

GME Resources Limited

(ABN 62 009 260 315)

Interim Report **31 December 2016**

Contents	Page
Directors' Report	1 - 3
Auditor's Independence Declaration	4
Condensed Consolidated Statement of Comprehensive Income	5
Condensed Consolidated Statement of Financial Position	6
Condensed Consolidated Statement of Changes in Equity	7
Condensed Consolidated Statement of Cash Flows	8
Notes to the Condensed Consolidated Financial Statements	9 - 11
Directors' Declaration	12
Independent Auditor's Review Report	13

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity (Group) for the half year ended 31 December 2016.

Directors

The names of directors who held office during or since the end of the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Michael Delaney Perrott	Non-Executive Chairman
James Noel Sullivan	Executive Director
Peter Ross Sullivan	Non-Executive Director

Review of Operations

Devon Gold Project

Mining and processing operations at Devon have now concluded and rehabilitation work at the site is scheduled to be completed in the first quarter of 2017.

The successful development, which commenced with a trial mine in June 2015 and followed by the development of a larger open pit mine from February 2016 to August 2016, generated \$5.85 million profit (excluding initial exploration expenditure capitalised on the project prior to commencement of development of the mine).

The development leaves the Company in a relatively strong financial position to pursue further initiatives on both its Gold and Nickel assets over the next year.

The Company is reviewing the potential for the development of underground resources at Devon. Mineralisation extends well below the current pit floor and remains open and untested at depth.

NiWest Nickel Laterite Project

The NiWest project is at an advanced stage and will be development ready once the flow sheet design has been finalised. The project is unique in that the nickel and cobalt can be extracted efficiently using low capital heap leaching methods as opposed to the traditional high capital autoclave processing circuit. The Company has completed a significant body of work in relation to the metallurgical characteristics of the NiWest ore types, mine planning, environmental studies, including trial mine/heap leach approval and water resource permitting.

The Company has appointed Somers & Partners ("Somers") to provide corporate advisory services in relation to the NiWest Nickel Cobalt Project. Somers have been mandated to examine and assist with funding arrangements, development of strategic options and alliances, market research and provide corporate advice to maximise the value of the Project for shareholders.

Previous studies have determined that defined resources at NiWest support a long life heap leach project that has the potential to transform the Company into a significant supplier of nickel and cobalt products. (Refer ASX Announcement 11 Dec 2013).

The Company's development strategy is based on establishing a heap leaching operation aligned to the availability of key leaching reagents that can be sourced locally. Current research has identified potential reagent suppliers in the area that have the capacity to support a heap leach operation.

As foreshadowed in previous reports, the Company has now recommenced metallurgical test work on the development of a suitable project flow sheet for the NiWest Nickel/Cobalt Laterite Heap Leach Project. The test work program is focused on the production of high quality nickel and cobalt products. It is anticipated there will be significant interest in new Nickel and Cobalt production due to the rapidly emerging lithium ion battery market.

The metallurgical program will continue to develop process routes for the economic removal of iron, solution neutralisation and solvent extraction steps. Batch testing has recommenced and once optimum parameters have been set the program will move into continuous piloting. The program will also include development of the Company's patented acid regeneration technology which has potential to reduce overall acid consumption by 30%.

A column test has commenced on ore samples collected via Sonic drilling from the Hepi Deposit. A sub sample of the Hepi ore has been sent to Hydrosense in the US to develop optimum agglomeration and heap conditions. Assay results from a composite sample of the Hepi sonic ore used in the column has returned consistent high grade Ni ore averaging 2%.

Also of note, is the high level of Scandium assaying in the Mt Kilkenny and Hepi ore samples and subsequently reporting directly in the pregnant leach solution (PLS).

During the reporting period the Company commenced work on updating the NiWest Mineral Resource Estimate (MRE) to JORC 2012. This work was completed and an updated MRE was announced on 21 February 2017.

Murrin Murrin Gold Project Joint Venture.

GME Resources Ltd and Zeta Resources Ltd

As announced on the 14 July 2016, the Company, through its 100% owned subsidiary Golden Cliffs NL (GCNL) has entered into a binding Terms Sheet with Kumarina Resources Pty Ltd whereby CGNL can earn up to 50% interest in the project.

The Murrin Murrin Gold Project hosts the Malcolm Challenger gold deposits that contain a JORC 2012 indicated resource estimate of 547,000 tonnes at 3.12 grams per tonne for 54,875 ounces. (Refer ZER ASX announcement, 22 Jan 2014) and is considered to be at an advanced stage of exploration. The Malcolm Challenger deposit has the potential to be developed in a similar fashion to the Devon Gold project.

The project area also hosts a number of other gold prospects that have been drill tested and provide walk up targets for future exploration.

Malcolm Challenger Deposit

The Joint Venture completed an RC drilling program in September 2016 designed to test the robustness of critical, moderate to high grade gold mineralisation highlighted by previous optimisation studies. These relatively shallow zones of gold mineralisation lie below and adjacent to two shallow open pits at the historic Malcolm and Challenger gold workings. The program confirmed the robustness for a majority of these zones returning significant economic intersection of gold mineralisation up to 14 m @ 11.7 g/t Au from 37 metres. (Refer to ASX Announcement dated 4 October 2016)

The results from the program have been incorporated into the Company's data base, along with further database validation and corrections, incorporating the determination and utilisation of a more accurate grid transformation. Also during the period, as part of the process to update the resource model, the company has refined the digital terrain model (DTM), created 3D model of historical underground workings and updated a constraining ore solid.

Results from Operations

The Company recorded a net profit (after tax) for the half year to 31 December 2016 of \$2,064,550 (December 2015: \$479,189).

Exploration, evaluation and mine development expenditure of \$1,036,885 was capitalised in the half year to 31 December 2016, (December 2015: \$1,603,619).

Subsequent Events

No matters or circumstances have arisen since the end of the reporting period 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.

Auditor's Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 31 December 2016.

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



James Sullivan

Managing Director

Dated this 14th day of March 2017

Competent Person Statements

Competent Person Statements

NiWest Nickel Project

The information in this report that relates to Mineral Resources is based on information compiled by Mr David Reid of Ravensgate Resource Consultants. Mr Reid is a fellow of The Australasian Institute of Mining and Metallurgy. Mr Reid is a Principal Consultant with Ravensgate Minerals Industry Consultants who consults to the Company. Mr Reid has sufficient experience, which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Reid consents to the inclusion in the report of the matters based on information provided in the form and context in which it appears.

The information in this announcement that relates to Processing / Engineering and related operating and capital cost estimates is based on information reviewed by Mr David Readett (B.E. Met Eng., FAusIMM, CP (Met)). Mr Readett is an independent consulting engineer working through a Company known as MWorx Pty Ltd. Mr Readett is a Chartered Professional Metallurgical Engineer and has 25 years of relevant experience in this area of work. Mr Readett consents to the inclusion in this announcement of the matters based on information provided by him and in the form and context in which it appears.

Devon and Murrin Murrin Gold Projects

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Mark Gunther who is a member of The Australasian Institute of Geoscientists. Mr Gunther is a Principal Consultant with Eureka Geological Services. Mr Gunther has sufficient experience, which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Gunther consents to the inclusion in the report of the matters based on information provided in the form and context in which it appears.

Forward Looking Statement

This announcement contains statements related to our future business and financial performance and future events or developments involving GME Resources (GME) that may constitute forward-looking statements. These statements may be identified by words such as "potential", "exploitable", "proposed open pit", "evaluation", "expect," "future," "further," "operation", "development, "plan," "permitting", "approvals", "processing agreement" or words of similar meaning. Such statements are based on the current expectations and certain assumptions of GME management & consultants, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond GME's control, affect our operations, performance, business strategy and results and could cause the actual results, performance or achievements of GME to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of GME Resources Limited for the half-year ended 31 December 2016, 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 review; and
- b) any applicable code of professional conduct in relation to the review.



**Perth, Western Australia
14 March 2017**

**N G Neill
Partner**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

		Consolidated	
	Notes	31 Dec 2016	31 Dec 2015
		\$	\$
Revenue			
Sale of ore from gold mining operation		5,200,259	-
Mining and processing costs		(2,930,391)	-
Royalty expense		(80,234)	-
Gross profit		2,189,634	-
Other income	2	108,140	106,474
Management and consulting expenditure		(32,500)	(32,500)
Depreciation and amortisation expense		(1,035)	(4,399)
Exploration write-off		(20,000)	-
Research & development claim preparation		-	(92,373)
Other expenses		(179,689)	(114,016)
Profit/(loss) before income tax		2,064,550	(136,814)
Income tax benefit (R&D refund)		-	616,003
Net Profit for the half year		2,064,550	479,189
Other comprehensive income		-	-
Total comprehensive income for the half year		2,064,550	479,189
Basic earnings per share (cents)		0.45	0.10
Diluted earnings per share (cents)		0.45	0.10

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

		Consolidated	
	Notes	31 Dec 2016	30 June 2016
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents		3,695,432	1,529,217
Inventories	4	-	529,132
Prepayments		26,636	4,750
Total Current Assets		3,722,068	2,063,099
Non-Current Assets			
Trade and other receivables	3	17,189	17,189
Plant and equipment		4,543	1,996
Intangible assets		2,953	3,691
Deferred exploration and evaluation expenditure	5	27,440,028	26,423,143
Mine development expenditure	6	-	1,452,671
Total Non-Current Assets		27,464,713	27,898,690
Total Assets		31,186,781	29,961,789
Liabilities			
Current Liabilities			
Trade and other payables	7	523,195	1,362,753
Total Current Liabilities		523,195	1,362,753
Total Liabilities		523,195	1,362,753
Net Assets		30,663,586	28,599,036
Equity			
Issued capital	8	53,203,031	53,203,031
Accumulated losses		(22,539,445)	(24,603,995)
Total Equity		30,663,586	28,599,036

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	CONSOLIDATED			
	Issued	Option	Accumulated	Total
	Capital	Reserve	Losses	Equity
	\$	\$	\$	\$
Balance at 1 July 2015	53,203,031	973,537	(27,890,439)	26,286,129
Profit for the period	-	-	479,189	479,189
Total comprehensive income for the period	-	-	479,189	479,189
Balance at 31 December 2015	53,203,031	973,537	(27,411,250)	26,765,318
Balance at 1 July 2016	53,203,031	-	(24,603,995)	28,599,036
Profit for the period	-	-	2,064,550	2,064,550
Total comprehensive income for the period	-	-	2,064,550	2,064,550
Balance at 31 December 2016	53,203,031	-	(22,539,445)	30,663,586

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$	\$
Cash flows from operating activities		
Proceeds from gold sales	5,720,285	-
Payments to suppliers and employees	(267,278)	(254,235)
Exploration and evaluation expenditure	(832,304)	(972,725)
Payment for mine development	-	(438,734)
Payment for mining operations	(2,569,784)	(9,559)
Interest received	8,140	6,460
Research and development refund	-	616,003
Facilitation fee received	110,000	100,000
Net cash inflow/(outflow) from operating activities	2,169,059	(952,790)
Cash flows from financing activities		
Net cash inflow/(outflow) from financing activities	-	-
Cash flows from investing activities		
Purchase of non-current assets	(2,844)	-
Net cash inflow/(outflow) from investing activities	(2,844)	-
Net increase/(decrease) in cash and cash equivalents	2,166,215	(952,790)
Cash and cash equivalents held at the start of the period	1,529,217	1,792,890
Cash and cash equivalents held at the end of the period	3,695,432	840,100

The accompanying notes form part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The half-year condensed consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

The condensed half-year statements do not include full disclosures of the type normally included in the annual financial statements. Therefore, they cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that these financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2016 and any public announcements made by GME Resources Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

(b) Basis of preparation

The half-year statements have been prepared on a historical cost basis. The Company is domiciled in Australia and all amounts are presented in Australian dollars unless otherwise noted.

For the purpose of preparing the half-year statements, the half-year has been treated as a discrete reporting period.

(c) Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim accounting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current half-year.

The Directors have also reviewed all of the new and revised Standards and Interpretations issued but not yet effective which are relevant to the Group. As a result of this review, the Directors have determined that there is no material impact of the new and revised standards and interpretations and therefore no change to Group accounting policies is necessary.

(d) Significant accounting judgements and key estimates

The preparation of half-year 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.

In preparing these interim statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2016.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

NOTE 2: PROFIT FROM ORDINARY ACTIVITIES

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$	\$
The following revenue items are relevant in explaining the financial performance for the half-year:		
(a) Other income		
Facilitation fee	100,000	100,000
Interest received	8,140	6,474
	<u>108,140</u>	<u>106,474</u>

NOTE 3: TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 Dec 2016	30 June 2016
	\$	\$
Non current		
Bonds	17,189	17,189

NOTE 4: INVENTORIES

	Consolidated	
	31 Dec 2016	30 June 2016
	\$	\$
Ore stockpiles	-	529,132

NOTE 5: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	Half year ended 31 Dec 2016	Year ended 30 June 2016
	\$	\$
Balance at beginning of the period	26,423,143	24,819,524
Direct expenditure	1,036,885	1,603,619
	<u>27,460,028</u>	<u>26,423,143</u>
Less expenditure written off	(20,000)	-
Total deferred exploration and evaluation expenditure	<u>27,440,028</u>	<u>26,423,143</u>

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 expenditure.

NOTE 6: MINE DEVELOPMENT EXPENDITURE

	Consolidated	
	31 Dec 2016	30 June 2016
	\$	\$
Mine development Stage - at cost		
Mine development expenditure	-	1,452,671

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

NOTE 7: TRADE AND OTHER PAYABLES

	Consolidated	
	31 Dec 2016	30 June 2016
	\$	\$
Trade payables and accruals	465,765	1,196,034
GST payable	57,430	166,719
	523,195	1,362,753

NOTE 8: ISSUED CAPITAL

	Consolidated	
	31 Dec 2016	30 June 2016
	\$	\$
<i>Ordinary shares</i>		
Issued and fully paid	53,203,031	53,203,031
	No.	\$
<i>Movements in ordinary shares on issue</i>		
At 1 July 2016	461,596,374	53,203,031
At 31 December 2016	461,596,374	53,203,031

NOTE 9: DIVIDENDS

No dividends were paid or declared during the period.

NOTE 10: 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 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.

NOTE 11: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

NOTE 12: FINANCIAL INSTRUMENTS

The Directors consider that the carrying value of the financial assets and financial liabilities as recognised in the consolidated financial statements approximate their fair values.

NOTE 13: EVENTS AFTER BALANCE DATE

No matters or circumstances have arisen since the end of the reporting period 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

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 11 are in accordance with the Corporations Act 2001 including:
 - a. Complying with the Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year then ended.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors, made pursuant to s303(5) of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read 'James Sullivan', written in a cursive style.

James Sullivan

Director

Dated this 14th day of March 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of GME Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of GME Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in blue ink that reads 'HLB Mann Judd'.

HLB Mann Judd
Chartered Accountants

A handwritten signature in blue ink that reads 'Norman G. Neill'.

N G Neill
Partner

Perth, Western Australia
14 March 2017