

# **GME Resources Limited**

(ABN 62 009 260 315)

## **Half Year Report**

**31 December 2008**

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## DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half year ended 31 December 2008.

### Directors

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

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

### Review of Operations

Although the project continued to show positive technical and economic merit all work has been suspended on the NiWest Nickel project pending a review of Nickel demand and world financial markets. Over the reporting period work was completed or terminated at logical break points associated with the feasibility study into establishing a 3.5 million tonne per annum heap leach facility capable of producing up to 35,000 tonnes of nickel in sulphide concentrate.

The majority of the work completed over the period was engineering, resource drilling at Mertondale, Wanbanna and Murrin North, metallurgical test work, resource calculations, capital estimate, water-resource drilling and environmental studies. The heap leach trial planned at Hepi has been fully engineered and approved however it is now on hold.

Drilling at the three deposits mentioned above produced good results with these areas likely to contribute to resources for the project. Water exploration demonstrated a good supply of quality water can be sourced from the project area. All test work was concluded and this demonstrated the high probability of success for the heap leach method.

Plant layout, mass balance and flow sheet have been confirmed.

During the period the company further developed innovative ways to reduce acid consumption for the process for which the company has applied for patents.

The Company is committed to ensuring the tenements are maintained in good order and will review opportunities to develop the project as they arise.

Additional exploration expenditure of \$3,318,582 was capitalised in the half year to 31 December 2008 (December 2007 \$9,738,258).

The Company registered a net loss for the half year to 31 December 2008 of \$381,925 (December 2007 \$213,627).

**Auditor's Declaration**

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 5 and forms part of this directors' report for the half-year ended 31 December 2008.

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



**David J Varcoe**

Managing Director

Dated this 16th day of March 2009.

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Stephen Hyland, Mr Bill Hill and Mr Steve Goertz who are members of The Australasian Institute of Mining and Metallurgy. Mr Hyland is a Principal Consultant with Ravensgate Minerals Industry Consultants who consults to the Company. Mr Hill is self employed and consults to the Company as and when required, Mr Hill 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 Mineral Resources and Ore Reserves. Mr Hill, Mr Goertz and Mr Hyland consent to the inclusion in the report of the matters based on information provided in the form and context in which it appears.

**Auditor's Independence Declaration**

As lead auditor for the review of the financial report of GME Resources Limited for the half-year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of GME Resources Limited.



**Perth, Western Australia**  
**16 March 2009**

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

**CONDENSED INCOME STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	Notes	Consolidated	
		31 Dec 2008 \$	31 Dec 2007 \$
Revenue	2	<b>383,993</b>	307,325
Management and consulting expenditure		<b>(416,242)</b>	(250,308)
Depreciation and amortisation expense		<b>(117,414)</b>	(7,981)
Finance costs		-	(23,545)
Other expenses		<b>(232,262)</b>	(239,118)
<b>Profit / (loss) before income tax expense</b>	2	<b>(381,925)</b>	(213,627)
Income tax expense		-	-
<b>Net profit / (loss) for the period</b>		<b>(381,925)</b>	(213,627)
Basic earnings/(loss) per share (cents per share)		<b>(0.15)</b>	(0.09)
Diluted earnings/(loss) per share (cents per share)		<b>(0.15)</b>	(0.09)

The accompanying notes form part of these financial statements

**CONDENSED BALANCE SHEET  
AS AT 31 DECEMBER 2008**

		<b>Consolidated</b>	
	Notes	<b>31 Dec 2008</b>	30 June 2008
		\$	\$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,644,657	5,150,024
Trade and other receivables		26,943	230,023
Other financial assets		8,250	8,250
<b>Total Current Assets</b>		<b>1,679,850</b>	<b>5,388,297</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		610,882	727,948
Exploration and evaluation costs carried forward	3	28,438,375	25,119,793
<b>Total Non-Current Assets</b>		<b>29,049,257</b>	<b>25,847,741</b>
<b>Total Assets</b>		<b>30,729,107</b>	<b>31,236,038</b>
<b>Current Liabilities</b>			
Trade and other payables		580,534	713,540
<b>Total Current Liabilities</b>		<b>580,534</b>	<b>713,540</b>
<b>Total Liabilities</b>		<b>580,534</b>	<b>713,540</b>
<b>Net Assets</b>		<b>30,148,573</b>	<b>30,522,498</b>
<b>Equity</b>			
Issued capital	4	44,526,381	44,518,381
Financial assets reserve		(1,125)	(1,125)
Option reserve		740,796	740,796
Accumulated Losses		(15,117,479)	(14,735,554)
<b>Total Equity</b>		<b>30,148,573</b>	<b>30,522,498</b>

The accompanying notes form part of these financial statements.

**CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

**CONSOLIDATED**

	Issued Capital	Financial Asset Reserve	Option Reserve	Accumulated Losses	Total Equity
	\$	\$		\$	\$
<b>Balance at 1 July 2007</b>	26,480,932	(1,125)	91,396	(14,275,417)	12,295,786
Shares issued during the year	18,037,449	-	-	-	18,037,449
Options issued during the year	-	-	649,400	-	649,400
Loss attributable to members of the parent entity	-	-	-	(213,627)	(213,627)
<b>Balance at 31 December 2007</b>	<b>44,518,381</b>	<b>(1,125)</b>	<b>740,796</b>	<b>(14,489,044)</b>	<b>30,769,008</b>
<b>Balance at 1 July 2008</b>	44,518,381	(1,125)	740,796	(14,735,554)	30,522,498
Shares issued during the year	8,000	-	-	-	8,000
Loss attributable to members of the parent entity	-	-	-	(381,925)	(381,925)
<b>Balance at 31 December 2008</b>	<b>44,526,381</b>	<b>(1,125)</b>	<b>740,796</b>	<b>(15,117,479)</b>	<b>30,148,573</b>

The accompanying notes form part of these financial statements

**CONDENSED CASH FLOW STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	<b>Consolidated</b>	
	<b>31 Dec 2008</b>	31 Dec 2007
	\$	\$
	Inflows/(Outflows)	
<b>Cash flows from operating activities</b>		
Proceeds from facilitation fee for prospecting rights	<b>100,000</b>	100,000
Payments to suppliers and employees	<b>(481,856)</b>	(489,930)
Exploration and evaluation expenditure	<b>(3,240,739)</b>	(3,147,548)
Interest received	<b>117,825</b>	207,325
Net cash used in operating activities	<b>(3,504,770)</b>	(3,330,153)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	10,403,967
Payment for costs of issue of shares	-	(44,118)
Net cash provided by financing activities	-	10,359,849
<b>Cash flows from investing activities</b>		
Acquisition of plant and equipment	<b>(5,597)</b>	(36,383)
Proceeds from sale of plant and equipment	<b>5,000</b>	-
Net cash used in investing activities	<b>(597)</b>	(36,383)
Net increase/(decrease) in cash held	<b>(3,505,367)</b>	6,993,313
Cash and cash equivalents at the start of the period	<b>5,150,024</b>	714,667
<b>Cash and cash equivalents at the end of the period</b>	<b>1,644,657</b>	7,707,980

The accompanying notes form part of these financial statements

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Statement of compliance**

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB134 ensures compliance with IAS 34 'Interim Financial Reporting'.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the consolidated entity as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by GME Resources Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

#### **(b) Basis of preparation**

The half-year report has been prepared on a historical cost basis, except for available-for-sale financial assets which are measured at fair value.

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

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

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

The recoverability of the carrying amount of exploration and evaluation costs carried forward has been reviewed by the directors. In conducting the review, the recoverable amount has been assessed by reference to the higher of "fair value less costs to sell" and "value in use". In determining value in use, future cash flows are based on:

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

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

Subject to the above, the accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2008 annual financial report for the financial year ended 30 June 2008.

#### **(d) Adoption of new and revised Accounting Standards**

In the half-year ended 31 December 2008 the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2008.

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

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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

#### **(e) Going Concern**

As disclosed in the financial report, the consolidated entity recorded an operating loss of \$381,925 and a cash outflow from operating activities of \$3,504,770 for the half-year ended 31 December 2008 and at balance date, had net current assets of \$1,099,316. These factors indicate significant uncertainty whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Board considers that the consolidated entity is a going concern and recognises that additional funding is required to ensure that the consolidated entity can continue to fund its operations and further develop its mineral exploration and evaluation assets during the twelve month period from the date of this financial report. Such additional funding can be derived from sources including:

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

Accordingly, the Directors believe that subject to prevailing equity market conditions, the consolidated entity will obtain sufficient funding to enable it and the consolidated entities to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report. Should the consolidated entity be unable to obtain sufficient funding as outlined above, there is significant uncertainty whether or not the consolidated entity will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2008

### NOTE 2: LOSS FROM ORDINARY ACTIVITIES

	<b>Consolidated</b>	
	<b>31 Dec 2008</b>	<b>31 Dec 2007</b>
	<b>\$</b>	<b>\$</b>
The following revenue items are relevant in explaining the financial performance for the half-year:		
<b>(a) Revenue</b>		
Interest Received	117,825	207,325
Proceeds from:		
Facilitation fee for prospecting rights	100,000	100,000
Other	166,168	-
	<b>383,993</b>	<b>307,325</b>

### NOTE 3: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	<b>Consolidated</b>	
	<b>31 Dec 2008</b>	<b>30 June 2008</b>
	<b>\$</b>	<b>\$</b>
Costs carried forward in respect of areas of interest in the following phases:		
<b>Exploration and evaluation phase – at cost</b>		
Balance at beginning of half-year	25,119,793	12,440,384
Expenditure incurred	3,318,582	12,679,409
<b>Total deferred exploration and evaluation expenditure</b>	<b>28,438,375</b>	<b>25,119,793</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

**NOTE 4: ISSUED CAPITAL**

	<b>Consolidated</b>	
	<b>31 Dec 2008</b>	<b>30 Jun 2008</b>
	<b>\$</b>	<b>\$</b>
<i>Ordinary shares</i>		
Issued and fully paid	<b>44,526,381</b>	44,518,381
	<b>No.</b>	<b>\$</b>
<i>Movements in ordinary shares on issue</i>		
At 1 July 2008	253,173,931	44,518,381
Jindalee tenement issue	200,000	8,000
At 31 December 2008	<b>253,373,931</b>	<b>44,526,381</b>

**Options**

At 31 December 2008, the Company has 2,350,000 unlisted options to acquire ordinary shares on issue. Of these, 350,000 unlisted options are exercisable on or before 30 June 2009. 250,000 are exercisable at \$0.75 each with 100,000 exercisable at \$0.80 each. The other 2,000,000 unlisted options are exercisable on or before 30 September 2010 at \$0.70 each.

**NOTE 5: DIVIDENDS**

No dividends were paid or declared during the period.

**NOTE 6: SEGMENT REPORTING**

There are no individual segments to be reported as the consolidated entity's operations are predominantly in the mining and exploration industry in Australia.

**NOTE 7: CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

**NOTE 8: EVENTS AFTER BALANCE DATE**

No events or circumstances have arisen since 31 December 2008 that would require disclosure in the financial report.

## **DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 13
  - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
  - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year then ended.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



**David J Varcoe**

Director

Dated this 16th day of March      2009



Accountants | Business and Financial Advisers

**INDEPENDENT AUDITOR'S REVIEW REPORT**

**To the members of  
GME RESOURCES LIMITED**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report, which comprises the condensed balance sheet as at 31 December 2008, the condensed income statement, condensed statement of changes in equity, condensed cash flow statement and notes to the financial statements for the half-year ended on that date, and the directors' declaration, of GME Resources Limited and the entities it controlled during the half-year ended 31 December 2008 ("consolidated entity").

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year 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.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001*, including giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of GME Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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*Independence*

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

*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Continuation as a Going Concern*

Without qualification to the conclusion expressed above, we draw attention to Note 1 in the financial report which indicates that the company will require additional sources of funding to enable it to carry out its objectives. If the company is unable to generate additional cash flows, there is significant uncertainty whether the company will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.



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



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

**Perth, Western Australia**  
**16 March 2009**