



**GBM RESOURCES LIMITED**

(ACN 124 752 745)

**Annual Report**

For the period ended 30 June 2008

CORPORATE DIRECTORY

**Directors**

Peter May  
*Non-Executive Chairman*

Peter Thompson  
*Managing Director*

Cameron Switzer  
*Non-Executive Director*

**Company Secretary**

Stuart Usher

**Registered Office**

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**Exploration Office**

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Castlemaine VIC 3450  
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**Auditors**

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**Share Registry**

Advanced Share Registry Services  
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AUSTRALIA  
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**Bankers**

Commonwealth Bank Limited

**Stock Exchange Listing**

GBM Resources Limited - shares & options are listed on the  
Australian Securities Exchange (ASX Code: GBZ, GBZO)

**Solicitors**

Steinepreis Paganin  
Lawyers and Consultants  
Level 4, Next Building  
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AUSTRALIA

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## CHAIRMAN'S REPORT

Dear valued shareholder,

It is with a sense of early achievement, and excitement of the potential of the year ahead, that I am pleased to welcome you to our maiden annual report following the listing of GBM Resources on the ASX in October 2007.

Not only have we met and in some cases surpassed the stated objectives in the IPO prospectus, we have also acquired additional tenements and entered into a strategic agreement with an industry leader that will separate GBM Resources from its peers in the crowded junior exploration sector by establishing a springboard for accelerated growth in exploration and a reduction in the development timelines.

Driving our success in the past year has been the following key activities;

- Recent acquisitions in the prolific copper-gold district of Mount Isa in Queensland,
- An early entry into the highly valued phosphate sector,
- Acquisition of strategic copper-gold tenements near Mt Morgan, Queensland, and
- An increased and active footprint across our gold endeavours in Victoria's central and western areas , and
- Demonstration of a potentially large gold mineralising system at Malmsbury.

Significantly, these gains in exploration and project opportunity were achieved by the Company despite one of the most turbulent periods in Australian and overseas equities and commodities markets.

I take the opportunity to thank our management and exploration teams for their focus and persistence in enhancing GBM Resources within this climate and in such a short period since the inception of the company. Our early gains also reflect the core focus which is to explore for mineralisation in regions where there is a history of mineral production which are also considered highly prospective for new discoveries through the application of modern exploration techniques and a focus on the underlying mineralisation.

We are pleased to have completed initial gold exploration drilling programs at Malmsbury and Willaura in Victoria – work programs that have validated our view of the potential for these project areas where there has been historic production but not any exploration using the latest technologies.

Equally pleasing was our initial work on the Dee Range copper-gold project near Rockhampton in Queensland – results of which will contribute to identifying target areas for more detailed assessment in the year ahead. This project area has expanded to include an additional three copper-gold tenements which are part of a highly anomalous copper-gold corridor that includes the Mt Morgan mine.

A significant strategic move was our acquisition of ten tenements near Mount Isa from Newcrest Mining Limited. The Mt Isa region has historically been one of the most prolific areas in the world for the production of base metals. In addition, while the tenements remain greenfield exploration areas, there is a considerable amount of exploration activity that has been undertaken by previous tenement holders, some of whom had a narrow approach to their exploration activities by targeting a specific mineral of interest at the time.

The historic exploration data combined with more modern exploration technology will enable us to maximise the benefits of this strategic acquisition by focusing our efforts on particular areas of interest, with an emphasis on world-class copper-gold mineralisation. We are currently advancing plans on how best to exploit these opportunities.

The project review process, implemented since acquisition, revealed the significant potential for phosphate rock resources within the tenements. This is an exciting development as phosphate prices have undergone major increases recently, driven by increased global demand for fertiliser. It adds another potential cornerstone mining contributor to your Company.

Not surprisingly, the quality of our assets is now attracting inquiry from potential joint venture partners interested in accelerating the progress of our suite of projects. This can only add to shareholder value.

Looking ahead, I am confident 2008-2009 will record further project development milestones as we prioritise our exploration expenditure and assess the emerging external partnership opportunities.

In closing, I thank you, our shareholders, for your loyalty and confidence in our strategy and business plans and your trust in our small team that aims to deliver long-term growth for GBM Resources.



Peter May  
Chairman

30 September 2008

Perth, WA

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## DIRECTORS' REPORT

The Board of Directors of GBM Resources Limited has pleasure in presenting its report for the period ended 30 June 2008.

The names, qualifications and experience of directors in office during the financial period and until the date of this report are as follows:

### Directors

Mr. Peter May  
B.Com, G.Dip.App.Fin,  
M.MinEcon

**Position:** Non-Executive Chairman (appointed 3 April 2007)

**Experience:** Mr May has a background in banking, finance, management consulting and corporate advisory services primarily focusing on clients in the resources, manufacturing and technology sectors.

Mr May has completed a Masters in Mineral and Energy Economics and has had involvement in evaluation of projects, mergers, acquisition and divestment opportunities. He has also worked with clients in aspects of business development and strategic planning with an industry focus on clients in the energy and natural resources sector.

**Other current directorships of listed companies:**

None

**Former directorships of listed companies in last 3 years:**

None

**Special responsibilities:**

Non-Executive Chairman  
Audit and Risk committee Chairman  
Remuneration committee Chairman

**Interests in shares and options at date of directors' report:**

661,350 Ordinary shares

329,175 Options exercisable at 22 cents expiring 30 June 2010

766,175 Options exercisable at 25 cents expiring 30 June 2010

Mr Peter Thompson  
B.Bus, CPA, FCIS

**Position:** Managing Director — Executive (appointed 3 April 2007)

**Experience:** Mr Thompson is a CPA qualified accountant and Fellow of Chartered Secretaries Australia. He has over 30 years' experience in the mining industry in Australia, UK and South America. He has held senior roles with several major companies including Mt Edon Gold Mines, MIM Holdings Ltd and Xstrata Plc.

Since 2000, Mr Thompson has been involved in the development of various infrastructure projects, including mine and refinery expansions and establishment of infrastructure including roads, rail, port and power utilities.

**Other current directorships of listed companies:**

None

**Former directorships of listed companies in last 3 years:**

Non-executive director Golden West Resources Limited (Appointed 28 May 2007 - Resigned 15 February 2008)

**Special responsibilities:**

Chief Executive Officer

**Interests in shares and options at date of directors' report:**

3,937,549 Ordinary shares

1,968,750 Options exercisable at 22 cents expiring 30 June 2010

2,968,775 Options exercisable at 25 cents expiring 30 June 2010

## DIRECTORS' REPORT (continued)

Mr Cameron Switzer

B.Sc.(Hons), MAusMM, MAIG

**Position:** Non-Executive Director (appointed 3 April 2007)

**Experience:** Mr Switzer is a geologist with over 20 years of experience gained in 11 countries. He has held senior positions with a number of major mining companies including Senior Project Geologist at Newcrest Mining Ltd's Telfer gold mine in Western Australia and Geology Manager at Acacia Resources Ltd's Union Reef Gold Mine in the Northern Territory. Mr Switzer was also Principal Geologist with MIM Exploration Ltd for seven years during which time he gained broad experience with a range of deposits and geological and operating environments.

Mr Switzer has a track record in the successful identification of mineral deposits, project generation, exploration management, validation of resources and the subsequent commercialisation of resources. Mr Switzer is a geological consultant based in Queensland.

**Other current directorships of listed companies:**

None

**Former directorships of listed companies in last 3 years:**

None

**Special responsibilities:**

Member Audit and Risk committee

Member Remuneration committee

**Interests in shares and options at date of directors' report:**

2,756,250 Ordinary shares

1,968,750 Options exercisable at 22 cents expiring 30 June 2010

2,378,125 Options exercisable at 25 cents expiring 30 June 2010

Directors have been in office since incorporation of the Company on 3 April 2007 and to the date of this report except where otherwise stated.

### Company Secretary

Mr. Stuart Usher,

B.Bus, Grad.Dip. CSP,  
CPA, ACIS, MAICD

**Position:** Company Secretary / Chief Financial Officer

**Experience:** Mr. Usher is a CPA, an Associate member of the Chartered Institute of Secretaries and Administrators and a member of 'Chartered Secretaries Australia' where he has attained the status of Chartered Company Secretary. He has extensive experience in the management and corporate affairs of public listed companies.

### Exploration Manager

Neil Norris BSc(hons), MAIMM,  
MAIG

**Experience:** Mr. Norris is a geologist with 28 years experience gained in Australia and overseas. Recently he was Group Exploration Manager for Perseverance Corporation Limited and spent over ten years with Newmont Australia Limited holding senior positions in both mining and exploration areas. A key achievement was his development of the geological models which contributed to the discovery of the Phoenix ore body at Fosterville. Mr. Norris was also involved in the discovery of the world class Cadia and Ridgeway deposits. Mr. Norris has a track record in the successful identification of mineral deposits and his experience will greatly advance GBM's exploration efforts.

**DIRECTORS' REPORT (continued)**

**REVIEW OF OPERATIONS**

**Targeting World Class Gold and Copper Systems**

**2008 Highlights**

- **Acquisition of strategic tenements in Mount Isa region of North Queensland - a highly mineralised area with potential for discovery of copper gold deposits**
- **Identification of potential for phosphate mineralisation in Bungaliën – Horse Creek project near Mount Isa**
- **Acquisition of strategic tenements near Mount Morgan - Recognition of the geochemical trend in this copper producing region.**
- **Demonstration of a major gold mineralising system at Malmsbury and potential extensions to the Malmsbury goldfield**
- **Positive base metal values in drill results at the Willaura Project in Western Victoria's prospective Stavelly Belt region**

**1.0 GBM exploration strategy.**

**Focus on the discovery of world class gold and gold copper deposits.**

Targeting areas of mineralisation where there has been previous exploration and nearby historic or current mineral production.

**Discovery of a new deposit in our portfolio of assets is the key to adding significant value.**

Current exploration assets are on the way to achieving this outcome.

**Applying a systems approach to mineral exploration.**

In many instances previous exploration has focussed on small scale prospect level evaluation and failed to understand the broader geological environment or system which is essential to determine the likelihood of major deposits occurring, and provide vectors to their location and style.

**Exploring in regions with historic production offer higher probability of new discovery.**

Exploration success in recent decades has been strongly biased to regions with an established mining history. Our current projects lie in such areas, or areas where recent geological interpretation indicates extension of known mineral provinces. Our focus to date has been toward regions of eastern Australia which apart from being highly prospective from a mineral exploration perspective, offer the opportunity to acquire quality tenure in areas with good infrastructure and access to a trained workforce.

**Build a small experienced team of professional geoscientists**

Our team along with a group of specialist consultants form the skill base essential for successful mineral exploration. We believe that well qualified and highly motivated people are a cornerstone for successful exploration and are committed to developing our skill base to assist in the company's success.

**Maximising in ground exploration expenditure**

GBM operates from a small exploration base in regional Victoria, minimising overheads and staff numbers.

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## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

In 2009, the exploration programme to realise this strategy includes;

- **Malmsbury Project**  
Further defining the gold grade and potential size of the mineralising system through geological modelling and additional focused drill testing.
- **Bungalien - Horse Creek Project**  
Evaluation of phosphate potential and basement Iron Oxide Copper Gold (IOCG) targets.
- **Brightlands Project**  
Upgrading and preliminary drill testing of Cu-Au targets.
- **Mount Margaret and Talawanta / Grassy Bore Projects**  
Rank and upgrade IOCG targets associated with significant magnetic features.
- **Dee Range Project**  
Upgrade and rank Cu-Au targets with initial soil sampling and geophysical follow up.
- **Willaura Project**  
Enhance target definition using soil sampling, ground magnetic, induced polarisation geophysics and possible drilling.

#### 2.0 Introduction

GBM listed on the ASX in October 2007 with a small portfolio of quality exploration tenements in Victoria and Queensland. Three project areas were Malmsbury and Willaura (including Ararat) in Victoria and Dee Range in Queensland. Each project had been selected for potential to host world class intrusive related mineral deposits in fertile metallogenic provinces. Since listing additional prospective tenement areas have been acquired adjoining the Malmsbury and Dee Range projects. Importantly, a package of ten tenements has been acquired in the Mount Isa Region, considered to be one of the most fertile base metal mineral provinces on earth.

A regional exploration office has been established in the rural city of Castlemaine in Central Victoria providing good access to Victorian projects and easy access to transport for interstate projects. Within three months of listing the company had commenced its maiden drilling campaign and had in place an experienced exploration team supported by consultants both local and interstate as required. The rural location provides a cost effective and practical base for the company's exploration activities.

In the year to 30 June 2008, GBM has completed initial drilling programmes at Malmsbury and Willaura. Thirteen diamond drill-holes have been completed for a total of 4,140 metres. In addition, a significant data base relating to these tenements has been assembled and continues to grow as new tenements are acquired and data becomes available. Expenditure on exploration for the period to 30 June 2008 was \$1.6M, with 76% being directed to in ground exploration (i.e. drilling, sampling etc.)

#### 3.0 Victorian Projects

Victoria is a world class gold province and has a long history of gold production commencing in the 1850's with total production 80M ozs which represents almost 2% of all recorded gold production. Whilst the contribution from quartz vein related styles is well known, other styles have made substantial contributions including sulphide lode style (with a granite related component) at Stawell, intermediate dyke hosted mineralisation in the Woods Point - Walkalla Belt and recent work at Fosterville has highlighted the existence of a substantial gold field with a gold endowment at this time approaching 4M ozs and growing as exploration continues.

Recent geological research on both sides of Bass Strait has highlighted the likely geological links between Tasmania and Victoria, with a possible relationship between the Mount Read Volcanic Belt in Tasmania and the Mount Stavely Zone in western Victoria. The Mount Read Volcanics are host to numerous deposits and deposit styles including the Mount Lyell Copper Mine (>1Mt Cu, 1.4M ozs Au), Henty Gold Mine and the new Avebury Nickel Mine.

##### 3.1 Malmsbury Project (EL4515, ELA5120)

#### 'Intrusive Related Gold in Central Victoria'

Mining during the Victorian gold rushes in the second half of the nineteenth century extracted almost 90,000 ounces of gold from reefs and faults of the Drummond North Goldfield and from reefs on Belltopper Hill. Alluvial production from Belltopper Hill is not known, however there are substantial areas of disturbance and initial research confirms that dredging occurred in the larger gullies. Prior to GBM's exploration programme these goldfields have always been considered as separate prospect areas.

## **DIRECTORS' REPORT (continued)**

### **REVIEW OF OPERATIONS (continued)**

Close spaced drilling programmes completed by previous explorers on Belltopper Hill allowed the estimation of an inferred resource of 305,000t averaging 6.0 g/t Au and containing 59,000 ounces of gold, however no previous drilling can be located for the Drummond North Goldfield which is by far the most productive area in hardrock mining to date.

On Belltopper Hill, gold mineralisation is associated with shears, stockworks, network fractures, vein breccias and disseminations. The gold mineralisation has a distinctive gold sulphide association including the development of minerals such as scheelite, fluorite, cassiterite, bismuthinite, and bismuth telluride accompanied by silica, carbonate and sericite alteration. This characteristic association and mineralisation style, combined with magnetic and gravity data suggest that the Malmsbury Project displays features typical of Intrusion Related Gold Deposits. This style and genetic class of gold deposit frequently display well developed continuity and can commonly develop into world class deposits such as Kidston and Cadia in Australia, Fort Knox and Pogo in Canada and possibly the nearby Fosterville Goldfield in Victoria.

Short term exploration targets in the Belltopper Hill Drummond North area include both fault related stockwork and breccia zones exploited at surface by previous mining activity. Potential for deeper intrusive related mineralisation styles represents a longer term exploration target.

GBM has completed eleven holes for 3,688 metres of diamond drilling on the Malmsbury project including holes testing the Drummond North Goldfield for the first time. At Drummond North, broadly spaced holes drilled some 400 and 1,600 metres south of the Leven Star resource, display many similarities with the mineralisation style on Belltopper Hill further confirming that both areas are part of a larger mineralising system, possibly driven by an intrusive at depth. Mineralisation intersected displays stockwork quartz veining with disseminated sulphide mineralisation including acicular arsenopyrite which is a distinctive feature of the nearby Fosterville Gold Deposits (>3.5M oz Au).

Drilling beneath the defined Leven Star resource at Belltopper Hill confirmed the continuation of the mineralised fault system to depth with intersections including 4.0 metres averaging 9.5 g/t Au (including a 1.2 metre interval at 17.7 g/t Au) some 100 metres below the resource model in drillhole MD01. Drillhole MD11 the southernmost hole of the programme intersected a mineralised fault zone below the Queen's Birthday Mine returning 4.3 g/t Au over 0.9 metres.

#### 3.2 Willaura Project (EL4631, EL4751 & EL5033)

##### **'Targeting Cu-Au Intrusive Related Deposits in Western Victoria'**

The Willaura Project is located within the Stavely Zone of Western Victoria which has been interpreted as a possible continuation of the Mount Read Volcanic Belt in Western Tasmania. The Stavely Zone contains a number of well known copper and base metal occurrences including the Thursdays Gossan intrusive related gold deposits (IRGD) which has returned up to 229 metres averaging 0.22% Cu in previous drilling. Recent drilling by Beaconsfield Gold NL has returned high grade intersections including 4.2% Cu and 1.1 g/t Au over 7.7 metres in the same area. The link to the Mount Read Volcanics is indicative of potential for nickel mineralisation. The Stavely Zone is considered to be one of the most highly under-explored volcanic belts in Australia.

In the Willaura tenements GBM is targeting intrusive related gold deposits similar to Cadia and Mount Lyell (Cu-Au), however as with all tenements, potential for other styles will be considered as part of the company's evaluation.

A number of strong geophysical targets, some with associated Cu-Au geochemical anomalies have been outlined by previous explorers in the Willaura tenements. Three magnetic features with associated Cu geochemical anomalies (anomaly's A, B and C) were previously highlighted by GBM in EL4631 and EL4751 as offering targets for early testing.

In addition a number of other magnetic features adjacent to the regionally significant Moysten Fault along the eastern margin of EL4631 remain to be evaluated.

## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

Anomaly 'A' was evaluated during the current year with a ground magnetic survey confirming the precise location and nature of the intense circular anomaly at the south-eastern end of a less intense elongate feature identified in airborne magnetic data. This feature was drill tested with two diamond drill holes penetrating the overlying basalt and alluvial cover and revealing a ring dyke possibly associated with the suite of Jurassic intrusive dykes seen throughout central and western Victoria. Importantly, several samples of altered microgranite returned anomalous copper (1,840ppm), zinc (42,000ppm) and weakly anomalous nickel values.

#### 4.0 Queensland Projects

##### 'Mount Isa – nothing else on earth measures up'

The Dee Range Project is located near the Mount Morgan Mine that produced over 400,000 tonnes of copper and 8 million ounces of gold. During the year this tenement holding was extended and consideration given to other regions in eastern Australia.

GBM identified the Mount Isa Inlier as fitting with its strategy of seeking world class copper–gold deposits in world class mineral provinces and was designated a priority area. During the second half of the year the company acquired ten tenements in the Eastern Fold Belt of the Mount Isa Region from Newcrest Mining Limited. This is a strategic holding in a world class mineral province which represents a substantial increase in the value and prospectivity of the company's portfolio of mineral exploration tenements.

The Proterozoic Mount Isa Block is recognised as one of the most fertile provinces on earth for the discovery of metallic mineral deposits. The concentration of world class deposits is unrivalled; **nothing else on earth measures up**. The Mount Isa Inlier contains four of the world's ten largest zinc deposits, three of the ten largest lead deposits and three of the ten largest silver deposits. There are also numerous copper deposits with twenty four deposits each containing over 400,000 tonnes of copper including (three deposits that contain over 1 million tonnes of copper) and fifteen deposits are hosted by the Eastern Fold Belt. Most of these deposits (and all of those hosted in the Eastern Fold Belt) contain economically significant levels of associated gold mineralisation. (Queensland Department of Minerals and Energy, Taylor Wall & Associates, SRK Consulting Pty Ltd & ESRI Australia, 2000: North West Queensland Mineral Province Report. Queensland Department of Minerals and Energy, Brisbane. Queensland Minerals, a Summary of Major Mineral Resources, Mines and Projects, Fourth Edition. Queensland Department of Minerals and Energy, Brisbane)

Despite the fertility of the region, the last major new discovery was Ernest Henry in 1991. With the slow down in mineral exploration through the 1990's and early part of the new millennium, many areas have not been actively explored for almost two decades. In this time significant advances in understanding of ore deposit styles and in exploration techniques have occurred. GBM will harness these advances, particularly in the application of electrical geophysical techniques in areas of cover, to further exploration of our tenements.

The most common deposit style is Iron-Oxide-Cu-Au (IOCG), a deposit style which includes many very large deposits throughout the world, including the massive Olympic Dam Cu-Au-U Deposit in South Australia; however other styles including sediment hosted mineralisation are also represented in the region. In addition the area contains a number of Uranium occurrences.

The emergence of the overlying Georgina Basin sediments as one of the world's major phosphate provinces with phosphate resources currently identified totalling over three billion tonnes also highlights the potential of the area.

#### 4.1 Talawanta- Grassy Bore Project (EPM15406 & EPM15681)

Talawanta and Grassy bore licence areas are centred on a north trending linear magnetic complex interpreted to represent a feature in the underlying Proterozoic basement (extension of Mount Isa Inlier under cover). The magnetic complex is locally extremely intense, particularly given the depth of the cover sequence which would tend to mask the magnetic response. Previous drilling has confirmed the presence of widespread copper mineralisation and associated hydrothermal alteration. This region is outside the outcropping Mount Isa Inlier under the Carpentaria Basin cover sequence, in this area reported to be 300 to 500m thick.

Talawanta is centred on a major magnetic anomaly which is the most intense anomaly in the district next to Ernest Henry. The magnetic anomaly is 15km x 7km in area. The anomaly has been drill tested by three drill holes which intersected alteration and zones of Cu–Au mineralisation.

## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

The magnetic anomaly is clearly associated with alteration and the potential for discovering IOCG style mineralisation is considered high.

Grassy Bore is centred on a series of bulls eye magnetic and gravity features. Limited drilling has confirmed the presence of alteration and weak mineralisation. The depth of cover is reported as around 300 metres. Grassy bore also contains valid targets for IOCG style mineralisation.

#### 4.2 Mount Margaret Project (EPM1627, EPM14614, EPMA 16398 & EPMA16222)

These tenements are situated in the same geophysical and geological domain as the Ernest Henry Cu-Au Mine currently operated by Xstrata Plc.

The tenements are centred on a series of magnetic anomalies that surround prospective granites. The area also contains extensive geochemical targets (Cu, Au), though the relationship with basement magnetic features has not been established in our review to date. It is a highly mineralised district with Ernest Henry and Mt Margaret deposits located nearby.

#### 4.3 Brightlands Project (EPM14416)

The Brightlands tenement area is located south east of Cloncurry on the Barkly Highway. Previous exploration by several companies had generally been narrowly focused and had not evaluated the area with a view to understanding the geological system. The result is that numerous prospects have been defined but with limited geological understanding apparent of their potential size and relationships to each other. Previous exploration has been focused on individual commodities. Explorers that targeted copper, for example, seldom analyse for gold, and Uranium explorers appear not to have tested for copper and gold. Most drilling was completed over thirty years ago with limited geological control evident from our initial review. The area contains the Milo Uranium occurrence which has a recorded production of a minor quantity U3O8.

Widespread mineral occurrences are considered to hold potential for IOCG and high grade Tick Hill (Au) styles of mineralisation. Multiple exploration target areas have been identified by previous explorers, however initial examination indicates that the following are of high priority for immediate follow-up;

- **Milo & Milo West Prospects-** multiple zones of gossan and Cu bearing shears (and breccias) hosted by Dolerite overlain by Calc-silicate. Surface rockchip samples frequently returning >1% Cu and 0.3ppm Au, limited drilling indicating significant sections of >0.1% Cu with no Au assays. The old Milo Mine was noted as a Cu-U occurrence
- **Fine Gold Gully-** interpreted by Newcrest as being in a similar stratigraphic position as the Tick Hill Mine (470,000t @ 28g/t Au) with a similar geochemical anomaly, one hole drilled over weaker (30ppb in soil) geochemical response returned 6m @ 0.2g/t Au and 0.23%Cu.
- **Tiger Prospect-** anomalous gold in rock chip samples in shear zone interpreted as part of a structural zone hosting the Rocklands deposit (Cudeco) located 3km northwest. Rock chip sampling of the structure has returned Au values up to 1.87g/t Au and copper values up to 17%. The Rockland's mineralisation is relatively narrow at surface or has no surface expression in places, however at depth it turns into a 20-30m wide mineralised structure.
- Prospects with anomalous Cu, Au, Zn and Mn are associated with the extensive Chumvale Breccia Unit.

#### 4.4 Bungalien - Horse Creek Project (EPM14355, EPM15150 & EPM14120)

These tenements are centred on a series of geophysical targets (magnetic highs) which are overlain by Georgina Basin Sediments. The magnetic highs are interpreted as potentially representing Iron Oxide Copper Gold mineralising systems. Recent upward movement in fertiliser prices has greatly enhanced the value of Phosphate minerals as exploration targets. The Cambrian Georgina Basin cover sequence in the area has potential to host phosphate deposits similar to the Phosphate Hill Mine located some 70 km south of the Bungalien tenement. Previous drilling by Newmont in the 1970's (part of a uranium exploration programme) intersected phosphatic sediments in the Bungalien tenement area, however no analyses were completed.

**DIRECTORS' REPORT (continued)**  
**REVIEW OF OPERATIONS (continued)**

4.5 Dee Range Project (EPM16057, EPM17105, EPM17163 & EPMA17734)

Since listing, GBM has substantially increased its strategic tenement holding in the Mount Morgan region of Queensland. The initial licence, EPM 16057 has been supplemented by three additional licences and applications with the total tenement holding in the area now covering some 690 square kilometers.

The Mount Morgan Au-Cu mine yielded around 8m ounces of gold and over 420,000 tonnes of copper. A total of 50 million tonnes of ore was treated at an average grade of 5.9 g/t Au and 0.7% Cu making Mount Morgan a world class deposit which remains a highly attractive exploration target.

Detailed review of previous exploration reports has identified a number of target areas on the basis of available geochemical, geophysical and geological data. Research has also identified a very strong geochemical trend defining a corridor including the Mount Chalmers Au deposit near Rockhampton and the Mount Morgan Au-Cu Deposit adjacent to our tenement areas. This corridor is also noted in lineament analyses indicating that it may reflect a fundamental crustal feature contributing to mineralisation at a regional scale.

**5.0 Tenements**

On listing in October 2007 GBM held five mineral tenements in three project areas in two states. The Company now holds 19 tenements in seven project areas that cover a total area of approximately 2,500 square kilometres in some of Australia's most prospective mineral provinces.

All of these licences and applications (see table below) are held 100% by the Company (or its wholly owned subsidiaries).

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## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

### GBM Resources Tenement Summary

Project / Name	Tenement No.	Owner	GBMR Equity	Manager	Granted	Expiry	Approx Area (km <sup>2</sup> )	Status	State
<b>Victoria</b>									
<b>Malmsbury</b>									
Belltopper	EL4515	GBMR* <sup>1</sup>	100% GBMR		6/10/2005		25	Granted	Vic
Lauriston	EL5120	GBMR	100% GBMR		Appl'n		143	Appl'n	Vic
<b>Willaura</b>									
Lake Bolac	EL4631	GBMR	100% GBMR		21/03/2002	20/03/2009	98	Granted	Vic
Woorndoo	EL4751	GBMR	100% GBMR		19/11/2003	18/11/2008	54	Granted	Vic
Arrarat	EL5033	GBMR	100% GBMR		6/07/2007	6/07/2012	83	Granted	Vic
<b>Queensland</b>									
<b>Dee Range</b>									
Dee Range	EPM16057	GBMR	100% GBMR		27-Sep-07	26-Sep-12	178	Granted	Q'ld
Boulder Creek	EPM17105	GBMR	100% GBMR		26-Mar-08	25-Mar-10	178	Granted	Q'ld
Mt Morrisey	EPM17163	GBMR	100% GBMR		23-Apr-08	23-Apr-10	161	Granted	Q'ld
Black Range	EPMA17734	GBMR	100% GBMR				180	Appl'n	Q'ld
<b>Mount Isa Region</b>									
<b>Talawanta - Grassy Bore</b>									
Talawanta	EPM15406	GBMR* <sup>2</sup>	100% GBMR		15-Jan-08	14-Jan-11	325	Granted	Q'ld
Grassy Bore	EPM15681	GBMR* <sup>2</sup>	100% GBMR		28-Sep-07	28-Sep-10	325	Granted	Q'ld
<b>Mount Margaret</b>									
Mt Margaret W. Ext	EPM1627	GBMR* <sup>2</sup>	100% GBMR		31-Jul-07	30-Jul-12	36	Granted	Q'ld
Mt Margaret West	EPM14614	GBMR* <sup>2</sup>	100% GBMR		2-Aug-05	1-Aug-10	129	Granted	Q'ld
Mt Malakoff Ext	EPM16398	GBMR* <sup>2</sup>	100% GBMR				84	Appl'n	Q'ld
Cotswold	EPM16622	GBMR* <sup>2</sup>	100% GBMR				45	Appl'n	Q'ld
<b>Brightlands</b>									
Brightlands	EPM14416	GBMR* <sup>2</sup>	100% GBMR		5-Aug-05	4-Aug-08	251	Granted	Q'ld
<b>Bungalien</b>									
Bungalien	EPM14355	GBMR* <sup>2</sup>	100% GBMR		13-Oct-04	12-Oct-09	61	Granted	Q'ld
Horse Creek	EPM15150	GBMR* <sup>2</sup>	100% GBMR		13-Jul-06	12-Jul-09	80	Granted	Q'ld
Malbon 2	EPM14120	GBMR* <sup>2</sup>	100% GBMR		24-Aug-04	23-Aug-08	122	Granted	Q'ld
<b>Totals</b>							<b>2558</b>		

Note \*<sup>1</sup> subject to a 1% net smelter royalty to vendors.

\*<sup>2</sup> subject to completion of transfer from Newcrest Operations Ltd., a 2% net smelter royalty is payable to Newcrest Mining Ltd.

The information in this report that relates to Mineral Resources and Exploration Results is based on information compiled by Neil Norris, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Norris is a full-time employee of the company. Mr. Norris has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Norris consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

### Sustainable Development

**GBM is committed to safe and responsible development of Australia's mineral resources.**

GBM moved quickly after listing on the ASX in October 2008 to establish a working environment and culture that places the safety of all as the number one priority. Supporting key policies, the company has established an Occupational Health and safety Management plan and a range of management standards and operating procedures. These will be reviewed by staff and management as part of a process of continuous improvement in all aspects of the company's operations.

## **DIRECTORS' REPORT (continued)**

### **REVIEW OF OPERATIONS (continued)**

GBM is encouraging a culture of awareness and respect for the environments in which we operate. Exploration activities include assessment of each site with all practicable measures taken to minimise any environmental impacts, and to implement rehabilitation in a timely manner.

During the year GBM became a member of the Mining Council of Australia (MCA), actively participating in the activities of the Victorian Branch. GBM is a signatory to the MCA's Enduring Value, the Australian Minerals Industry framework for sustainable development.

Key achievements in our first year of operation were;

- Adoption of key policies (Occupational Health and Safety Policy, Fit for Work Policy and Occupational Rehabilitation Policy).
- Establishment of a safety management system including adoption of Safety Management Plan and Management Standards.
- One LTI was sustained on our sites though out the year, however GBM has a target of zero injuries.
- 100% of all drill sites have been rehabilitated satisfactorily
- Zero significant environmental incidents.

GBM is committed to establishing a culture of understanding and respect for the communities in which we work. To this end consultation was conducted with our neighbours and is considered a key part of doing business. Periodic information updates are provided to all stakeholders.

## **DIRECTORS' REPORT (continued)**

### ***Principal Activities***

The principal activity of the Company during the financial period was gold and copper exploration.

### **Financial Overview**

#### ***Operating Results***

The net loss of the company and the consolidated entity for the financial period after tax was \$1,046,698.

#### ***Dividends Paid or Recommended***

No dividend was paid or declared for the financial period.

#### **Initial Public Offer**

The Company issued a prospectus dated 31 July 2007 offering 25,000,000 shares for subscription at an issue price of 20 cents per share to raise a minimum of \$3 million. The offering was successfully completed raising \$3,446,800 with the Company's shares listed on the Australian Securities Exchange (ASX) on 24 October 2007.

#### **Placement**

The company undertook a share placement in January 2008 with the issue of a further 7,500,000 shares with a free attaching option issued on 1 February 2008 at an issue price of 20 cents per share to raise \$1,500,000. Funds are to accelerate the development of the Company's gold and copper projects in Victoria and Queensland.

#### **Options**

Total options on issue by the Company are disclosed in note 15(b) to the financial statements.

#### Significant Changes in State of Affairs

Shareholders' equity increased to \$4,446,803 from \$3, as a result of an initial seed share placement and initial public offer as detailed above. Subsequent to the initial public offer the Company applied to the Australian Securities Exchange to have its shares listed which took place on 24 October 2007.

Since listing, 32,879,552 further options have been issued pursuant to a short form prospectus dated 6 February 2008. The issue was in accordance with the IPO prospectus whereby we advised a loyalty option issue would be completed at the end of 3 months from listing date to reward existing and new investors.

These options have an exercise price of 25 cents and an expiry date of 30 June 2010 and were issued to all shareholders on the basis of one option for every two ordinary fully paid shares held on the record date at an issue price of 1 cent per option which raised \$328,795. No options have been exercised up to the date of this report.

Apart from the above there were no significant changes in the state of affairs of the company during the financial period:

#### After Balance Date Events

On 22 July 2008 the Company announced it had executed agreements with Newcrest Operations Limited (NOL) to acquire all of NOL's 10 titles with identified mineral targets in the Mt Isa Inlier, part of the Mount Isa/Cloncurry region. Key terms of the acquisition are as follows:

- Payment to NOL of \$100,000 on execution of the Purchase Agreement;
- A 2% Net Smelter Return on gold or other minerals payable to NOL derived from ore production;
- Stage 1 – GBM to spend \$500,000 over the next 12 months;
- Subject to GBM being satisfied that there is reasonable likelihood of delineating a commercially feasible ore body, GBM to spend a further \$2million over a 24 month period after the completion of stage 1.

Except for the above developments, no other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

## **DIRECTORS' REPORT (continued)**

### Environmental Regulations

The economic entity holds participating interests in a number of exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. There have been no known breaches of the tenement conditions, and no such breaches have been notified by any government agencies during the period ended 30 June 2008. Refer to the review of operations report for details of GBM's Sustainable Development work.

### Likely Developments and Expected Results of Operations

Comments on expected results of the operations of the company are included in this report under the review of operations.

Disclosure of other information regarding likely developments in the operations of the company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the company. Accordingly, this information has not been disclosed in this report.

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## **DIRECTORS' REPORT (continued)**

### REMUNERATION REPORT

This report details the nature and amount of remuneration for each of the directors of GBM Resources Limited, the executives and key management personnel receiving the highest remuneration.

#### Remuneration Policy (audited)

The Board of Directors of GBM Resources Limited is responsible for determining and reviewing compensation arrangements for directors and executive staff. Remuneration levels for executives are competitively set to attract the most qualified and experienced directors and senior executive officers, in the context of prevailing market conditions, particular experience of the individual concerned and the overall performance of the company, with the objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The assistance of an external consultant or remuneration surveys is used where necessary.

The Board of GBM Resources Limited believes the remuneration policy is appropriate and effective in its ability to attract and retain appropriate executives and directors to run and manage the consolidated entity, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the consolidated entity is as follows.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the remuneration committee and approved by the Board after seeking professional advice from independent external consultants. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and fringe benefits. The remuneration committee reviews executive packages annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed biannually with each executive and is based predominantly on the forecast growth in shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Remuneration in respect of securities issued to directors and executives is valued as the difference between the market price of those shares and the amount paid by the director or executive.

Each of the non-executive directors receives a fixed fee for their services as directors. Non-executive directors' fees not exceeding an aggregate of \$200,000 per annum have been approved by the company in a general meeting. There is no direct link between remuneration paid to any of the directors and corporate performance such as bonus payments for achievements of certain key performance indicators.

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**DIRECTORS' REPORT (continued)**

## REMUNERATION REPORT (continued)

Details of remuneration for the period ended 30 June 2008 (audited)

The remuneration for each director and for key management personnel who are also the highest paid executives of the consolidated entity during the 15 month financial period was as follows:

	Short-term benefits		Post employment		Share based payments		Total
	Salary & Fees		Superannuation Contributions	Retirement benefits	Shares	Options	
<i>Directors</i>	\$		\$		\$	\$	\$
Mr. Peter May – Chairman (appointed 3 April 2007)	40,834		-	-	-	14,139	54,973
Mr. Peter Thompson – Managing Director (appointed 3 April 2007)	90,747		-	-	-	14,139	104,886
Mr. Cameron Switzer - Non-executive Director (appointed 3 April 2007)	29,662		-	-	-	14,139	43,801
<b>Total Remuneration</b>	<b>161,243</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>42,417</b>	<b>203,660</b>

Equity instrument disclosures relating to key management personnel

**(i) Share holdings:** The numbers of shares in the company held during the financial period by each director and other key management personnel of the Group, including their personally related parties, are set out below.

Number of shares held by Specified Directors	Balance 03.04.07	Received as Remuneration	Acquired on market	Other changes	Balance 30.06.08
<i>Directors</i>					
Mr. Peter May – Non-executive Chairman (appointed 3 April 2007)	-	-	-	535,350	535,350
Mr. Peter Thompson - Managing Director (appointed 3 April 2007)	-	-	-	3,937,549	3,937,549
Mr. Cameron Switzer- Non-executive Director (appointed 3 April 2007)	-	-	-	2,756,250	2,756,250
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,229,149<sup>1</sup></b>	<b>7,229,149</b>

<sup>1</sup> Other changes include seed and promoter subscription in addition to subscriptions through initial public offering prospectus dated 31 July 2007.

**(ii) Option holdings**

Number of options held by Directors

	Balance 03.04.07	Received as Remuneration	Other	Balance 30.06.08
<i>Directors</i>				
Mr. Peter May – Non-executive Chairman appointed 3 April 2007)	-	500,000	266,175 <sup>1</sup> 266,175 <sup>2</sup>	1,032,350
Mr. Peter Thompson - Managing Director (appointed 3 April 2007)	-	1,000,000	1,968,750 <sup>1</sup> 1,968,775 <sup>2</sup>	4,937,525
Mr. Cameron Switzer- Non-executive Director (appointed 3 April 2007)	-	1,000,000	1,968,750 <sup>1</sup> 1,378,125 <sup>2</sup>	4,346,875
<b>Total</b>	<b>-</b>	<b>2,500,000</b>	<b>7,816,750</b>	<b>10,316,750</b>

<sup>1</sup> Subscribed as part of seed promoter allocation.

<sup>2</sup>Subscribed for through the non-renounceable entitlement issue dated 6 February 2008.

**DIRECTORS' REPORT (continued)**

## REMUNERATION REPORT (continued)

Share based compensation (audited)

**Options granted as part of remuneration for the period ended 30 June 2008**

Options were granted as follows:

Grant date	Vesting date	Expiry date	Number	In Escrow	Exercise price
12 June 2007	12 June 2007	30 June 2010	3,000,000	24 months ending 24 October 2009	25 cents

*Options*

Options are granted under the GBM Resources Limited Employee Option Plan which was approved by shareholders on 10 May 2007 in a general meeting of shareholders. Staff eligible to participate in the plan are full time employees, Directors and consultants.

Options are granted under the plan for no consideration. During the financial period 3,730,000 options were granted under the plan.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share fourteen days after options exercised.

Details of options over ordinary shares in the company provided as remuneration to each director of GBM Resources Limited and each of the key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share of GBM Resources Limited.

**Value of Options issued to Directors and Executives**

Grantee	Number	Value of options granted at the grant date	Value of options exercised at the exercise date	Value of options lapsed at the date of lapse	Total
Peter May	1,000,000	\$14,139	-	-	\$14,149
Peter Thompson	1,000,000	\$14,139	-	-	\$14,149
Cameron Switzer	1,000,000	\$14,139	-	-	\$14,149
Total	3,000,000	\$42,417	-	-	\$42,417

The assessed fair value at grant date of options granted to the Directors is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted to Directors during the period ended 30 June 2008 included:

- (a) options are granted for no consideration;
- (b) exercise price: \$0.25;
- (c) grant date: 14 June 2007;
- (d) expiry date: 30 June 2010;
- (e) share price at grant date: \$0.10;
- (f) expected price volatility of the company's shares on grant date—60%;
- (h) risk-free interest rate on grant date— 6.31%.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (continued)

Service agreements (audited)

#### *Consultancy Agreement with Mr Peter Thompson – Managing Director*

The Company has entered into a consultancy agreement (**Agreement**) with Peter Thompson (**Consultant**) through his consultancy company, Regalquest Investments Pty Ltd (**Consultancy Company**), on the following material terms and conditions:

- (a) **(Term):** the Consultant was engaged for a period of one (1) year that commenced on 1 May 2007 and was extended for a further 12 months to 1 May 2009.
- (b) **(Position):** the Consultant is engaged in the capacity of Chief Executive Officer/Managing Director of the Company.
- (c) **(Remuneration):** the Company paid to the Consultancy Company a fee of \$96,000 per annum reviewed annually. This review was completed and effective from 1 July 2008 whereby Mr. Thompson will be entitled to a revised remuneration of \$200,000 per annum plus an entitlement to director's fees of \$25,000 per annum. This reflects the full time role of the Managing Director effective from 1 July 2008.
- (d) **(Termination by Consultant):** the Consultant may terminate the Agreement at any time and for any reason by giving the Company three months' written notice.
- (e) **(Termination by Company without cause):** the Company may terminate the agreement immediately by serving written notice to the Consultant and paying him the equivalent of three months' Fee.
- (f) **(Termination by Company with cause):** the Company may terminate the Agreement by serving one month's notice on the Consultant if:
  - (i) the Consultancy Company goes into liquidation or makes an arrangement with creditors or takes advantage of any statute for the relief of insolvent debtors;
  - (ii) the Consultant commits any serious or persistent breach of any of the provision contained in the Agreement and the breach is not remedied within 14 days of the receipt of written notice from the Company to do so;
  - (iii) in the reasonable opinion of the Board, the Consultant demonstrates incompetence in the performance of his duties under the Agreement; or
  - (iv) the Consultant is guilty of grave misconduct or wilful neglect in the discharge of his duties and the breach is not remedied within 28 days of the receipt of written notice from the Company to do so.
- (g) **(Immediate termination by Company with cause):** the Company may terminate the Agreement immediately if the Consultant:
  - (i) is convicted of a major criminal offence which brings the Consultant or the Company into lasting disrepute; or
  - (ii) discloses or misuses price sensitive information affecting the Company or a client without prior written consent, except where disclosure is required by law.

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## DIRECTORS' REPORT (continued)

### MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors and each board committee held during the period ended 30 June 2008, and the numbers of meetings attended by each director were:

	Director Meetings	
	Number eligible to attend	Number attended
Mr. P May	8	8
Mr. P Thompson	8	8
Mr. C Switzer	8	8

### Audit and Risk Management Committee

The Board of Directors established the Audit and Risk Management Committee on 30 July 2007. The members of committee are the non-executive directors, Peter May (Chairman) and Cameron Switzer. No meetings were held during financial period. One meeting has been held subsequent to 30 June 2008.

### INDEMNIFYING DIRECTORS AND OFFICERS

During the financial period, GBM Resources Limited paid a premium of \$17,038 to insure the directors and secretary of the company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

### CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of GBM Resources Limited support and adhere to the principles of corporate governance. The company's corporate governance statement is contained in the following section of this annual report.

### PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company or to 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 period.

## DIRECTORS' REPORT (continued)

### Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 23 and forms part of this directors' report for the period ended 30 June 2008.

### Non-Audit Services

The following non-audit services were provided by our auditors, HLB Mann Judd. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

HLB Mann Judd received or are due to receive the following amounts for the provision of non-audit services:

	Consolidated 30-June 2008
— Preparation of an Investigating Accountant's Report for inclusion in the initial public offering prospectus dated 31 July 2007.	14,000
— Other professional services	2,600
Remuneration of the auditor of the company for:	
— Auditing the financial report	15,000
	<u>31,600</u>

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 23.

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



Peter May

Chairman

Dated this 30 day of September 2008

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Accountants | Business and Financial Advisers

## Auditor's Independence Declaration

As lead auditor for the audit of the financial report of GBM Resources Limited for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of GBM Resources Limited.

A handwritten signature in blue ink, appearing to read 'W M Clark'.

Perth, Western Australia  
30 September 2008

W M CLARK  
Partner, HLB Mann Judd

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## CORPORATE GOVERNANCE STATEMENT

GBM Resources Limited is committed to protecting and enhancing shareholder value and adopting best practice governance policies and practices. This Corporate Governance Statement outlines the main Corporate Governance practices that were in place throughout the financial period, which comply with the Australian Securities Exchange ('ASX') Corporate Governance Council recommendations. Where a recommendation has not been followed, this is clearly stated along with an explanation for the departure.

### Principle 1

Lay solid foundations for management and oversight

The Board is the governing body of the company. The Board and the company act within a statutory framework – principally the Corporations Act 2001 and also the constitution of the company. Subject to this statutory framework, the Board has the authority and the responsibility to perform the functions, determine the policies and control the affairs of GBM Resources Limited.

The Board must ensure that GBM Resources Limited acts in accordance with prudent commercial principles, and satisfies shareholders – consistent with maximising the company's long term value.

The primary responsibilities of the Board include:

- Charting the direction, strategies and financial objectives of the company and ensuring appropriate resources are available
- Monitoring the implementation of those policies and strategies and the achievement of those financial objectives
- Monitoring compliance with control and accountability systems, regulatory requirements and ethical standards
- Ensuring the preparation of accurate financial reports and statements
- Reporting to shareholders and the investment community on the performance and state of the company
- Appoint the Chief Executive Officer and monitor performance of the Chief Executive Officer and senior executives
- Establish proper succession plans for management of the company

Separate functions of the Board and management existed and were practised throughout the period.

### Principle 2

Structure the Board to add value

The composition of the Board has been determined on the basis of providing the company with the benefit of a broad range of technical, administrative and financial skills, combined with an appropriate level of experience at a senior corporate level. Each director brings a range of complementary skills and experience to the Group as indicated in the Annual Report. Details of each Director's skills and experience are set out in the Directors' report.

In the context of director independence, 'materiality' is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point at the actual ability in question to shape the direction of the company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of GBM Resources Limited are considered to be independent:

<b>Name</b>	<b>Position</b>
Mr. P. May	Non-Executive Chairman
Mr. C. Switzer	Non-Executive Director

## CORPORATE GOVERNANCE STATEMENT (continued)

### Principle 2 (Continued)

The roles of Chairman and Executive Officer were exercised by different individuals, providing for clear division of responsibility at the head of the company. Their roles and responsibilities, and the division of responsibilities between them, were clearly understood and there was regular communication between them.

With the prior approval of the Chairman, each director has the right to seek independent legal and other professional advice at the company's expense concerning any aspect of the company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

Directors are subject to re-election by rotation at annual general meetings as stipulated in the Corporations Act and the company's constitution. There are no maximum terms for non-executive director appointments. Newly elected directors must seek re-election at the first general meeting of shareholders following their appointment.

The remuneration of the directors has been determined by a remuneration committee. Further information and the components of remuneration for directors are set out in the Directors' Report and notes to the financial statements.

The members of the remuneration committee during the period were:

- Mr. P. May (Chairman)
- Mr. C. Switzer

### Principle 3

Promote ethical and responsible decision-making

The Board places great emphasis on ethics and integrity in all its business dealings.

In regards to principle 3.1, the Board considers the business practices and ethics exercised by individual Board members and key executives to be of the highest standards.

#### Trading in the company's shares

The company's policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities' prices. Statutory provisions of the Corporations Act dealing with insider trading have been strictly complied with.

### Principle 4

Safeguard integrity in financial reporting

The Board has an established audit committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, including the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board has delegated responsibility for the establishment and framework of internal controls and ethical standards for the management of the consolidated entity to the audit committee.

The committee provided the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the audit committee were independent non-executive directors. The external auditors, the Managing Director, Chief Financial Officer & Company Secretary and senior executives, may be invited to Committee meetings at the discretion of the Committee

The members of the audit committee during the period whilst were:

- Mr. P. May (Chairman)
- Mr. C. Switzer

## **CORPORATE GOVERNANCE STATEMENT (continued)**

### **Principle 5**

Make timely and balanced disclosure

The company complied with all disclosure requirements to ensure that it manages the disclosure of price sensitive information effectively and in accordance with the requirements as set out by regulatory bodies. All market disclosures are approved by the Board.

The Chairman, Managing Director and Company Secretary are authorised to communicate with shareholders and the market in relation to Board approved disclosures.

All announcements made to the ASX are placed on the company's web site immediately after public release.

### **Principle 6**

Respect the rights of shareholders

The company has a positive strategy to communicate with shareholders and actively promote shareholder involvement in the company. It aims to continue to increase and improve the information available to shareholders on its website. All company announcements, presentations to analysts and other significant briefings are posted on the company's website after release to the Australian Securities Exchange.

### **Principle 7**

Recognise and manage risk

The Board oversees the establishment, implementation and ongoing review of the company's risk management and internal control system. Recommendation 7.1 requires the establishment of a risk committee. The Board has delegated the responsibility for implementing the risk management system to the Audit and Risk Committee. The Audit and Risk Committee will submit particular matters to the Board for its approval or review. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate risk committee.

The company carries out regular risk assessments in a timely manner and covers all aspects of the company. The company also has in place classes of insurance at levels which, in the reasonable opinion of the directors, are appropriate for its size and operations.

### **Principle 8**

Encourage enhanced performance

The Board reviews its performance and the performance of committees during each financial period. The company's constitution requires that one third of the Directors are required to submit themselves for re-election each year. This provides shareholders with direct input into the assessment of Board and individual performance.

To enable the performance of their duties, all directors:

- have access to management
- are provided with appropriate management information in a timely manner
- are able to seek independent professional advice at the company's expense
- are entitled to request additional management information at any time

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## **CORPORATE GOVERNANCE STATEMENT (continued)**

### **Principle 9**

Remunerate fairly and responsibly

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves, the Chief Executive Officer and senior executives. The Board had an established remuneration committee, comprising two non-executive director's.

The remuneration policy, which sets the terms and conditions for the Chief Executive Officer and other senior executives, was developed by the remuneration committee after seeking professional advice from independent consultants and was approved by the Board. All executives during the financial period received a base salary, superannuation, fringe benefits and performance incentives. The remuneration committee did review executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The performance of executives was measured against criteria agreed half-yearly which was based on the forecast growth of the company's profits and shareholders value. The policy was designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

Director disclosure requirements are dealt with in the Remuneration Report.

### **Principle 10**

Recognise the legitimate interests of stakeholders

The Board recognises that the interests of all stakeholders will be best served when the company, its directors and staff adhere to high standards of business ethics and comply with the law.

The Board expects a high standard of ethical corporate behaviour from all directors and staff. A Board Charter has been developed outlining the policies and procedures which operate within the company to ensure its exemplary reputation is maintained.

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**GBM RESOURCES LIMITED**

**FINANCIAL REPORT**

For the period ended 30 June 2008

This financial report covers both GBM Resources Limited as an individual entity and the consolidated entity consisting of GBM Resources Limited and its subsidiaries. The financial report is presented in Australian currency.

GBM Resources Limited is a company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on page 7 of the directors' report, which does not form part of this financial report.

The financial report was authorised for issue by the directors on 30 September 2008. The company has the power to amend and reissue the financial report.

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**INCOME STATEMENTS**

For the period ended 30 June 2008

		Consolidated	Parent
	Note	Period ended 30 Jun 2008 \$	Period ended 30 Jun 2008 \$
<b>Revenue</b>	3	<b>134,614</b>	<b>134,614</b>
Consulting and professional services		(385,354)	(385,354)
Depreciation	11	(12,153)	(12,153)
Employee benefits expense		(159,707)	(159,707)
Forgiveness of loan	4	(459,945)	(459,945)
Option fees		(45,455)	(45,455)
Travel		(42,551)	(42,551)
Other expenses		(76,147)	(76,147)
<b>Loss before income tax</b>	4	<b>(1,046,698)</b>	<b>(1,046,698)</b>
Income tax	5	-	-
Net Loss for the period		(1,046,698)	(1,046,698)
<b>Loss attributable to members of the parent entity</b>		<b>(1,046,698)</b>	<b>(1,046,698)</b>
<b>Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company</b>		Cents	
Basic loss per share (cents per share)	8	(2.0)	
Diluted loss per share (cents per share)	8	(2.0)	

The above income statements should be read in conjunction with the accompanying notes.

**BALANCE SHEET**

As at 30 June 2008

	Note	Consolidated \$	Parent \$
<b>Current Assets</b>			
Cash and cash equivalents	9	2,764,821	2,764,721
Receivables	10	291,509	244,641
<b>Total Current Assets</b>		<b>3,056,330</b>	<b>3,009,362</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	11	113,843	113,843
Deferred exploration expenditure	12	2,997,966	681,491
Other financial assets	13	-	2,363,443
<b>Total Non-Current Assets</b>		<b>3,111,809</b>	<b>3,158,777</b>
<b>Total Assets</b>		<b>6,168,139</b>	<b>6,168,139</b>
<b>Current Liabilities</b>			
Payables	14	350,623	350,623
<b>Total Current Liabilities</b>		<b>350,623</b>	<b>350,623</b>
<b>Total Liabilities</b>		<b>350,623</b>	<b>350,623</b>
<b>Net Assets</b>		<b>5,817,516</b>	<b>5,817,516</b>
<b>Equity</b>			
Contributed equity	15	6,490,252	6,490,252
Reserves	16(a)	373,962	373,962
Accumulated losses	16(b)	(1,046,698)	(1,046,698)
<b>Total Equity</b>		<b>5,817,516</b>	<b>5,817,516</b>

The above balance sheet should be read in conjunction with the accompanying notes.

**STATEMENTS OF CHANGES IN EQUITY**

For the period ended 30 June 2008

	Note	Consolidated	Parent
		\$	\$
<b>Total equity at the beginning of the financial period</b>		-	-
Loss for the period and total recognised income and expense for the period		(1,046,698)	(1,046,698)
Total recognised income and expense for the period		(1,046,698)	(1,046,698)
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity	15	7,152,153	7,152,153
Capital raising costs	15(a)	(661,901)	(661,901)
Share based payments	16(a)	45,166	45,166
Option reserve	15(a)	328,796	328,796
		6,864,214	6,864,214
<b>Total equity at the end of the financial period</b>		5,817,516	5,817,516

The above statements of changes in equity should be read in conjunction with the accompanying notes.

**CASH FLOW STATEMENTS**

For the period ended 30 June 2008

	Note	Consolidated Period ended 30-June 2008 \$	Parent Period ended 30-June 2008 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(829,549)	(782,681)
Interest received		134,614	134,614
Net cash used in operating activities	17(a)	(694,935)	(648,067)
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(119,555)	(119,555)
Payments for exploration		(1,372,942)	(463,317)
Payments on acquisition of subsidiaries	17(b)	(201,850)	(201,850)
Loans advanced		(459,945)	(459,945)
Loans to controlled entities		-	(956,593)
Net cash (used in) / provided by investing activities		(2,154,292)	(2,201,260)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares and options		6,275,949	6,275,949
Costs of share issues		(661,901)	(661,901)
Net cash provided by financing activities		5,614,048	5,614,048
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the period		-	-
<b>Cash and cash equivalents at the end of the period</b>	9	<b>2,764,821</b>	<b>2,764,721</b>

The above cash flow statements should be read in conjunction with the accompanying notes.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2008

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied, unless otherwise stated. The financial report covers the consolidated entity of GBM Resources Limited ("company" or "parent entity") and its controlled entities. GBM Resources Limited is a listed public company, incorporated and domiciled in Australia.

#### (a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

##### *Compliance with IFRSs*

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the consolidated financial statements and notes of GBM Resources Limited comply with International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRSs.

##### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair value of the consideration given in exchange for assets.

##### *Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

#### (b) Principles of consolidation

##### Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by GBM Resources Limited as at 30 June 2008 and the results of all subsidiaries for the period then ended. GBM Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity. Where control of an entity is obtained during a financial year, its results are included in the consolidated income statement from the date on which control commences.

Controlled entities are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet.

#### (c) Foreign currency translation

##### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is GBM Resources Limited's functional and presentation currency.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2008

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Interest revenue is recognised based on the effective interest method.

Sales of services are recognised in the accounting period for which the services are rendered, by reference to completion of the specific transaction, assessed on the basis of the actual service provided as a proportion of the total services to be provided.

All revenue is stated net of the amount of goods and services tax (GST).

(e) Income Tax

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2008

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

#### *Tax consolidation legislation*

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

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

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

#### (f) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### (g) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2008

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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

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

#### (h) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired. In respect of step acquisitions, the excess of acquisition price over the fair value of the net assets acquired is treated as goodwill.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

#### (i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### (j) Receivables

Receivables are recognised on an accrual basis as the services to which they relate are performed and are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2008

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### (k) Plant and Equipment

Items of plant and equipment are carried at historical cost less accumulated depreciation, and recoverable amount.

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

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 carrying amount. These are included in the income statement.

#### *Depreciation*

Items of plant and equipment are depreciated over their estimated useful lives. The straight line method of depreciation is used and assets are depreciated from the date of acquisition. The expected useful lives are as follows: Fixtures and equipment 3 years

#### (l) Investments in controlled entities

Investments in controlled entities are stated at cost. Where there has been a permanent diminution in the value of an investment an impairment charge is recognised.

#### (m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

#### (n) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

#### (o) Employee Benefits

##### (i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Contributions are made by the company to employee superannuation funds and are charged as expenses when incurred. During the period the company contributed 9% of salaries and wages under the Superannuation Guarantee Act requirements.

##### (ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### (iii) Share based payments

Share-based compensation benefits are provided to employees via the company's Employee Incentive Option Plan and the issuance of options. Information relating to these schemes is set out in note 24.

The fair value of options granted under the company's Employee Incentive Option Plan is recognised as an employee

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2008

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

In respect of options, market conditions are factored into the valuation on grant date, with no subsequent adjustment made for changes in the probability of the target being met. The vesting condition is not included in the valuation of the share, but is used to adjust the number of equity instruments expected to vest. This probability is adjusted each period so that on a cumulative basis an expense is only recognised where the vesting condition is met. The expense is recognised over the vesting period, which is equal to the expected length of time required to meet the vesting conditions. If the employee leaves, the balance of the cost is recognised in full.

iv) *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(p) **Leases**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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

The company classifies its investments in the following categories: loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2008

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(r) **Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(s) **Contributed equity**

Ordinary share capital is recognised as the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(t) **Earnings per share**

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(u) **Exploration and evaluation**

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2008

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

#### (v) Comparative Figures

The Company was incorporated on 3 April 2007. The results presented in the financial statements are for the period from 3 April 2007 to 30 June 2008, hence no comparatives are presented.

#### (w) Adoption of new and revised standards

##### Changes in accounting policies on initial application of Accounting Standards

In the period ended 30 June 2008, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2007. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the period ended 30 June 2008. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.



## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2008

	Consolidated	Parent
	30-June 2008	30-June 2008
	\$	\$
<b>NOTE 5: Income tax</b>		
<b>(a) Income tax benefit</b>		
The prima facie income tax on pre-tax accounting loss from operations reconciles to the income tax expenses/(benefit) in the financial statements as follows:		
Accounting loss from ordinary activities	(1,046,698)	(1,046,698)
Prima facie tax benefit on loss at 30%	(314,009)	(314,009)
Tax effect of:		
- Non-deductible items	162,428	162,428
- Capital raising costs	(39,714)	(39,714)
Benefit of tax losses not brought to account	191,295	191,295
Income tax benefit	-	-
<b>(b) Deferred income tax</b>		
The following deferred tax assets and liabilities have not been brought to account:		
Deferred tax assets:		
Benefit of income tax losses	1,015,797	1,015,797
Capital raising costs	158,856	158,856
Other deferred tax assets	108,833	108,833
	1,283,486	1,283,486
Offset against deferred tax liabilities:		
Exploration expenditure	899,389	899,389
Other	37,799	37,799
	937,188	937,188
Net deferred tax asset	346,298	346,298

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 2008

### NOTE 6: Key management disclosures

(a) The company has applied the relief provided by Corporation Regulations 2M.6.04 which allows listed companies to transfer remuneration disclosures in relation to key management personnel required by Accounting Standard AASB 124: Related Party Disclosures, from the financial report to the Directors' Report. These remuneration disclosures are provided in the Remuneration Report section of the Directors' Report under Details of Remuneration and are designated as audited.

(b) Directors

The following persons were directors of GBM Resources Limited during the financial period:

(i) *Executive directors*

Mr. Peter Thompson (appointed 3 April 2007)

(ii) *Non-executive directors*

Mr. Peter May (appointed 3 April 2007)

Mr. Cameron Switzer (appointed 3 April 2007)

(d) Key management personnel compensation

	Consolidated entity	Parent entity
	2008	2008
	\$	\$
Short-term employee benefits	161,243	161,243
Post-employment benefits	-	-
Share-based payments	42,417	42,417
	<u>203,660</u>	<u>203,660</u>

As noted above the company has taken advantage of the relief provided by Corporation Regulations 2M.6.04 has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the remuneration report. (Refer to page 18).

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2008

### NOTE 6: Key management disclosures (cont'd)

#### Equity instrument disclosures relating to key management personnel

**(i) Share holdings:** The numbers of shares in the company held during the financial period by each director and other key management personnel of the Group, including their personally related parties, are set out below.

Number of shares held by Specified Directors	Balance 03.04.07	Received as Remuneration	Acquired on market	Other changes	Balance 30.06.08
<i>Directors</i>					
Mr. Peter May – Non-executive Chairman (appointed 3 April 2007)	-	-	-	535,350	535,350
Mr. Peter Thompson - Managing Director (appointed 3 April 2007)	-	-	-	3,937,549	3,937,549
Mr. Cameron Switzer- Non-executive Director (appointed 3 April 2007)	-	-	-	2,756,250	2,756,250
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,229,149<sup>1</sup></b>	<b>7,229,149</b>

<sup>1</sup> Other changes include seed and promoter subscription in addition to subscriptions through initial public offering prospectus dated 31 July 2007.

#### (ii) Option holdings

Number of options held by Directors

	Balance 03.04.07	Received as Remuneration	Other	Balance 30.06.08
<i>Directors</i>				
Mr. Peter May – Non-executive Chairman appointed 3 April 2007)	-	500,000	266,175 <sup>1</sup> 266,175 <sup>2</sup>	1,032,350
Mr. Peter Thompson - Managing Director (appointed 3 April 2007)	-	1,000,000	1,968,750 <sup>1</sup> 1,968,775 <sup>2</sup>	4,937,525
Mr. Cameron Switzer- Non-executive Director (appointed 3 April 2007)	-	1,000,000	1,968,750 <sup>1</sup> 1,378,125 <sup>2</sup>	4,346,875
<b>Total</b>	<b>-</b>	<b>2,500,000</b>	<b>7,816,750</b>	<b>10,316,750</b>

<sup>1</sup> Subscribed as part of seed promoter allocation.

<sup>2</sup>Subscribed for in the non-renounceable entitlement issue dated 6 February 2008.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2008

### NOTE 7: Remuneration auditors

During the period the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms

	Consolidated 30-June 2008 \$	Parent 30-June 2008 \$
HLB Mann Judd		
Audit and review of the financial reports and other audit work under the Corporations Act 2001.		
— Preparation of an Investigating Accountant's Report for inclusion in the initial public offering prospectus dated 31 July 2007.	14,000	14,000
— Auditing the financial report	15,000	15,000
— Other professional services	2,600	2,600
	31,600	31,600

### NOTE 8: Loss per share

(a) Reconciliation of loss used in calculating loss per share	Consolidated 30-June 2008 \$
Loss	(1,046,698)
(b) Weighted average number of shares used as the denominator	Number
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	53,436,460
(c) Classification of securities	
Options outstanding have been classified as potential ordinary shares, however they are not considered to be dilutive in nature.	

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2008

	Consolidated	Parent
	30-June 2008	30-June 2008
	\$	\$
<b>NOTE 9: Cash and cash equivalents</b>		
Cash at bank and on hand	334,646	334,546
Deposits at call	2,430,175	2,430,175
	<u>2,764,821</u>	<u>2,764,721</u>

### (i) Cash balances not available for use

Bank guarantees	<u>30,000</u>	<u>30,000</u>
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### NOTE 10: Receivables

Current		
Other receivables	39,098	39,099
GST receivable	252,411	205,542
	<u>291,509</u>	<u>244,641</u>

### NOTE 11: Property, plant and equipment

Fixtures and equipment		
At cost	125,996	125,996
Less: Accumulated depreciation	(12,153)	(12,153)
	<u>113,843</u>	<u>113,843</u>

### Reconciliation

Reconciliation of the carrying amount of each class of property, plant and equipment is set out below:

#### *Fixtures and Equipment*

Balance at the beginning of the period	-	-
Additions	125,996	125,996
Depreciation expense	(12,153)	(12,153)
Carrying amount at the end of the period	<u>113,843</u>	<u>113,843</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2008

### NOTE 12 : DEFERRED EXPLORATION EXPENDITURE

	Consolidated	Parent
	30-June 2008	30-June 2008
	\$	\$
<b>Deferred Exploration and Evaluation Costs</b>		
Balance at beginning of financial period	-	-
Expenditure incurred	1,591,116	681,491
Tenements acquired on acquisition of subsidiaries	1,406,850	-
Provision for licence areas to be relinquished	-	-
Balance at end of financial period	<u>2,997,966</u>	<u>681,491</u>

Ultimate recovery of deferred exploration and evaluation costs is dependent upon success in exploration and evaluation or sale or farm-out of the exploration interests.

### Note 13: Non-current assets - Other financial assets

Investments in controlled entities – at cost	-	1,406,850
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Recoverability of investment is dependent upon success in exploration and evaluation or sale or farm-out of the entities' exploration interests.

Loans to controlled entities – at cost (Note 18)	-	956,593
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	<u>-</u>	<u>2,363,443</u>
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Recoverability of loans is dependent upon success in exploration and evaluation or sale or farm-out of the entities' exploration interests.

### NOTE 14: Current liabilities - Payables

Current

Other creditors and accruals	<u>350,623</u>	<u>350,623</u>
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## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2008

### Note 15: Contributed equity

#### (a) Issued and paid up capital

	30-June 2008	
	Number	\$
Issued and paid up capital	65,759,103	6,490,252

#### Movements during the period ended 30 June 2008

Ordinary shares	Number	Issue price	\$
Balance at the beginning of the financial period	-		-
Shares issued:			
- Founder shares	3	\$1.00	3
- Shares issued on acquisition of subsidiaries	100	\$1.00	100
- Shares issued to seed investors	10,000,000	\$0.10	1,000,000
- Shares issued to promoters	25,000,000	\$0.00001	250
- Shares issued on acquisition of controlled entities	6,025,000	\$0.20	1,205,000
- Shares issued pursuant to prospectus	17,234,000	\$0.20	3,446,800
- Share placement	7,500,000	\$0.20	1,500,000
- Costs of share issue	-		(661,901)
	65,759,103		6,490,252
<b>Balance at end of financial period</b>	<b>65,759,103</b>		<b>6,490,252</b>

#### (b) Share Options

Options over ordinary shares issued during the period and outstanding at balance date:

*40,379,552 Listed Options exercisable at 25 cents each expiring 30 June 2010.*

On 19 March 2008, 32,879,552 options were issued over ordinary shares, exercisable anytime prior to their expiry date being June 2010. The options were issued through a non-renounceable rights issue prospectus dated 6 February 2008, on the basis one option for every two shares held as at 15 February 2008. The options are listed on the ASX and have been issued at \$0.25 each. Funds from the issue have been included as an option reserve in the Balance Sheet. The issue was in accordance with the IPO prospectus whereby the Company advised a loyalty option issue would be completed at the end of 3 months from its date to reward existing and new investors.

On 1 February 2008 7,500,000 options were issued as part of a private placement to sophisticated and professional investors.

*20,000,000 Unlisted Options exercisable at 22 cents each expiring 30 June 2010.*

During the financial period options were granted over ordinary shares as part of share placements and seed/promoter issues, exercisable prior to their expiry date being 30 June 2010. The options have an exercise price of \$0.22 each for the life of the Option.

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

*3,730,000 Unlisted Options exercisable at 25 cents each expiring 30 June 2010.*

On 30 July 2007 options were granted over ordinary shares as an issue through the GBM Resources Limited Employee Option Plan, exercisable prior to their expiry date being 30 June 2010. The options have an exercise price of \$0.25 each for the life of the Option.

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2008

### NOTE 15: Contributed equity (cont'd)

#### (c) Terms and conditions of ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

### NOTE 16: Reserves and Accumulated losses

	Consolidated 30 June 2008 \$	Parent 30 June 2008 \$
<b>(a) Reserves</b>		
Option reserve	328,796	328,796
Share based payments reserve	45,166	45,166
	<u>373,962</u>	<u>373,962</u>
<b>Movements:</b>		
Option reserve		
Opening balance	-	-
Movements	328,796	328,796
Closing balance	<u>328,796</u>	<u>328,796</u>
Share based payments reserve		
Opening balance	-	-
Option expense	45,166	45,166
Closing balance	<u>45,166</u>	<u>45,166</u>
Closing balance	<u>373,962</u>	<u>373,962</u>
The option reserve records proceeds received on the issue of options.		
The share based payments reserve records items recognised as expenses on valuation of employee share options granted as remuneration.		
<b>(b) Accumulated losses</b>		
Accumulated losses at the beginning of the financial period	-	-
Net loss attributable to the members of GBM Resources Limited	(1,046,698)	(1,046,698)
Accumulated losses at the end of the financial period	<u>(1,046,698)</u>	<u>(1,046,698)</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2008

### NOTE 17: Cash flow information

	Consolidated	Parent
	30 June 2008	30 June 2008
	\$	\$
(a) Reconciliation of loss to net cash used in operating activities for the period after income tax		
Loss after income tax	(1,046,698)	(1,046,698)
Non-cash expenses		
Depreciation	12,153	12,153
Share based payments expense	45,166	45,166
Foregiveness of loan	459,945	459,945
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(291,509)	(244,641)
Increase/(decrease) in creditors and borrowings	126,008	126,008
Net cash used in operating activities	<u>(694,935)</u>	<u>(648,067)</u>

### (b) Acquisition of subsidiaries

During the period the company acquired 100% of the issued capital of Willaura Minerals Pty Ltd and Belltopper Hill Pty Ltd for the purchase consideration of \$1,406,850 as follows:

	\$
Purchase consideration	<u>1,406,850</u>
Satisfied by:	
Cash	201,850
Issue of 6,025,000 shares at \$0.20 per share	1,205,000
	<u>1,406,850</u>
Asset and liabilities held at acquisition date:	
Exploration properties	1,406,850
Liabilities	-
	<u>1,406,850</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2008

### NOTE 18: Related party transactions

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

#### *Key management personnel Remuneration*

Details of key management personnel remuneration are set out in the Directors' Report under the section titled 'Remuneration Report'.

#### *Transactions with Related Parties in the Wholly Owned Group*

	Consolidated	Parent
	30 June 2008	30 June 2008
	\$	\$
<b>Loans to/from related parties</b>		
<i>Loans to subsidiaries</i>		
Beginning balance	-	-
Loans advanced	-	956,593
Loan repayments received	-	-
Balance at 30 June 2008	-	956,593

Other related party disclosures relating to key management personnel are set out in note 6.

During the period fees were paid to Switzer Geological Services Pty Ltd for services, a company which Mr Cameron Switzer is both a director and shareholder. Fees paid during the period totalled \$500.

GBM Resources Limited is the ultimate parent entity in the consolidated entity.

### NOTE 19: Investments in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding 30 June 2008
Syndicated Resources Exploration Pty Ltd	Australia	Ordinary	100%
Belltopper Hill Pty Ltd	Australia	Ordinary	100%
Willaura Minerals Pty Ltd	Australia	Ordinary	100%

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2008

### NOTE 20: Financial instruments

#### Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

#### (a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. For the Company it arises from receivables from subsidiaries.

##### (i) Trade and other receivables

As the Group operates in the mining sector, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

Presently, the Group undertakes exploration and evaluation activities exclusively in Australia. At the balance sheet date there were no significant concentrations of credit risk.

#### (b) Liquidity risk

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 maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be predicted, such as natural disasters.

#### (c) 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 value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

##### (i) Currency risk

The Consolidated entity is currently not exposed to currency risk. All investments, purchases and borrowings are denominated in Australian dollars.

##### (ii) Interest rate risk

The Group's exposure to the risk of changes in market interest rate relates to the Group's cash and cash equivalents.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2008

### NOTE 20: Financial instruments (Cont'd)

#### Cashflow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by amounts shown below, where interest is applicable. This analysis assumes that all other variables remain constant.

	Profit or (loss)		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2008	\$	\$	\$	\$
Variable rate instruments	27,640	(27,640)	27,640	(27,640)
Cash flow sensitivity (net)	27,640	(27,640)	27,640	(27,640)

	Fixed Interest Rate	Floating Interest Rate	Non-interest Bearing	Total	Weighted Average Effective Interest Rate
	30-Jun 2008	30-Jun 2008	30-Jun 2008	30-Jun 2008	30-Jun 2008
	\$	\$	\$	\$	%
<b>Financial Assets:</b>					
Cash and cash equivalents	-	2,429,836	334,985	2,764,821	7.00%
Receivables	-	-	291,510	291,510	
<b>Total Financial Assets</b>	-	2,429,836	626,495	3,056,331	
<b>Financial Liabilities:</b>					
Payables	-	-	350,623	350,623	-
Interest bearing liabilities	-	-	-	-	-
<b>Total Financial Liabilities</b>	-	-	350,623	350,623	

#### (i) Net fair values

Methods and assumptions used in determining net fair value.

For assets and other liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The Company has no financial assets where carrying amount exceeds net fair values at balance date.

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

#### (ii) Capital management

Management controls the capital of the Group in order to provide shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's cash projections up to two years in the future and any associated financial risks. Management will adjust the Group's capital structure in response to changes in these risks and in the market.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2008

	Consolidated 30-Jun 2008 \$	Parent 30-Jun 2008 \$
<b>NOTE 21: Employee benefits</b>		
<b>Remuneration commitments</b>		
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:		
Within 1 year	181,800	181,800
Amounts disclosed as remuneration commitments include commitments arising from the service contracts of the Chief Executive Officer that is not recognised as a liability and not included in the directors' remuneration disclosure in the directors' report.		
Aggregate employee benefits liability	12,844	12,844
Number of employees at balance date	4	4

### NOTE 22: Commitments

#### (a) Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities & payables:

Within one year	7,025	7,025
Later than one year but not later than five years	-	-
Representing:		
Cancellable operating leases	7,025	7,025
Non-cancellable operating leases	-	-

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2008

### Note 23: Subsequent Events

On 22 July 2008 the Company announced it had executed agreements with Newcrest Operations Limited (NOL) to acquire all of NOL's 10 titles with identified mineral targets in the Mt Isa Inlier, part of the Mount Isa/Cloncurry region. Key terms of the acquisition are as follows:

- Payment to NOL of \$100,000 on execution of the Purchase Agreement;
- A 2% Net Smelter Return on gold or other minerals payable to NOL derived from ore production;
- Stage 1 – GBM to spend \$500,000 over the next 12 months;
- Subject to GBM being satisfied that there is reasonable likelihood of delineating a commercially feasible ore body, GBM to spend a further \$2million over a 24 month period after the completion of stage 1.

Except for the above developments, no other matters or circumstances have arisen since the end of the financial period which significantly affected or may significant affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

### Note 24: Share based payments

#### (a) Employee Option Scheme

The establishment of the GBM Resources Limited Employee Option Plan was approved by shareholders at a general meeting held on 10 May 2007. Full time employees, part time employees, directors and consultants of the company are eligible to participate in the scheme.

Options are granted under the plan for no consideration and carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share fourteen days after options exercised.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

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## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2008

### Note 24: Share based payments (continued)

Options granted during the financial period are as follows:

Grant date	Vesting date	Expiry date	Number	In Escrow	Exercise price
12 June 2007	12 June 2007	30 June 2010	3,000,000	24 months ending 30 July 2009	25 cents
15 June 2007	15 June 2008	30 June 2010	500,000	-	25 cents
16 January 2008	16 January 2009	30 June 2010	90,000	-	25 cents
16 January 2008	16 January 2010	30 June 2010	90,000	-	25 cents
11 February 2008	11 February 2009	30 June 2010	25,000	-	25 cents
11 February 2008	11 February 2010	30 June 2010	25,000	-	25 cents
<b>Total options granted</b>			<b>3,730,000</b>		

	Consolidated 30-Jun 2008	Parent 30-Jun 08
Value of options granted under the plan:	\$	\$
Options issued under the employee option scheme	<u>51,444</u>	<u>51,444</u>

## DIRECTORS' DECLARATION

In the directors opinion:

- (a) the financial statements and notes set out on pages 29 to 56 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the period ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) the audited remuneration disclosures set out on page 18 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and Class Order 06/50 issued by the Australian Securities and Investments Commission.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Board



Mr. Peter May  
Chairman

Place: Perth, WA

Dated 30 day of September 2008

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Accountants | Business and Financial Advisers

## INDEPENDENT AUDITOR'S REPORT

**To the members of  
GBM Resources Limited**

### **Report on the Financial Report**

We have audited the accompanying financial report of GBM Resources Limited ("the company"), which comprises the balance sheet as at 30 June 2008, the income statement, statement of changes in equity, cash flow statement and notes to the financial statements for the year ended on that date, and the directors' declaration for both the company and the consolidated entity as set out on pages 29 to 57. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the year.

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

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

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*Independence*

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

*Auditor's Opinion*

In our opinion:

- (a) the financial report of GBM Resources Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

**Report on the Remuneration Report**

We have audited the Remuneration Report included on pages 17 to 20 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the Remuneration Report of GBM Resources Limited for the year ended 30 June 2008 complies with section 300A of the Corporations Act 2001.



**HLB MANN JUDD**  
**Chartered Accountants**



**W M CLARK**  
**Partner**

**Perth, Western Australia**  
**30 September 2008**

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## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is disclosed in accordance with Section 4.10 of the Australian Securities Exchange Ltd Listing rules in respect of listed public companies only.

The following information is supplied as at 8 September 2008

### 1. Analysis of Shareholdings

#### a. Distribution of Shareholders (ASX Code: GBZ)

Number of Ordinary Shares Held	Ordinary Shares	
	Number of holders	Number of shares
1 – 1,000	3	3
1,001 – 5,000	18	69,040
5,001 – 10,000	91	887,121
10,001 – 100,000	289	12,027,515
100,001 – and over	99	52,775,424
	500	65,759,103

There were 3 holders of less than a marketable parcel of ordinary shares.

#### b. Distribution of Optionholders (ASX Code: GBZO)

Number of Options Held	Options	
	Number of holders	Number of options
1 – 1,000	0	0
1,001 – 5,000	62	280,652
5,001 – 10,000	31	260,313
10,001 – 100,000	172	6,243,092
100,001 – and over	50	33,595,496
	315	40,379,552

### 2. Voting Rights

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

Ordinary shares

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

Options

- No voting rights.

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

### 3. Twenty Largest Shareholders of quoted Ordinary Shares

Name	Number of Ordinary Shares	Percentage of Total
1. UOB Kay Hian Private Limited <Clients A/C>	7,500,000	11.40
2. De Gracie Nominees Pty Ltd <The Le Havre A/C>	3,750,000	5.70
3. Superfine Nominees Pty Ltd <PW & CL Superannuation Fund>	3,437,500	5.23
4. Roseline Holdings Pty Ltd <Allen Superannuation Fund>	3,000,000	4.56
5. Carpentaria Corporation <Daikoku Investment A/C>	2,756,250	4.19
6. Bastiaan Van Riel & Yfke Van Riel	2,275,000	3.46
7. Rosegate Investments Pty Ltd	1,400,051	2.13
8. Donna Cross	1,293,800	1.97
9. Sante Holdings Pty Ltd <DEC Family Account>	1,293,800	1.97
10. Evan George Cross	1,293,800	1.97
11. Peter Anthony Lynch & Laura Anne Lynch <Petla A/C>	1,181,250	1.79
12. Devonport Traders Limited <Morgan & Morgan Trust Corporation Limited>	970,350	1.47
13. Renaissance Investors Ltd <Nerine Trust Company (BVI) Limited>	970,350	1.47
14. Dominion Investments (WA) Pty Ltd	970,350	1.47
15. Pacific Healthcare Investments Limited	970,350	1.47
16. Health & Technology Developments Pty Ltd	658,350	1.00
17. Stuart Usher <The Matilda Family Account>	579,600	0.88
18. Regalquest Investments Pty Ltd	500,049	0.76
19. Kevin James Hendry	500,000	0.76
20. David McDonald & Danielle McDonald <Family Unit A/C>	500,000	0.76
	<b>35,800,850</b>	<b>54.41</b>

### 4. Twenty Largest Optionholders of quoted Options (GBZO)

Name	Number of Option	Percentage of Total
1. UOB Kay Hian Private Limited <Clients A/C>	11,250,000	28.39
2. De Gracie Nominees Pty Ltd <The Le Havre A/C>	2,593,635	6.54
3. Superfine Nominees Pty Ltd <PW & CL Superannuation Fund>	1,718,750	4.34
4. Roseline Holdings Pty Ltd <Allen Superannuation Fund>	1,500,000	3.78
5. Carpentaria Corporation <Daikoku Investment A/C>	1,378,125	3.48
6. Renaissance Investors Ltd <Nerine Trust Company (BVI) Limited>	1,132,425	2.86
7. Devonport Traders Limited <Morgan & Morgan Trust Corporation Limited>	1,132,425	2.86
8. Manhattan Investments Pty Ltd	944,500	2.38
9. Rosegate Investments Pty Ltd	700,026	1.76
10. Donna Cross	646,900	1.63
11. Sante Holdings Pty Ltd <DEC Family Account>	646,900	1.63
12. Evan George Cross	646,900	1.63
13. Rosegate Investments Pty Ltd <Classic A/C>	611,897	1.54
14. Peter Anthony Lynch & Laura Anne Lynch <Petla A/C>	590,625	1.49
15. Peter Rohner	500,000	1.26
16. Dominion Investments (WA) Pty Ltd	485,175	1.22
17. Pacific Healthcare Investments Limited	485,175	1.22
18. Stuart Douglas Usher & Janette Kaye Usher <The S&J Usher S/F A/C>	400,000	1.00
19. Health & Technology Developments Pty Ltd	266,175	0.67
20. Regalquest Investments Pty Ltd	250,025	0.63
	<b>27,879,658</b>	<b>70.31</b>

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

### 5. Escrowed and Unquoted Securities

The number and class of voluntary escrowed securities and date of escrow are:

Ordinary Shares:

Number of holders	Number	Date escrow period ends
52	25,575,000	24 October 2009
2	6,025,000	25 September 2009
54	31,600,000	

Options:

Number of holders	Number	Date escrow period ends
53	16,075,000	24 October 2009
52	5,425,000	25 September 2009
105	18,500,000	

The number and class of unquoted securities:

	Number of holders	Number
Options exercisable at 22 cents expiring 30 June 2010	104	20,000,000
Options exercisable at 25 cents expiring 30 June 2010	7	3,730,000

27% of options held by Regalquest Investments Pty Ltd and 27% held by Carpentaria Corporation ATF Daikoku Investment Trust

### 6. Substantial shareholders

The names of substantial shareholders who have notified the company in accordance with sections 709 and 710 of the Corporations Act 2001 are:

Sante Holdings Pty Ltd	3,881,400 ordinary shares
De Gracie Nominees Pty Ltd <The Le Havre A/C>	3,750,000 ordinary shares
Superfine Nominees Pty Ltd <PW & CL Superannuation Fund>	3,937,549 ordinary shares
Roseline Holdings Pty Ltd <JA Superannuation Fund>	3,000,000 ordinary shares

### 7. Statement in accordance with ASX Listing Rule 4.10.19

The company believes that for the period ended 30 June 2008, it used its cash and assets in a form readily convertible to cash, that it held at the time of admission in a way consistent with its business objectives.