GBM GOLD LTD

ACN 119 956 624

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

RAB drilling at Gowks Hill

Max North Shoot, 192mN sub level 1 – Looking Nth

Contents

Chairman's Letter

Dear Shareholders

The GBM Gold team has worked hard throughout the financial year endeavouring to advance the interests of all stakeholders.

The tremendous effort resulted in a modest increase in the Resource of the group and significant progress at Inglewood towards a more functional and continuously productive operation. It also led during the year to the introduction of a significant international Resource investor, Sterlington Resources, which has taken a strategic long term stake in GBM.

Regrettably in the financial year the effort did not lead to increased revenue, as operations faltered on several occasions. Additionally the shareprice has not as yet recovered.

In the second half of the financial year a significant restructure was undertaken at Inglewood, resulting in a reduced operating team with reduced operating cost, yet still able to deliver similar or improved output at the reduced cost.

Also during the second half of the year the new strategic alliance was formed with international resource group Sterlington Resources. This has to date led to them injecting A$875,000 as equity plus provision of a further A$170,000 which presently sits on the balance sheet as a loan. This loan, plus other funding and assets to be injected by Sterlington in to GBM, is intended to be converted to equity in GBM subject to required GBM shareholder approvals and any other required approvals.

Some significant events have occurred post financial year end:

- Panama based Wiltshire Asset Management (Wiltshire) agreed to purchase for A$5m all of the shares in 100% GBM subsidiary Industrial Sands & Gravels Pty Ltd (ISG). ISG is the owner of the Beavis project, an alluvial project in the Avoca region. A sizeable non-refundable deposit of $750,000 has been paid with the remainder to be paid at A$250,000 per month over 17 months, with payments presently commencing on the 5th of July 2013 and ending on 5th November 2014. Payment timing penalties of $250,000 were also accrued by Wiltshire, but in consideration of the agreement below have been waived..
- Wiltshire also has entered in to a written agreement with GBM on 30 September 2012 to invest A$9m in to our subsidiary the Inglewood Goldmining Company Pty Ltd (INGMCo) in tranches of A$1m, A$4m and a further A$4m. Upon each tranche being injected, subject to any and all required approvals, Wiltshire will be issued INGMCo shares moving it to firstly 20%, then 50% and finally 80% of INGMCo – and GBM the converse of this. In consideration of the agreement being completed GBM has waived its entitlement to a penalty of A$250,000 in respect of the ISG transaction above. The full details of this agreement are contained in the Post balance dates section of this report and in an ASX release dated 1 October 2012.
- With this transaction signed, and thus GBM's debt issues resolved, Sterlington Resources has agreed with GBM to provide :

- the further sum of $875,000 that was undertaken by to be injected under the initial agreement with Sterlington – adjusted for a part payment of $170,000 already made; and
- access for GBM to assess investment in to one or more major International gold projects, containing many millions of ounces of gold recoverable from surface, with appropriate funding to allow each project to be taken in to production as soon as possible.

Clearly these events are significant for GBM. As a result group debt issues will be resolved and GBM has the opportunity (and intent) to grow in to a substantial gold production company over the coming years. Obviously any and all approvals required for these transactions at any steps will need to be sought and received.

Financially the 2012 financial year has been a struggle, but with the extra funds already received from Sterlington and Wiltshire post balance date the financial affairs and standing of the company are already much improved as at the date of this report - and with the still further funds to come as set out above a smoother FY2013 is in prospect.

The board continues to view each of our projects as having significant merit, and GBM as a company and as a group to have a strong future. Where value accruing alternatives, such as sale or JV, present themselves GBM is more than happy to review the nature of its holding in each project.

Each of our projects comprises one or more Mining licences (MIN's), Exploration Licences (EL's) and/or in some cases Work Authorities (WA's) - which cover a number of well defined Exploration Targets and/or Resource blocks.

- Inglewood project – during the year we have further refined the Maxwells Mill processing plant and operation, focused the mining effort at the Maxwells Mine on to the 190 area Level 1, significantly expanded the surface based Exploration Targets and carried out further drill programmes aimed to convert the Exploration Targets to Resource at a number of the targets, including Gowks Hill and Daley reef. Work Plans to allow for increased tailing capacity as well as bulk sampling at Woolf shoot and Gowks hill have been progressed as well as a Mining licence over Gowks Hill.
- The Goldsborough project, comprising the Harvest Home and Queens Birthday joint ventures, has made progress with our new JV partner Silver Bright Investments Ltd. A small drilling programme was carried out at Harvest Home aiming to allow the Resource to be upgraded to indicated category. Results are awaited. At Queen's Birthday a significant programme has been planned, pending availability of funds.
- Wilson Hill saw all core samples collected and stored at the Groups central warehouse in Bendigo. Re-analysis and relogging occurred and a further drill programme planned. At Fiddlers Creek collection and relogging of the core samples from historical drilling identified a further high grade area beneath the existing Fiddlers Creek mine resource. A small drill campaign is planned as part of pre-feasibility for the driving of a small decline to access this area, rather than via the existing decommissioned shaft, along with recommissioning of the existing Fiddlers Creek Mill. In addition an open cut target was identified on the adjacent MIN and further planning work is underway aimed at a short exploration and analysis programme to define if this is an economic open pit Resource for mining

- The Avoca project is an Exploration licence overlaying the Fiddlers Creek and Beavis projects, to both protect for extensions of the same and also to give opportunity to explore the Percydale goldfield north of Avoca. Most work in the year focused on the Beavis block and surrounding area.
- Beavis underwent significant exploration and modelling, along with the gaining of work plan approval to process the surface heaps. Prior to commencement of work, and post financial year end, an offer was received from Wiltshire Asset Management Ltd to purchase for A$5m the company that owns Beavis being Industrial Sands & Gravels Pty Ltd. The offer was accepted and the initial A$750,000 deposit has been received as at the date of this report.

At the corporate level debt stood at higher levels than the board wishes to continue with, but approx half of all consolidated liabilities at balance date are represented by the Maradox gold loan. Other payables, liabilities and accruals have been reduced substantially since balance date utilising funds already received from some of the post balance date events. From the further funds undertaken to be injected, the company will apply these so as to be close to debt free other than the gold loan, which is to be serviced and repaid by INGMCo from the funds it is to receive ex Wiltshire.

GBM has received no rerating on the sharemarket. Whilst our operational and financial performance has been below expectation throughout the year, shareprice performance must also be seen in the context of the overall capital markets – which are not financially supporting and generally poorly valuing many small cap resource stocks.

Our view as to the best way to address this lack of share market performance is to :

- position the Inglewood operation to achieve acceptable financial performance
- raise further funds from our strategic investor and associates to enable the GBM group to grow
- identify and acquire one or more substantial International gold assets, where the asset(s) allow(s) for profitable gold production to commence in the short term

In addition we continue to focus on :

- Increasing conversion of existing Exploration Target ounces to Resource ounces
- improving quantity, quality and “mineability” of our Resource ounces
- Increasing monthly gold production and sales

Your board and management team remain entirely focused on maximising the value your company can generate from its projects.

Yours faithfully,

Ian Wilson Smith, Executive Chairman
GBM Gold Ltd

Resource & Operational Review

The past 12 months have seen movements forward in some areas of the business and sideways in others.

On the Resource development front the geology team has made some good progress in further delineating the exploration targets and programmes to be followed at a number of our Resource areas including Gowks Hill, Woolf Shoot, Comisky, Jersey, Harvest Home, Queens Birthday, Fiddlers Creek and Wilson Hill.

The actual process of conversion of exploration target ounces to Resource ounces has been slower than intended due to funding constraints, but some increase in both Resource and Exploration target has been achieved.

Equally mining output increases as well as processing rates and gold sales have not shown the increase we expected due to the same constraints coupled with operational issues encountered at the Maxwells Mill, Inglewood. These issues are steadily being smoothed out.

As I reported last year, there is still lots to be done but the work achieved over the year has delivered a solid platform for future improvement.

The significant restructure of the operating costs at Inglewood in April of this year has seen a leaner team working conscientiously to produce a more reliable operation.

Further fine tuning of the Inglewood plant presently underway will deliver a plant with improved uptime compared to what was achieved during the present financial year – so with approximately 6 months of ore to process already on the ROM pad as at the date of this report, the financial performance for the balance of FY2013 should be improved.

With further funding to arrive there is intended to be a significant restart of both corporate and active exploration programmes –areas where we seek to hugely grow our business over the coming years via both acquisition of larger scale projects and increase of our Resources to higher quality indicated and measured Resource.

With gold maintaining well in the A$1,500-1,700 range, growing gold production and increased capital from strategic investors will see GBM well positioned to grow both organically and via acquisition.

RESOURCE & OPERATIONAL REVIEW CONT

LIST OF MINING TENEMENT INTERESTS

GBM Gold Ltd is classed by ASX as a mining exploration entity. Its tenements interests, both current and as held throughout the year) are shown below, classified within 2 segments.

Project	Tenement	Percentage owned
INGLEWOOD SEGMENT		
INGLEWOOD		(Dilution agreement entered post year end –details herein)
Inglewood	EL 4184	100%
	MIN 4639	100%
	EL 4670†	100%
	MIN 5472‡	100%
Gowks Hill	EL 3800	100%
	MINA 5425‡	100% interest is with current holder Excalibur Mining Corporation Limited. Transfer to GBM when granted.
Kingower	MIN 4001	100%
GOLDSBOROUGH		
Harvest Home JV	EL 4985	50% interest through JV between Goldsborough Mining P/L and Silver Bright Investments Ltd (which is the licensee)
Queens B'day JV	EL 5029	50% interest through JV between Goldsborough Mining P/L and Silver Bright Investments Ltd (Goldsborough holds the licence)
WILSON HILL		
Wilson Hill project	EL 4999	100%
AVOCA SEGMENT		
AVOCA		
Avoca project	EL 4936	100%
FIDDLERS CREEK		
Fiddlers Crk Mine	MIN 4023	100%
	MIN 4548	100%
BEAVIS/ISG		
Beavis block	WA 1395	100% (sale & purchase agreement executed post year end)

† New exploration licenses EL 4670 and EL 4671 were granted and registered on 11 April 2007 to Excalibur Mining Corporation Limited, a company unrelated to the Group, but as exploration licenses they could not be transferred to GBGM Inglewood Pty Ltd until after their first anniversary date. This process is now underway.

‡ License is under application.

SEGMENTS

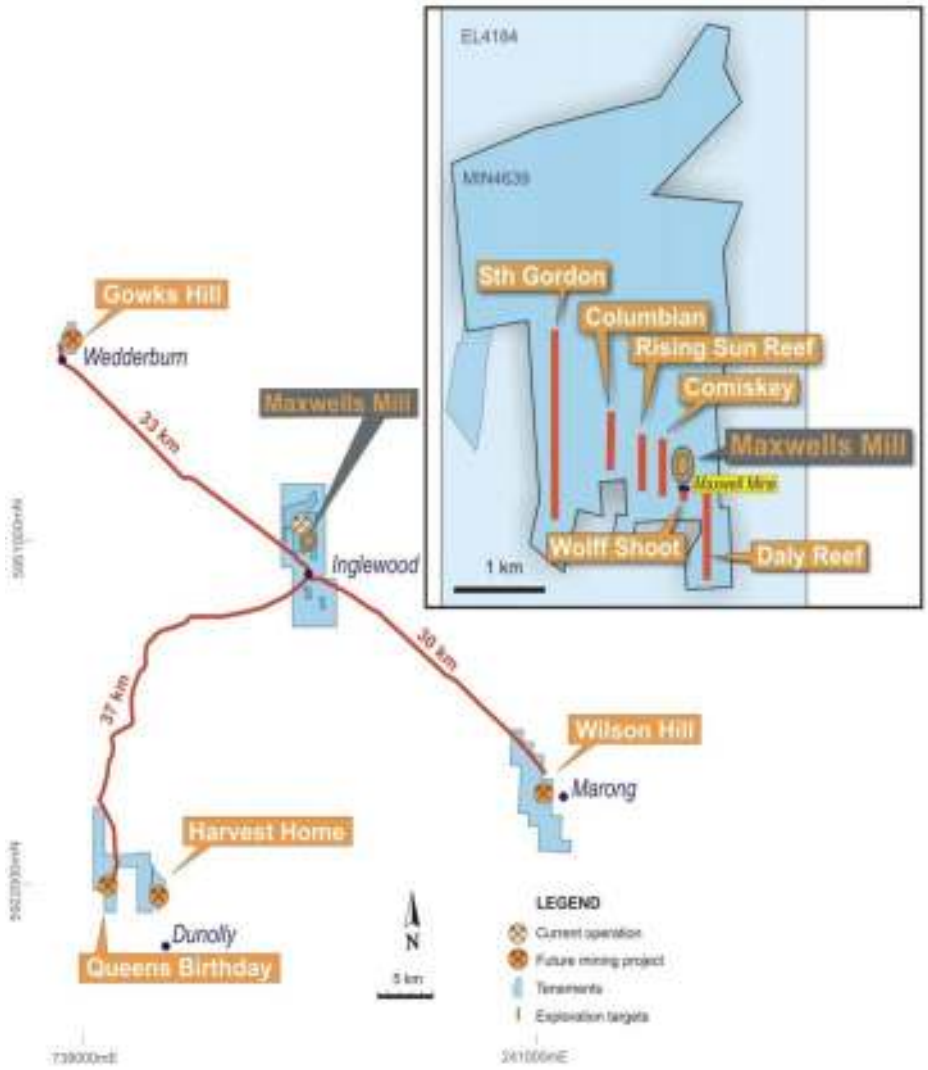
GBM runs and reports its Victorian operations as two distinct segments – the Inglewood segment and the Avoca segment.

This represents their geographical separation as well as their present differences in operational status.

INGLEWOOD SEGMENT

Inglewood project

The tenements and resource blocks comprising the Inglewood segment and targeted as feed for the Maxwells Mill are shown below:



While the Maxwells Mine and gold production from the adjacent Maxwell's Mill were the main focus at Inglewood, Exploration drilling was undertaken at Gowks Hill and the Daley reef project and a number of Work Plan Variations were progressed with a bulk sampling program at the Wolff shoot submitted for approval.

Maxwells Mine

Initial work for the period saw a ramp up in effort to increase production from underground. This resulted in a substantial increase in tonnes from underground, however these which were predominantly from development headings and low grade reefs zones.

Unfortunately this didn't translate to a significant increase in head grade at the Mill and towards the end of the financial year a significant restructuring was undertaken at Inglewood leaving a small single shift 5 day per week underground crew and two lean teams of mill operators working 4 days on 4 days off. This has reduced costs significantly and with improvements at the Mill should allow the combined Mine/Mill operation to find a balance between size and production capabilities which can achieve breakeven or better.

Underground:

Level 1 (100m)

The 1 level 63mN stope was developed and while face samples were encouraging, dilution from the poor ground conditions reduced the grade substantially by the time of processing.

Rising for a high grade drill intersection was carried out.

At 1 level 97mN the high grade Max shoot stope was accessed twice but ground failures on both occasions saw the stope abandoned.

The 1 level 180mN north drive was progressed through the bad ground and driven some 50 metres on reef to the north with inconclusive results from the Northern end of the drive.

At level 1 192mN a cross cut was established after series of probe holes at around the 190 to 220mN mark located significant gold values. At the end of the year a sublevel development was progressing at 192mN with acceptable grades from face samples.

While significant ground issues had forced the abandonment of several areas within the mine, this area is close to the northern controlling fault which has flooded the rock with silica. As a result the ground is showing high silicification and the ground conditions are excellent to date.

Whilst initial stope face grades are encouraging, the mill has as yet not been able to crush the rock effectively (~15 – 20% processed – balance still in oversize scats pile) and at the end of the period, modifications were underway to enable processing of the scats.

Notwithstanding the high percentage of scats, only limited fine gold has been caught in the gravity module and it appears that the high grade is not associated with larger gold particles at 1level 192mN, as seen in the other shoots.

The higher level of silicification has possibly prevented the fracturing seen elsewhere in the other shoots. Thus whilst the gold has flowed in and grades are good, the silicification has not allowed the formation of larger gold particles during supergene processes. Hence it is expected that the scats on ROM still contain a significant portion of the gold from 192mN.

Plans for accessing the 120mN area from the 180mN crosscut have been prepared and it is planned to reassess the Max shoot from the northern end early in the current financial year.

Level 2 (140M)

On 2 level, 215mN, the old Goldquest drive was rehabilitated and an exploration development rise was undertaken. This located a large quartz reef on the east of the existing historic stoping that wasn't apparent in the mining records. Grades on sampling were not encouraging and it has been abandoned.

Maxwells Mill - Processing Plant

Tailings have continued to be processed along with minor hard rock parcels. This has led to further process issues being identified and fixed as required by the mill crews.

High wear from the quartz based material is a constant processing challenge, as is the management of the density of the feed into the CIP leach circuit. This has been an issue with leach tanks carrying large sand loads at times – inhibiting gold recovery.

The commissioning of the 2nd ball mill has seen a much greater control on grind and density.. This has allowed the mill and the overall CIP circuit to be operated successfully without installing a thickener to date.

Recovery from the leach circuit is ~85% and high leach rates are occurring with leaching completed in ~8 hours.

Carbon handling continues to be an issue and further refinements are on the "to do list" to reduce time in moving carbon into the strip vessel and then placing it back in the tanks on completion. There is an added need to include the acid wash and regeneration plant in to the circuit, which have already been purchased and simply await installation.

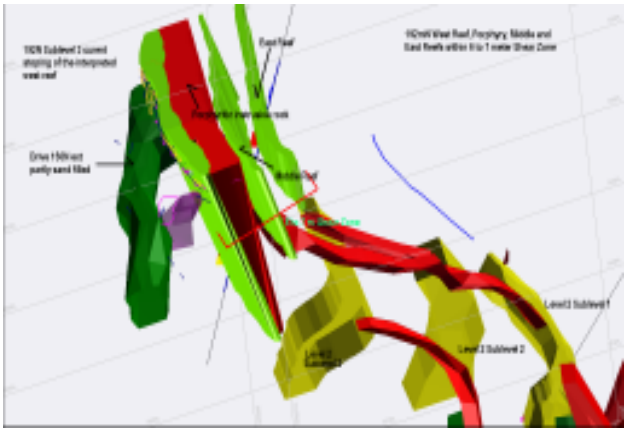
The lack of completion of these modules has caused carbon activity issues and resulted in higher costs over the period with carbon purchases.

A small lab building was added to the mill and the cyanide handling system refurbished.

The crushing circuit was modified with the replacement of a small rolls crusher by a larger hammer mill, which has been awaiting a new set of hammers (received in Sept). Modifications to the hammermill discharge were planned for early in the new financial year.

These modifications will deal with the large oversize scat pile and release of gold from the 192mN stoping scats.

The ROM pad held approximately 17,000 tonnes at the end of the reporting period, at what is calculated by our ROM manager to be an average of 1.8 g/t



3d model of the Max North Shoot

Production

Production	June 2011 - June 2012				
Measured				**Calculated**	
			est grade		**contained gold**
Tonnes infeed	16,560	t	1.5 g/t		24,840 g
Less not crushed =					
Scats ejected to ROM -	6,624	t	2.1 g/t	-	13,910 g
Nett t processed	**9,936**				
			gold calculated		
Dore poured	10606.7	g	- in ore fully processed		10,930 g
			Processing efficiency		80%
Gold poured & sold	8,790	g	- should be recovered		8,744 g

Material processed was predominantly lower grade tailings, with residue scats and a small quantity of underground ore – which could only be part processed due to lack of secondary crusher. The unprocessed material was returned to scats pile on the ROM pad for future processing.

Recovery efficiency varied in the ~80-85% range through the period

Inglewood Segment Exploration:

Following the quantum leap in understanding of the major structural mineralisation controls at Inglewood and Wedderburn, several areas were targeted for exploration.

Drilling was undertaken at the Daly reef and Gowks Hill - and the Wolff shoot area has been targeted for an initial bulk sampling program with a Work Plan for costeans and pits submitted for approval.

Daly Reef

A significant drilling program was undertaken at the Daly Reef, on the eastern side of the goldfield.

Approximately 750 metres of strike of the Daly reef line was drilled at 50 metre intervals down to around 50 metres depth.

Significant intersections were encountered in the northern portion of the drilled area (see) table while the southern area recorded anomalous results. (Despite there being significant old workings along the line of reef).

Daly Kentish – Significant intersections

Hole No	Section	Interval	g/t	From	To
DKRC003	200mN	7	1.85	22	29
Including		3	3.00	23	26
DKRC009	150mN	9	0.85	49	58
Including		1	5.39	55	56
DKRC015	975mN	10	0.37	14	24
DKRC019	925mN	15	0.29	18	33
Including		1	1.59	32	33
DKRC027	775mN	13	0.10	7	20
DKRC028	775mN	10	0.40	18	28
Including		1	1.06	18	19
&		1	1.29	26	27

Analysis of the results and work on resource estimation is ongoing.

Sectional geological interpretation has shown the structure is significantly different from that described by the historical records and appears to be a stacked system of vein sets.

Long anomalous intersections were recorded from 49,650mN to 50,200mN (550m of strike) with the average width of intersections close to 6 metres.

Further drilling to increase the number of target intersections is required as well as utilising a larger drill bit (initial drilling utilised a 75mm bit size).

Further infill assaying is also being targeted.

Analysis of BLEG vs Fire assay on selected samples shows the BLEG assays recorded a significant increase over the Fire assays (40%) and this indicates that a coarse gold component is present at the Daly Reef. (Thus larger samples, increased intersection numbers and bulk sampling will be required to reach an "Indicated Resource" figure)

While the current drill data is low grade, there is potential upside for this target.

Comisky reef

Immediately adjacent the Maxwells Mill is the Comisky reef where an inferred resource of some 22,000 ounces has been estimated from 9 diamond drill holes completed by Goldquest.

The Comisky reef is a large crush zone up to 20 metres in width and is anomalously mineralised over a 600 metre strike length between 2 significant oblique faults.

Previous exploration targeted discrete high grade quartz reefs, while the GBM re interpretation shows anastomosing quartz veining with a more disseminated mineralisation style.

Approval was granted during the reporting period for an RC drill program to infill the diamond holes and obtain large samples for BLEG analysis.

It is expected to gain funding for this program in the next period.

The Snake Reef

A small Exploration Licence (EL4671) on the southern portion of the Inglewood Gold Field was abandoned after reviewing the data from Goldquest N.L. drilling which was not viewed as sufficiently encouraging.

Wedderburn:

At Wedderburn, Identification of the regional controls on the Gowks Hill Mineralisation led to the Tantalla structure being defined, of which Gowks Hill is a major part.

Following significant RAB drilling results at Gowks Hill, 3 diamond drill holes were completed to assess the structure of the mineralised zones.

The diamond drilling revealed a significantly greater width of veining that previously thought and significant assays were returned.

The current resource is based on a ~2 metre wide, west dipping fault zone approx ??? 100m long - while the last phase of drilling has revealed the fault plane has created a shatter zone of sub vertical veining over a width of 10+ metres with a strike length of ~250 metres which

is likely to alter and upgrade the resource parameters somewhat, although the final analysis and interpretation of this has not been completed as at the date of this report.

Resource work is ongoing and an upgraded resource estimate is expected before year end.

Along strike from Gowks is the Queens Gully area along the Tantalla structure and an exploration target has been identified there and also at Lanes to the south of Gowks Hill.

Harvest Home and Queens Birthday Joint ventures

The joint ventures were progressed significantly over the period

At Harvest Home, a data review allowed a re- estimation of the Inferred Resource to 1,040,000 tonnes at 2.4 g/t.

Diamond drilling completed at the end of the period (awaiting logging) and Bulk Sampling approval to be completed in the next period aims to bring a portion of the Resource into "Indicated Status", allowing work on a prefeasibility pit modelling exercise. This pit modelling exercise is also expected to be completed in the current financial year.

Mother of Gold workings – Harvest Home

At Queen's Birthday on EL 5029, research has identified 3 solid drill targets.

The mine produced approximately 100,000 ounces up until the early 1900's when its owners (London based) unexpectedly closed it down.

The shaft is down to 250 metres below surface and a significant body of quartz along the main fault zone was still present in the drives and stopes.

An initial mineralisation model has been interpreted from a limited data base but the deposit reflects a similarity to the Wattle Gully lode style.

An initial shallow open pit target over the line of reef (~900 metres of Strike) exists as little claim activity occurred before company operations began.

Extensions south from the existing mine development (50 to 250 metres below surface) as well as targets below the existing workings (+ 300 metres) are the subject of a Work Plan currently under assessment by the regulatory authorities.

Additionally, EL 5029 underwent a reduction from 19.5 Sq Km to 13.5 Sq Km

Wilson Hill

At Wilson, Hill, the Western Mining Corporation Drill core from the 1980's was recovered from Unity mining Ltd's core yard and was restacked and transported to GBM's warehouse/office for relogging.

Relogging and planning for future programmes will be an ongoing project over the current year.

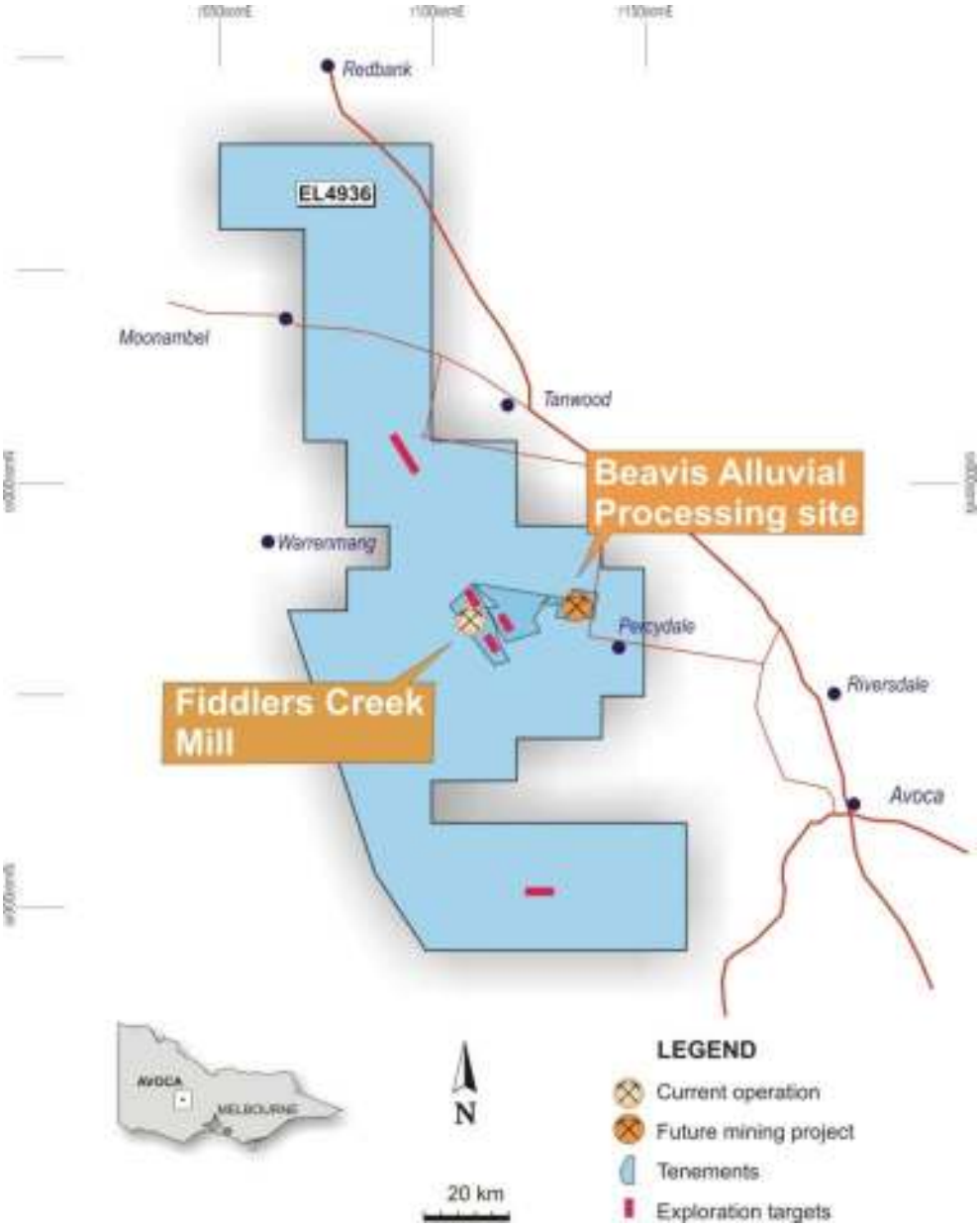
The aim is to investigate the levels of mineralisation at the 250m below surface horizon to assess the potential for parallel reefs to the Greys discovery, as per the Bendigo Repeat model.

This work is intended to outline several drill targets.

EL 4999 was reduced in size by 9 Sq Km to 16 Sq Km

AVOCA SEGMENT

The tenements and resource blocks comprising the Avoca segment are shown below:



Avoca Project

The Avoca project consists of EL 4963 which covers the Percydale fault zone. This area has produced gold from numerous narrow vein deposits since the discovery of gold in Central Victoria

The initial focus at Avoca has been on exploring the Beavis deposit and this resulted in an inferred resource being estimated and announced during the financial year.

It is the company's intention to complete soil sampling and mapping across the broader Avoca Exploration licence area in order to determine if there are prospective areas at which to target future drilling.

Research into the mining history has assisted in identifying several new drill targets and Work Plans have been progressed to allow for drilling.

Additionally, further alluvial targets exist within the E.L. and drilling to add to the existing Beavis resource is to be planned.

Beavis Project

A large Tertiary aged alluvial channel deposit exists on the company's wholly owned private land with clean white gravels, sands and clays in a deposit over a length of 1 Km, a depth of 30 metres and a width of several hundred metres. A work authority has been applied for to process the surface material to develop products for market assessment and sales. Approval has been gained for this activity while assessment of the main deposit continues.

A drilling program to ascertain the extent and type of material in the channel has been completed and results released.

The program revealed ~2 million cubic metres of high quality gravel and sand which contains an estimated 33,000 oz of Gold.

Additionally, various other gravel and sand products were identified within the alluvial channel for which markets will also be sought.

This is very encouraging and a move to production and sale of firstly the surface gravel and sands is planned with the application and approval of WA 1395.

As noted elsewhere in this report a A$5m sale and purchase agreement has been entered into post balance date in respect of the existing freehold land and WA with Panama based Wiltshire Asset Management.

GBM's future involvement with Beavis is not yet decided, but could be from no involvement should Wiltshire choose to carry out all work with its own personnel through to work as contractor or consultant.

Drilling at Beavis

Fiddlers Creek project

The company also holds title to the Fiddlers Creek gold mine MIN 4023 and adjacent MIN 4548. In respect of Fiddles Creek MIN 4023 a re-logging and re-assay program on old drill core has revealed a significant down dip extension to the ore within the existing inferred resource area of the Mine.

Further work will be undertaken to increase the "Indicated" tonnage estimate and a feasibility study on commencement of operations is to be completed in the current financial year.

Additionally a potentially significant surface mineralisation expression was identified on MIN 4548. Further exploration work is need to determine if this amounts to an economic Resource for mining. If so it would greatly assist operations at Fiddlers Creek by increasing the available tonnage via low cost surface mining. At the area of MIN 4548 where tailings removal occurred, strong rehabilitation growth has occurred giving a satisfactory rehabilitation result.

A study was also completed during the year on returning the Fiddlers Creek mill to an operating condition, to enable it to produce a gravity concentrate for CIP processing elsewhere – either inglewood or under contract should mining operation be resumed.

Fiddlers Reef: 40metre level

Resources and Exploration Targets

The following are tables of our present Resources and Exploration targets

Exploration Targets (refer JORC code definition)

GBM Exploration Target for all Projects					
Project	**Tonnes**	**Grade low g/t**	**Grade High g/t**	**Ounces low**	**Ounces High**
Inglewood	3,461,600	5.4	9.2	600,148	1,016,337
Avoca	2,000,000	0.5	1.0	32,072	64,144
Fiddlers Creek	50,000	8.0	12.0	12,829	19,243
Bendigo	1,400,000	6.0	12.0	269,403	538,807
Total	**6,911,600**			**914,452**	**1,638,531**

Resource (per JORC definition)

Resource Inventory	Total		
	Tonnes	Grade g/t	Ounces
Inglewood	853,484	3.5	95,120
Goldsborough	530,000	2.4	40,795
Avoca	45,727	7.2	10,518
Bendigo	231,875	9.4	70,117
Beavis	2,213,564	2.1	33,770
Grand TOTAL	3,874,650	2.0	250,321

Resources Inventory		Measured			Indicated			Inferred		
	Cubic Meters	Tonnes	Au (g/t)	Ounces	Tonnes	Au (g/t)	Ounces	Tonnes	Au (g/t)	Ounces
Inglewood	214,083	50,000	1	1,591	32,440	17	18,207	771,044	3	75,322
Goldsborough								1,060,000	2	81,591
Avoca		877	13	374	5,413	6	981	39,437	7	9,163
Bendigo								231,875	9	70,117
Beavis	1,475,709							2,213,564	0	33,770
Grand TOTAL		50,877	1	1,966	37,853	16	19,188	4,315,920	2	269,963

OTHER INVESTMENTS

Mineral Recovery Technologies

During the year the Company disposed of is 50% interest in New Zealand company Mineral Recovery Technologies Limited (MRT) as well as its 50% interest in Australian company Mineral Resource Technologies Pty Ltd (MRTAU). These companies were to hold IP developed in building various concentrators and parts, and were to work on gravity gold recovery technologies but did not progress same.

SUMMARY

GBM is moving its production capacity forward and is also focused on growing its Resource base.

The Inglewood project continues to offer a solid growth opportunity and various potential international expansion initiatives under review offer the opportunity for GBM to literally reinvigorate and re-invent itself if implemented over the next 12 months

John Cahill, Resource Director

1 October 2012

ASX Additional Information

Additional information required by Australian Stock Exchange Limited and not shown elsewhere in this Annual Report is set out below. The information is current to 12 September 2012 unless stated otherwise and has not been audited.

As at the date of this report GBM Gold Ltd had one class of securities being ordinary fully paid shares. Ordinary shares have a single vote for each share held. All options mentioned in this Annual Report expired on or before 31 March 2012. No ordinary shares are restricted.

Substantial shareholders

The substantial shareholders as notified to the ASX and the Company are shown below in the group of relevant interests.

Substantial Shareholder	Voting Shares	Voting Power
Mr I W Smith (Director)	96,005,249	16.37%
IWSFT Corporate Trustee Ltd		
FAR Pacific Resources Limited		
TSP No 1 Ltd		
FPM Holdings Ltd		
Finance & Resources Limited		
FAR Financial Services Ltd		
Mr Paul Chan	79,157,041	12,00%
Silver Bright Investments Limited		

Distribution of shareholders and option holders

Range	Ordinary Shares	% of issued capital
1 – 500	7	0.00
501 – 1,000	2	0.00
1,001 – 5,000	55	0.03
5.001 – 10.000	118	0.16
10,001 – 100,000	359	2.22
100,001 – 9,999,999,999	193	97.58
Rounding error		.01
Total Shareholders	734	100.00

Holders of non-marketable securities

There are 370 shareholders holding less than a marketable parcel of ordinary shares based on the market price of 1.5c at 12 September 2012.

Names of 20 largest holders by quoted security

Holders of quoted ordinary shares (as at 12 September 2012)

Rank	Name	Units Held	% of Issued Capital
1	TSP no 1 Ltd	77,625,000	11.77%
2	Silver Bright Investments Limited	62,957,041	9.55%
3	Sterlington Resources Ltd	47,916,667	7.27%
4	Chasen Holdings Ltd	30,375,000	4.61%
5	Belvin Investments Ltd	26,088,000	3.96%
6	Golden Nugget Investments Ltd	26,000,000	3.95%
7	Diamond Rich Enterprises	25,535,342	3.87%
8	Home Web Office Inc	25,535,342	3.87%
9	Ultra Sea Holdings Limited	25,535,342	3.87%
10	MS VV Limited	25,000,000	3.79%
11	Wealth Express Group Limited	23,953,646	3.63%
12	Swift Chance Holdings Ltd	16,400,400	2.49%
13	Hoi Kwong Paul Chan	16,200,000	2.46%
14	Far Pacific Resources Ltd	12,870,000	1.95%
15	Brilliant Shine Holdings Limited	12,394,894	1.88%
16	Easemind Limited	12,000,000	1.82%
17	People Honour Limited	12,000,000	1.82%
18	Theta Gold Investments Limited	12,000,000	1.82%
19	HSBC Custody Nominees (Australia) Limited	11,297,500	1.71%
20	Rolac Pty Ltd	9,653,000	1.46%
Total		511,336,774	76.08%

Holders of quoted option securities

Rank	Name	Units held	% of Issued Capital
	NIL – there were no options on issue at year end and none issued subsequently up to the date of this report		

Number and class of restricted securities

Release Date	Ordinary Shares	Options
N/A	NIL – no restricted securities on issue	

Directors' Report

The directors present their report together with the financial report of GBM Gold Ltd ("GBM" or "the Company") and of the Group, being the Company, its subsidiaries and its interest in associates and jointly controlled entities for the financial year ended 30 June 2012 and the Auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Mr Ian W Smith (BSc)

Executive Chairman (2006–present), Executive Director (2006–present)

Ian is an investment banker with 25+ years commercial experience. His interests own and operate a boutique private capital and investment banking business in Wellington (NZ) and he has, over the years, been involved in establishing or growing businesses in a wide range of sectors including primary resource processing, electrical goods manufacturing, forestry, fisheries, financial services as well as mineral resources. He has built a reputation for bringing new businesses to the market and working with them on their growth. He currently works with a number of mostly private companies in New Zealand and Australia focused on the finance and resource sectors.

Mr John ER Cahill (BSc Geology, MAIG)

Resource Director (2007–present), Executive Director (2007–present)

After completing a Bachelor of Science degree at the Bendigo College in 1983, John commenced work with 3D's Goldmines N.L. followed by four years with Bendigo Mining N.L. working on alluvial and hard rock projects. Following this John spent several years as a contract geologist, before returning to Bendigo Mining with ten years on the New Bendigo Gold Project. John has been involved in open cut exploration, diamond drilling programs, bulk sampling, historical research, dewatering programs and concept generation and planning.

Mr Paul Chan

Non-Executive Director (2011-present)

Paul was appointed to the Board on 17 October 2011. Paul has accumulated over 30 years of experience investing and operating businesses in China, Asia and the US. With his extensive business background and knowledge in the Asia Pacific region, Paul joined Prestige International Investment Ltd, an investment banking firm based in the US, in 1996, in charge of project investment in Asia.

Paul joined Yorkshire Capital Limited as Project Director in 2001. He has been responsible for accessing project feasibility, corporate restructuring, business and financial advisory for various projects. In recent years, Paul has been focusing on gold mining projects and involved in reviewing, accessing, structuring, advising and fund raising for mining projects in base metals and other natural resources worldwide.

Mr Stuart Hall (CA)

Independent Non-Executive Director (2011-present) & Company Secretary (2010-present)

Stuart was appointed to the Board on 17 October 2011. Stuart has been Member of the Institute of Chartered Accountants in Australia (CA) since 1984. He holds a Bachelor of Business (Accounting) Swinburne University 1980.

Stuart has been a Partner/Director of the accounting firm Lipins Partners Pty Ltd and antecedent firms since 1984. During this period Stuart has specialised in business advisory, management accounting, tax advice and compliance. He has also held company directorships/secretarial positions with a number of SME's in Australia covering many

industries including manufacturing, service, mining and general insurance. His experience has included maintaining various corporations' compliance requirements with ASIC.

Mr Wayne Johnson

Independent Non-Executive Director (2010-present)

Mr. Johnson has over 25 years business and financial transaction experience gained in Australia, New Zealand, Asia and North America. His experiences range from founding and managed a number of businesses from start-up through to public listings and has been responsible for a number of large business sales in the telecommunication industries and resource sectors to multinational buyers, he was a founding director of The Cube Finance Group a licensed diversified stock broking and corporate advisory business now ASX participant and listed as MDS Financial Group Limited, where he is the Executive Deputy Chairman and a Director.

Mr. Johnson provides the Company with a wealth of experience in merger and acquisitions, corporate advisory, public listing compliance and general business development. Mr. Johnson manages Noblemen Ventures, his privately owned boutique corporate advisory investment firm head quartered in Sydney. He provides services as a professional director to public companies in both New Zealand and Australia. Specialising in turnaround situations, he is the non-executive Chairman of SmartPay NZ Limited a NZX listed company and Non Executive Chairman of ASX listed Cape Range Limited.

Mr Andy Lai

Independent Non-Executive Director (2011-present)

Andy was appointed to the Board on 17 October 2011. Andy, Managing Director of Yorkshire Capital Limited a merchant bank operation since 1993, has been responsible for numerous IPO and RTO cases worldwide and numerous M&A and financing projects with total value of over US$3 billion. In recent years, his focus is in mining and resources business covering financing, investment & M&A initiatives. He is an MBA from the Chinese University of Hong Kong.

Mr Eric J P Ng (formally Eric Jwee Phuan Ng)

Independent Non-Executive Director (2010–present)

Eric has been the Principal Consultant of Chadway Management Service Pte Ltd since 1982. He is responsible for providing operational management, planning and executing growth strategies, merger and acquisitions activities and corporate finance services to companies in Singapore and the region including Australia. He also advises on business growth and globalisation strategies, capital market and corporate governance issues and is an active capital market intermediary matching capital with business. Chadway also provides advisory services for companies in their listing via an IPO or RTO on SGX and ASX.

Eric is currently the Lead Independent Director of Chasen Holdings Ltd (listed on the Singapore Exchange) and an Independent Director of Richfield International Ltd, (listed on the Australian Securities Exchange). At Chasen Eric chairs the Audit and Remuneration Committees and is a member of the Nominations Committee.

Eric is also active in various societies and institutions, being a member of the Singapore Institute of Directors and a Fellow of the Singapore Human Resource Institute. He also served as District Governor for Singapore of Lions Clubs International from 2002 to 2003.

Directors Who Resigned During The Year

Mr Mal Carson resigned in March of the financial year.

Directors' meetings

Refer to the Directors' section above for details of when directors were appointed or resigned.

The number of directors' meetings (including meetings of the committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

	Board Meetings		Audit Committee Meetings	
Director	Attended	Held	Attended	Held
Mr I W Smith	16	16	n/a	n/a
Mr J ER Cahill	14	16	n/a	n/a
Mr P H K Chan	10	12	n/a	n/a
Mr S D Hall	10	12	2	2
Mr W Johnson	15	16	2	2
Mr A Lai	9	12		
Mr E JP Ng	9	16	0	0
Mr M Carson	5	10		

Attended is the number of meetings attended by the director during the year. *Held* is the number of meetings held during the time the director was in office during the year.

Corporate governance statement

This statement outlines the main corporate governance practices in place throughout the financial year which comply with the ASX Principles of Good Corporate Governance and Best Practice Recommendations (2008), unless otherwise stated.

Board of directors

Role of the Board

The Board of Directors of GBM Gold Ltd is primarily responsible for its corporate governance, that is, the system by which the Company and its subsidiaries are managed. In fulfilling its role the Board undertakes to serve the interests of its shareholders, employees and the broader community honestly, fairly, diligently and in accordance with applicable laws.

The board has adopted systems of control and accountability as the basis for the administration of corporate governance. The board is committed to administering the policies and procedures. As the Company's activities develop in size, nature and scope, the size of the board and the implementation of additional corporate governance policy and structure are given further consideration.

The primary functions reserved to the board by way of its *Principles of Corporate Governance* charter are:

- determining the direction of the Company and approving corporate strategy,
- approving the business plan and reviewing the plan annually or as it may determine,
- setting objectives and performance indicators for management,
- establishing policies appropriate for the Company,
- appointing the managing director, or in place of the managing director an executive director or management structure in charge, and determining the functions delegated to management,
- setting control, accounting and reporting structures, standards and format,
- approving major investments and monitoring the return of those investments,

- setting systems of risk management and internal compliance and control, codes of conduct, and legal compliance, and
- ensuring that the Company provides continuous disclosure of information such that shareholders and the investment community have available all information to enable them to make informed assessments of the Company's prospects.

The board's *Corporate Governance Charter* is located on the Company's website.

Responsibility for operation and administration of the Company has been delegated to the Managing Director or the Executive Director as the case may be, and his or her executive management. Responsibilities are delineated by formal authority delegations.

Board Processes

The board has established and continues to review as the Company and Group mature a framework of management with clearly defined responsibilities. This framework considers internal control, business risk management and ethical standards.

The board is to conduct an annual performance review of the Managing Director/Executive Director in October/November – who in turn over the same period conducts an annual review of senior management.

The board formally delegates the duties other than those it retains above to the Managing Director/Executive Director and also has assigned discretionary expenditure limits.

The board has not held a formal performance evaluation of either individual board members or the board as a whole.

The board does not presently have a diversity policy

A draft Audit Committee charter has been prepared but has not yet been presented to or signed off by the board. Once it is finalised it will appear on the company web-site.

Board meetings are scheduled monthly and are attended by directors in person or via conference call. Additional meetings occur as required. The aim of the board is to support the Company and Group by being proactive and meeting when necessary with the relevant information to hand rather than adhering to a rigid schedule.

Each meeting's agenda is prepared in conjunction with or by the chairperson and company secretary. Standing items include the management reports, financial reports, strategic matters, governance and compliance. Submissions to the board are circulated in advance. Executives are regularly involved in board discussions and directors have other opportunities, including visits to the Company's various operating locations, for contact with a wider group of staff.

Director education

Upon joining the board, new directors are able to spend time with the chairperson and company secretary who outline the corporate expectations of them in the areas of company knowledge and background, and the Company's financial, strategic, operational and risk management position.

Directors are provided a copy of the board's *Principles of Corporate Governance*. This outlines the functions reserved to the board and the requirements of its directors. They are also provided with a copy of the Company's *Continuous Disclosure Policy*. This program of induction extends to key executives.

The Company does not provide a formal *Director's Letter of Appointment*.

Independent professional advice and access to company information

Each director has a right of access to all relevant Company information and to the Company's executives, and subject to prior consultation with the chairperson, may seek independent professional advice from a suitably qualified advisor at the Group's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the chairperson's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the board.

All board members have direct access to the company secretary on governance matters.

Composition of the board

The names of the directors of the Company in office at the date of this report are set out in the Director section on pages 1 & 2 of this Directors report. The composition of the board is determined using the following principles.

- The Board should comprise 4–5 persons with at least two persons being independent directors.
- Independence of directors is to be determined not just by considering shares held or connection with suppliers or customers, but also having regard to the particular director's ability to exercise independent judgment.
- The board as a whole should review nominations to the board prior to any appointment of directors. It is not considered necessary that the board should establish a nomination committee considering the size and nature of the Company.
- In accordance with the constitution directors are to rotate by retirement each year, and in the ordinary course should be reappointed.
- The board may, but at present does not, appoint a managing director of the Company. Instead it has appointed as the Executive Director of the group the Chairman who therefore has the dual role. The role of Managing Director is not a constitutionally required position and the board has elected to have an Executive Chairman of the Company acting as the Executive Director in overall charge, with the small number of managers of its subsidiaries reporting directly to the Executive Director/Executive Chairman.

Independence of directors

An independent director is a director who is not a member of management (a non-executive director) and:

- is not a substantial shareholder of the Company† or an officer of, or otherwise associated directly with, a substantial shareholder of the Company,
- within the last three years has not been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold any such employment,
- within the last three years has not been a principal of a material‡ professional advisor or a material‡ consultant to the Company or another Group member, or an employee materially associated with the service provided,
- is not a material‡ supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material‡ supplier or customer,
- has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company,
- has no material‡ contractual relationship with the Company or another Group member other than as a director of the Company, and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially‡ interfere with the director's ability to act in the best interests of the Company.

† For this purpose a "substantial shareholder" is a person with a substantial holding as defined in section 9 of the Corporations Act 2001.

‡ The board considers, 'material', in this context, to be where any director-related business relationship has represented, or is likely in future to represent the lesser of at least 10 per cent of the relevant segment's or the director-related business's revenue. The board considered the nature of the relevant industries' competition and the size and the nature of each director-related business relationship in arriving at this threshold.

Recommendation 2.1 of the *ASX Principles of Corporate Governance* recommends that a majority of the board should be independent directors. The board's composition did not meet this recommendation during the financial year or since.

At all times the board seeks a membership which enables it to meet its objectives in an effective and efficient manner and in accordance with the board's principles of governance, a director may also be considered independent if, in the view of the board, they are capable of exercising independent judgement or abstaining from matters where their independence cannot be split.

Recommendation 2.2 of the *ASX Principles of Corporate Governance* recommends that the chairperson should be an independent director. The board does not currently meet this recommendation as Mr Ian W Smith is a substantial shareholder, however, whilst the board recognises the importance of independence in decision making, the chairperson, Mr Smith, has proven capable of leading the board in a manner that is efficient and functional, providing sufficient briefing for the directors to independently consider issues raised at board meetings. So saying, a move to an independent chairperson is under consideration.

Nomination committee

Recommendation 2.4 of the *ASX Principles of Corporate Governance* recommends the Company establishes a nomination committee. There is no nomination committee. The board addresses those matters and issues arising that would usually fall to a nomination committee. The board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee.

Remuneration committee

Recommendation 8.1 of the *ASX Principles of Corporate Governance* recommends the Company establish a remuneration committee. The Board has established a Remuneration Committee. The Committee consists of two independent non-executive Directors: W Johnson (Chairman) and S Hall. In relation to its remuneration responsibilities, the Committee reviews and makes recommendations to the Board on remuneration frameworks involving employees and Directors after consulting industry recognised remuneration surveys. Further details are contained in the Remuneration Report below.

The remuneration committee is only 2 members as this is a small company, 2 directors are executives and therefore disqualified and 3 overseas.

Remuneration report

Principles of compensation

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group. Key management personnel comprise the directors of the Company and the executives of the Company and the Group including the most senior managers.

Remuneration levels for key management personnel and secretary of the Company and key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The board seeks as it deems necessary independent advice on the appropriateness of remuneration packages of both the Company and the Group given trends in comparative companies both locally and internationally and the objectives of the Company's remuneration strategy.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the key management personnel
- the key management personnel's ability to control the relevant segment’s performance
- the Group's performance including:
    - the Group's earnings,
    - the growth in share price and delivering constant returns on shareholder wealth, and

- the amount of incentives within each key management personnel's remuneration.

Remuneration packages in place for period of this report were of a fixed nature only, with any short-term bonuses issued to senior executives at the board's discretion.

Fixed remuneration

Fixed remuneration consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually by the board through a process that considers individual, segment and overall performance of the Group. A senior executive's compensation is also reviewed on promotion.

Performance linked remuneration

Performance linked remuneration includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The Company does not currently reward key management personnel for meeting or exceeding their financial and personal objectives.

Short-term cash bonus

Despite having no formal structure for rewarding key management personnel for meeting or exceeding their financial and personal objectives the board reserves the right to issue a cash bonus for exceptional performance.

The board considers the cash bonus to be paid to the individuals and chooses an amount which fairly recognises the individuals' contribution.

No short-term cash bonuses were issued during the financial year.

Consequences on performance on shareholders wealth

In considering the Company and Group performance and benefits for shareholder wealth, the board takes into account profitability and share price movements of the Company when setting the total amount of remuneration.

Other benefits

Key management personnel can receive additional benefits of up to $1,000 per month as non-cash benefits, as part of the terms and conditions of their appointment. Non-cash benefits typically include payment of club membership or motor-vehicle expenses and key management personnel pay fringe benefits tax on these benefits as appropriate.

There are no loans to directors or key executives at year end.

Service contract

It is the Group's practice to enter into service contracts for key management personnel, including the managing director or Executive Director as the case may be and company secretary. The Group retains the right to terminate a contract immediately upon payment equal to one month's pay in lieu of notice. The key management personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave.

The service contract outlines the components of remuneration paid to the key management personnel but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the remuneration policy.

Mr Ian Smith, Executive Chairman and the Executive Director of GBM, has a service contract with GBM through New Zealand based service company Far Pacific Finance Ltd . This contract specifies the duties and responsibilities of the Executive Chairman and expires in December 2012. The current contract can be terminated with three month's notice by either party. Mr

John ER Cahill, Resource Director, has a contract of employment with the Group operating subsidiary Kralcopic Pty Ltd. There is no specific review date. The current contract can be terminated with one month's notice by either party. The Group may make payment in lieu of notice of one month

Mr Juan P Cipriano, Senior geologist, has a contract of employment with the Group through operating subsidiary Kralcopic Pty Ltd. There is no specific review date. The current contract can be terminated with one month's notice by either party. The Group may make payment in lieu of notice of one month

Mr Stuart Hall as company secretary provides his services via his Melbourne based accounting firm Lipins Partners.

Non-executive directors

Total remuneration for all non-executive directors, is not to exceed in aggregate $100,000 per annum. The board has resolved that in respect of one non-executive director he is entitled to receive fees of $30,000 per annum paid on a pro-rata monthly basis The board is currently reviewing remuneration for FY2013 and will place a recommendation to Shareholders at the Annual General meeting.

A director may also be paid fees or other amounts as the board determines for a director who performs with the board's prior approval special duties or otherwise performs services outside the scope of the ordinary duties of a director. A director may also be reimbursed for reasonable out of pocket expenses incurred as a result of their directorship or any special duties.

Analysis of bonuses included in remuneration

There were no bonuses included in remuneration to any director of the Company, or to any of the five named Company executives during the course of the year.

Director's and executive officer's remuneration (Company and Consolidated)

Executives		Salary & Fees	Non-monetary benefits	Post employment benefits	Termination benefits	Share based payments – options and rights	S300A(1)(e)(i) Proportion of remuneration performance related	S300A(1)(e)(vi) Value of options as proportion of remuneration%
Directors		$	$	$	$	$		
Mr I W Smith (Executive Chairman)	2012	180,000	-	-	-	-	0%-	-
	2011	120,000	-	-	-	-	0%-	-
Mr J ER Cahill (Resource Director)	2012	155,000	-	13,950	-	-	0%-	-
	2011	132,115	-	11,890	-	-	0%-	-
Mr P HK Chan (Non-Executive Director – commenced 17 October 2011)	2012	-	-	-	-	-	0%-	-
Mr S D Hall (Non-Executive Director – appointed 17 October 2011	2012	60,000	-	-	-	-	0%	-
Mr W Johnson (Non-Executive Director)	2012	30,000	-	-	-	-		-
	2011	39,271	-	-	-	-	-	-
Mr A Lai (Non-Executive Director – commenced 17 October 2011)	2012	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-
Mr E JP Ng (Non-Executive Director)	2012	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	
Mr M Carson (Non-Executive Director – resigned 5 March 2012)	2012	18,000	-	-	-	-	-	-
	2011	32,500	-	-	-	-	-	-
Key management personnel (non directors)								
Mr J P Cipriano (Geology Manager)	2012	148,269	-	13,344	-	-	-	-
	2011	119,213	-	10,729	-	-	-	-
Mr P Hallberg (Group General Manager – ceased on 20 December 2011)	2012	102,000	-	-	-	-	-	-
	2011	166,850	-	-	-	-	-	-

Modification of terms of equity-settled share-based payment transactions

No terms of equity settled share-based payment transactions (including options and rights granted as remuneration to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

Exercise of options granted as compensation

During the reporting period, no shares were issued on the exercise of options previously granted as remuneration.

End of audited remuneration report

Audit committee

The audit committee is responsible for the oversight and review of the audit process and preparation of the annual report, advising on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the group. All members must be non-executive directors with a majority being independent.

A formal charter for the audit committee has been recently drafted but has not yet been formalised and approved.

The members of the audit committee during the year were:

- Mr W Johnson – independent, non-executive director committee chairperson (appointed February 2010)
- Mr S D Hall – independent, non-executive director (appointed October 2011)
- Mr M Carson – independent, non-executive director (appointed April 2010 and resigned 5 March 2012)
- Mr E JP Ng – independent, non-executive director (appointed August 2010 and resigned May 2012)

The board reviewed the financial records of the Company for the financial year and considered that they have been properly maintained, and that the Company's financial reports for the financial year ended 30 June 2012 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results.

The external auditor is welcome to meet with the audit committee and board of directors without management being present if they so desire.

Risk management

Oversight of the risk management system

The board oversees the establishment, implementation, and annual review of the Company's risk management system. Management has throughout the year maintained a risk management system for assessing, monitoring and managing operational, financial reporting and compliance risks for the Group as directed by the board. The Executive Chairman as the Executive Director has declared, in writing to the board, that the financial reporting risk management and associated compliance and controls in place have been assessed and found to be operating effectively and efficiently in accordance with the board's direction. The operational and other risk management compliance and controls in place have also been assessed and found to be operating efficiently and effectively in accordance with the board’s direction.

Risk profile

The Company monitors and acts to mitigate where necessary all major risks that it has identified. Major risks arise from such matters as actions by competitors, government policy changes, the impact of exchange rate movements on the price of sales, difficulties in sourcing equipment, environment, occupational health and safety, property, financial reporting and the availability of a suitably skilled workforce.

Risk management and compliance and control

The board is responsible for the overall internal control framework. It recognises that no cost-effective internal control system will preclude all errors and irregularities.

Practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size require board approval,
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations,
- business transactions are properly authorised and executed,
- the quality and integrity of personnel (see below),
- financial reporting accuracy and compliance with the financial reporting regulatory framework (see below), and
- environmental regulation compliance (see below).

Quality and integrity of personnel

The Company continually monitors the practices involved in the selection and retaining of personnel who are of quality and integrity. Training, development and appropriate remuneration with regular conversations about performance create an environment of cooperation and constructive dialogue with all staff.

Financial reporting

The Executive Chairman as the Executive Director has declared, in writing to the board, that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

Environmental regulation

The Group's operations are subject to significant environmental regulation under both Commonwealth and State legislation in relation to its mining activities. The board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

Assessment of effectiveness of risk management

Internal audit function

Recommendation 7.1 of the *ASX Principles of Corporate Governance* recommends the Company establishes an internal audit function.

There is no established and distinct internal audit function. The board addresses those matters and issues arising that would usually fall to an internal audit function. The board considers that no efficiencies or other benefits would be gained by establishing a separate internal audit function.

Regular board meetings and the ability for board members to make inquiry of key management personnel are considered sufficient for the Company at this time. However the board will continue to monitor the need for an internal audit function and will adjust to any change in the assessed risk.

Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The board reviews the ethical standards policy regularly and processes are in place to promote and communicate these policies.

Conflict of interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The board has developed procedures to assist directors to disclose potential conflicts of interest, including a standing item on the board meeting agenda. The company secretary keeps a register of all disclosures made by directors.

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of any director related entity transactions with the Company and the Group are set out in Note 23 to the Financial Statements.

Code of conduct

The Group has advised each director and manager that they must comply with the *Principles of Corporate Governance* of the Company. The principles may be viewed on the Company's website.

Trading in general company securities by directors and employees

The key elements of the *Principles of Corporate Governance* of the Company as they relate to directors, officers and employees trading in Company securities are:

- identification of those restricted from trading – directors and senior executives or other prescribed persons as defined by the ASX Market Rules (5 December 2005),
- trading not to occur in the period between the end of a financial quarter and the release to the market of that quarter's results or when it is suspected that an announcement to the market may occur,
- to require details in writing fully describing the intended transaction, and
- to require details in writing confirming the transaction has occurred.

Communication with shareholders

The board provides shareholders with information using a comprehensive *Continuous Disclosure Policy* which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX and posting them on the Company's website.

In summary, the *Continuous Disclosure Policy* operates as follows:

- all directors, management and employees are notified of the need for the Company to keep its shareholders informed,
- all directors, management and employees are informed how to recognise potentially price-sensitive information and what to do should they suspect they have come into possession of price-sensitive information,
- the Executive Chairman and company secretary are responsible for interpreting the Company's policy and where necessary informing the board. The company secretary is responsible for delivery of all communications to the ASX. Such matters are advised to the ASX if possible on the day they are discovered, otherwise the next business day
- the full Annual Financial Report is released to the ASX, Australian Securities and Investments Commission and posted on the Company's website. A notification email is sent to shareholders should they request it. A printed copy is sent to shareholders should they request it,
- the need to maintain all necessary confidentiality with third parties,
- restrictions on who may speak with the media or analysts – Executive Chairman or Resource director only, and
- all announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX.

Principle activities

The principal activities of the Group during the financial year were:

- Production of what are presently limited quantities of gold via operation of the Maxwells Mill - including the move to 12 hour a day, 7 day a week processing operations
- Ongoing upgrade of the Maxwell's Mill
- Operation of the Maxwell's Mine, Inglewood 5 days per week .
- Exploration work across the Inglewood segment aimed at producing more feed for the Maxwells Mill
- Corporate and exploration work on the Harvest Home and Queens Birthday joint ventures within the Inglewood segment
- Exploration and project development work across the Avoca segment, especially work to further develop the Beavis-ISG project, leading post balance date to its sale.
- Corporate work including fund raising activities to secure funds for the group's ongoing activities and growth.

There were no significant changes in the nature of the activities of the Group during the year.

Objectives

The objective of the Company is to become a mid tier gold producer.

Operating and financial review

Investments for future performance

During the financial year GBM invested significant further funds in to the Maxwells Mill, and in general in to the Inglewood project and segment, designed to lay a platform for expanded gold production moving forward – including exploration work on the Gowks Hill Resource block where a significant upgrade of the Resource present is expected towards the end of calendar 2012 via conversion to Resource of the Exploration Target delineated.

Funds were also spent on the Avoca project and segment, especially exploration work and analysis of the Beavis Block, resulting in further refinement of the significant industrial mineral and gold Resource present within the Beavis block. As announced a sale and purchase agreement has been entered to sell this block for A$5m.

Tenement Position

With the change in the company's financial state the board has reviewed the tenement position with a view to cancelling applications and disposing of licences which are not within the main strategic focus. The following changes occurred during the course of the year:

Group Entity	Tenement	Status
Industrial Sands & Gravels	MIN 4943	Allowed to lapse
Inglewood Gold Mining Co P/L	EL 4671	Cancelled

Review of principal businesses

The company's principal business is gold exploration and production.

In light of the ongoing favourable outlook for the company's main commodity (Gold) the directors see no reason to alter or change this direction.

Significant changes in the state of affairs

The following significant changes in the state of affairs of the Company during the period of the report year, other than those referred to elsewhere in this report, are detailed below.

- The successful fundraising activities during the year have seen
  - significant equity issued to fund the Group's activities;
  - consolidation of a significant portion of debt to the Maradox gold loan;
  - further upgrades to the Maxwells Mill.
  - further work to better delineate the Resource at the Beavis, Gowks Hill and Goldsborough projects
- The Company continues in production at Inglewood with modest Gold Sales.
- The ANZ bank was fully repaid its loans and discharged its security over the GBM group, noting that the ANZ bank still has approximately $250,000 of bank guarantees issued on behalf of members of the GBM group as tenement security to the Department of Primary Industries. This contingent ANZ exposure is matched by a back to back cash deposit with ANZ of $250,000 from GBM director Mr Paul Chan.

Changes in controlled entities

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	ACN	Percentage Owned 30 June 2012	Percentage Owned 30 June 2011
Controlling Entity			
GBM Gold Ltd	119 956 624	–	–
Controlled Entities†			
Goldsborough Mining Pty Ltd	072 849 220	100%	100%
GBM Fiddlers Creek Pty Ltd	119 943 421	100%	100%
Inglewood Gold Mining Company Pty Ltd	116 623 100	100%	100%
GBM Wilson Hill Pty Ltd	007 287 452	100%	100%
GBM Avoca Pty Ltd	129 861 123	100%	100%
Industrial Sands & Gravels Pty Ltd	072 258 158	100%	100%
Kralcopic Pty Ltd	007 222 086	100%	100%
Greater Bendigo Gold Mines Pty Ltd	116 991 691	100%	100%
Companies in which significant interest held			
Mineral Resource Technologies Pty Ltd	131 815 828	nil	50% (not controlled)
Mineral Recovery Technologies Limited	NZ 1962399	nil	50% (not controlled)

Dividends

No dividends have been paid or provided for in the period of this report or since balance date.

Events subsequent to reporting date

The following material events occurred after 30 June 2012.

- In August 2012, Wiltshire Asset management agreed to acquire all of the shares in Industrial Sands & Gravels Pty Ltd, a subsidiary of GBM Gold Ltd, for A$5million to be paid as follows:
  - $750,000 by 30 September 2012 with a late payment fee of A$10,000 per day for each day it is not paid post 30 August 2012 (subject to any waiver of this fee that occurs as a result of Wiltshire entering the agreement with INGMCo as set out below),
  - The balance of A$4.25m is to be paid at the rate of A$250,000 per month commencing 5 July 2013 and finishing 5 November 2014, subject to any subsequently agreed variation to timing.

- Since balance date further amounts totalling A$170,000 were received from Sterlington Resources Limited ("Sterlington"), an international resources and mining company, as loans intended to be converted to GBM ordinary shares in due course.
- An agreement was reached with Sterlington that it will deliver a further A$705,000, which it previously committed to deliver, during October 2012.
- An agreement was reached with Wiltshire Asset Management S.A. ("Wiltshire"), a company incorporated in Panama, to inject A$9m in tranches to Inglewood Gold Mining Company Pty Ltd (INGMCo), of which A$1m is to flow up to GBM for its use, A$4m is to be applied to repayment of creditors and the Maradox agreement and a further A$4m (with potential provision of still further funds) for Plant & Equipment and working capital for the Inglewood operation. Upon full commitment of the total A$9m, subject to any and all required approvals, shares representing 80% of the issued share capital of INGMCo will have been issued to Wiltshire.
- During August and September 2012 agreement was reached with Maradox (see Note 2(D)) in respect of five overdue gold deliveries of the monthly sum of 1kg. The agreement reached was that the facility would be normalised with 2kg of gold delivered in early September 2012, which has now been delivered; and a further 6kg over the period late September to 10 October 2012 in respect of the 5 overdue deliveries and the delivery due 10 October 2012. Further deliveries after the 2kg in early September have not as yet occurred, but INGMCo will be applying funds to be received as above to deliver this 6kg of bullion, and will be negotiating with Maradox with the intention of leaving the facility in place on the current terms on the basis the delivery of this 6kg of gold is made during October 2012.
- During September 2012 an arrangement was reached with Lombard Finance & Investments Ltd, an entity which is in receivership ("Lombard"), to repay the GBM indebtedness in three tranches – the first two tranches of NZ$100,000 each and a final tranche of approximately NZ$234,000 (approx A$190,000). The first two tranches have been paid and the final balance is to be remitted in early October from the funds to be received as set out above.
- Agreements have been reached with various creditors to spread payments over periods of 3-6 months, or defer payment to October 2012. These creditor payments are to be met from the funds to be received as detailed above.

Agreement has been reached with Sterlington to allow GBM to review acquisition of one or more near production, surface based, International gold production projects which have been secured by Sterlington – the intention being for GBM to acquire the interests by issue of shares, subject to all required approvals.

Likely developments

The likely developments in the finances and operations of the Group are as follows:

- The company intends to complete the funding and investment transactions with Sterlington Resources and Wiltshire Asset management.
- This funding is to be applied to in large part eliminate group and INGMCo debt and for working capital, plant & equipment and project financing. Debt payments are to include :
    - Repayment of the balance of debt of approximately A$190,000 to Lombard Finance & Investments Ltd (in receivership).
    - Servicing and repayment in gold of the INGMCo obligation to Maradox Pty Ltd which at the date o f this report total approximately A$3m in principal value obtained and approximately a further A$300,000 of what are

effectively monthly holding costs, 5/6ths of which are overdue at the date of this report,

  - Payments over the period of October to December of approximately A$1m to a range of historical creditors and in respect of a range of other accruals

- The Inglewood operation will be upgraded further and taken to a higher and commercially viable level of production, with GBM moving to a minority shareholder position
- The company intends to focus on acquisition of one or more major International gold projects during the current financial year, where they have characteristics of : near term production, surface or near surface mining, project funding provided accompanying acquisition.
- Other Central Victorian projects will continue to be developed

Directors' interests

The relevant interest of each director in the shares or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary Shares	Options over ordinary shares
Directors		
Mr I W Smith	96,005,249	Nil – no options on issue
Mr W Johnson	144,250	"
Mr M Carson	NIL	"
Mr Eric JP Ng	148,500	"
Mr J ER Cahill	2,321,937	"
Mr Paul Chan	79,157,041	"
Mr Andy Lai	25,535,342	"

Share options

Options granted to directors and officers of the Company

The Company has not granted to any directors or its most highly remunerated officers options for no consideration over unissued ordinary shares in the Company during or since the end of the financial year.

Unissued shares under options

At the date of this report there are no unissued ordinary shares of the Company under option.

Shares issued on exercise of options

During or since the end of the financial year, there have been no issued ordinary shares as a result of the exercise of options.

Indemnification of insurance of officers and auditors

Indemnification

The Company has agreed to indemnify the following current directors of the Company, Messrs I W Smith, J ER Cahill, P HK Chan, S D Hall, W Johnson, A Lai, and E JP Ng, the current and past directors of its controlled entities and each officer or past officer of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors or offices of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses to a limit of $5,000,000 for any one claim or in aggregate for all directors of the Company.

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related body corporate against a liability incurred by the auditor.

Insurance premiums

Since the end of the previous financial year the Company has paid insurance premiums of $22,082.50 in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers, including senior executives of the Company and directors, senior executive and secretaries of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome, and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The insurance policy outlined above does not contain details of the premiums paid in respect of individual officers of the Company.

Non-audit services

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- there were no non-audit services provided by the auditor during the year.

Details of the amounts paid to the auditor of the Company, Moore Stephens Accountants & Advisors, for audit and non-audit services provided during the year are set out in Note 7 of the Financial Report.

Proceedings on behalf of the Company

No person has applied for leave of Court 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 financial year.

Auditor's independence declaration

The auditor's independence declaration is set out on page 17 and forms part of the Directors' Report for the financial year ended 30 June 2012.

This report is made in accordance with a resolution of the directors:

Ian W Smith
Executive Chair
Bendigo
1 October 2012

John ER Cahill
Resource Director
Bendigo

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Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of GBM Gold Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 there have been:

(i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

Moore Stephens

MOORE STEPHENS
Chartered Accountants

Nick Michael
Partner

Melbourne, 1 October 2012

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012	Note †	Consolidated 2012	2011
		$	$
Sales Revenue	6	627,884	880,442
Cost of sales		(2,705,712)	(1,232,097)
Gross profit/(loss)		(2,077,828)	(351,655)
Other income	6	459,595	845,805
Administrative expenses	7	(5,213,060)	(3,609,225)
Results from continuing activities		(6,831,293)	(3,115,075)
Profit/(loss) before income tax		(6,831,293)	(3,115,075)
Income tax expense	5	–	–
Profit /(loss) from continuing operations		(6,831,293)	(3,115,075)
Attributable to			
Equity holders of the Company		(6,831,293)	(3,115,075)
Loss for the period		(6,831,293)	(3,115,075)
Other comprehensive Income		–	–
Total comprehensive Income for the year		(6,831,293)	(3,115,075)
Earnings per share:	9		
Basic and diluted earnings per share (cents per share)		(0.01)	(0.01)

† The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2012	Note†	Consolidated 2012	2011
		$	$
Assets			
Current assets			
Cash and cash equivalents	10	184,940	226,063
Trade and other receivables	11	306,938	250,354
Inventory	12	423,893	419,828
Total current assets		915,771	896,245
Non-current assets			
Other financial assets	13	662,377	625,670
Property, plant and equipment & development	14	9,577,893	9,411,689
Exploration and evaluation	15	1,113,998	1,050,038
Other intangible assets	16	64,250	64,250
Total non-current assets		11,418,518	11,151,647
Total assets		12,334,289	12,047,892
Liabilities			
Current liabilities			
Trade and other payables	18	2,420,746	855,328
Financial liabilities	19	520,040	4,184,311
Provisions	20	3,134,146	27,538
Total current liabilities		6,074,932	5,067,177
Non-current liabilities			
Financial liabilities	19	46,865	–
Total non-current liabilities		46,865	–
Total liabilities		6,121,797	5,067,177
Net assets		6,212,492	6,980,715
Equity			
Share capital	21	23,963,357	17,900,287
Reserves	21	600,000	600,000
Retained earnings		(18,350,865)	(11,519,572)
Total equity		6,212,492	6,980,715

† The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

Consolidated	Note†	Share capital	Reserves	Accumulated profits	Total
		$	$	$	$
Balance 1 July 2010		**17,770,162**	**600,000**	**(8,404,495)**	**9,965,667**
Comprehensive Income for the Year					
Loss for the year		–	–	(3,115,075)	(3,115,075)
Other Comprehensive Income		–	–	–	–
Total Comprehensive Income for the Year		**–**	**–**	**(3,115,705)**	**(3,115,075)**
Transactions with Owners in their Capacity as Owners:					
Shares Issued		130,125	–	–	130,125
Transaction Costs		–	–	–	–
Total transactions with Owners in their capacity as Owners		**130,125**	**–**	**–**	**130,125**
Balance at 30 June 2011		**17,900,287**	**600,000**	**(11,519,572)**	**6,980,715**
Comprehensive Income for the Year					
Loss for the year		–	–	(6,831,293)	(6,831,293)
Other Comprehensive Income		–	–	–	–
Total Comprehensive Income for the Year		**–**	**–**	**(6,831,293)**	**(6,831,293)**
Transactions with Owners in their Capacity as Owners:					
Shares Issued		6,388,070	–	–	6,388,070
Transaction Costs		(325,000)	–	–	(325,000)
Total transactions with Owners in their capacity as Owners		**6,063,070**	**–**	**–**	**6,063,070**
Balance at 30 June 2012		**23,963,357**	**600,000**	**(18,350,865)**	**6,212,492**

† The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2012		Consolidated	
	Note†	2012	2011
		$	$
Cash flows from operating activities			
Cash receipts from customers		911,409	1,480,818
Deferred gold sales		3,165,386	–
Cash paid to suppliers and employees		(4,911,187)	(3,020,209)
Interest received		11,297	17,710
Interest paid		(432,834)	(303,780)
Net cash inflow/(outflow) from operating activities	28	**(1,255,929)**	**(1,825,461)**
Cash flows from investing activities			
Acquisition of exploration and evaluation assets		(63,960)	(20,370)
Acquisition of property, plant & equipment		(1,104,521)	(1,276,216)
Acquisition of other investments		(62,377)	–
Payment of rehabilitation bonds			–
Net cash inflow/(outflow) from investing activities		**(1,230,858)**	**(1,296,586)**
Cash flows from financing activities			
Net proceeds from the issue of share capital		4,063,070	130,125
Repayment of loans		(1,617,406)	–
Proceeds from borrowings		–	3,059,661
Net cash inflow/(outflow) from financing activities		**2,445,664**	**3,189,786**
Net (decrease)/increase in cash and cash equivalents		(41,123)	67,739
Cash and cash equivalents at 1 July		226,063	158,324
Cash and cash equivalents at 30 June	10	**184,940**	**226,063**

† The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 Reporting entity

GBM Gold Ltd (the 'Company') is a company limited by shares. The address of the Company's registered office is unit 2H Thistle Street. Bendigo 3554. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise GBM Gold Ltd and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates and jointly controlled entities. The Group primarily is involved in the exploration of gold. The separate financial statements of the parent entity GBM Gold Ltd, have not been presented within this financial report as permitted by the Corporations Act 2001.

2 Basis of Preparation

(A) Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated group of GBM Gold Ltd and controlled entities. GBM Gold Ltd is a listed public company, incorporated and domiciled in Australia and is a for profit entity for financial reporting purposes.

The consolidated financial report of GBM Gold Ltd and controlled entities comply with International Financial Reporting Standards.

The financial statements were approved by the Board of Directors on 1 October 2012.

(B) Basis of measurement

The consolidated financial statements have been prepared on an accrual basis and are based on historical costs except for the following where applicable:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value
- investment property is measured at fair value
- liabilities for cash-settled share-based payment arrangements are measured at fair value

(C) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is GBM Gold Limited's functional currency and the functional currency of the Group.

(D) Use of estimates and judgements

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

The accounting policies have been consistently applied by each entity in the consolidated entity.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i) Critical accounting estimates and assumptions

Rehabilitation obligation

The Group has not made a provision for the future rehabilitation of the sites it operates in (refer contingent liability note 25) as it is not yet possible to estimate with any degree of reliability the future costs that will be incurred.

Maradox agreement

During the year the Group entered into an agreement with Maradox Pty Ltd ("Maradox") to supply 55kg of gold bullion within 33 months ending July 2014 in exchange for A$3m. For every month that the 55kg remains outstanding, an additional 1 kg of gold will be delivered to Maradox monthly in arrears.

At the year end the Group is producing insufficient gold bullion to fulfil this obligation and therefore must purchase the gold at the market rate. As such the directors have created a provision for the 55kg of gold bullion at fair value, plus 5 monthly 1kg deliveries which remains outstanding at 30 June 2012. The total provision at that date amounts to $3,061,993, which represents the fair value of 60 kg of gold bullion.

ii) Critical judgements in applying the Group's accounting policies

Going Concern

Attention is drawn to Note 2(E) in the financial report which indicates that the Group is relying on further developing its trading income and further share placements to maintain its operations. The Group intends to raise additional funds to finance its short-term operations and further mine developments until financially sustainable levels of production is reached.

Exploration and evaluation assets, mine development, and joint venture assets

The ultimate recoupment of costs carried for exploration and evaluation, mine development and joint venture phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

Income Taxes

The Group is subject to income taxes in Australia. Significant judgement is required in determining the provision for income taxes. Tax laws existing at the present time may change in the future affecting judgements made at this time. The Group estimates its tax liabilities based on the Group's understanding of the tax law as it applies now.

The Group does not recognise deferred tax assets relating to carried forward tax losses unless realisation is probable. However the Group may utilise the unused tax losses in the future, subject to the satisfaction to meet certain tests, at the time the losses are recouped.

(E) Going concern

The consolidated group generated a net loss for the year ended 30 June 2012 of $6,831,293 (2011: $3,115,075) and shows a working capital deficiency at 30 June 2012 of $5,159,161 (2011: 4,170,932).The group has net assets of $6,604,195 (2011: $6,980,715).

As disclosed in note 24, Events Subsequent to Reporting Date, the group has entered into an agreement whereby its subsidiary, Inglewood Gold Mining Company Pty Ltd ("INGMCo"), is to receive an injection of A$9m as equity in that company, subject to any and all required approvals. The first A$1m of this will be paid to GBM which will allow it to settle all of its and its other subsidiaries' obligations, to approximately $500,000. The next A$4m payment to INGMCo is to settle all creditors, accruals and other deferred payment obligations that are due or overdue. The directors are confident that this and other capital raising projects in the pipeline for the short term future will be successful given the company's historic successful capital raising record, as well as the agreements entered into and commitments received from investors.

The directors are of the opinion that as a result of the above the group remains a going concern and that the financial statements should be prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. This is based on the Directors' confidence in the Group's strategic future plans; the funding arrangements entered into subsequent to the year end as described in Note 24, as well as the directors' expectation that the following planned capital raising projects in the short term will be successful:

- $1m plus a further A$705,000 to be received by GBM by mid October 2012
- $4m to be received by INGMCo over the period October to December 2012
- A further A$4m to be received by INGMCo in cash, cash equivalents or equipment during the first half of 2013
- Other equity placed during 2013, subject to shareholder approval, in consideration of acquisition of one or more significant International project; and to fund the required working capital.

The directors have developed a strategic plan for the Inglewood site. This explores the Inglewood Gold Mining company's ability to extract and produce commercial quantities of gold from its tenements at a profitable margin. Based on this plan, and the INGMCo transaction with Wiltshire, the directors are confident that INGMCo and the Group has sufficient resources and will have the infrastructure in place to ensure INGMCo starts producing profitably in the medium term, subject to the Group's ability to raise the funds required to sustain the Group in the short term. Historical reliability of the INGMCo plant and equipment has prevented profitable production. However, the significant issues with the plant and equipment have been identified and plans have been prepared to have these issues resolved and following some final minor repairs and adjustments, the directors are confident that the plant will be in a condition to operate effectively in the medium term future.

The Board also remains committed to the Group's ongoing exploration programmes, although there is some flexibility in the timing and funds that will be committed.

If the consolidated entity is unable to continue as a going concern it shall be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

3 Significant accounting policies

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(A) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In note 30, investments in subsidiaries are carried at fair value. Fair value is determined by the directors taking into account the underlying net assets of the subsidiaries.

(ii) Associates and joint ventures (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and joint ventures, including partnerships, are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Transactions eliminated on consolidation

Intra-group balances, and income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(B) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation which are recognised direct in equity.

(C) Financial instruments

(i) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e., trade date accounting is adopted).

Financial instruments are initially measures at fair value plus transaction costs, except where the instrument is classified ‘at fair value through profit or loss’, in which case transaction costs are expensed to profit or loss immediately.

(ii) Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

a) the amount at which the financial assets or financial liability is measured at initial recognition

b) less principal repayments

c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*, and

d) less any reduction for impairment

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They compromise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

(iii) Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the vair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

(iv) Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(v) Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The

difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit and loss.

(D) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

(i) Properties

Freehold land and buildings are shown at cost.

(ii) Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

(iii) Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of Fixed Asset	Depreciation Rate
Buildings	2%
Leasehold Improvements	4–5%
Plant and Equipment	3–50%
Leased Plant and Equipment	15%
Mine Development	5%

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

The mine assets and plant at Inglewood were operating 5-7 days per week as at 30 June 2012.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Income Statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(E) Intangible assets

(i) Exploration and evaluation asset

In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, exploration and evaluation expenditures are capitalised as an asset for each area of interest where the conditions of AASB 6 are satisfied. The costs are only carried forward to the extent that they

are expected to be recouped through the successful development of the area, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

At balance date the Directors have examined the conditions for continuing to carry forward the capitalised value of each area of interest, including allowance for impairment in the value.

Once an area of interest has reached the development stage, the future costs are accounted for in accordance with AASB 116 *Property, Plant and Equipment*, and AASB 138 *Intangible Assets*. These costs are amortised over a period, and the carrying value is assessed annually by the Directors for impairment. There has been no amortisation of capitalised assets in the 2011 financial year.

(ii) Other intangible assets

Other intangible assets are recognised at cost. Their useful lives are assessed as finite or indefinite. Assets with a finite useful life are carried at cost less accumulated amortisation and any impairment. Assets with indefinite useful lives are carried at cost less any impairment losses and are reviewed annually for impairment.

(F) Mine development

The costs of mine development is capitalised to the extent that these costs are expected to be recouped through commercially viable extraction of resources. Costs arising from mine development are depreciated according to the depreciation accounting policy.

(G) Inventories

Gold in solution form, ore on the heap leach pad, ore on the ROM pad and gold in progress are physically measured or estimated and stated at the lower of cost and net realisable value. Cost represents the weighted average cost and includes direct costs and a portion of fixed and variable direct overhead expenditure including depreciation and amortisation. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(H) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and the leased assets are not recognised on the Group's Statement of Financial Position.

(I) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(J) Employee benefits

(i) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due. These funds are accumulation type funds and the Group has no further obligations to the funds.

(ii) Defined benefit superannuation funds

The Group has no obligation in respect of defined benefit pension plans.

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than defined benefit superannuation funds is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated [Commonwealth Government] bonds that have maturity dates approximating the terms of the Group's obligations.

(iv) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary

redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(v) Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(vi) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment.

The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

(K) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(L) Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

(M) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

(N) Income tax

(i) Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(ii) Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

(iii) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation 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 balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities which are disclosed as operating cash flows.

(O) New standards and interpretations not yet adopted

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided against early adoption of these standards. A discussion of those future requirements relevant to the Group and their impact on the Group is as follows:

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on financial statements
AASB 10 Consolidated Financial Statements	The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 11 Joint Arrangements	The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (ie joint arrangements).	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 12 Disclosure of Interests in Other Entities	The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate: (a) the nature of, and risks associated with, its *interests in other entities*; and (b) the effects of those interests on its financial position, financial performance and cash flows.	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 13 Fair Value Measurement	This Standard: (a) defines *fair value*; (b) sets out in a single Standard a framework for measuring fair value; and (c) requires disclosures about fair value measurements.	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 119 Employee Benefits	The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. The Standard requires an entity to recognise: (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 127 Separate Financial Statements (2011)	A parent, other than a parent described in paragraph 10, shall present consolidated financial statements in which it consolidates its investments in subsidiaries in accordance with this Standard.	Beginning 1 Jan 2013	Detail of impact is still being assessed.

Standard/Interpretation	Summary	*Applicable for annual reporting periods beginning on*	Impact on financial statements
AASB 128 Investments in Associates and Joint Ventures (2011)	The objective of this Standard is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	The objective of this Standard is to make amendments to AASB 124 Related Party Disclosures to remove individual key management personnel disclosure requirements.	Beginning 1 July 2013	Detail of impact is still being assessed.
Interpretation 20 : Shipping costs in the production phase of a surface mine This Interpretation clarifies when production stripping costs should lead to the recognition of an asset and how that asset should be initially and subsequently measured.	This objective of this interpretation is to address the following issues: (a) recognition of production stripping costs as an asset; (b) initial measurement of the stripping activity asset; and (c) subsequent measurement of the stripping activity asset.	Beginning 1 January 2013	Detail of impact is still being assessed.
AASB 9 : Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.	Beginning 1 January 2013	Detail of impact is still being assessed.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(A) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values or, for specialised assets such as mine development, depreciated replacement cost. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the market prices for similar items. Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(B) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(C) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(D) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(E) Share-based payment transactions

The fair value of employee stock options is measured using a binomial lattice model. The fair value of share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(F) Financial guarantees

For financial guarantee contract liabilities, the fair value at initial recognition is determined using a probability weighted discounted cash flow approach. This method takes into account the probability of default by the guaranteed party over the term of the contract, the loss given default (being the proportion of the exposure that is not expected to be recovered in the event of default) and exposure at default (being the maximum loss at the time of default).

5 Income Tax

	Consolidated	
	2012	2011
	$	$
Income tax recognised in Loss		
Loss from ordinary activities	(6,831,293)	(3,115,075)
Income tax benefit calculated at 30% of loss from ordinary activities	(2,049,387)	(934,522))
Add tax effect of permanent and timing differences:		
Non-deductible items	946	4,646
Movements in provisions	286,854	(2,603)
Income tax benefit attributable to operating loss	(1,761,587)	(932,479)

No income tax asset has been recognised due to the uncertainty of timing in relation to when taxable profits will be derived.

6 Revenue

	Consolidated	
	2012	2011
	$	$
a. Operating activities		
- Trading revenue	627,884	880,442
Total Revenue from operating activities	627,884	880,442
b. Non-operating activities		
- Interest received	11,297	17,710
- Other Income	448,298	828,095
Total Revenue from non-operating activities	459,595	845,805
Total Revenue and other income	1,087,479	1,726,247

7 Administrative Expenses

	Consolidated	
	2012	2011
	$	$
Depreciation - Amortisation	938,317	906,633
	938,317	906,633
Employee benefit expenses		
Salaries and Wages	687,192	430,853
Superannuation	117,037	70,909
Work cover	5,000	600
	809,229	502,362
Other administrative expenses		
Accounting and Audit fees	176,328	70,374
Interest	432,834	303,781
Loss on tenement sales	–	54,000
Provision for Maradox agreement (Note 2(D))	300,630	–
Other administrative expenses	2,555,722	1,772,075
	3,465,514	2,220,230
Total Administrative Expenses	5,213,060	3,609,225

8 Auditors' Remuneration

	Consolidated	
	2012	2011
	$	$
Remuneration of Richmond Sinnott & Delahunty for:		
- Auditing or reviewing the financial report	–	34,560
- Other services	–	6,460
	–	41,020
Remuneration of BDO Audit (NSW-VIC) Pty Ltd for:		
Auditing or reviewing the financial report	26,260	–
	26,260	–
Remuneration of Moore Stephens Melbourne for:		
Auditing or reviewing the financial report	38,000	–
	38,000	–

9 Earnings Per Share

The following reflects the income and share data used in the calculations of basic and diluted earning per share:

	Consolidated	
	2012	2011
	$	$
Earning used in calculating basic and diluted earnings per share	(6,831,293)	(3,115,075)
Weighted average number of ordinary shares used in calculating basic earnings per share	514,577,048	337,881,377

10 Cash and Cash Equivalents

	Consolidated	
	2012	2011
	$	$
Cash at bank and in hand	184,940	226,063
	184,940	226,063

	Consolidated	
Reconciliation of Cash	2012	2011
	$	$
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the balance sheet as follows:		
Cash and cash equivalents	184,940	226,063
	184,940	226,063

11 Trade and Other Receivables

	Consolidated	
	2012	2011
	$	$
Prepayments		
Bonds	22,965	19,800
Trade Receivables		
Other Receivables		
Pre-payments	88,125	–
Trade Receivables	70,568	230,554
Other Receivables	125,280	–
	306,938	250,354

The balances of receivables that remain within trade terms are considered to be of a high credit quality

12 Inventory

	Consolidated	
	2012	2011
	$	$
Work In Progress	423,893	419,828
	423,893	419,828

13 Other Financial Assets

	Consolidated	
	2012	2011
	$	$
Non Current		
Loan†	–	115,670
Provision for Doubtful Debt	–	(90,000)
	–	25,670
Joint Ventures††		
Harvest Home	161,346	100,000
Queens Birthday	501,031	500,000
	662,377	625,670

† Loan to former employee unsecured

†† JV – This represents the Group's proportional interest in the JV tenement assets. Expenses incurred under the joint venture are expensed as incurred by each joint venture partner.

14 Property, Plant and Equipment

	Consolidated 2012	Consolidated 2011
	$	$
Plant and Equipment		
At cost	6,971,534	6,260,886
Accumulated Depreciation	(2,490,011)	(1,819,897)
	4,481,523	4,440,989
Mine Development		
At cost	5,286,227	4,912,354
Accumulated Depreciation	(506,418)	(238,215)
	4,779,809	4,674,139
Land		
At cost	316,561	296,561
	316,561	296,561
	9,577,893	9,411,689

(A) Reconciliation of movement in property plant and equipment

Consolidated 2012	Plant & Equipment	Mine Development	Land	Buildings	Total
	$	$	$	$	$
Balance 1 July 2011	4,440,989	4,674,139	296,561	–	9,411,689
Reallocation to Other investments	–	–	–	–	–
Additions	735,957	348,564	20,000	–	1,104,521
Disposals	–	–	–	–	–
Depreciation Expense	(695,423)	(242,895)	–	–	(938,317)
Balance at 30 June 2012	4,481,523	4,779,808	316,561	–	9,577,893

Consolidated 2011	Plant & Equipment	Mine Development	Land	Buildings	Total
	$	$	$	$	$
Balance 1 July 2010	3,986,041	4,759,503	296,561	–	9,042,105
Reallocation to Other investments	–	–	–	–	
Additions	1,123,366	152,851	–	–	1,276,217
Disposals	–	–	–	–	–
Depreciation Expense	(668,418)	(238,215)	–	–	(906,633)
Balance at 30 June 2011	4,440,989	4,674,139	296,561	–	9,411,689

15 Exploration & Evaluation

Area of interest	Consolidated 2012	Consolidated 2011
	$	$
Wilson Hill	519411	515,525
Diamond Hill	–	20,000
Kralcopic	–	–
Industrial Sands & Gravel	211,138	115,594
Fiddlers Creek	7909	262,500
Avoca	145,848	108,519
Inglewood	229,692	27,900
	1,113,998	1,050,038

The renewal dates for some of these leases will arise in the next year.

(A) Reconciliation of movement in exploration & evaluation

	2012	2011
	$	$
Consolidated		
Balance 1 July	1,050,038	1,123,668
Additions	126,210	20,370
Disposals	(62,250)	(94,000)
Balance at 30 June	1,113,998	1,050,038

16 Intangible Assets

Intangible Assets are not depreciated due to having an indefinite life, but are assessed on an annual basis for impairment and the holding value is adjusted accordingly for any impairment found.

	Consolidated	
	2012	2011
	$	$
Database acquired	64,250	64,250
	64,250	64,250

17 Interest in Joint Venture Operations

The economic entity is the holder of a 50% interest in each of two joint ventures with new joint venture partner Silver Bright Investments Ltd.

Under the Joint Venture Agreement for the 'Queens Birthday' tenement, a member of the Group undertakes to manage the project and contribute 50% of the cost of the Joint Venture activity.

Under the Joint Venture Agreement for the 'Harvest Home' tenement, Silver Bright and/or its Director Paul Chan undertakes to manage the project with the company contributing 50% of the cost of the Joint Venture activity.

The Company's interest in each of the Joint Ventures is restricted to the tenement and output and there are no Joint Venture financial statements.

The value of the joint ventures areas of interest are recorded on the Statement of Financial Position (refer Note 13).

Companies in which significant interest held	ACN	Percentage Owned 30 June 2012	Percentage Owned 30 June 2011
Mineral Resource Technologies Pty Ltd	131 815 828	0%	50% (not controlled)
Mineral Resource Technologies Pty Ltd	131 815 828	0%	50% (not controlled)

18 Trade and Other Payables

	Consolidated	
	2012	2011
	$	$
Accrued Expenses	466,837	31,937
Trade Creditors	944,798	502,815
GST/PAYG Payable	446,976	46,007
Other Creditors	562,135	274,569
	2,420,746	855,328

19 Financial liabilities

	Consolidated 2012	Consolidated 2011
	$	$
Current		
Convertible Loans (i)	–	600,000
Convertible Loans (ii)	–	1,400,000
Borrowings (iii)	417,495	1,354,233
Director Loans‡	70,991	–
Bills of Exchange (iv)	–	742,866
Leases‡‡	31,554	87,212
	520,040	4,184,311

	Consolidated 2012	Consolidated 2011
	$	$
Non Current		
Leases‡‡	46,865	–
	46,865	–

‡ The loans are unsecured short term loans from directors or related entities to assist the company with meeting their short term liabilities as they fall due. The loans have zero % interest payable, and are expected to be repaid within 6 months of the year end.

‡‡ Leases are secured by the equipment under lease, in the form of a Hitachi Excavator

(i) Converted to shares at 30 September 2011

(ii) Converted to shares 31 January 2012

(iii) Borrowings relates to two agreements, one with Hunter Premium Funding and one with Lombard Finance & Investments Limited (in Receivership). The loans are repayable within 12 months, are at interest rates of 8.5% and 8% respectively. The loans are not secured over any of the Group's assets.

(iv) This related to Commercial Bills from ANZ which was secured by a First Registered Company Charges over all the assets and undertakings of the Companies of the group. Interest 9.8%. The liability was settled in the period.

20 Provisions

	Consolidated 2012	Consolidated 2011
	$	$
Current		
Employee benefits	72,153	27,538
Provision for Maradox agreement (see Note 2(D))	3,061,993	–
Total Provisions	3,134,146	27,538

(A) Reconciliation of movement in provisions

Consolidated 2012	Employee Benefits	Maradox Agreement	Accrued Expenses	Rehab. Provision	Total
	$	$	$	$	$
Balance 1 July 2011	27,538	–	–	–	27,538
Amounts used					
Additional amounts provided	44,615	3,061,993	–	–	3,106,608
Balance at 30 June 2012	72,153	3,061,993	–	–	3,134,146

Consolidated 2011	Employee Benefits	Maradox Agreement	Accrued Expenses	Rehab. Provision	Total
	$	$	$	$	$
Balance 1 July 2010	30,320	–	8,276	1,815	40,411
Amounts used	(2,782)	–	(8,276)	(1,815)	(12,873)
Additional amounts provided			–	–	–
Balance at 30 June 2011	27,538	–	–	–	27,538

21 Issued Capital and Reserves

i) Issued Capital

	Consolidated 2012	Consolidated 2011
	$	$
659,451,611 (2011: 340,483,877) fully paid ordinary shares	23,963,357	17,900,287

The Company has authorised share capital of 659,451,611 (340,483,877) at end of 2011 reporting period) ordinary shares of no par value.

	Consolidated 2012	Consolidated 2011
	No.	No.
Ordinary Shares		
At the beginning of the reporting period	340,483,877	335,278,877
Shares issued during the year		
- Private placement (August 2010)		5,205,000
- Private placement (August 2011)	175,563,067	–
- Exercise of options (April 2012)	70,488,000	–
- Private placement (June 2012)	72,916,667	–
At the end of the reporting period	659,451,611	340,483,877

ii) Reserves

	Consolidated 2012	Consolidated 2011
Investment revaluation Reserve	$	$
Balance 1 July	600,000	600,000
Balance 30 June	600,000	600,000

22 Interests of Key Management Personnel (KMP)

Names and positions held of economic and parent entity key management personnel in office at any during the finance year are:

KMP	Position	Tenure
Directors		
Mr I W Smith	Executive Chairman	Full year
Mr J ER Cahill	Resource Director	Full year
Mr E JP Ng	Director (non-executive)	Full year
Mr W Johnson	Director (non-executive)	Full year
Mr Paul Chan	Director (non-executive)	Appointed 17 October 2011
Mr Andy Lai	Director (non-executive)	Appointed 17 October 2011
Mr Stuart Hall	Director (non exec) & Co Sec	Appointed 17 October 2011
Mr M Carson	Director (non-executive)	Resigned 29 February 2012
Key management personnel (non-directors)		
Mrs E Ryan	Admin Manager	Resigned 26 June 2012
Mr S Hall	Company secretary	Full year
Mr P Hallberg	Group General manager	Moved to external consultant as at 31 December 2011
Mr J P Cipriano	Geology manager	Full year
Mr N Yurman	Mine Manager	Made redundant 9 May 2012
Mr J Douglas	Mill Manager	Contract finished December 2011

The totals of remuneration paid to KMP of the company and the Group during this year are	Consolidated 2012	2011
	$	$
Short-term employee benefits	693,269	710,469
Post-employment benefits	27,294	30,538
Other long-term benefits	–	–
Share Based payments	–	–
	720,563	741,007

Refer also to the remuneration report contained in the director's report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2012.

Other amounts paid to KMP of the company and the Group during the year are as follows:

Mr. I. W. Smith received $24,000 in fees for guaranteeing several company loans and/or credit facilities throughout the year.

FAR Financial Services Ltd (Mr. I. W. Smith is a director) received $125,000 for assisting in raising capital throughout the year.

Mr. W. Johnson received $12,000 in consulting fees throughout the year.

(A) KMP Options and Rights Holdings

The number of options over shares held by each KMP of the Group during the financial year is as follows:

30 June 2012	Balance at beginning of Year	Granted as Remuneration during the Year	Exercised during the Year	Other Changes During the Year	Balance at end of Year	Vested During Year	Vested and Exercisable	Vested and Un-exercisable
Directors					ALL NIL			
Mr I W Smith	17,848,194	–	–	(17,848,194)		–	–	–
Mr J ER Cahill	812,683	–	–	(812,683)		–	–	–
Mr E JP Ng	271,944	–	–	(271,944)		–	–	–
Mr W Johnson	26,713	–	–	(26,713)		–	–	–
Mr Paul Chan				+22,978,520 -22,978,520				
Mr Andy Lai								
Mr M Carson	–	–	–	–		–	–	–
Non- Directors								
Mr S Hall	1,666,667	–	–	(1,666,667)		–	–	–
Mr P Hallberg	–	–	–	–		–	–	–
Mr J P Cipriano	361,511	–	–	(361,511)		–	–	–
Mr S Woodall	–	–	–	–		–	–	–
	20,987,712	–	–	(20,987,712)		–	–	–

30 June 2011	Balance at beginning of Year	Granted as Remuneration during the Year	Exercised during the Year	Other Changes During the Year‡	Balance at end of Year	Vested During Year	Vested and Exercisable	Vested and Un-exercisable
Directors								
Mr I W Smith	17,587,778	–	–	260,416	17,848,194	–	–	–
Mr J ER Cahill	812,683	–	–	–	812,683	–	–	–
Mr E JP Ng	271,944	–	–	–	271,944	–	–	–
Mr W Johnson	26,713	–	–	–	26,713	–	–	–
Mr M Carson	–	–	–	–	–	–	–	–
Non- Directors								
Mr S Hall	1,666,667	–	–	–	1,666,667	–	–	–
Mr P Hallberg	–	–	–	–	–	–	–	–
Mr J P Cipriano	361,511	–	–	–	361,511	–	–	–
Mr S Woodall	–	–	–	–	–	–	–	–
	20,727,296	–	–	260,416	20,987,712	–	–	–

(B) KMP Shareholdings

Number of ordinary shares in GBM Gold Ltd held by each KMP of the Group during the financial year is as follows:

30 June 2012	Balance Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes During the Year	Balance at end of Year
Directors					
Mr I W Smith	94,540,666	–	–	1,406,250	95,946,916
Mr J ER Cahill	2,321,937	–	–	–	2,321,937
Mr W Johnson	144,250	–	–	–	144,250
Mr M Carson	–	–	–	–	–
Mr E JP Ng	–	–	–	–	–
Mr Paul Chan	79,157,041				79,157,041
Mr Andy Lai					
Key management personnel (non-directors)					
Mr S Hall	9,000,000	–	–	–	–
Mr P Hallberg	–	–	–	–	–
Mr J P Cipriano	1,952,157	–	–	–	1,952,157
Mr S Woodall	120,000	–	–	-120,000	0
	107,959,010	**–**	**–**	**1,526,250**	**100,485,260**

† Net Change Other refers to shares purchased or sold during the financial year.

30 June 2011	Balance Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes During the Year	Balance at end of Year
Directors					
Mr I W Smith	94,540,666	–	–	1,406,250	95,946,916
Mr J ER Cahill	2,321,937	–	–	–	2,321,937
Mr W Johnson	144,250	–	–	–	144,250
Mr M Carson	–	–	–	–	–
Mr E JP Ng			–	–	–
Key management personnel (non-directors)					
Mr S Hall	9,000,000	–	–	–	–
Mr P Hallberg	–	–	–	–	–
Mr J P Cipriano	1,952,157	–	–	–	1,952,157
Mr S Woodall	–	–	-	120,000	120,000
	107,959,010	**–**	**–**	**1,526,250**	**100,485,260**

† Net Change Other refers to shares purchased or sold during the financial year.

(C) Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

For the details of other transactions with KMP, refer to note 23: Related Party Transactions. There were no loans to KMP during the year.

23 Related Party Transactions

(A) The Group's main related parties are as follows:

(i) Entities exercising control over the Group:

The ultimate parent entity, which exercises control over the Group, is GBM Gold Ltd which is incorporated in Australia.

(ii) Key Management Personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 22: Interests of Key Management Personnel (KMP).

(iii) Subsidiaries:

	ACN	Percentage Owned 30 June 2012	Percentage Owned 30 June 2011	Investment in Subsidiary 2012	Investment in Subsidiary 2011
Controlling Entity				$	$
GBM Gold Ltd	119 956 624				
Controlled Entities†					
Goldsborough Mining Pty Ltd	072 849 220	100%	100%	122,024	122,024
GBM Fiddlers Creek Pty Ltd	119 943 421	100%	100%	500,100	500,100
Inglewood Gold Mining company Pty Ltd	116 623 100	100%	100%	3,000,000	2,240,000
GBM Wilson Hill Pty Ltd	007 257 452	100%	100%	575,008	575,008
GBM Avoca Pty Ltd	129 861 123	100%	100%	100	100
Industrial Sands & Gravels Pty Ltd	072 258 158	100%	100%	102,051	102,051
Kralcopic Pty Ltd	007 222 086	100%	100%	54,763	54,763
Greater Bendigo Gold Mines Pty Ltd	116 991 691	100%	100%	100	0
				4,354,146	3,594,046

(iv) Joint Venture entities that are accounted for under the equity method:

In 2011 the Group had a 50% interest in the entity Mineral Resources Technologies Pty Ltd and a 50% interest in the entity Mineral Recovery Technologies Limited. These interests were disposed of during the year.

For details of interests held in joint venture entities, refer to Note 17: Joint Venture.

(v) Other related Parties:

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel exercise significant influence.

(B) Transactions with related parties

Transactions between related parties occur on normal commercial terms and conditions and are no more favourable than those available to other parties unless otherwise stated. During the year loan transactions occurred between the Parent Entity and its wholly owned subsidiaries. The details of transactions with related parties of key management personnel are set out in Note 22.

During the financial year Mr Paul Chan placed A$250,000 on deposit with the ANZ Bank to secure the DPI bonds that had been issued by ANZ. This enabled ANZ to release its security over the Group. At balance date the funds were still on deposit. By the end of 2012 GBM is aiming to replace the ANZ bonds with bonds issued by another bank, whereupon the ANZ bonds will be cancelled and this will allow the ANZ to release the A$250,000 back to Mr Paul Chan.

At 30 June 2012 there are amounts payable to directors amounting to $70,991. This total amount is payable to Messrs John Cahill, Stuart Hall and Juan Cipriano. All other details relating to the loans has been disclosed in Note 19.

24 Events subsequent to the Reporting Date

The following material events occurred after 30 June 2012. Attention is also drawn to the going concern assumption stated at Note 2(E).

- In August 2012, Wiltshire Asset management agreed to acquire all of the shares in Industrial Sands & Gravels Pty Ltd, a subsidiary of GBM Gold Ltd, for A$5million to be paid as follows:
    - $750,000 by 30 September 2012 with a late payment fee of A$10,000 per day for each day it is not paid post 30 August 2012 (subject to any waiver of this fee that occurs as a result of Wiltshire entering the agreement with INGMCo as set out below),
    - The balance of A$4.25m is to be paid at the rate of A$250,000 per month commencing 5 July 2013 and finishing 5 November 2014, subject to any subsequently agreed variation to timing.
- Since balance date further amounts totalling A$170,000 were received from Sterlington Resources Limited ("Sterlington"), an international resources and mining company, as loans intended to be converted to GBM ordinary shares in due course.
- An agreement was reached with Sterlington that it will deliver a further A$705,000, which it previously committed to deliver, during October 2012.
- An agreement was reached with Wiltshire Asset Management S.A. ("Wiltshire"), a company incorporated in Panama, to inject A$9m in tranches to Inglewood Gold Mining Company Pty Ltd (INGMCo), of which A$1m is to flow up to GBM for its use, A$4m is to be applied to repayment of creditors and the Maradox agreement and a further A$4m (with potential provision of still further funds) for Plant & Equipment and working capital for the Inglewood operation. Upon full commitment of the total A$9m, subject to any and all required approvals, shares representing 80% of the issued share capital of INGMCo will have been issued to Wiltshire.
- During August and September 2012 agreement was reached with Maradox (see Note 2(D)) in respect of five overdue gold deliveries of the monthly sum of 1kg. The agreement reached was that the facility would be normalised with 2kg of gold delivered in early September 2012, which has now been delivered; and a further 6kg over the period late September to 10 October 2012 in respect of the 5 overdue deliveries and the delivery due 10 October 2012. Further deliveries after the 2kg in early September have not as yet occurred, but INGMCo will be applying funds to be received as above to deliver this 6kg of bullion, and will be negotiating with Maradox with the intention of leaving the facility in place on the current terms on the basis the delivery of this 6kg of gold is made during October 2012.
- During September 2012 an arrangement was reached with Lombard Finance & Investments Ltd, an entity which is in receivership ("Lombard"), to repay the GBM indebtedness in three tranches – the first two tranches of NZ$100,000 each and a final tranche of approximately NZ$234,000 (approx A$190,000). The first two tranches have been paid and the final balance is to be remitted in early October from the funds to be received as set out above.
- Agreements have been reached with various creditors to spread payments over periods of 3-6 months, or defer payment to October 2012. These creditor payments are to be met from the funds to be received as detailed above.
- Agreement has been reached with Sterlington to allow GBM to review acquisition of one or more near production, surface based, International gold production projects which have been secured by Sterlington – the intention being for GBM to acquire the interests by issue of shares, subject to all required approvals.

There were no other significant events after balance date which impacted the operations of the Group.

25 Contingent Liabilities and Commitments

(i) Restoration obligation

A liability may arise for the restoration of tenement sites following development and mining activities. These liabilities will be brought to account when they can be reliably measured. As at 30 June 2012, works have continued at a number of sites, including Inglewood, Wedderburn (Gowks Hill) and Avoca which will give rise to future restoration commitments. The extent of restoration required has not yet been defined by the Group in consultation with the Victorian Government.

(ii) Minimum spend commitment

The group is committed to spend the following on its tenements:

- Within 1 year A$1,386,230
- Within 2-5 years A$5,544,920

The majority of this spend, approximately A$1.043m per annum, relates to spend on the Inglewood project and is covered by its budget, and the funding to be injected by Wiltshire into INGMCo, which is substantially in excess of this sum. The group intends to meet the balance of its minimum spend requirements from funds to be received as set out in Note 24, Events Subsequent to the Reporting Date.

26 Operating Segments

Segment information is presented using a "management approach", being segment information provided for internal reporting purposes used by the executive management committee.

Description of Segments

Management has determined the operating segments based on reports reviewed by the executive management committee for making strategic decisions. The executive management committee comprises the executive chairman and subsidiary/divisional managers. The committee monitors the business based on the stage of exploration and development and geographic location of tenements. This has resulted in the identification of the following reportable segments:

Inglewood Segment and Operational focus (Victoria)

The Operational focus at Inglewood is based around the Maxwells Mill site, and at present represents the majority of the company's activity.

The Maxwells Mill comprises an established and functional gravity and CIP processing base presently capable of processing 40-100,000t of material per annum.

This processing site is presently fed from a range of surface deposits as well as underground ore from the adjacent Maxwells mine which presently is accessing ore from 4 faces using manual airleg equipment.

The Maxwells Mine has had 3 production phases being the historical 1856 - approx 1880 followed by a revival in the 1920's - over which periods approx 120,000 oz were produced; 1985-1993 when ~10,000 oz were produced ; and the recent phase under GBM ownership from 2006 when recent mining activity has produced approx 1,000 oz.

Inglewood and its related resource projects (refer diagram in this report) cover ~10,000ha, and contain approx 200,000 Oz of Resource with extensive well defined Exploration Targets of upwards of 600,000 Oz (refer to table herein for details of the Exploration Target parameters)

Avoca Segment and Operational Focus (Victoria)

The Operational focus at Avoca is based on two adjacent sites in Percydale, Avoca - being the Beavis block on which a large alluvial processing plant is planned and adjacent to and uphill from that block the Fiddlers Creek mill.

Presently the Beavis operation is in planning and the Fiddlers Creek mill is not operating, but it is intended that both will see growing activity and significant revenue from this calendar year.

The Avoca operations will see the Beavis alluvial plant set up to process upwards of 2 million m3 of industrial materials and recover approx 33,000 oz of gold in the basal layer, whilst the Fiddlers Creek mill will recommence operations to process both the company's own ore from its Avoca tenements as well as to process identified third party material.

The tenements related to the Avoca operational focus cover ~9,500 ha, and contain approx 44,000 Oz of Resource with Exploration Targets of up to approximately a further 100,000oz

Segment		30 June 2012	
	Avoca Operation	Inglewood Operation	Group Total
Year ended 30 June 2012	$	$	$
Total segment revenue and other income	1,828	828,613	830,441
Segment result	(90,154)	(5,529,653)	(5,619,807)
Segment asset	1,283,719	10,814,106	12,097,825

Segment		30 June 2011	
	Avoca Operation	Inglewood Operation	Group Total
Year ended 30 June 2011	$	$	$
Total segment revenue	259,449	1,450,544	1,709,993
Segment result	195,430	(2,112,244)	(1,916,814)
Segment asset	1,113,445	9,893,768	11,007,213

There is revenue between the head office and segments which has been eliminated as both cost and revenue in the above, so that segment revenues and costs shown are only revenues from external customers.

The executive management committee monitors segment performance based on profit or loss before income tax. The reconciliation of the segment result to the loss before income tax is as follows:

	30 June 2012	30 June 2011
	$	$
Segment Result	**(5,619,807)**	(1,916,814)
Interest received	7,070	3,520
Other Income	112,944	12,732
Professional, consulting and management fees	(176,327)	(30,768)
Finance cost	(378,434)	(281,015)
Other expenses	(786,740)	(902,730)
Loss before income tax benefit	**(6,831,293)**	**(3,115,075)**

The economic entity operates in the mining industry. The economic entity operated in one geographic area during the financial year, that being Central Victoria, Australia.

27 Financial Risk Management

The Group's financial instruments consists mainly of deposits with banks, local money market instruments, short-term investments, accounts receivables and payables, loans to and from subsidiaries, bills, leases and borrowings.

The total of each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated 2012	2011
Financial assets		$	$
Cash and cash equivalents		184,940	226,063
Loans and receivables		306,938	276,024
Total Financial assets		491,878	502,087
Financial Liabilities			
Trade and other payables		2,420,746	809,321
Borrowings		566,905	4,184,311
Total Financial Liabilities		2,987,651	4,993,632

(A) Financial Risk Management Policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework including the development and monitoring of risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Company and the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Group, through their training and management standards and procedures, aim to develop a disciplined and constructive environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and the Group.

(B) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions conducted is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits. The Group measures credit risk on a fair value basis.

The Group does not have any individual or in aggregate, material trade accounts receivable at 30 June 2012

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(i) Credit Risk with Banks and other financial institutions

Credit Risk with Banks and other financial institutions is managed by the Group in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparts with a Standard & Poor's rating of at least AA-, The following table provides information regarding the credit risk relating to cash and money market securities based on Standard & Poor's counterpart credit ratings.

	Note	Consolidated 2012	2011
Cash and cash equivalents		$	$
– AA rated		184,940	226,063
– A rated		–	–
Total Financial Liabilities		184,940	226,063

(C) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities. The Board aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. Reference should also be made to comments at Note 2(E).

(i) Cash Flow realised from financial assets

Cash Flow realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis	Within 1 Year		1 – 5 Years		Over 5 Years		Total	
Consolidated Group $	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Financial Liabilities due for payment								
Loans	520,040	4,097,099	-	-	-	-	520,040	4,097,099
Trade and other payables	2,420,746	809,321	-	-	-	-	2,420,746	809,321
Finance lease liability	-	44,288	46,865	42,924	-	-	46,865	87,212
Total contracted Outflow	2,940,786	4,950,708	46,865	42,924	-	-	2,987,651	4,993,632
Financial assets – cash flows realisable								
Cash and cash equivalents	184,940	226,063	-	-	-	-	184,940	226,063
Trade, term and loan receivables	306,938	276,024	-	-	-	-	306,938	276,024
Total anticipated inflows	491,878	502,087	-	-	-	-	491,878	502,087
Net (outflow)/inflow on financial instruments	(2,448,908)	(4,448,621)	(46,865)	(42,924)	-	-	(2,495,773)	(4,491,545)

(D) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return.

The Company's and Group's exposure to market risk is low. No derivatives or financial liabilities were entered into during the year ended 30 June 2012 with the purpose of managing market risks.

The Board will continue to monitor the Company's and Group's exposure to market risk and in the event that derivatives and/or financial liabilities are entered into, the Board will consider the costs and benefits of seeking to apply hedge accounting in order to manage volatility in profit and loss.

(i) Currency risk

The Groups Assets, as per the Statement of Financial Position, are subject to Currency risk given gold is priced in US dollars

(ii) Interest rate risk

The Group's present borrowings are relatively short term, and recent borrowings have been of a convertible loan nature (note 19) with a view to reducing borrowings and increasing equity.

Given the levels of interest-bearing loans and borrowings held by the Group at 30 June 2011 and 30 June 2012, and the expected impact of any fluctuations in the respective interest rate may have on the profit or loss, the Group has not entered into any interest rate swaps.

The interest rate profile of the Company's and Group's interest-bearing financial instruments at reporting date is provided in note 19

(E) Exposure to liquidity and interest rate risk

The following tables detail the Group's exposure to liquidity risk and interest rate risk as at 30 June 2012.

Financial Instrument	Weighted average Effective interest rate		Consolidated Entity		Floating Interest Rate		Non Interest Bearing		Fixed Interest Rate	
	2012	2011	2012	2011	2012	2011	2012	2010	2021	2010
	%	%	$	$	$	$	$	$	$	$
Financial Assets										
Cash and cash equivalents	4	4	184,940	226,063	184,940	226,063	–	–	–	–
Trade and other receivables	–	–	306,938	250,354	–	–	306,938	250,354	–	–
Other financial assets	–	–	–	25,670	–	–	–	25,670	–	–
			491,878	502,087	184,940	226,063	306,938	276,054	–	–
Financial Liabilities										
Trade and other payables	–	–	2,420,746	809,321	–	–	2,420,746	809,321	–	–
Other financial liabilities	8	8	566,905	4,184,311	566,905	2,097,099	–	–	–	2,087,212
			2,987,651	4,993,632	566,905	2,097,099	2,420,746	809,321	–	2,087,212

Financial Instrument	Weighted average Effective interest rate		Maturity Profile					
			3 months or less		3 months to 1 year		1 year to 5 years	
	2012	2011	2012	2011	2012	2011	2012	2011
	%	%	$	$	$	$	$	$
Financial Assets								
Cash and cash equivalents	4	4	184,940	226,063	–	–	–	–
Trade and other receivables	–	–	306,938	250,354	–	–	–	–
Other financial assets	–	–	–	–	–	-	–	25,670
			491,878	476,417	–	-		25,670
Financial Liabilities								
Trade and other payables	–	–	2,420,746	809,321	–	–	–	–
Other financial liabilities	8	8	520,040	-	–	4,141,387	46,865	42,924
			2,987,651	809,321	–	4,141,387	46,865	42,924

(F) Fair values of financial assets and liabilities

Fair value of assets and liabilities approximates their carrying values as terms to maturity are short. No financial assets and financial liabilities are readily traded on organised markets in standard form.

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

	Carrying amount		Fair value	
Consolidated	**2012**	**2011**	**2012**	**2011**
Financial Assets	$	$	$	$
Cash and cash equivalents	184,940	226,063	184,940	226,063
Trade and other receivables	306,938	250,354	306,938	250,354
Other financial assets	–	25,670	–	25,670
	491,878	502,087	491,878	502,087
Financial Liabilities				
Trade and other payables	2,420,746	809,321	2,420,746	809,321
Financial liabilities	566,905	4,184,311	566,905	4,184,311
	2,987,651	4,993,632	2,987,651	4,993,632

(G) Sensitivity analysis – interest rate risk, foreign currency risk and price risk

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year.

	Consolidated	
Sensitivity Analysis	**Profit**	**Equity**
Year end 30 June 2012	$	$
+/-2% in interest rates	11,338	11,338
+/-5% in $A/$US	–	–
Year end 30 June 2011		
+/-2% in interest rates	41,942	41,942
+/-5% in $A/$US	–	–

28 Reconciliation of cash

	Consolidated	
Reconciliation of cash	**2012**	**2011**
	$	$
Cash flows from operating activities		
Loss for period	(6,831,293)	(3,115,075)
Loss on disposal of Mining Tenements	–	94,000
Depreciation	938,317	906,632
Change in trade and other receivables	(30,914)	12,271
Change in inventory	(4,065)	(41,801)
Change in trade and other payables	1,565,418	327,188
Change in provisions	3,106,608	(8,676)
Net cash from operating activities	**(1,255,929)**	**(1,825,461)**

29 Dividends

No dividends have been paid or provided for in the current period.

30 Parent Entity Disclosures

	2012	2011
a) Financial Position	$	$
Assets		
Current assets	286,979	179,337
Non current assets	14,453,270	13,190,970
Total assets	**14,740,249**	**13,370,307**
Liabilities		
Current liabilities	708,382	4,231,518
Non Current liabilities	–	–
Total Liabilities	708,382	4,231,518
Net Assets	**14,031,867**	**9,138,789**
Equity		
Contributed Equity	23,945,003	17,881,932
Accumulated Losses	(11,913,136)	(10,743,143)
Reserves	2,000,000	2,000,000
Total Equity	**14,031,867**	**9,138,789**
b) Financial Performance		
Loss of the year	(1,169,992)	(1,183,277)
Other comprehensive Income	–	–
Total comprehensive Income	(1,169,992)	**(1,183,277)**

Refer note 25 for details of contingent assets and liabilities.

Directors' Declaration

The Directors of GBM Gold Ltd declare that:

In the opinion of the Directors:

(i) the financial statements and notes are in accordance with the Corporations Act 2001, including:

a. giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2012 and of their performance for the financial year ended on that date, and

b. complying with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements.

(ii) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(iii) The remuneration disclosures set out on pages 6 to 8 of the Directors Report (as part of the audited remuneration report) for the year ended 30 June 2012, comply with section 300A of the Corporations Act 2001.

The Executive Chairman has declared that:

(i) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001,

(ii) the financial statements and notes for the financial year comply with the Accounting Standards, and

(iii) the financial statements and notes for the financial year give a true and fair view.

This declaration is made in accordance with a resolution of the directors.

John ER Cahill
Resource Director

Ian W Smith
Executive Chairman

Bendigo
1 October 2012

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GBM GOLD LIMITED

Report on the Financial Report

We have audited the accompanying financial report of GBM Gold Limited, which comprises the statement of financial position as at 30 June 2012, 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 of the consolidated entity comprising 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.

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 about 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 entity'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 entity'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.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of GBM Gold Limited would be the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion the financial report of GBM Gold Limited is in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

Significant Uncertainty Regarding Going Concern

Without qualification to the opinion expressed above, we draw your attention to Note 2(e) in the financial statements. The Group has a working capital deficiency of $5,159,161 at 30 June 2012 (2011: $4,170,932) and generated a loss of $6,831,293 for the year ended on that date (2011: $3,115,075).

These conditions, along with other matters set forth in Note 2(e), indicate the existence of a material uncertainty that may cast significant doubt regarding the Group's ability to continue as a going concern.

Notwithstanding this, agreements were reached subsequent to balance date as disclosed in note 24 to the financial statements which is expected to result in cash inflows of $5,875,000 in the year ending 30 June 2013 and $4,250,000 thereafter.

In the event that the Group is unable to continue as a going concern it shall be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. In particular, any such adjustments would be expected to impact the carrying value of the exploration and evaluation asset and the Group's property, plant and equipment, the total carrying value of these assets being $10,691,891 at 30 June 2012 (2011: $10,461,727).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 9 of the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of GBM Gold Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

Moore Stephens

MOORE STEPHENS
Chartered Accountants

Nick Michael
Partner

Melbourne, 1 October 2012

Company Information

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Auditors

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Share Registry

Computershare Investor Services Pty Ltd
Melbourne, Victoria, Australia
Telephone: 1300 85 05 05

Stock Exchange Listing

Australian Stock Exchange — Code: GBM