



**GME RESOURCES LTD**

ABN 62 009 260 315

**ANNUAL REPORT**

**2011**

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## CORPORATE DIRECTORY

### DIRECTORS

**Chairman**

Michael Delaney PERROTT AM B.Com

**Managing Director**

David John VARCOE B.Mining Engineering (Hons), M.AusIMM

**Executive Director**

James Noel SULLIVAN FAICD

**Director**

Peter Ross SULLIVAN BE, MBA

**Director**

Geoffrey Mayfield MOTTERAM B.MetE(Hons), M.AusIMM

### COMPANY SECRETARY

Mark Pitts B.Bus FCA

### REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 105 Westpoint Centre  
396 Scarborough Beach Road  
Osborne Park WA 6017  
Telephone: (08) 9444 4976  
Facsimile: (08) 9201 2370  
Web Site: [www.gmeresources.com.au](http://www.gmeresources.com.au)

### AUDITORS

HLB Mann Judd  
Chartered Accountants  
Level 4, 130 Stirling Street  
Perth WA 6000

### SHARE REGISTRY

Computershare Registry Services Pty Ltd  
Level 2, Reserve Bank Building  
45 St George's Terrace  
Perth WA 6000  
GPO Box D182  
Perth WA 6001  
Telephone: (08) 9323 2000  
Facsimile: (08) 9323 2033

### SECURITIES EXCHANGE LISTING

The Company's shares are quoted on the Official List of Australian Securities Exchange Limited Ticker code: GME

### STATE OF REGISTRATION

Western Australia

## CORPORATE GOVERNANCE STATEMENT

### INTRODUCTION

The Board of Directors of GME Resources Limited has adopted the following Corporate Governance Principles promulgated by the ASX Corporate Governance Council and is responsible for the adherence to these Principles. These Principles and Practices are reviewed regularly and upgraded or changed to reflect changes in law and what is regarded as best practice. A description of the Company's main Corporate Governance Principles and Practices is set out below.

### ROLE OF THE BOARD

The Board has adopted the following Statement of Matters for which the Board will be responsible:

- (1) Reviewing and determining the Company's strategic direction and operational policies;
- (2) Review and approve business plans, budgets and forecasts and set goals for management;
- (3) Appoint and remunerate Chief Executive Officer and Senior Staff;
- (4) Review performance of Chief Executive Officer and Senior Staff;
- (5) Review financial performance against Key Performance Indicators on a monthly basis;
- (6) Approve acquisition and disposal of tenements;
- (7) Approve exploration and mining programs;
- (8) Approve capital, development and other large expenditures;
- (9) Review risk management and compliance;
- (10) Oversee the Company's control and accountability systems;
- (11) Reporting to shareholders; and
- (12) Ensure compliance with environmental, taxation, Corporations Act and other laws and regulations.

### MANAGING DIRECTOR

GME's most senior employee is the Managing Director who is appointed and subject to annual reviews by the Board. The Managing Director recommends policies, strategic direction and business plans for the Board's approval and is responsible for managing the Company's day-to-day business.

### BOARD INDEPENDENCE

The Board consists of five directors, but up to 10 directors can serve on the board. Mr David Varcoe is the only executive, the remainder are non executive. Currently the five directors are:

Michael D Perrott	Chairman	65 years	Director since 1996
David J Varcoe	Managing Director	49 years	Director since 2008
James N Sullivan	Director	50 years	Director since 2004
Peter R Sullivan	Director	55 years	Director since 1996
Geoffrey M Motteram	Director	62 years	Director since 1997

Mr Motteram and Mr P Sullivan are considered Independent Directors on the Board according to the definitions by the Australian Securities Exchange Corporate Governance Council ("**Council**") as is the Chairman Mr Perrott.

Non executive director Mr J Sullivan has been an executive in the last three years and as a result he and the Managing Director, Mr D Varcoe are not considered "Independent" in accordance with the definitions of the Council.

## **CORPORATE GOVERNANCE STATEMENT**

As such, the Company complies with the Council's recommendation, Item 2.1, that the majority of the Company's directors should be Independent Directors. The Board has in addition adopted a series of safeguards to ensure that independent judgement is applied when considering the business of the Board:

- Directors are entitled to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required but this is not unreasonably withheld.
- Directors having a conflict of interest with an item for discussion by the Board must absent themselves from a board meeting where such item is being discussed before commencement of discussion on such topic.
- The Independent Directors confer on a "needs" basis with the Chairman with such discussion if warranted and considered necessary by the Independent Directors.
- The Board considers Non-executive Directors to be independent even if they have minor dealings with the Company provided they are not a substantial shareholder. Transactions with a value in excess of 5% of the Company's annual operating costs are considered material. A director will not be considered independent if he has transactions in excess of this materiality threshold.

### **TENURE OF THE BOARD**

The Directors are expected to review their membership of the Board from time to time taking into account the length of service on the Board, age, qualification and experience. In light of the needs of the Company and direction of the Company together with such other criteria considered desirable for composition of a balanced board and the overall interests of the Company.

A director is expected to resign if the remaining directors recommend that a director should not continue in office, but is not obliged to do so.

### **CHAIRMAN**

The current Chairman is Mr Michael D Perrott - AM. Mr Perrott brings a wealth of business experience, connections and drive to the Board. The Chairman's role is separated from the role of the Managing Director.

The Chairman's role includes:

- Providing effective leadership on formulating the Board's strategy;
- Representing the views of the Board to the public;
- Ensuring that the Board meets at regular intervals throughout the year and that minutes of meeting accurately record decisions taken and where appropriate the views of individual directors;
- Guiding the agenda, information flow and conduct of all board meetings;
- Reviewing the performance of the board of directors; and
- Monitoring the performance of the management of the Company.

### **NOMINATION COMMITTEE**

Due to the small size of the Company and the number of board members, the Board does not have a formal nomination committee structure. Any new directors will be selected according to the needs of the Company at that particular time, the composition and the balance of experience on the Board as well as the strategic direction of the Company.

Should the need arise to consider a new board member, some or all of the Directors would form the committee to consider the selection process and appointment of a new director.

## **CORPORATE GOVERNANCE STATEMENT**

At each annual general meeting the following directors retire:

- One third of directors (excluding the Managing Director);
- Directors appointed by the Board to fill casual vacancies or otherwise;
- Directors who have held office for more than three years since the last general meeting at which they were elected.

### **DETAILS ON CURRENT DIRECTORS**

Details on current directors including their skills and experience are included in the Directors' Report.

### **ETHICAL AND RESPONSIBLE DECISION-MAKING**

In making decisions, the Directors of the Company, its officers and employees, take into account the needs of all stakeholders:

- Shareholders;
- Employees;
- Community;
- Creditors;
- Contractors; and
- Government (Federal, State and Local).

The Directors, officers and employees of the Company are expected to:

- Comply with the laws and regulations both by the letter and in spirit;
- Act honestly and with integrity;
- Avoid conflicts of interest by not placing themselves in situations which result in divided loyalties;
- Use the Company's assets responsibly and in the interests of the Company, not take advantage of property, information or position for personal gain or to compete with the Company;
- To keep non-public information confidential except where disclosure is authorised or legally mandated; and
- Be responsible and accountable for their actions and report any unethical behaviour.

### **TRADING IN COMPANY SECURITIES**

The Company encourages Directors and employees to adopt a long-term attitude to their investment in the Company's securities. All Directors and employees (including their immediate family or any entity for which they control investment decisions), must ensure that any trading in securities issued by the Company is undertaken within the framework set out in the Securities Trading Policy.

The Securities Trading Policy does not prevent Directors or employees (including their immediate family or any entity for which they control investment decisions) from participating in any share plan or share offers established or made by the Company. However, Directors or employees are prevented from trading in the securities once acquired if the individual is in possession of price sensitive information not generally available to all security holders.

In keeping with recent listing rule amendments, additional restrictions are placed on trading by Directors, Executives and other personnel as determined by the Chairman and Company Secretary from time to time ('Key Management Personnel').

Key management personnel must not deal in Company Securities at any time if in possession of any inside information relating to those securities.

## **CORPORATE GOVERNANCE STATEMENT**

### **TRADING IN COMPANY SECURITIES Continued**

In addition to the overriding prohibition against dealing in the Company's securities when a person is in possession of inside information, Key Management Personnel and their associated parties are at all times prohibited from dealing in the Company's securities during prescribed 'closed' periods. The Company has nominated closed periods to be during the week prior to the release of the Company's Quarterly Reports (including the Appendix 5B) unless exceptional circumstances apply.

The Securities Trading Policy also includes a clause prohibiting Directors and Executives from entering into transactions in associated products which operate to limit the economic risk of security holdings in the Company over unvested entitlements.

In accordance with Listing Rules, a director must notify the ASX within 5 business days after any change in the Director's relevant interest in securities of the Company or a related body corporate of the Company.

A director must notify the Company Secretary in writing of the requisite information within 2 business days in order for the Company Secretary to make the necessary notifications to ASIC and ASX as required by the Corporations Act and the ASX Listing Rules.

### **INTEGRITY OF FINANCIAL REPORTING**

GME's Managing Director and Company Secretary report in writing to the Board:

- That the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group; and
- That the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the Board and that the Company's risk management and internal controls are operating efficiently in all material respects.

### **AUDIT COMMITTEE**

The Company does not have a formal audit committee as, in the opinion of the directors, the scope and size of the Company's operations do not warrant it. As such the Company is not in strict compliance of the Council's Recommendation 4.2 that the Board should establish an audit committee. It should be noted however that when the Council's Recommendation was made it was emphasised that it was more relevant for large companies.

The Board regularly reviews the scope of audits, the level of audit fees and the performance of auditors.

The Board also is continually assessing to ensure the independence of the external auditor is maintained. The company will and does, if necessary, use other consultants to avoid any potential independence issues.

## **TIMELY AND BALANCED DISCLOSURE TO AUSTRALIAN SECURITIES EXCHANGE**

The Company has procedures in place to identify matters that are likely to have a material effect on the price of the Company's securities and to ensure those matters are notified to the Australian Securities Exchange in accordance with its listing rule disclosure requirements.

Information to the market and media is handled by the Chairman, the Managing Director or the Company Secretary. In particular, the Company Secretary has been nominated as the person responsible for communications with Australian Securities Exchange. This role includes responsibility for compliance with the continuous disclosure requirements of the Australian Securities Exchange Listing Rules and overseeing and coordinating information disclosures to Australian Securities Exchange, analysts, brokers, shareholders the media and the public.

All disclosures to Australian Securities Exchange are posted on the Company's website soon after clearance has been received from Australian Securities Exchange.

The Chairman, the Managing Director and Company Secretary are monitoring information in the marketplace to ensure that a false market does not emerge in the Company's securities.

## **COMMUNICATION WITH SHAREHOLDERS**

It is the Company's communication policy to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company.

The information is communicated to the shareholders through:

- Continuous disclosure announcements made to the Australian Securities Exchange;
- Distribution of the annual report to shareholders together with a notice of meeting;
- Posting of half-yearly results and all Australian Securities Exchange announcements on the Company's website;
- Posting of all major drilling results;
- Posting of all media announcements on the Company's website; and
- Calling of annual general meetings and other meetings of shareholders to obtain approval for board action as considered appropriate.

On the Company's website, information about the Company's projects is shown.

At annual general meetings and other general meetings of shareholders, shareholders are encouraged to ask questions of the Board of Directors relating to the operation of the Company.

## **RISK MANAGEMENT**

Due to its size of operation and size of the board, there is no formal board committee to identify, assess and monitor and manage risk. Responsibility for day to day control and risk management lies with the Managing Director and Company Secretary (financial risk) with reporting responsibility to the Board. The Board monitors risks including but not limited to compliance with development and environmental approvals, tendering, contracting and development, pricing of products, quality, safety, strategic issues, financial risk, joint venture, accounting and insurance. Any changes in the risk profile for the Company are communicated to its stakeholders via an announcement to Australian Securities Exchange.



## **CORPORATE GOVERNANCE STATEMENT**

### **PERFORMANCE**

The Board has adopted a self-evaluation process to measure its own performance. The Chairman evaluates the performance of each director and the Board evaluates the performance of the Chairman. Performance of senior executives is evaluated by the Managing Director in cooperation with the Chairman. All performance evaluations are measured against budget, goals and objectives set.

All directors of the board have access to the Company Secretary who is appointed by the Board. The Company Secretary reports to the Chairman, in particular to matters relating to corporate governance.

All board members have access to professional independent advice at the Company's expense provided they first have obtained the Chairman's approval which will not be unreasonably withheld.

### **REMUNERATION**

#### **Managing Director and Non-executive Directors**

The directors are remunerated for the services they render the Company and such services are normally carried out under normal commercial terms and conditions. Remuneration is also determined having regard to how directors are remunerated for other similar companies, the time spent on the Company's matters and the performance of the Company. Engagement and payment for such services are approved by the other directors with no interest in the engagement of services.

The Board has no retirement or termination benefits. Payments to all directors are set out in the Director's Report.

#### **Senior Executives**

The remuneration of senior executives is discussed and determined by the Board upon receiving advice from the Managing Director. The remuneration packages are set at levels intended to attract and retain the executives capable of managing the Company's operations.

The remuneration of senior executives, where applicable, is set out in the Directors' Report.

#### **General**

Due to the staff size and the close involvement of the Board in the operations of the Company, the Company does not operate a formal remuneration committee. All remuneration paid to the Chairman, Non-executive Directors, Executive Directors and Senior Executives are all reviewed and discussed by the Board.

The Company does not operate an employee share option plan and there are no options outstanding issued to directors.

## CORPORATE GOVERNANCE STATEMENT

### INTERESTS OF STAKEHOLDERS

It is the Company's objective to create wealth for its shareholders and provide a safe and challenging environment for employees and for the Company to be a valuable member of the community as a whole.

The Company's ethical and responsible behaviour is set out under the heading "*Ethical and Responsible Decision-making*".

The Company's core values are summarised as follows:

- Provide value to its shareholders through growth in its market capitalisation;
- Act with integrity and fairness;
- Create a safe and challenging workplace;
- Be participative and recognise the needs of the community;
- Protect the environment;
- Be commercially competitive; and
- Strive for high quality performance and development.

### DIVERSITY POLICY

The Board has implemented a Diversity Policy in line with the ASX's Corporate Governance guidelines. The Group believes that the promotion of diversity on its Boards, in senior management and within the organisation generally is good practice.

The Diversity Policy seeks to attract and retain people by promoting an environment where employees are treated with fairness and respect and have equal access to opportunities as they arise. Diversity within the workforce includes such factors as religion, race, ethnicity, language, gender, disability and age.

#### Gender Diversity

The Corporate Governance recommendation 3.2 is effective from 1 July 2011 and requires the Board to set 'measurable objectives' for achieving gender diversity and to report against them on an annual basis. The Board is currently reviewing its practices and will put measures in place to assess the success of the policy during the coming financial year.

## **DIRECTORS' REPORT**

Your directors present their report of GME Resources Limited and its controlled entities for the financial year ended 30 June 2011.

### **Directors**

The names of directors in office at any time during or since the end of the year are:

Michael Delaney Perrott	(Non executive - Chairman)
David John Varcoe	(Managing Director)
James Noel Sullivan	(Non executive - Director)
Peter Ross Sullivan	(Non executive - Director)
Geoffrey Mayfield Motteram	(Non executive - Director)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### **Principal Activities**

The principal activities of the consolidated entity are mineral exploration and investment.

No significant change in the nature of these activities occurred during the year.

### **Operating and Financial Review**

#### **Operating Results**

The net loss after income tax attributable to members of the Group for the financial year to 30 June 2011 amounted to \$587,602 (2010:\$635,852).

#### **Overview of operating activity**

The Company is examining alternatives to enable it to develop the NiWest nickel laterite Heap Leach project in the NE Goldfields. The Company has explored and developed a significant resource base containing over 1 million tonnes of nickel metal. During the year the company undertook more exploration to further enhance the mineral resource.

The Company believes that the optimal size of the NiWest Heap leach Project is 3.5 million tonnes per annum (Mtpa) of ore processed, producing between 30,000 and 35,000 tonnes of nickel metal per annum. The Company envisages constructing a world class Nickel and Cobalt processing plant in the Northern Goldfields.

The Company is encouraged by the strong Nickel price over the last year to levels that make the proposed NiWest Heap Leach project an attractive proposition.

The Company has raised funds during the year and is continuing to add value to the project by reviewing the resources and refining process options. The Company is actively seeking a strategic partner to assist with the development of the project.

## **DIRECTORS' REPORT**

### **Financial Position**

At the end of the financial year the consolidated entity had \$1,759,613 (2010: \$1,957,866) in cash and at call deposits.

Carried forward exploration and evaluation expenditure was \$31,797,475 (2010: \$30,261,011).

During the year issued capital increased from 302,352,750 to 322,635,902 shares at the end of 2011. The movement related to a non-renounceable rights issue as announced in April 2011.

### **Dividends**

No dividends have been paid or declared since the start of the financial year. No recommendation is made as to dividends.

### **Significant Changes in State of Affairs**

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

### **After Balance Date Events**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

### **Likely Developments**

The consolidated entity's areas of interest are in the exploration stage, and although the results of work carried out to date are encouraging it is not possible to predict the likely developments. The consolidated entity will continue its mineral exploration and investment activities with the object of finding further mineralised resources and exploiting those already discovered.

The Board is following a strategic plan for the growth of the Group, however, further information about likely developments, future prospects and business strategies as they pertain to the operations and expected results of those operations have not been included in this report, as the Directors reasonably believe that disclosure of this information would be likely to result in unreasonable prejudice to the Group.

## DIRECTORS' REPORT

### Information on Directors and Company Secretary

**Michael Delaney Perrott** AM BCom FAIM  
(Chairman) 65 Years  
Director since 1996

Mr Perrott has been involved in the construction and contracting industry since 1969. He is currently Chairman and director of various listed and unlisted public and private companies. Mr Perrott is also a member of the Board of Notre Dame University and SANE Australia and a council member for the State Ministerial Council for Suicide prevention.

Mr Perrott has been Chairman of the Company since his appointment as a director in 1996.

*Other current directorships of listed companies*

Director of Schaffer Corporation Limited since February 2005 and VDM Group Ltd since July 2009.

*Former directorships of listed companies in last 3 years*

Director of Port Bouvard Limited from 1998 until April 2009, and Director of Portman Limited from June 1997 until December 2008.

**David John Varcoe** B. Mining Engineering (Honours) MAusIMM  
(Managing Director) 49 Years  
Director since 2008

Mr Varcoe is a mining engineer with over 20 years experience that includes extensive senior managerial and technical positions with Australia and international resource companies. His experience includes positions at Sons of Gwalia, Centaur, WMC, and Goldfields St Ives and for the period prior to joining GME as Principal Consultant for Rio Tinto based in the United Kingdom and Perth WA.

Mr Varcoe has not been a Director of any other public listed entities during the past three years.

**James Noel Sullivan** FAICD  
(Non Executive Director) 50 Years  
Director since 2004

Mr Sullivan has over 20 years experience in commerce providing services to the mining and allied industries.

Mr Sullivan was instrumental in establishing and managing the Golden Cliffs Prospecting Syndicate which acquired and pegged a number of prospective tenements in the Eastern Goldfields. The Golden Cliffs Prospecting Syndicate was subsequently acquired by the company in 1996. Mr Sullivan has extensive knowledge in mining and prospecting in the North Eastern Goldfields and in particular on matters involving tenement administration, native title negotiation and supply and logistics of services. Mr Sullivan's practical knowledge in these areas will be of great benefit to the Company as it seeks to develop its assets for the benefit of its shareholders.

Mr Sullivan has not been a Director of any other public listed entities during the past three years.

## **DIRECTORS' REPORT**

**Peter Ross Sullivan** BE, MBA  
(Non Executive Director) 55 years  
Director since 1996

Mr Sullivan is an engineer and has been involved in the management and strategic development of resource companies and projects for more than 20 years.

Mr Sullivan has been a director of the Company since his appointment in 1996.

*Other current directorships of listed companies*

Mr Sullivan has been a director of Resolute Mining Limited since June 2001.

**Geoffrey Mayfield Motteram** BMetE (Hons), MAusIMM  
(Non Executive Director) 62 years  
Director since 1997

Mr Motteram is a metallurgical engineer with over 30 years' experience in the development of projects in the Australian resources industry.

He has extensive experience in gold and base metals having been involved with WMC's Kwinana Nickel Refinery and Kalgoorlie Nickel Smelter. He subsequently joined BHP, and later Metals Exploration, where he was involved in the evaluation of gold and base metal projects. Since 1989 he has acted as a Mining Project and Metallurgical Consultant. He was involved in the formation of Minara Resources Limited (formerly Anaconda Nickel Limited) in 1994 and controlled the technical development of the Murrin Murrin Joint Venture until the end of 1997. He is a former director of Minara Resources Limited.

Mr Motteram has been a non executive director of the Company since 1997, and provides technical support to the Company.

*Former directorships of listed companies in last 3 years*

Mr Motteram was a director of Mount Magnet South Limited from 31 May 2006 to 14 September 2010.

**Mr Mark Edward Pitts** B.Bus FCA  
(Company Secretary) 49 Years

Mr Pitts was appointed to the position of Company Secretary in February 2009. Mr Pitts is a Chartered Accountant with over twenty five years experience in statutory reporting and business administration. He has been directly involved with, and consulted to a number of public companies holding senior financial management positions. He is a partner in the corporate advisory firm Endeavour Corporate. Endeavour offers professional services focused on Company Secretarial support, corporate advice, supervision of ASIC and ASX reporting and compliance requirements, and commercial and financial support.

## DIRECTORS' REPORT

### Remuneration report (Audited)

The remuneration report is set out in the following manner:

- Policies used to determine the nature and amount of remuneration.
- Details of remuneration
- Service agreements
- Share based compensation

### Remuneration policy

The Board of Directors is responsible for remuneration policies and the packages applicable to the Directors of the Company. The broad remuneration policy is to ensure that packages offered properly reflect a person's duties and responsibilities and that remuneration is competitive and attracts, retains, and motivates people of the highest quality.

The Managing Director, Executive and Non-executive Directors are remunerated for the services they render to the Company and such services are carried out under normal commercial terms and conditions. Engagement and payment for such services are approved by the other directors who have no interest in the engagement of services.

At the date of this report the Company had not entered into any packages with Directors or senior executives which include performance based components.

### Details of remuneration for Directors

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. The Board of Directors obtains independent advice as appropriate when reviewing remuneration packages.

Details of nature and amount of each element of the emoluments of directors and executives of the Company (and each of the officers of the Company and the consolidated entity receiving the highest remuneration) are:

2011	Short Term Benefits Salary & Fees \$	Post Employment Benefits Superannuation \$	Long Term Benefits Options \$	Total \$
<b>Executive Directors</b>				
David J Varcoe	254,675	25,000	-	279,675
<b>Non-Executive Directors</b>				
James N Sullivan	24,000	-	-	24,000
Michael D Perrott	30,000	-	-	30,000
Geoffrey M Motteram	24,000	-	-	24,000
Peter R Sullivan	24,000	-	-	24,000
<b>Executives</b>				
Mr Mark Pitts	60,000	-	-	60,000
	<b>416,675</b>	<b>25,000</b>	<b>-</b>	<b>441,675</b>

## DIRECTORS' REPORT

2010	Short Term Benefits Salary & Fees	Post Employment Benefits Superannuation	Long Term Benefits Options	Total
	\$	\$	\$	\$
<b>Executive Directors</b>				
David J Varcoe	218,091	-	-	218,091
James N Sullivan	24,000	-	-	24,000
<b>Non-Executive Directors</b>				
Michael D Perrott	32,500	-	-	32,500
Geoffrey M Motteram	24,000	-	-	24,000
Peter R Sullivan	24,000	-	-	24,000
<b>Executives</b>				
Mr Mark Pitts	32,244	-	-	32,244
	<b>354,835</b>	<b>-</b>	<b>-</b>	<b>354,835</b>

The Company and its subsidiaries had three employees as at 30 June 2011.

### Service agreements

There are no service agreements with any of the Company's Directors.

### Share based compensation

There is currently no provision in the policies of the consolidated entity for the provision of share based compensation to directors. The interest of Directors in shares and options is set out elsewhere in this report.

### Directors and Executives Interests

The relevant interests of directors either directly or through entities controlled by the directors in the share capital of the company as at the date of this report are:

Director	Ordinary Shares Opening Balance	Net Change	Ordinary Shares Closing Balance
Michael D Perrott	13,343,613	889,574	14,233,187
David J Varcoe	254,375	19,958	271,333
James N Sullivan	14,329,570	955,302	15,284,872
Peter R Sullivan	13,987,158	932,475	14,919,633
Geoffrey M Motteram	5,267,552	351,169	5,618,721



## DIRECTORS' REPORT

### Meetings of Directors

During the year, 6 meetings of directors were held. Attendances were:

Name	Number Eligible to Attend	Number Attended
Michael D Perrott	6	6
David J Varcoe	6	6
James N Sullivan	6	6
Peter R Sullivan	6	6
Geoffrey M Motteram	6	5

### Loans to Directors and Executives

There were no loans entered into with Directors or executives during the financial year under review.

Related party transactions with directors and executives are set out in Note 17 to the Financial Report.

### Unlisted Options

At the date of this report the number of unlisted Options on issue were as follows:

- 5,000,000 Options exercisable at \$0.13 each, expiring 28 Feb 2012;
- 5,000,000 Options exercisable at \$0.18 each, expiring 28 Feb 2012

There were no shares issued during the year or since the end of the year upon exercise of options.

### Audit Committee

The Board reviews the performance of the external auditors on an annual basis and meets with them during the year to review findings and assist with Board recommendations.

The Board does not have a separate Audit Committee with a composition as suggested in the best practice recommendations. The full Board carries out the function of an audit committee.

The Board believes that the Company is not of a sufficient size to warrant a separate committee and that the full board is able to meet objectives of the best practice recommendations and discharge its duties in this area.

### Indemnifying Officers or Auditors

The company has not, during or since the financial year, in respect of any person who is or has been an officer or the auditor of the Company or of a related body corporate indemnified or made any relative agreement for indemnifying against a liability incurred as an officer or auditor, including costs and expenses in defending legal proceedings.

## **DIRECTORS' REPORT**

### **Environmental Regulation**

The consolidated entity's exploration and mining tenements are located in Western Australia. There are significant regulations under the Western Australian Mining Act 1978 and the Environmental Protection Acts that apply. Licence requirements relating to ground disturbance, rehabilitation and waste disposal exist for all tenements held.

The directors are not aware of any significant breaches during the period covered by this report.

### **Proceedings on Behalf of Company**

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

The Company was not a party to any such proceedings during the year.

### **Non-audit services**

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 12 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

### **Auditors' 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 signed in accordance with a Resolution of Directors.



### **David J Varcoe**

Managing Director

Perth, Western Australia

29 September 2011

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of GME Resources Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of GME Resources Limited.



**W M CLARK**  
Partner, HLB Mann Judd

**Perth, Western Australia**  
**29 September 2011**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	Consolidated	
		2011 \$	2010 \$
Other income	2	<u>165,758</u>	<u>123,891</u>
Depreciation expense		216,478	230,712
Exploration written down	7	166,124	59,111
Management and consulting fees		171,116	300,637
Administration expenses		199,642	169,283
Loss before income tax benefit		<u>587,602</u>	<u>635,852</u>
Income tax benefit	3	-	-
Net loss for the year		<u>587,602</u>	<u>635,852</u>
Other comprehensive income		-	-
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive result for the year		<u>587,602</u>	<u>635,852</u>
Basic loss per share (cents per share)	14	<u>(0.19)</u>	<u>(0.23)</u>
Diluted loss per share (cents per share)		<u>(0.19)</u>	<u>(0.23)</u>

The accompanying notes form part of this financial statement.

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2011**

	Note	Consolidated	
		2011	2010
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	11(b)	1,759,613	1,957,866
Trade and other receivables	4	6,242	48,760
Other financial assets	5	8,250	8,250
<b>TOTAL CURRENT ASSETS</b>		1,774,105	2,014,876
<b>NON CURRENT ASSETS</b>			
Plant and equipment	6	27,236	263,283
Deferred exploration and evaluation expenditure	7	31,797,475	30,261,011
<b>TOTAL NON CURRENT ASSETS</b>		31,824,711	30,524,294
<b>TOTAL ASSETS</b>		33,598,816	32,539,170
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	120,950	79,450
<b>TOTAL CURRENT LIABILITIES</b>		120,950	79,450
<b>TOTAL LIABILITIES</b>		120,950	79,450
<b>NET ASSETS</b>		33,477,866	32,459,720
<b>EQUITY</b>			
Issued capital	9	49,093,323	47,487,575
Financial assets reserve	9	(1,125)	(1,125)
Option reserve	9	973,537	973,537
Accumulated losses		(16,587,869)	(16,000,267)
<b>TOTAL EQUITY</b>		33,477,866	32,459,720

The accompanying notes form part of this financial statement.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2011**

CONSOLIDATED	Note	Ordinary Shares	Financial Assets Reserve	Option Reserve	Accumulated Losses	Total
<b>Balance at 30 June 2009</b>		44,526,381	(1,125)	740,796	(15,364,415)	29,901,637
Loss for the year		-	-	-	(635,852)	(635,852)
<b>Total comprehensive income for the year</b>		-	-	-	(635,852)	(635,852)
<b>Transaction with owners in their capacity as owners</b>						
Issue of unlisted options		-	-	232,741	-	232,741
Shares issued (net of costs)	9	2,961,194	-	-	-	2,961,194
<b>Balance at 30 June 2010</b>		47,487,575	(1,125)	973,537	(16,000,267)	32,459,720
Loss for the year		-	-	-	(587,602)	(587,602)
<b>Total comprehensive income for the year</b>		-	-	-	(587,602)	(587,602)
<b>Transaction with owners in their capacity as owners</b>						
Shares issued (net of costs)	9	1,605,748	-	-	-	1,605,748
<b>Balance at 30 June 2011</b>		49,093,323	(1,125)	973,537	(16,587,869)	33,477,866

The accompanying notes form part of this financial statement.

**STATEMENT OF CASHFLOWS  
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	Consolidated	
		2011 \$	2010 \$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		107,862	100,508
Cash paid to suppliers and employees		(1,967,352)	(1,468,406)
Interest received		57,896	23,383
<b>Net cash outflow from operating activities</b>	11(a)	<u>(1,801,594)</u>	<u>(1,344,515)</u>
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment		<u>(7,907)</u>	-
<b>Net cash outflow from investing activities</b>		<u>(7,907)</u>	-
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		1,612,548	2,978,193
Proceeds from sale of assets		5,500	-
Payment of costs associated with issue of shares		<u>(6,800)</u>	<u>(31,999)</u>
<b>Net cash inflow from financing activities</b>		<u>1,611,248</u>	<u>2,946,194</u>
Net increase/(decrease)in cash and cash equivalents		(198,253)	1,601,679
<b>Cash and cash equivalents held at the start of the year</b>		1,957,866	356,187
<b>Cash and cash equivalents held at the end of the year</b>	11(b)	<u><u>1,759,613</u></u>	<u><u>1,957,866</u></u>

The accompanying notes form part of this financial statement.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**1. STATEMENT OF ACCOUNTING POLICIES**

GME Resources Limited ('the Company') is a listed public company, incorporated and domiciled in Australia. The consolidated financial statements of the Company for the financial year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as 'the Group').

**(a) Basis of Preparation**

The financial statements are a general-purpose financial report, which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations and complies with other requirements of the law. The financial statements have also been prepared on a historical cost basis.

The financial statements are presented in Australian dollars.

The Company is a listed public company, incorporated in Australia and operating in Australia. The entity's principal activities are mineral exploration and investment.

**(b) Adoption of new and revised standards**

In the year ended 30 June 2011, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2011. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

**(c) Significant accounting judgements and key estimates**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The recoverability of the carrying amount of exploration and evaluation costs carried forward has been reviewed by the directors. In conducting the review, the recoverable amount of the consolidated entity's deferred exploration and evaluation expenditure of \$29,074,766 relating to the NiWest nickel laterite project has been assessed by reference to the higher of "fair value less costs to sell" and "value in use". In determining value in use, future cash flows are based on:

- Estimates of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction.
- Estimated production and sales levels.
- Estimate future commodity prices.
- Future costs of production.
- Future capital expenditure.
- Future exchange rates.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The cashflow model used to support the assessment is calculated over a period of 20 years, being the estimated life of the mine. The discount rate is 8% and for the purpose of this exercise, future nickel and cobalt prices of USD 20,000 and USD 40,000 per tonne respectively have been assumed with a long term AUD/USD exchange rate of \$0.95.

Variations to expected future cash flows, and timing thereof, could result in significant changes to the impairment test results, which in turn could impact future financial results.

The accounting policies and methods of computation adopted in the preparation of the financial statements are consistent with those adopted and disclosed in the company's financial statements for the financial year ended 30 June 2010.

**(d) Going Concern**

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity recorded an operating loss of \$587,602 and a cash outflow from operating activities of \$1,801,594 for the year ended 30 June 2011 and at balance date, had net current assets of \$1,653,155.

The Board considers that the consolidated entity is a going concern taking into account the existing cash resources of the Company and the ability of the Company to raise funds from sources including:

- The placement of securities under the ASX Listing Rule 7.1 or otherwise;
- An excluded offer pursuant to the Corporations Act 2001; or
- The sale of assets.

In addition the Directors are confident that the major shareholders who have supported the entity in the past will continue to support it with future funding when required. Accordingly, the Directors believe that subject to prevailing equity market conditions, the consolidated entity will obtain sufficient funding to enable it to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial statements.

**(e) Statement of compliance**

The financial statements were authorised for issue on 29<sup>th</sup> September 2011.

The financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

**(f) Basis of Consolidation**

The consolidated financial statements comprise the financial statements of GME Resources Limited and its subsidiaries as at 30 June each year (the Group).

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

Business combinations have been accounted for using the purchase method of accounting. Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributable to the non-controlling interests even if that results in a deficit balance.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of GME Resources Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interests as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

**(g) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

**(h) Borrowing Costs**

Borrowing costs are recognised as an expense when incurred except those that relate to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

**(i) Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(j) Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

**(k) Income Tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

**(k) Income Tax (cont.)**

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

**Tax consolidation legislation**

GME Resources Limited and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation. Current and deferred tax amounts are accounted for in each individual entity as if each entity continued to act as a taxpayer on its own.

GME Resources Limited recognises both its own current and deferred tax amounts and those current tax liabilities, current tax assets and deferred tax assets arising from unused tax credits and unused tax losses which it has assumed from its controlled entities within the tax consolidated group.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

**(k) Income Tax (cont.)**

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts payable or receivable from or payable to other entities in the Group. Any difference between the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) controlled entities in the tax consolidated group.

**(l) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**(m) Plant and Equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – over 4 to 5 years.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

*(i) Impairment*

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount

For plant and equipment, impairment losses are recognised in the statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

**(m) Plant and Equipment (cont.)**

*(ii) Derecognition and disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

**(n) Investments and other financial assets**

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

*(i) Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

*(ii) Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

*(iii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

**(n) Investments and other financial assets (cont.)**

*(iv) Available-for-sale investments*

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

**(o) Exploration and Evaluation Expenditure**

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the statement of comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

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

Exploration and evaluation assets are assessed for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability, and
- facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy 1(p)).

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

**(p) Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(q) Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

**(r) Issued capital**

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

**(s) Earnings per share**

Basic EPS is calculated as net result attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net result attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with potential dilutive ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and potential dilutive ordinary shares, adjusted for any bonus element.

**(t) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of GME Resources Limited.

**(u) Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>2. REVENUE AND EXPENSES</b>		
<b>(a) Revenue</b>		
<b>Operating Activities</b>		
Interest received	57,896	23,383
Proceeds from:		
Facilitation fee for prospecting rights	100,000	100,000
Other	7,862	508
Total revenue	165,758	123,891
<b>(b) Expenses:</b>		
Depreciation – plant and equipment	216,478	230,712
<b>3. INCOME TAX</b>		
<b>(a) Income tax recognised in profit and loss</b>	-	-
The prima facie income tax expense on pre-tax accounting result from operations reconciles to the income tax provided in the financial statements as follows:		
Accounting loss before tax from continuing operations	(587,602)	(635,852)
Income tax benefit calculated at 30%	(176,281)	(190,756)
Unused tax losses and tax offset not recognised as deferred tax assets	522,532	464,186
R&D Tax concession	-	19,556
Unrecognised deferred tax assets/liabilities	(401,823)	(273,547)
Under provision for income tax benefit in prior years	55,572	(19,439)
Income tax benefit reported in the consolidated statement of comprehensive income.	-	-

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>3. INCOME TAX</b>		
<b>(b) Unrecognised deferred tax balances</b>		
Unrecognised deferred tax assets comprise:		
Losses available for offset against future taxable income	10,659,641	10,137,109
Capital allowance differences	4,869	-
Capital raising costs	15,764	7,605
Provision for non-recovery of investments	1,169,023	1,169,023
Accrued expenses and liabilities	14,809	9,900
	<b>11,864,106</b>	<b>11,323,637</b>
 Unrecognised deferred tax liabilities comprise:		
Exploration expenditure	9,539,242	9,078,303
Capital allowance differences	-	61,110
	<b>9,539,242</b>	<b>9,139,413</b>
 Income tax benefit not recognised directly in equity:		
Capital raising costs	118,122	98,191
 Potential deferred tax assets attributable to tax losses and capital losses carried forward have not been brought to account because directors do not believe it is appropriate to regard realisation of the future tax benefit as probable.		
<b>Tax Consolidation</b>		
Effective 1 July 2003, for the purposes of income taxation, the Company and its 100% wholly-owned subsidiaries formed a tax consolidated group. The head entity of the tax consolidated group is GME Resources Limited.		
 <b>4. TRADE AND OTHER RECEIVABLES (CURRENT)</b>		
Sundry debtors	6,327	6,327
GST Refundable	(85)	42,433
	<b>6,242</b>	<b>48,760</b>
 The average credit period on sale of goods and rendering of services is 30 days.		
 <b>5. OTHER FINANCIAL ASSETS (CURRENT)</b>		
Available-for-sale Listed investments	8,250	8,250

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>6. PLANT AND EQUIPMENT (NON CURRENT)</b>		
Plant and equipment - at cost	762,129	781,697
Less accumulated depreciation	<u>(734,893)</u>	<u>(518,414)</u>
<b>Total plant and equipment</b>	<b><u>27,236</u></b>	<b><u>263,283</u></b>
Reconciliation of the carrying amount of plant and equipment:		
Carrying amount at the beginning of the year	263,283	493,995
Additions	7,907	-
Disposals	(5,226)	-
Insurance write-off	(22,250)	-
Depreciation	<u>(216,478)</u>	<u>(230,712)</u>
Carrying amount at the end of the year	<b><u>27,236</u></b>	<b><u>263,283</u></b>
<b>7. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE (NON CURRENT)</b>		
Deferred exploration and evaluation expenditure - at cost		
Movements:		
Balance at beginning of the year	30,261,011	29,138,670
Direct expenditure	1,702,588	1,181,452
	<u>31,963,599</u>	<u>30,320,122</u>
Less expenditure written off	<u>(166,124)</u>	<u>(59,111)</u>
	<b><u>31,797,475</u></b>	<b><u>30,261,011</u></b>

The ultimate recoupment of the above deferred exploration and evaluation expenditure is dependent on the successful development and commercial exploitation or, alternatively, sale of the respective areas at amounts sufficient to recover the investment.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>8. PAYABLES (CURRENT)</b>		
Trade payables and accruals	<u>120,950</u>	<u>79,450</u>
	<u>120,950</u>	<u>79,450</u>
Trade payables and accruals are non interest bearing and normally settled on 30 day terms.		
Details of exposure to interest rate risk and fair value in respect of liabilities are set out in note 18. There are no secured liabilities as at 30 June 2011.		
<b>9. CONTRIBUTED EQUITY AND RESERVES</b>		
<b>Issued and paid up capital</b>	<b>\$</b>	<b>\$</b>
322,635,902 (2010: 302,352,750) ordinary shares, fully paid	<u>49,093,323</u>	<u>47,487,575</u>
Ordinary shares		
Balance at the beginning of the year	47,487,575	44,526,381
Entitlement Issue (a)	1,612,548	-
Shares issued in lieu of placement fee (b)	10,104	-
Issue of shares pursuant to acquisition of tenements (c)	-	15,000
Entitlement issue (d)	-	1,055,725
Entitlement issue (e)	-	1,922,469
Costs associated with entitlement issue	(16,904)	(49,533)
Issue of shares in lieu of placement fee (f)	-	17,534
Balance at the end of the year	<u>49,093,323</u>	<u>47,487,575</u>
	<b>No of Shares</b>	<b>No of Shares</b>
Balance at the beginning of the year	302,352,750	253,373,931
Entitlement Issue (a)	20,156,850	-
Shares issued in lieu of placement fee (b)	126,302	-
Issue of shares pursuant to acquisition of tenements (c)	-	150,000
Entitlement issue (d)	-	21,114,494
Entitlement issue (e)	-	27,463,842
Issue of shares in lieu of placement fee (f)	-	250,483
Balance at the end of the year	<u>322,635,902</u>	<u>302,352,750</u>

(a) In June 2011, 20,156,850 shares were issued under a non-renounceable rights issue at 8c per share.

(b) In June 2011, 126,302 shares were issued in lieu of a placement fee relating to the shortfall of shares

(c) During the prior year, the company issued 150,000 shares as consideration for mining rights and legal interests in tenements adjacent to and part of its existing portfolio.

(d) In July 2009, 21,114,494 shares were issued under a non-renounceable rights issue at 5c per share.

(e) In May 2010, 27,463,842 shares were issued under a non-renounceable rights issue at 7c per share.

(f) In May 2010, 250,483 shares were issued in lieu of a placement fee relating to the shortfall of shares placed under entitlement issue (e) above.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**9. CONTRIBUTED EQUITY AND RESERVES****Options over Unissued Capital**

Exercise price	<b>\$0.70</b>	<b>\$0.13</b>	<b>\$0.18</b>
Balance at the beginning of the year	2,000,000	5,000,000	5,000,000
Expired	(2,000,000)	-	-
Issued	-	-	-
Balance at the end of the year	-	5,000,000	5,000,000

The 5,000,000 13c and 5,000,000 18c options outstanding at year end will expire on 28 February 2012.

**Reserves**

## Nature and purpose

The financial assets reserve is used to record movements in the fair value of available for sale assets.  
The option reserve is used to record the fair value of options issued.

The model inputs for the options are set out below.

The level of volatility anticipated for the purposes of the model was 85% for all options, The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. Dividends were assumed to be NIL.

Grant Date	Expiry Date	Vesting Date	Exercise Price	Options	Share Price at Grant	Risk Rate	Consideration
24.03.10	28.02.12	24.03.10	\$0.13	5,000,000	\$0.077	6.00%	nil
24.03.10	28.02.12	24.03.10	\$0.18	5,000,000	\$0.077	6.00%	nil

**10. CONTROLLED ENTITIES**

Name of Controlled Entity/ (Country Of Incorporation)	Percentage Owned		Company's Cost of Investment	
	2011 %	2010 %	2011 \$	2010 \$
GME Sulphur Inc (USA)	100	100	-	-
GME Investments Pty Ltd (Australia)	100	100	-	-
Golden Cliffs NL (Australia)	100	100	616,893	616,893
NiWest Limited (Australia)	100	100	4,561,313	4,561,313
			<u>5,178,206</u>	<u>5,178,206</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>11. STATEMENT OF CASH FLOWS</b>		
<b>(a) Reconciliation of cash flows from operating activities</b>		
Loss from ordinary activities after tax	(587,602)	(635,852)
Depreciation / amortisation	216,478	230,712
Exploration costs written off	166,124	59,111
Exploration costs capitalised (excluding creditors)	(1,619,819)	(1,225,368)
Decrease/(increase) in receivables	(275)	964
Increase/(decrease) in sundry creditors	23,500	(6,824)
Other non cash transactions (including issue of options)	-	232,742
Net cash flows from operating activities	<u>(1,801,594)</u>	<u>(1,344,515)</u>
<b>(b) Reconciliation of cash and cash equivalents</b>		
Cash balance comprises:		
Cash at bank	205,598	335,044
Deposits at call	<u>1,554,015</u>	<u>1,622,822</u>
	<u>1,759,613</u>	<u>1,957,866</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods between 3 to 6 months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>12. AUDITOR'S REMUNERATION</b>		
Amounts received or due and receivable by the auditors of GME Resources Ltd for:		
- an audit or review of the financial statements of the company and any other entity in the Group	22,750	34,925
- other services in relation to the company and any other entity in the Group	14,196	3,429
	36,946	38,354

**13. SEGMENT REPORTING**

The Group has adopted AASB 8 *Operating Segments* which requires operating segments to be identified on the basis of internal reports about components of the Group that are reviewed by the chief operating decision maker, being the Board of GME Resources Limited, in order to allocate resources to the segment and assess its performance. The Board of GME Resources Limited reviews internal reports prepared as consolidated financial statements and strategic decisions of the Group are determined upon analysis of these internal reports. During the period, the Group operated predominantly in one business and geographical segment being the resources sector in Australia. Accordingly, under the 'management approach' outlined only one operating segment has been identified and no further disclosure is required in the notes to the consolidated financial statements.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>14. EARNINGS PER SHARE</b>		
Basic and diluted loss per share (cents)	<u>(0.19)</u>	<u>(0.23)</u>
Loss used in calculation of basic and diluted earnings per share	587,602	635,852
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted earnings per share	<u>304,125,651</u>	<u>275,601,101</u>

No adjustment was made for the 10,000,000 options on issue at 30 June 2011 (2010: 12,000,000) as they are not considered to be dilutive.

**15. DIRECTORS' AND EXECUTIVES DISCLOSURES**

**a) Details of Key Management Personnel**

*(i) Directors*

Michael Delaney Perrott	– Non executive Chairman
David John Varcoe	– Managing Director
James Noel Sullivan	– Non executive Director
Peter Ross Sullivan	– Non executive Director
Geoffrey Mayfield Motteram	– Non executive Director

*(ii) Executives*

Mark Pitts	- Company Secretary
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**(b) Compensation of Key Management Personnel**

*(i) Compensation Policy*

The Board of Directors is responsible for remuneration policies and the packages applicable to the Directors of the Company. The Board remuneration policy is to ensure that packages offered properly reflect a person's duties and responsibilities and that remuneration is competitive and attracts, retains, and motivates people of the highest quality.

The Managing Director and Non-executive Directors are remunerated for the services they render to the Company and such services are carried out under normal commercial terms and conditions. Engagement and payment for such services are approved by the other directors who have no interest in the engagement of services.

There are no retirement or termination benefits payable to the Board or senior executives.

At the date of this report the Company had not entered into any packages with Directors or senior executives which include performance based components. The Company does not operate an employee share option plan.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**17. DIRECTORS' AND EXECUTIVES DISCLOSURES (CONTINUED)****(b) Compensation of Key Management Personnel continued***(ii) Compensation of Key Management Personnel for the year ended 30 June 2011*

2011	Short Term Benefits Salary & Fees \$	Post Employment Benefits Superannuation \$	Long Term Benefits Options \$	Total \$
<b>Executive Directors</b>				
David J Varcoe	254,675	25,000	-	279,675
<b>Non-Executive Directors</b>				
James N Sullivan	24,000	-	-	24,000
Michael D Perrott	30,000	-	-	30,000
Geoffrey M Motteram	24,000	-	-	24,000
Peter R Sullivan	24,000	-	-	24,000
<b>Executives</b>				
Mr Mark Pitts	60,000	-	-	60,000
	<b>416,675</b>	<b>25,000</b>	<b>-</b>	<b>441,675</b>

*(ii) Compensation of Key Management Personnel for the year ended 30 June 2010*

2010	Short Term Benefits Salary & Fees \$	Post Employment Benefits Superannuation \$	Long Term Benefits Options \$	Total \$
<b>Executive Directors</b>				
David J Varcoe	218,091	-	-	218,091
James N Sullivan	24,000	-	-	24,000
<b>Non-Executive Directors</b>				
Michael D Perrott	32,500	-	-	32,500
Geoffrey M Motteram	24,000	-	-	24,000
Peter R Sullivan	24,000	-	-	24,000
<b>Executives</b>				
Mr Mark Pitts	32,244	-	-	32,244
	<b>354,835</b>	<b>-</b>	<b>-</b>	<b>354,835</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**17. DIRECTORS' AND EXECUTIVES DISCLOSURES (CONTINUED)****(c) Shareholdings of Key Management Personnel (Consolidated)**

	Ordinary Shares 1/7/2010	Net Change	Ordinary Shares 30/6/2011
Michael Delaney Perrott	13,343,613	889,574	14,233,187
David John Varcoe	254,375	19,958	271,333
James Noel Sullivan	14,329,570	955,302	15,284,872
Peter Ross Sullivan	13,987,158	932,475	14,919,633
Geoffrey Mayfield Motteram	5,267,552	351,169	5,618,721

**(d) Other transactions and balances with Key Management Personnel**

There were no other transactions with key management personnel during this financial year.

**18. FINANCIAL INSTRUMENT DISCLOSURES****Financial risk management objectives**

The group is exposed to market risk (including interest rate), credit risk and liquidity risk.

The Group does not issue derivative financial instruments, nor does it believe that it has exposure to such trading or speculative holdings through its investments in associates.

Risk management is carried out by the Board as a whole, which provides the principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, and liquidity risk. The group uses different methods to measure different types of risk to which it is exposed. Where appropriate these methods will include sensitivity analysis in the case of interest rate, and other price risks and aging analysis for credit risk.

**(a) Categories of financial instruments**

2011	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing		Non-interest Bearing	Total
			Within 1 year	Over 1 year		
Financial Assets		\$	\$	\$	\$	\$
Cash assets	3.96%	205,598	1,554,015	-	-	1,759,613
Other financial assets		-	-	-	8,250	8,250
Trade and other receivables		-	-	-	-	-
		<u>205,598</u>	<u>1,554,015</u>	<u>-</u>	<u>8,250</u>	<u>1,767,863</u>
Payables		-	-	-	120,950	120,950
		<u>-</u>	<u>-</u>	<u>-</u>	<u>120,950</u>	<u>120,950</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**18. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)**

2010	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing		Non-interest Bearing	Total
			Within 1 year	Over 1 year		
Financial Assets		\$	\$	\$	\$	\$
Cash assets	3.22%	335,044	1,622,822	-	-	1,957,866
Other financial assets	-	-	-	-	8,250	8,250
Trade and other receivables	-	-	-	-	42,433	42,433
		<u>335,044</u>	<u>1,622,822</u>	<u>-</u>	<u>50,683</u>	<u>2,008,549</u>
Payables	-	-	-	-	79,450	79,450
		<u>-</u>	<u>-</u>	<u>-</u>	<u>79,450</u>	<u>79,450</u>

**(b) Interest rate risk sensitivity analysis**

The Company and the Group are exposed to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, in respect of the cash balances and deposits.

The sensitivity analyses below have been determined based on the exposure to interest rates for instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the change in interest rates.

At reporting date, if interest rates had been 50 basis points higher and all other variables were held constant, the Group's net loss before tax and equity would reduce by \$8,798 and increase by \$8,798 respectively (2010:\$9,789). A reduction in the interest rate would have an equal but opposite effect.

**(c) Liquidity risk**

The Company manages liquidity risk by continually monitoring cash reserves and cash flow forecasts to ensure that financial commitments can be met as and when they fall due.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**18. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)**

**(d) Credit Risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is not significantly exposed to credit risk from its operating activities, however the Board does monitor receivables as and when they arise. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset mentioned above. The Group does not hold collateral as security.

No material exposure is considered to exist by virtue of the possible non performance of the counterparties to financial instruments and cash deposits.

**(e) Capital management risk**

The Company controls the capital of the Group in order to maximise the return to shareholders and ensure that the Group can fund its operations and continue as a going concern.

The Company effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses include the management of expenditure and debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year.

**(f) Net fair values**

The net fair value of the financial assets and financial liabilities approximates their carrying value. Other than listed investments that are measured at the quoted bid price at balance date adjusted for transaction costs expected to be incurred, no financial assets and financial liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**19. COMMITMENTS AND CONTINGENT LIABILITIES**

There were no capital commitments or contingent liabilities, not provided for in the financial statements of the Group as at 30 June 2011, other than:

**(a) Mineral Tenement Leases**

In order to maintain current rights of tenure to mining tenements, the Group in its own right or in conjunction with its joint venture partners may be required to outlay amounts of approximately \$2,424,223 (2010: \$5,506,000) per annum on an ongoing basis in respect of tenement lease rentals and to meet the minimum expenditure requirements of the Western Australian and Queensland Mines Department. These obligations are expected to be fulfilled in the normal course of operations by the Group or its joint venture partners and are subject to variations dependent on various matters, including the results of exploration on the mineral tenements.

**(b) Claims of Native Title**

Legislative developments and judicial decisions (in particular the uncertainty created in the area of Aboriginal land rights by the High Court decision in the "Mabo" case and native title legislation) may have an adverse impact on the Group's exploration and future production activities and its ability to fund those activities. It is impossible at this stage to quantify the impact (if any) which these developments may have on the Group's operations.

Native title claims have been made over ground in which the Group currently has an interest. It is possible that further claims could be made in the future. The Company has established access agreements with the major claimant groups in the area. All of the mineral resources are located on granted mining leases. Once granted there is no opportunity for veto of project development under the Native Title act however owners must adhere to the provisions of the Aboriginal Heritage Act 1972 which regulates how to deal with specific heritage sites that may exist on the tenement.

**(c) Non Cancellable Operating Lease Commitments**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	\$	\$
Within one year	32,850	27,676
One year or later and no later than five years	13,687	-
	46,537	27,676

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**20. INTERESTS IN BUSINESS UNDERTAKINGS - JOINT VENTURES**

The Company has entered into a number of agreements with other companies to gain interests in project areas. These interests will be earned by expending certain amounts of money on exploration expenditure within a specific time. The Company can however, withdraw from these projects at any time without penalty. The amounts required to be expended in the next year have been included in Note 19 – Commitments and Contingent Liabilities.

**21. RELATED PARTIES**

Total amounts receivable and payable from entities in the wholly-owned group at balance date:

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Non-Current Receivables</b>		
Loans net of provisions for non recovery	13,706,097	11,135,928
<b>Current Payables</b>		
Loans	<u>1,441,784</u>	<u>1,530,993</u>

**22. PARENT ENTITY DISCLOSURE**

As at, and throughout, the financial year ended 30 June 2011 the parent company of the group was GME Resources Limited.

**Results of the parent entity**

Loss for the period	687,601	735,854
Other comprehensive income	-	-
Total comprehensive result for the period	<u>687,601</u>	<u>735,854</u>

**Financial position of the parent entity at year end**

Current assets	1,770,556	2,011,325
Total assets	33,165,804	32,195,365
Current liabilities	1,660,734	1,608,444
Total liabilities	1,660,734	1,608,444

**Total equity of the parent entity comprising of :**

Share capital	49,093,323	47,487,575
Option reserve	(1,125)	(1,125)
Financial assets reserve	973,538	973,538
Accumulated losses	<u>(18,560,667)</u>	<u>(17,873,066)</u>
<b>Total Equity</b>	<u>31,505,069</u>	<u>30,586,922</u>

**23. SUBSEQUENT EVENTS**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

**DIRECTORS' DECLARATION**

1. In the opinion of the directors of GME Resources Limited (the "Company"):
  - a. The financial statements, notes, and the additional disclosures are in accordance with the Corporations Act 2001 including:
    - i) giving a true and fair view of the group's financial position as at 30 June 2011 and of its performance for the year then ended; and
    - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 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.
  - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2011.

This declaration is signed in accordance with a resolution of the Board of Directors.



**David J Varcoe**  
Managing Director  
Perth, Western Australia  
29th September 2011



## INDEPENDENT AUDITOR'S REPORT

To the members of GME Resources Limited

### Report on the Financial Report

We have audited the accompanying financial report of GME Resources Limited ("the company"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

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

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1(e), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies with International Financial Reporting Standards.

### *Auditor's Responsibility*

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

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

***Matters Relating to the Electronic Presentation of the Audited Financial Report***

This auditor's report relates to the financial report and remuneration report of GME Resources Limited for the financial year ended 30 June 2011 included on GME Resources Limited's website. The company's directors are responsible for the integrity of the GME Resources Limited website. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report identified in this report. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report.

***Independence***

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

***Auditor's Opinion***

In our opinion:

- (a) the financial report of GME Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(e).

**Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

***Auditor's Opinion***

In our opinion, the Remuneration Report of GME Resources Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.



**HLB MANN JUDD**  
Chartered Accountants



**W M CLARK**  
Partner

Perth, Western Australia  
29 September 2011

**ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

The following additional information, applicable at 21 September 2011, is required by the Australian Securities Exchange Ltd in respect of listed public companies only.

**Shareholding**

**a. Distribution of Shareholders**

Category (size of holding)	Number of Holders
1 – 1,000	90
1,001 – 5,000	339
5,001 – 10,000	175
10,001 – 100,000	578
100,001 – and over	228
	1,410

b. The number of shareholders holding less than a marketable parcel is 456.

c. The names of the substantial shareholders listed in the holding company's register as at 21 September 2011 are:

Shareholder	Number	% of issued capital
ALCF PTY LTD (FORMERLY RETIREWISE)	85,729,092	26.6
MANDALUP INVESTMENTS PTY LTD	20,241,180	6.3

**d. Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

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**ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**
**e. 20 Largest Shareholders — Ordinary Shares**

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1 RETIREWISE CAPITAL PTY LTD	29,262,418	9.07
2 RETIREWISE CAPITAL AUSTRALIA PTY LTD	24,870,544	7.71
3 NEWPORT BLACK TRUST COMPANY LTD	24,658,424	7.64
4 MANDALUP INVESTMENTS PTY LTD <MANDALUP DISCRETIONARY A/C>	20,241,180	6.27
5 RETFORD RESOURCES NL	16,086,642	4.99
6 DUNCRAIG INVESTMENTS SERVICES PTY LTD <PMS SUPER - PERROTT A/C>	14,233,187	4.41
7 EQUITY TRUSTEES LIMITED <SGH TIGER A/C>	11,408,024	3.54
8 TWO TOPS PTY LTD	8,096,525	2.51
9 MR PETER ROSS SULLIVAN	7,034,105	2.18
10 HARDROCK CAPITAL PTY LTD	6,064,867	1.88
11 MANDALUP INVESTMENTS PTY LTD <MANDALUP SUPER FUND A/C>	5,474,066	1.70
12 J P MORGAN NOMINEES AUSTRALIA LIMITED	5,249,140	1.63
13 PROTAX NOMINEES PTY LTD <RICHARDS SUPER FUND A/C>	4,413,333	1.37
14 MR JAMES NOEL SULLIVAN	4,288,174	1.33
15 MD NICHOLAEFF PTY LTD <M & N SUPER FUND A/C>	4,077,170	1.26
16 MR DOUGLAS STUART BUTCHER	4,000,400	1.24
17 NAVIGATOR AUSTRALIA LTD <NAVIGATOR PERS PLAN SETT A/C>	3,565,471	1.11
18 GEOMETT PTY LTD <WINGILLENNA A/C>	3,466,666	1.07
19 TUNZA HOLDINGS PTY LTD	3,088,390	0.96
20 SULLIVANS GARAGE PTY LTD	2,855,964	0.89
	<b>202,434,690</b>	<b>62.74</b>

**Stock Exchange Listing**

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited. The ASX code is GME.