower capital costs and is operationally simpler than the high pressure acid leach process (HPAL) commonly used by other nickel laterite producers.

### About GME Resources

GME Resources is a Perth-based nickel exploration company focused on the development of its 100%-owned NiWest Project, located in the Leonora district of Western Australia.

GME has the potential to become a top 10-global nickel producer with its NiWest Project resource totalling over 100 million tonnes of ore containing over 1 million tonnes of nickel – making it one of the most exciting undeveloped laterite nickel projects in Australia.

The bankable feasibility study (BFS) is underway for a project capable of supplying 30,000 tonnes of Nickel metal and 1,400 tonnes of cobalt per year.

### Quick Facts

<b>ASX Code</b>	GME
<b>ASX Share Price (A\$)</b>	0.085
<b>Market Cap (A\$m)</b>	27

### Contact

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## Resource Development & Mine Planning

Exploration drilling is scheduled in the coming quarter at the Eucalyptus deposit. Eucalyptus is a significant project in the overall NiWest portfolio representing 28 million tonnes at 0.98%Ni (0.8%Ni cut off applied) or 37% of the total resource. Eucalyptus is located approximately 50km east of the company's other nickel projects immediately south of Minara's Murrin East project. Eucalyptus has a strike length of over 13km and the planned drilling has potential to increase the tonnage and grade of the resource. The drilling planned is focussed on expanding the higher grade resources similar to the program undertaken earlier in the year at a number of the other projects.

An updated resource was published in April as a result of the earlier drilling (ASX Announcement dated 6 April 2011) and the summary table for the global resource is shown below.

These higher grade zones allow for potential early ore sales to one of 3 nickel processing plants in the area.

The total NiWest resource calculated at a 0.7%Ni cut-off contains over 1 million tonnes of nickel metal. The resources are reported at various cut off grades (Figure 1 and Table 1). A high percentage of the resource is in the JORC Measured and Indicated categories.

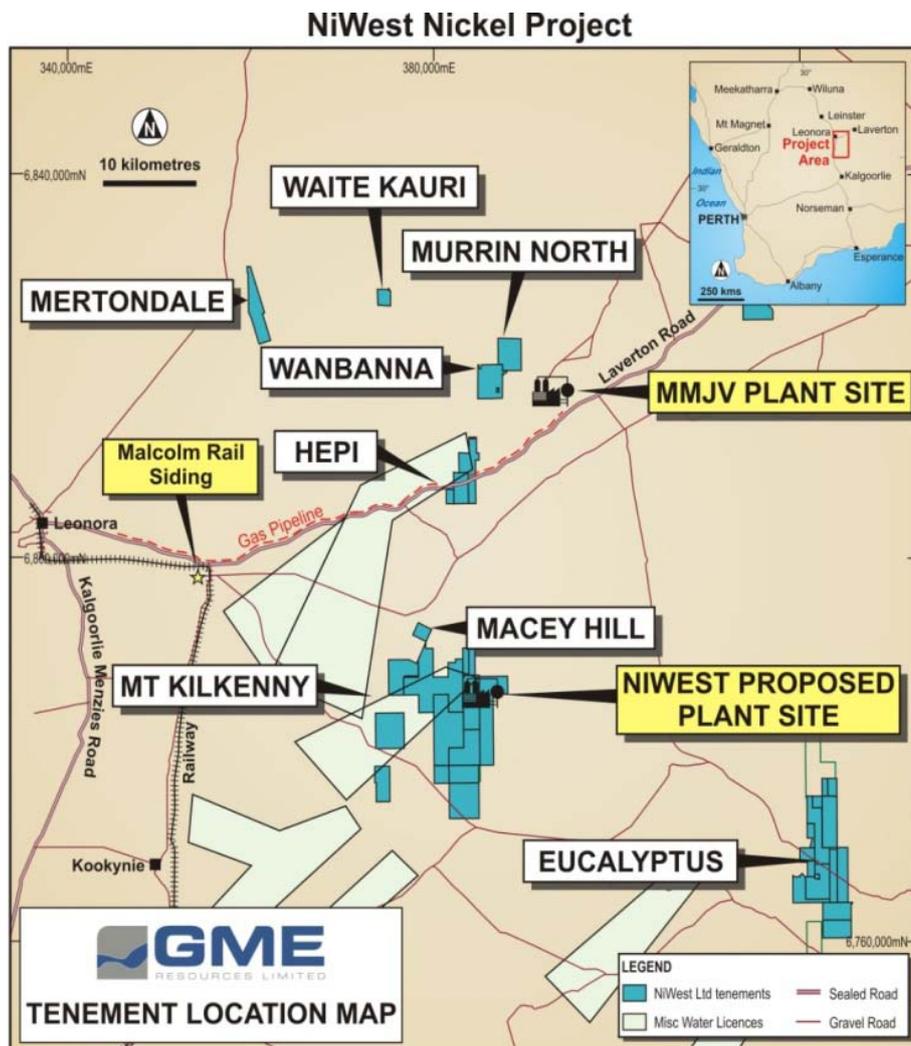


Figure 1 NiWest Project area map.

0.7% COG	CATEGORY	Tonnes (Millions)	%Ni	%Co	Ni Metal (tonnes)	Co Metal (tonnes)
TOTAL	Measured	45.86	0.96	0.06	441,692	28,229
	Indicated	32.28	0.92	0.06	295,631	18,502
	Inferred	30.32	0.89	0.06	270,250	19,600
	Combined	108.46	0.93	0.06	1,007,573	66,331

0.8% COG	CATEGORY	Tonnes (Millions)	%Ni	%Co	Ni Metal (tonnes)	Co Metal (tonnes)
TOTAL	Measured	34.22	1.04	0.07	355,198	23,037
	Indicated	22.41	0.99	0.06	222,273	14,189
	Inferred	19.09	0.96	0.06	184,038	11,303
	Combined	75.73	1.01	0.06	761,509	48,529

1.0% COG	CATEGORY	Tonnes (Millions)	%Ni	%Co	Ni Metal (tonnes)	Co Metal (tonnes)
TOTAL	Measured	19.21	1.19	0.08	228,996	15,215
	Indicated	8.47	1.14	0.08	96,299	6,461
	Inferred	5.07	1.14	0.07	57,741	3,786
	Combined	32.74	1.17	0.08	383,036	25,463

1.2% COG	CATEGORY	Tonnes (Millions)	%Ni	%Co	Ni Metal (tonnes)	Co Metal (tonnes)
TOTAL	Measured	7.43	1.37	0.09	101,534	6,681
	Indicated	2.23	1.31	0.09	29,165	1,981
	Inferred	1.29	1.28	0.09	16,591	1,106
	Combined	10.96	1.34	0.09	147,290	10,067

Table 1 Updated global nickel resources for the NiWest Project at varying cut-off grades as reported from the block model.

The block model was developed using MineSight software, the block size used was 20 x 20 x 2 metres. Grades are estimated into the blocks using ordinary kriging.

## Gold Tenements

Golden Cliffs NL, a 100% owned subsidiary of GME holds a portfolio of gold tenements located in the North Eastern goldfields of WA. The package represents a sizable tenement position in a very prospective region hosting such projects as the Sons of Gwalia Mine, Granny Smith, Mount Morgans, Navigators' Leonora Project, A1 Minerals' Delta Project and Sunrise Dam.

A number of shallow targets have been identified on granted leases ready for follow up drilling.

The Company completed a Reverse Circulation (RC) drilling program during the quarter at the highly prospective Devon project located south of Laverton (Figures 2 and 3). The Devon tenement is part of GME's Linden project. Previous drilling has identified a target zone of high grade mineralisation (200,000 to 300,000 tonnes in the range 5 to 7 g/t Gold) with strong continuity over a strike length of 500 metres (see note below). The target zone is relatively shallow and is observed in outcrop and down to 70 metres deep which may be accessible by open pit methods. (Refer to ASX Announcement 28 April 2011 for a full description of the results)

Gold recovery test work was conducted on two composites from the recent Devon drilling that were made up representing the expected mineable grade at 6.0 g/t Au and potential low grade material at 2.1 g/t Au

- Testwork on each composite was aimed at defining potential extractions at local plant, including gravity.
- Two grind sizes were used at P80 of 150 micron (Coarse) and P80 of 106 micron (Medium) grind.
- Results confirmed high gravity content and excellent extractions, with low cyanide and lime consumptions (see table 2 below)

Further drilling to recover diamond core is planned at this project.

### Mine Grade

	Gravity Recovered (Gold) Au	Leach Extraction Au	Total Extraction Au
P80 106 Micron	44.6 %	49.4 %	94.0 %
P80 150Micron	46.3 %	46.0 %	92.3 %

### Low Grade

	Gravity Recovered (Gold) Au	Leach Extraction Au	Total Extraction Au
P80 106 Micron	25.0%	68.5 %	93.5 %
P80 150Micron	22.7%	68.3%	91.0%

Table 2 Metallurgical test work on gold samples for Devon

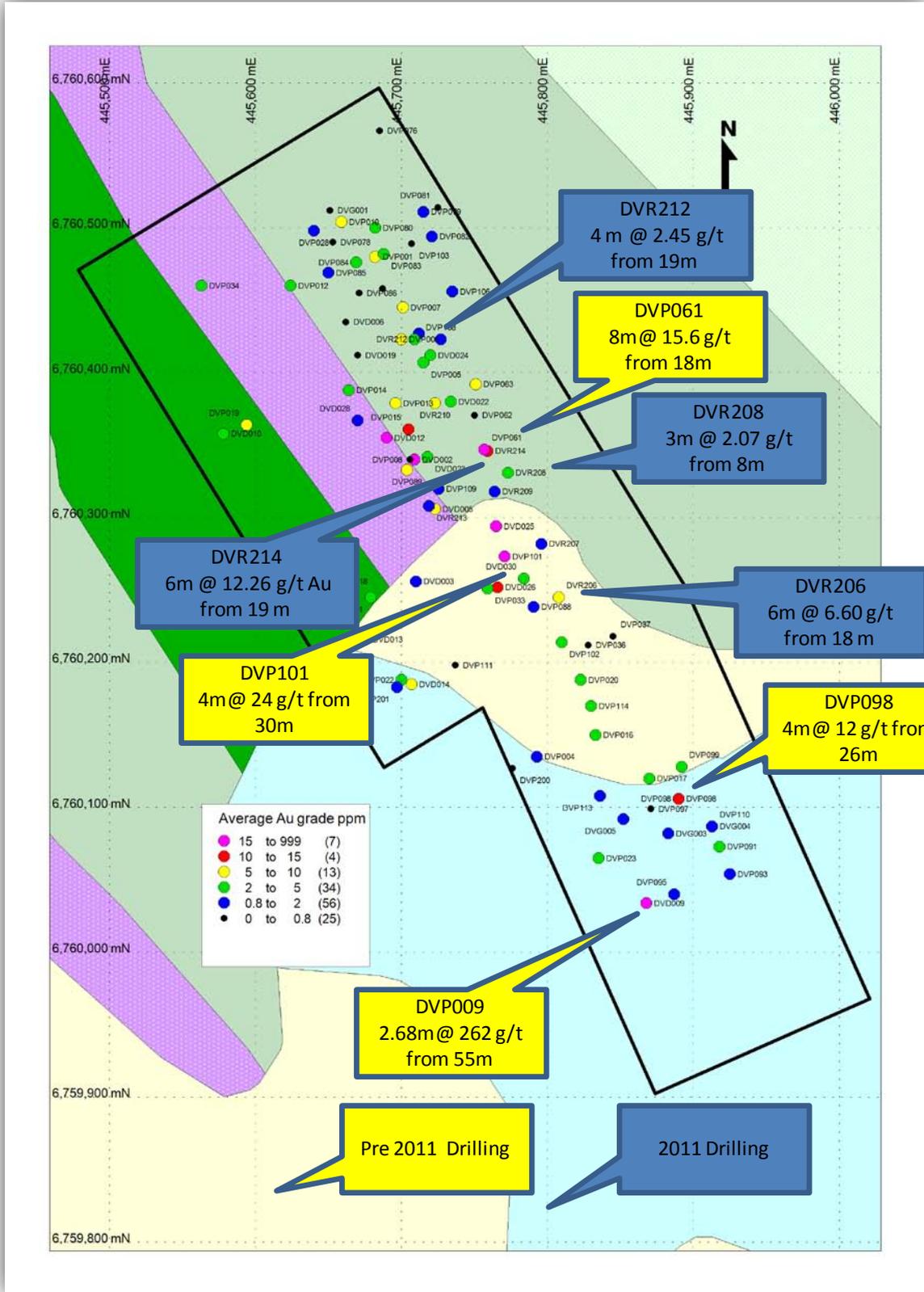


Figure 2 Detailed plan of the Devon project, showing both new and old drilling. Drillhole coding is based on the average of the best intercept in each hole above 0.8 g/t Au.

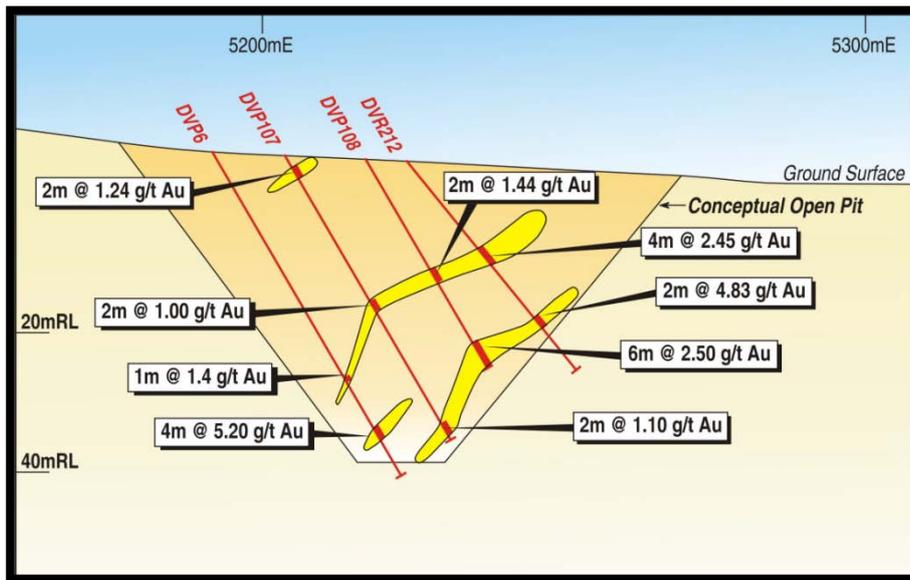


Figure 3 Typical cross section through the Devon project (looking north) plotted on a local grid.

*The Exploration Target at Devon is conceptual in nature and there has been insufficient work to date to define a Mineral Resource, and it is uncertain if further exploration will result in the determination of a Mineral Resource under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code (2004). The Exploration Target is not being reported as part of any Mineral Resource or Ore Reserve.*

## Corporate Activity

On 18 April the Company announced a capital raising via a 1:15 non-renounceable entitlement issue at 8 cents per share, to raise up to approximately \$1.61 million. The Company is pleased to advise that shareholders showed strong support for the issue taking up over 65% of it and the entire shortfall was subsequently placed. The Company will use the funds to continue the development of the NiWest nickel-cobalt project, its gold projects and for general working capital purposes.

The Company has commenced discussions with a number of potential investors who may play a strategic role in the development of the NiWest nickel cobalt project; the process is being managed by Azure Capital.

## Markets

The continued strength of the Nickel price is extremely encouraging and will materially improve the economics of the NiWest project. Price appears to be supported above the cost of producing nickel pig iron which is one of the major sources on nickel globally. This cost is in the range \$9.00 to \$10.00 per pound.



## Outlook

Strength in the metals prices coupled with resumption in global demand continue to underwrite the development of quality nickel projects. The NiWest project has many advantages including a large resource base, location close to major infrastructure and is supported by sound engineering and test work. Nickel laterite projects are steadily increasing their share of the global nickel market and now represent over 50% of nickel production with a number of companies globally undertaking studies using the heap leach route.

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**DAVID VARCOE**

**MANAGING DIRECTOR**

Date: 26 July 2011

*The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Stephen Hyland who is a member of The Australasian Institute of Mining and Metallurgy. Mr Hyland is a Principal Consultant with Ravensgate Minerals Industry Consultants who consults to the Company. Mr Hyland has sufficient experience, which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves. Mr Hyland consents to the inclusion in the report of the matters based on information provided in the form and context in which it appears.*

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

GME Resources Ltd

ABN

62 009 260 315

Quarter ended ("current quarter")

30 June 2011

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (...12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(367)	(1,551)
(b) development	-	-
(c) production	-	-
(d) administration	(97)	(416)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	13	56
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	107
<b>Net Operating Cash Flows</b>	<b>(451)</b>	<b>(1,804)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(2)	(3)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(2)</b>	<b>(3)</b>
1.13 Total operating and investing cash flows (carried forward)	(453)	(1,807)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(453)	(1,807)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	1,613	1,613
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	(7)
	<b>Net financing cash flows</b>	<b>1,613</b>	<b>1,606</b>
	<b>Net increase (decrease) in cash held</b>	<b>1,160</b>	<b>(201)</b>
1.20	Cash at beginning of quarter/year to date	597	1,958
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	<b>1,757</b>	<b>1,757</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	(69)
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	150
4.2 Development	-
4.3 Production	-
4.4 Administration	60
<b>Total</b>	<b>210</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	26	5
5.2 Deposits at call	1,731	592
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,757</b>	<b>597</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	L37/0204	100%	100%	0%
6.2 Interests in mining tenements acquired or increased	L39/0215	100%	0%	100%

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b>	NIL			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	322,635,902	322,635,902		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	20,283,152	20,283,152	0.08	0.08
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	NIL	NIL		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	Unlisted 5,000,000 5,000,000		<i>Exercise price</i> \$0.13 per Option \$0.18 per Option	<i>Expiry date</i> 28 February 2012 28 February 2012
7.8 Issued during quarter	-			
7.9 Exercised during quarter	-			
7.10 Expired during quarter	-			
7.11 <b>Debentures</b> <i>(totals only)</i>	-			
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	-			

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: .....  
(Director/Company secretary)

26 July 2011  
Date: .....

Print name: .....MARK PITTS.....

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.