

# GBM GOLD LTD

ACN 119 956 624

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2014



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## COMPANY INFORMATION

### REGISTERED OFFICE

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BENDIGO, VIC 3555  
Telephone: 03 5445 2300  
Facsimile: 03 5444 0036

### AUDITORS

Moore Stephens  
Level 10, 530 Collins St  
MELBOURNE, VIC 3000

### SHARE REGISTRY

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

### STOCK EXCHANGE LISTING

Australian Stock Exchange — Code: GBM

## CHAIRMAN'S LETTER

Dear Fellow Shareholders,

I am pleased to report on your Company's progress during the financial year ended 30 June 2014. The Company has made a number of significant changes to strengthen its capabilities and, in doing so, has created a platform of strength and stability from which GBM can realise its key strategic objectives of growth and value adding in the medium to long term.

Panama based Wilshire Asset Management SA ('Wilshire') agreed with GBM in September 2012 to invest \$9m into GBM subsidiary Inglewood Gold Mining Company Pty Ltd ('INGMCo'). GBM and Wilshire executed a deed amending the original agreement executed by GBM and Wilshire in November 2013. Under the amended deal, Wilshire paid \$4.5 million for a 50% shareholding in INGMCo.

Plans were implemented to recommence operations and GBM embarked on a range of initiatives including the improvement of secondary crushing capacity and tailings facilities at Inglewood with the objective of increasing production rates and reducing operating costs. The initiatives were completed in May 2014 and the gold processing plant which stood idle for more than a year was recommissioned by the end of June with 1,400 tonnes of ore being processed.

Exploration on our other Central Victorian tenements has been at a low to moderate level and the Company will invest in an increased exploration program with the aim of building the resource base. The Harvest Home JV project has advanced with a mining licence being granted over the area. Plans are in place to commence mining when approvals are finalised.

The deal with Wilshire provided an option for Wilshire to acquire up to 80% of the shareholding in INGMCo for a further investment of \$1.5 million and the assumption of the approximately \$3.0 million Maradox loan liability. Wilshire has since indicated their desire to exercise this option, which would leave GBM with only a residue 20% shareholding in INGMCo.

The Board determined that a minority ownership of INGMCo was not in the best interests of GBM and have reached agreement to sell the final 20% of INGMCo to Wilshire for \$2,500,000 subject to shareholder approval.

An agreement for the sale of the remaining 20% shareholding in INGMCo has been finalised. GBM will now be in a position to have the flexibility to pursue gold projects free from the debt burden that it has carried in recent years resulting from loss making operations. This is a new beginning for the Company and provides the platform for us to effectively develop gold assets to deliver long term sustainable growth for the Company and value for our shareholders.

Yours faithfully,



Frederick Eric JP Ng, Chairman  
GBM Gold Ltd  
30 September 2014

## RESOURCE AND OPERATIONAL REVIEW

GBM's corporate strategy is to develop a profitable and sustainable gold mining operation. The sale of the Inglewood project post balance date, with its underground mine and 235,000 ounces of inferred open pit and underground gold resources and a 90,000 tonne per annum Gravity/CIP/CIL gold processing plant presents new opportunities for the Company.

Funding from the sale will enable a significant restart of mining and exploration programs. Plans for growing gold production and increased capital from strategic investors has GBM well positioned to grow.

GBM Gold has four mining licences, one mining licence application, six exploration licences, one Work Authority and a 50% Joint Venture interest in a Mining licence as shown below.

Project	Tenement	Percentage owned
<b>INGLEWOOD</b>		
Inglewood	EL 4184	(Dilution agreement entered into –details herein) 100%
	MIN 4639	100%
	EL 4670	100%
	MIN 5472	100%
Gowks Hill	EL 3800	100%
	MINA 5425‡	100% interest with Excalibur Mining Corporation Ltd Transfer to Inglewood when granted.
<b>GOLDSBOROUGH</b>		
Harvest Home JV	MIN 5510	50% interest through JV between Fiddlers Creek Pty Ltd and GBM
Queen's Birthday JV	EL 5029 (EL 5528)*	
<b>WILSON HILL</b>		
Wilson Hill project	EL 4999 (EL 5527)*	100%
<b>AVOCA</b>		
Avoca project	EL 4936	100%
<b>FIDDLERS CREEK</b>		
Fiddlers Creek Mine	MIN 4023	100%
	MIN 4548	100%
<b>BEAVIS/ISG</b>	WA 1395	100%

\* Replacing Existing EL's

### Inglewood Project

The Inglewood project which has been sold post balance date is based around the Maxwell's Mine and Gold Processing Plant at Inglewood.

#### Maxwell's Mine and Gold Processing Plant

The Inglewood gold processing plant was constructed in 2008 and is capable of processing competent underground ore and lower grade open pit ore. The plant has a nominal capacity of 15-20 tonnes per hour giving a minimum

residence time of 24 hours. All gold recovered is extracted by gravity and cyanide leaching.

When the plant was first constructed it was a gravity separation plant only. The plant has been undergoing continuing improvement since it was first constructed. In 2010 a CIL/CIP module was installed and two ball mills were added in 2011. This has resulted in much greater control on grind and density, and has allowed the grinding and the CIL/CIP circuit to operate successfully.

GBM has gold processing plants at Inglewood and Fiddlers Creek. The company has focused its operations at Inglewood and upgraded the Inglewood plant utilising significant elements of the Fiddlers Creek plant. The Fiddlers Creek Cone Crusher replaced a Hammer Mill as the secondary crusher at Inglewood and provides a more reliable and higher capacity unit. The higher throughput Fiddlers Creek Ball Mill replaced No1 Ball Mill at Inglewood.

Additional upgrades, including to pumps, carbon handling, acid wash and gold room including a new Gemeni Table were completed. The five Carbon in Pulp tanks and ancillary equipment were refurbished and the capacity of the Tailings Dam increased. The plant was returned to operation in May with 10,000 tonnes of ore in stockpiles at the plant ready to be processed. A total of 1,400 tonnes of ore had been processed up to 30 June.



*Ball Mill relocated to Inglewood from Fiddlers Creek*



*Cone Crusher*



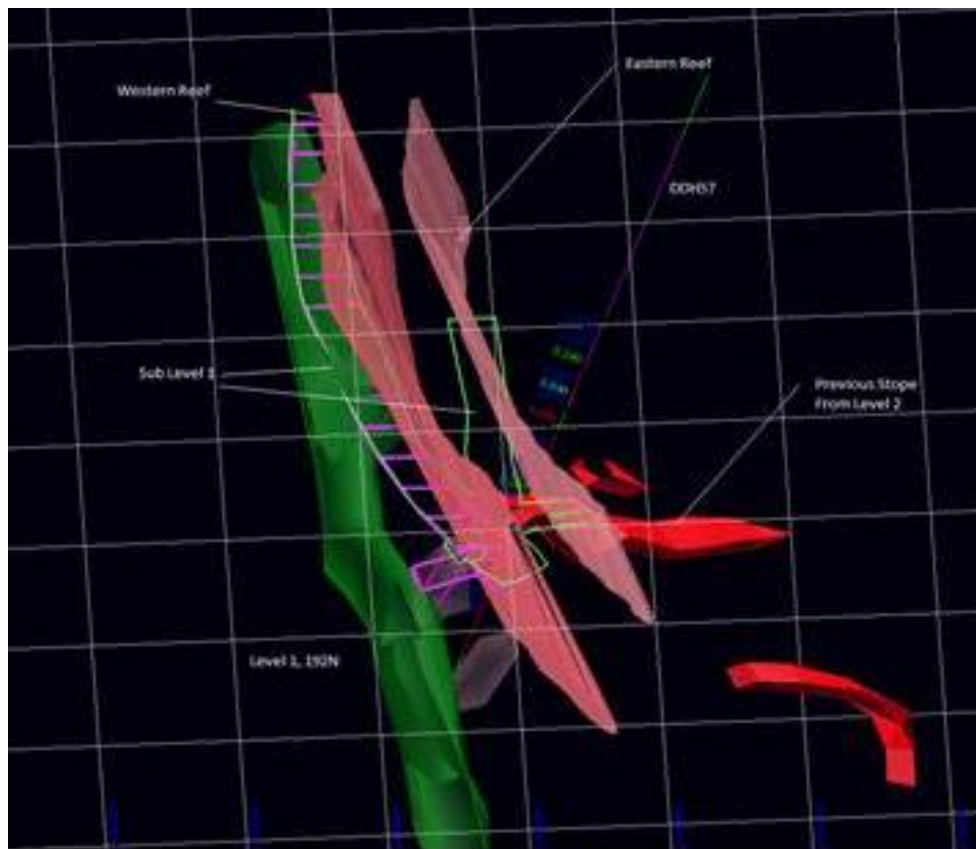
*Gemeni Table*

Underground mining operations at the Maxwell Mine recommenced at the Level 1, 190 metre ore shoot in April. This level was last mined in August 2012 when 450 tonnes was mined out of the stope at a grade of 4.85 g/t Au.

The reef at 192mN Sublevel 1 is a 1 - 2 m wide quartz vein with variable dip to the east. The hanging wall has steep dip from 70 to 80° E and the reef is in contact with a hanging wall fault. The footwall dips at shallower angle from 45 to 60° E. The footwall is dark grey fine-grained shale with widespread presence of large joint sets and strong cleavage.

Stoping has now stopped because only anomalous values had been received even though the laminated quartz vein contains pervasive sulphide mineralisation. A decision has been made to concentrate on the Wolff Shoot.

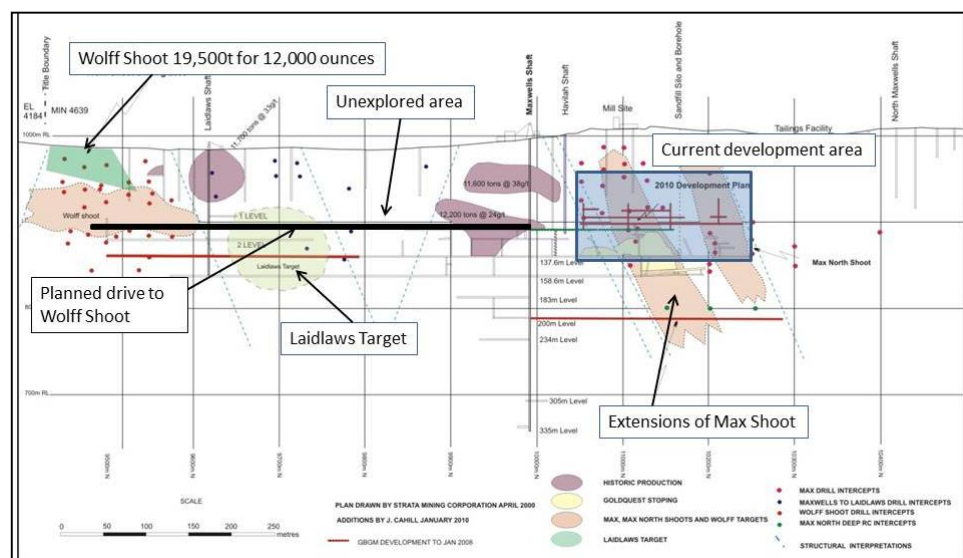




*Level 1, 192m Ore Shoot*

### Wolff Shoot

Work advanced on accessing Wolff Shoot, a high grade underground resource of 19,500t at 19g/t Au (for 11,900 ounces of gold) which has been defined from drilling at 25m intersections at a depth of 50-80m. Plans have been developed to drive from the Maxwell's mine shaft to Wolff Shoot at the 100 metre level and investigate the Laidlaw's target during the process.



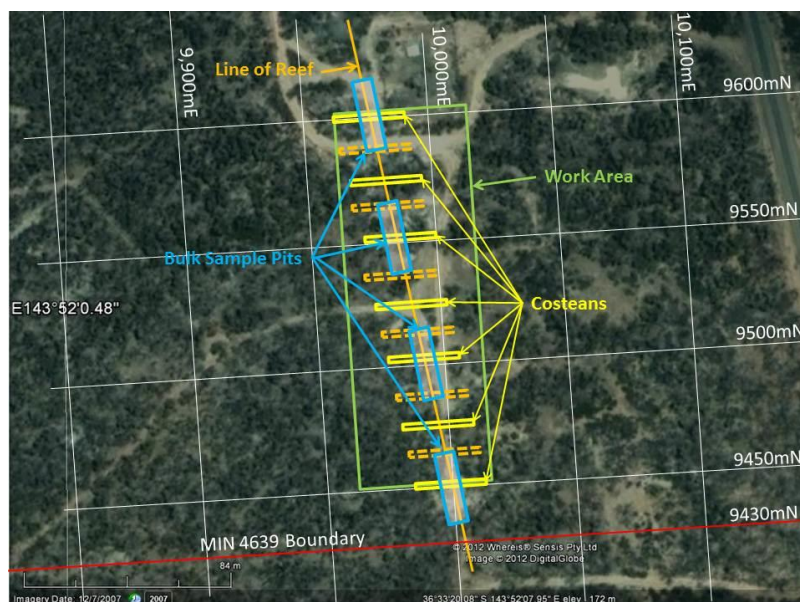
*Maxwell's Mine Cross Section showing Wolff Shoot and Current Development Area*

### **Laidlaw's South Open Pit Prospect Inglewood**

Drilling at Laidlaw's South has demonstrated the persistence of an auriferous lode over a strike length of 250 metres and to 50 metres depth. This reef has a true width of 2-4 metres and has returned good gold grades.

A costean program was completed to identify and sample surface expressions of the Laidlaw South line of Reef (Eastern flank) and further West towards the Comisky line. The costean program successfully intersected both alteration zones. It showed that the alteration is bounded by a set of sub parallel faults trending with the syncline bedding (dip 75-82°). This alteration was a series of inter connecting laminated and brecciated quartz stringers with variable width (1cm to 6.2m). A particular area of interest was south of 9,500mN along the eastern shear striking a distance of 10m for a width of 6.2m.

All costeans were sampled at metre intervals. Approval is being sought to undertake a bulk sample program where mineralisation extends to surface in the southern (9,450mN) area of Laidlaw's South. This has been identified by costeans as the near surface expression of Wolff Shoot.



*Laidlaw's South Exploration Area*

### **Wedderburn (Gowks Hill) EL3800 & MINA 5425**

The Gowks Hill deposit has been drilled along 300 metres of strike and to 50 metres depth; mineralisation remains open at depth. An Inferred Resource of 102,000t at 2.0 g/t Au has been defined.

Granting of a mining licence has been progressed with a Native Title Agreement being reached. Approvals have been finalised to mine a 5,000 tonne bulk sample. All mined ore from Gowks Hill will be processed at the Inglewood Gold Processing Plant.





**GBM Gold Ltd**  
Gowks Hill Drill Section  
GHDH 002  
Geological Interpretation

The Harvest Home open pit project at Dunolly in Victoria was a 50/50 Joint Venture on the Harvest Home exploration licence EL4985. With the granting of mining licence MIN5510 the agreement is being renegotiated. Plans are progressing to mine a 7,500 tonne bulk sample ore to provide metallurgical information on processing of Harvest Home ore.

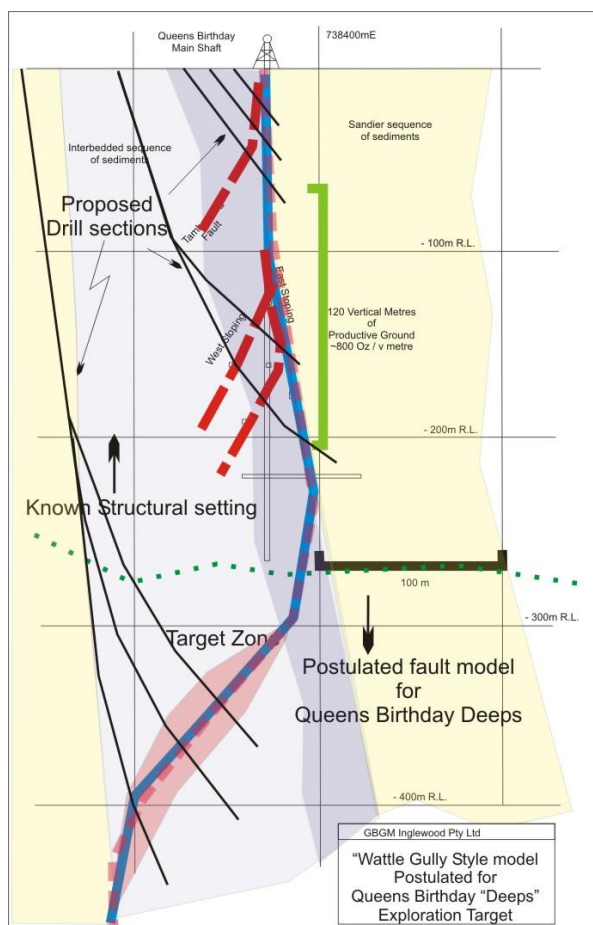
Harvest Home has an Inferred Resource of 1,040,000 tonnes at 2.4g/t for 80,000 ounces of gold. The deposit has a broad zone of gold mineralisation 3.5 km long and up to 0.4 km wide containing the Moran's, Harvest Home, Mother O'Gold and Appleton's Gold mines that between them have produced in excess of 60,000 ounces (1,860kg) of gold.



### Queen's Birthday EL5029 (replaced with EL5528)

EL 5029 at Queen's Birthday has been replaced with EL5528. This allowed an expansion of the area to encompass known targets. Research has identified 3 solid drill targets. The mine produced approximately 100,000 ounces up until the early 1900's. The shaft is down to 250 metres below surface and a significant body of quartz along the main fault zone was still present in the drives and stopes.

An initial shallow open pit target over the line of reef (~900 metres of Strike) exists. Extensions south from the existing mine development (50 to 250 metres below surface) as well as targets below the existing workings (+ 300 metres) are also targeted.

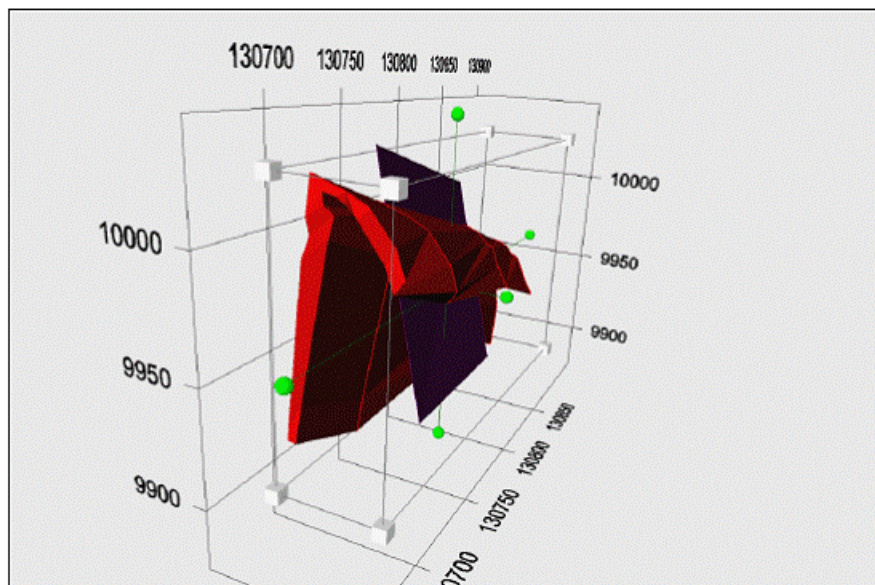


Queen's Birthday Exploration Targets

### Wilsons Hill EL4499 replaced with EL5527

EL 4499 at Wilsons Hill has been replaced with EL5527. Total historic mine production of the Wilsons Hill Field has recovered in excess of 34,000 ounces of gold. Results from previous RC and Diamond Drilling confirmed the presence of both near surface oxide mineralisation and deep primary reef structures. Further infill drilling is required to increase confidence for an indicated open pit resource (<50m deep). Primary Reef structure along the Grays anticline "saddle reef" returned encouraging intercepts from 289 to 303m (See Figure).

Further diamond drilling is required to assess potential for parallel reefs or repeat saddle structures below 250m.



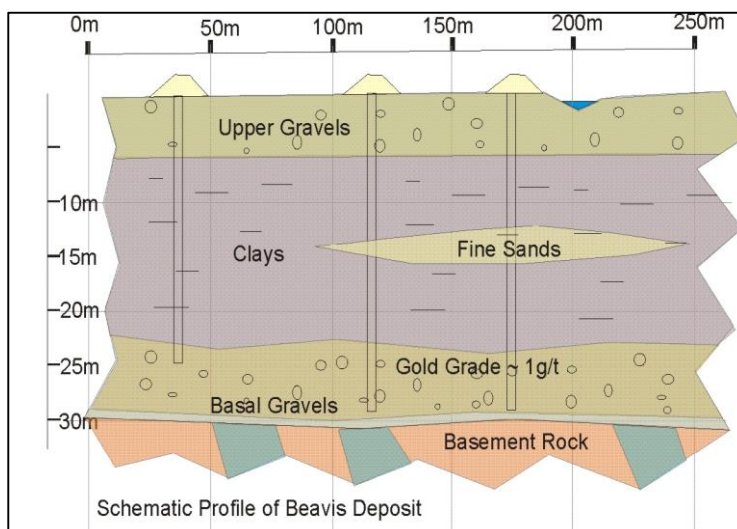
*3D Model of Greys Reef at Wilson Hill*

#### **Avoca EL4936**

The Avoca project covers the Percydale fault zone. This area has produced gold from numerous narrow vein deposits. Research into the mining history has assisted in identifying several new drill targets and Work Plans have been progressed to allow for drilling. Further alluvial targets exist within the Exploration Licence and drilling to add to the existing Beavis resource is planned.

#### **Beavis WA1395**

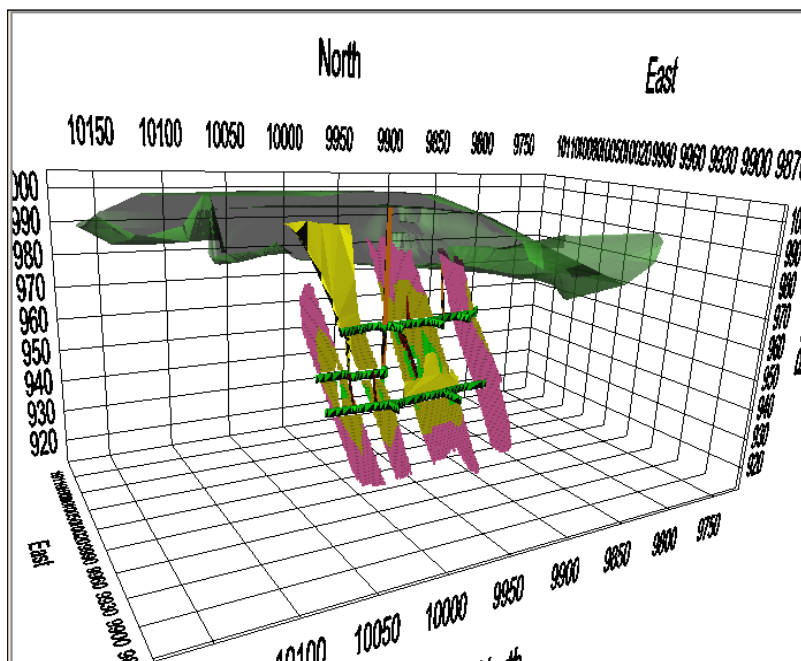
A large Tertiary aged alluvial channel deposit exists on the Company's wholly owned private land with white gravels, sands and clays in a deposit over a length of 1 Km, a depth of 30 metres and a width of several hundred metres. A drilling program revealed ~2 million cubic metres of high quality gravel and sand which contains an Inferred Resource of 33,700 ounces of Gold.



As noted elsewhere in this report the agreement to sell the Beavis Project to Wilshire Asset Management has been terminated by mutual agreement.

#### **Fiddlers Creek MIN4023 and MIN4548**

The company holds title to the Fiddlers Creek gold mine MIN 4023 and adjacent MIN 4548. In respect of Fiddlers Creek MIN 4023, a re-logging and re-assay program on old drill core, has revealed a significant down dip extension to the ore within the existing inferred resource area of the Mine. This study has produced a continuous mineralised zone within Fiddlers Creek Shear that extends for almost 200 metres from Slate Quarry Track and south of the adit.



*3D Model of Fiddlers Creek Mine and Resource Blocks*

#### **SUMMARY**

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

A handwritten signature in black ink, appearing to read 'John Harrison'.

John Harrison, Director & CEO  
30 September 2014

## ASX ADDITIONAL INFORMATION

Additional information required by Australian Securities Exchange Limited and not shown elsewhere in this Annual Report is set out below. The information is current to 30 September 2014 and has not been audited.

As at the date of this report GBM Gold Ltd had one class of securities being ordinary fully paid shares. Ordinary shares have a single vote for each share held. No ordinary shares are restricted.

## SUBSTANTIAL SHAREHOLDERS

The substantial shareholders as notified to the ASX are shown below.

## DISTRIBUTION OF SHAREHOLDERS

Substantial Shareholder	Voting Shares	Voting Power	Date of Notice
Chasen Holdings Limited	75,622,500	9.08%	30.9.14
Mr Paul Chan (Non-executive Director) Silver Bright Investments Limited	79,157,041	9.51%	30.9.14

Range	Ordinary Shares
1 – 1,000	9
1,001 – 5,000	52
5,001 – 10,000	113
10,001 – 100,000	333
100,001 and over	170
Total Shareholders	677

## HOLDERS OF NON-MARKETABLE SECURITIES

There are 520 shareholders holding less than a marketable parcel of ordinary shares based on the market price of 0.4c at 30 September 2014.

## NAMES OF 20 LARGEST HOLDERS BY QUOTED SECURITY

### Holders of quoted ordinary shares (as at 30 September 2014)

Rank	Name	Units Held	% of Issued Capital
1	Chasen Holdings Ltd	75,622,500	9.08%
2	JP Morgan Nominees Australia Limited	65,004,965	7.81%
3	Silver Bright Investments Limited	62,957,041	7.56%
4	Sterlington Resources Ltd	47,916,667	5.75%
5	Wealth Express Group Limited	41,000,000	4.92%
6	Ganesha Capital Holdings Limited	40,000,000	4.80%
7	MS VV Limited	33,333,333	4.00%
8	People Honour Ltd	29,500,000	3.54%
9	Wise Epoch Holdings Limited	29,500,000	3.54%
10	Belvin Investments Limited	26,088,000	3.13%
11	Diamond Rich Enterprises	25,535,342	3.07%
12	Home Web Office Inc	25,535,342	3.07%
13	Ultra Sea Holdings Limited	25,535,342	3.07%
14	Yan Zhang	25,000,000	3.00%
15	HSBC Custody Nominees (Australia) Limited	22,346,850	2.68%
16	Swift Chance Holdings Limited	16,400,000	1.97%
17	Hoi Kwong Paul Chan	16,200,000	1.95%
18	Golden Nugget Resources Limited	16,000,000	1.92%
19	Far Pacific Resources Ltd	13,846,000	1.66%
20	Brilliant Shine Holdings Limited	12,394,894	1.49%
Total		649,716,276	78.02%

## Options

There were no options on issue at year end and none were issued subsequently to year end and up to the date of this report.



## DIRECTORS' REPORT

The directors present their report together with the financial report of GBM Gold Ltd ('GBM' or 'the Company') and of the Group, being the Company, its subsidiaries and its interest in associates and jointly controlled entities for the financial year ended 30 June 2014 and the Auditor's report thereon.

### DIRECTORS

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

#### **Mr Eric J P Ng**

*Non-Executive Chairman (2010 – present)*

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

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

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

#### **Mr Paul Chan**

*Non-Executive Director (2011 - present)*

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

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

#### **Mr John Harrison**

*Executive Director & CEO (May 2013 - present)*

John was appointed to the Board in May 2013. John is a mining engineer with 43 years of experience in mining and exploration in Victoria, South Australia, Queensland, New South Wales, Tasmania, Western Australia and New Zealand. John's expertise is in management, project evaluation, planning and mining operations. During his career with the State Electricity Commission of Victoria, CSR Ltd, Australian Mining Consultants, Adelaide Hills Council and the University of South Australia he has managed engineering and operational teams, operated open pit mines, evaluated exploration and mining projects and lectured in mining engineering. He is a Member of the Institution of Engineers (Australia) and a Fellow of the Australasian Institute of Mining and Metallurgy.

**Mr Andy Lai**

*Independent Non-Executive Director (2011 - present)*

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

**Ms Linda Lau**

*Independent Non-Executive Director (July 2013 – present)*

Linda was appointed to the Board on 9 July 2013. Ms Lau has a Bachelor of Arts Asian Studies and a Diploma of Business communications and has experience in commercial and corporate practice in Australia and China and has been an Australian citizen for forty five years. Ms Lau has had an interesting career having served as a senior consultant and executive for major Australian and international corporations and in particular resources and mining companies. Ms Lau does not hold any other listed company directorships.

**Mr Andrew Chan**

*Independent Non-Executive Director & Company Secretary (July 2014 – present)*

Andrew was appointed to the Board on 1 July 2014 and has held the position of Company Secretary since 9 July 2013. Mr Chan holds a Bachelor of Arts and a Bachelor of Laws degrees. Mr Chan's background is as a corporate and commercial lawyer for 10 years. He has worked both in private practice and in-house in the resources sector, in a variety of roles. Mr Chan has advised a number of Australian and international companies in the resources sector.

**DIRECTORS WHO RESIGNED DURING THE YEAR**

**Mr Ian W Smith (BSc)**

Ian is an investment banker with over 25 years of commercial experience. His interests own and operate a boutique private capital and investment banking business in Wellington (NZ) and he has, over the years, been involved in establishing or growing businesses in a wide range of sectors including primary resource processing, electrical goods manufacturing, forestry, fisheries, financial services as well as mineral resources. He has built a reputation for bringing new businesses to the market and working with them on their growth. He currently works with a number of mostly private companies in New Zealand and Australia focused on the finance and resource sectors. Mr Smith resigned as Executive Chairman and Director of GBM Gold on 9 July 2013.

**Mr Stuart Hall (CA)**

Stuart has been a Member of the Institute of Chartered Accountants in Australia (CA) since 1984. He holds a Bachelor of Business (Accounting) from Swinburne University 1980. Stuart has been a Partner/Director of the accounting firm Lipins Partners Pty Ltd and antecedent firms since 1984. During this period Stuart has specialised in business advisory, management accounting, tax advice and compliance. He has also held company directorships/secretarial positions with a number of SME's in Australia covering many industries including manufacturing, service, mining and general insurance. His experience has included maintaining various corporations' compliance requirements with ASIC. Mr Hall resigned as an Independent Non-Executive Director & Company Secretary of GBM Gold on 9 July 2013.

**COMPANY SECRETARY**

**Mr Andrew Chan** – refer to Directors section above.

**Mr Stuart Hall (CA)**

Mr Hall resigned as an Independent Non-Executive Director & Company Secretary of GBM Gold on 9 July 2013.

## DIRECTORS' MEETINGS

Refer to the Directors section above for details of when directors were appointed or resigned. The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by Directors (while they were a Director or committee member).

Director	Board Meetings		Audit Committee Meetings	
	Attended	Held	Attended	Held
Mr E J P Ng	8	9	2	2
Mr P H K Chan	9	9	-	-
Mr J Harrison	9	9	-	-
Mr A Lai	8	9	2	2
Ms L Lau	5	9	-	-
Mr I W Smith	1	1	-	-
Mr S D Hall	1	1	-	-

## CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year which comply with the ASX Principles of Good Corporate Governance and Best Practice Recommendations (2008) and Amendments 3<sup>rd</sup> Edition (2014), unless otherwise stated.

### Board of directors

#### Role of the Board

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

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

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

- determining the direction of the Company and approving corporate strategy,
- approving the business plan and reviewing the plan annually or as it may determine,
- setting objectives and performance indicators for management,
- establishing policies appropriate for the Company,
- appointing the managing director, or in place of the managing director an executive director or management structure in charge, and determining the functions delegated to management,
- setting control, accounting and reporting structures, standards and format,
- approving major investments and monitoring the return of those investments,
- setting systems of risk management and internal compliance and control, codes of conduct, and legal compliance, and
- ensuring that the Company provides continuous disclosure of information such that shareholders and the investment community have available all information to enable them to make informed assessments of the Company's prospects.

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

Responsibility for operation and administration of the Company has been delegated to the Chief Executive Officer, and his executive management. Responsibilities are delineated by formal authority delegations.

### Board Processes

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

The board conducts an annual performance review of the Chief Executive Officer in October/November – who in turn over the same period conducts an annual review of senior management.

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

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

The Company seeks at all time to deploy the best people it can secure in whatever role based on merit and ability and no bias either negative or positive is applied to age, race, religion, creed, culture, background and/or gender in the employment decision. The Board encourages transparent and contestable employment processes and aims to keep the workplace environment open and diverse, with no bias involved in any employment process. The Board does not see that at its size and scale a formal diversity policy will provide any measurable benefit to the company or employees which is not provided by the overall “no bias” and “merit and ability” based employment and contracting philosophies. The Company views that the “no bias” philosophy is efficient in ensuring diversity and has the effect of leaving open the widest possible employee recruitment pool, allowing for the widest cultural and social perspectives and is socially and economically responsible. Given the Company does not have a formal diversity policy, it has not implemented specific measurable objectives for achieving gender diversity as it does not consider that they are appropriate for a Company of this size and scale. The percentage of females employed in the Company at 30 June 2014 were 19%, none were employed in senior positions and the percentage of females on the Board were 20%.

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

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

### Director education

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

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

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

### Independent professional advice and access to company information

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

All board members have direct access to the Company Secretary on governance matters.

### Composition of the board

The names of the directors of the Company in office at the date of this report are set out in the first section of this Directors report. The composition of the board is determined using the following principles.

- The Board should comprise 5–6 persons with at least three persons being independent directors.
- Independence of directors is to be determined not just by considering shares held or connection with suppliers or customers, but also having regard to the particular director's ability to exercise independent judgment.
- The board as a whole should review nominations to the board prior to any appointment of directors. It is not considered necessary that the board should establish a nomination committee considering the size and nature of the Company.
- In accordance with the constitution directors are to rotate by retirement each year, and in the ordinary course should be reappointed.
- The board may, but at present does not, appoint a managing director of the Company. Instead it has appointed as the Executive Director of the group the Chief Executive Officer who therefore has the dual role. The role of Managing Director is not a constitutionally required position and the board has elected to have a Chief Executive Officer of the Company acting as the Executive Director in overall charge.

### Independence of directors

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

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

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

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

*Recommendation 2.1 of the ASX Principles of Corporate Governance* recommends that a majority of the board should be independent directors. The Board's composition met this criteria during the financial year until Chasen Holdings Ltd become a substantial shareholder of the Company on the 24<sup>th</sup> October 2013, and Mr Eric J P Ng is an officer of Chasen Holdings.

At all times the board seeks a membership which enables it to meet its objectives in an effective and efficient manner and in accordance with the board's principles of governance, a director may



also be considered independent if, in the view of the board, they are capable of exercising independent judgement or abstaining from matters where their independence cannot be split.

*Recommendation 2.2* of the *ASX Principles of Corporate Governance* recommends that the chairperson should be an independent director. The board does not currently meet this recommendation as Mr Paul Chan who held the chairperson position during the financial year until 31 December 2013, and Mr Eric Ng has held the chairperson role since 31 December 2013, are both substantial shareholders, however, whilst the board recognises the importance of independence in decision making, the chairpersons, Mr Chan and Mr Ng, have proven capable of leading the board in a manner that is efficient and functional, providing sufficient briefing for the directors to independently consider issues raised at board meetings.

### **Nomination committee**

*Recommendation 2.4* of the *ASX Principles of Corporate Governance* recommends the Company establishes a nomination committee. The Company does not have a nomination committee. The board addresses those matters and issues arising that would usually fall to a nomination committee. The board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee.

### **Remuneration committee**

*Recommendation 8.1* of the *ASX Principles of Corporate Governance* recommends the Company establish a remuneration committee. The Board has established a Remuneration Committee. During the financial year, the Committee consisted of Directors: Eric J P Ng (Chairman) and Andy Lai. In relation to its remuneration responsibilities, the Committee reviews and makes recommendations to the Board on remuneration frameworks involving employees and Directors after consulting industry recognised remuneration surveys. Further details are contained in the Remuneration Report below.

The remuneration committee is only made up of two members due to the small number of company directors and one director is an executive and therefore not eligible to be a member.

## **REMUNERATION REPORT**

### **Principles of compensation**

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

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

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

- the capability and experience of the key management personnel
- the key management personnel's ability to control their relevant areas performance
- the Group's performance including:
  - the Group's earnings;
  - the growth in share price and delivering constant returns on shareholder wealth; and
  - the amount of incentives within each key management personnel's remuneration.

Remuneration packages in place for the period of this report were of a fixed nature only, with no short-term bonuses issued to senior executives.

#### **Fixed remuneration**

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

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

#### **Performance linked remuneration**

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

#### **Short-term cash bonus**

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

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

No short-term cash bonuses were issued during or since the end of the financial year.

#### **Consequences on performance on shareholders wealth**

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

#### **Other benefits**

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

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

#### **Service contract**

It is the Group's practice to enter into service contracts for key management personnel, including the Chief Executive Officer. The key management personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave.

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

Mr John Harrison's employment contract specifies the duties and responsibilities of the Chief Executive Officer and expires in December 2014. The current contract can be terminated with three month's notice by either party.

#### **Non-executive directors**

Total remuneration for all non-executive directors, is not to exceed in aggregate \$100,000 per annum. The board does not currently pay any fees to non-executive directors.

A director may also be paid fees or other amounts as the board determines for a director who performs with the board's prior approval special duties or otherwise performs services outside the

scope of the ordinary duties of a director. A director may also be reimbursed for reasonable out of pocket expenses incurred as a result of their directorship or any special duties.

### Director's and executive officer's remuneration

Executives		Salary & Fees	Non-monetary benefits*1	Post employment benefits	Termination benefits	Share based payments – options and rights	S300A(1)(e)(i) Proportion of remuneration performance related	S300A(1)(e)(vi) Value of options as proportion of remuneration%
<b>Directors</b>		\$	\$	\$	\$	\$		
Mr J Harrison (Director & CEO – commenced 22 May 2013)	2014	183,066	-	16,934	-	-	-	-
	2013	17,500	-	1,575	-	-	-	-
Mr I W Smith (Executive Chairman – ceased on 9 July 2013)	2014	-	-	-	-	-	-	-
	2013	220,000	47,745	-	-	-	-	-
Mr J ER Cahill (Resource Director – ceased as a director on 25 February 2013 and as an employee on 28 June 2013)	2013	138,076	-	12,478	-	-	-	-
Mr P HK Chan (Non-Executive Director)	2014	-	-	-	-	-	-	-
	2013	-	-	-	-	-	-	-
Mr S D Hall (Non-Executive Director – ceased 9 July 2013)	2014	-	-	-	-	-	-	-
	2013	33,000	-	-	-	-	-	-
Mr W Johnson (Non-Executive Director – ceased 29 November 2012)	2013	12,500	-	-	-	-	-	-
Mr A Lai (Non-Executive Director)	2014	-	-	-	-	-	-	-
	2013	-	-	-	-	-	-	-
Mr E JP Ng (Non-Executive Chairman)	2014	-	-	-	-	-	-	-
	2013	-	-	-	-	-	-	-
Ms L Lau (Non-Executive Director – commenced 9 July 2013 )	2014	-	-	-	-	-	-	-
<b>Key management personnel</b>								
Mr J P Cipriano (Geology Manager – ceased 12 July 2013)	2014	7,750	-	717	-	-	-	-
	2013	155,000	-	13,950	-	-	-	-

\*1 Non-monetary benefits include the provision of motor cars and accommodation.

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

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

### Exercise of options granted as compensation

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

*End of audited remuneration report*

## AUDIT COMMITTEE

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

A formal charter for the audit committee that defines the objectives of the Committee, membership, responsibilities and functions and relationship with the external auditor has been adopted by the Committee. During the financial year, the committee consisted of two Directors: Mr Eric JP Ng (Chairman) and Mr Andy Lai.

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

## RISK MANAGEMENT

### Oversight of the risk management system

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

### Risk profile

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

### Risk management and compliance and control

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

Practices have been established to ensure:

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

### Financial reporting

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

### Environmental regulation

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

### Assessment of effectiveness of risk management

#### Internal audit function

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

Regular board meetings and the ability for board members to make inquiry of key management personnel are considered sufficient for the Company at this time. However the board will

continue to monitor the need for an internal audit function and will adjust to any change in the assessed risk.

### **Ethical standards**

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

### **Conflict of interest**

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

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of any director related entity transactions with the Company and the Group are set out in the Related Party Transactions Note 24 to the Financial Statements.

### **Code of conduct**

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

### **Trading in general company securities by directors and employees**

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

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

### **Communication with shareholders**

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

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

- all directors, management and employees are notified of the need for the Company to keep its shareholders informed,
- all directors, management and employees are informed how to recognise potentially price-sensitive information and what to do should they suspect they have come into possession of price-sensitive information,
- the Chief Executive Officer and Company Secretary are responsible for interpreting the Company's policy and where necessary informing the board. The Company Secretary is responsible for delivery of all communications to the ASX. Such matters are advised to the ASX if possible on the day they are discovered, otherwise the next business day,
- the full Annual Financial Report is released to the ASX, Australian Securities and Investments Commission and posted on the Company's website. A notification email



is sent to shareholders should they request it. A printed copy is sent to shareholders should they request it,

- the need to maintain all necessary confidentiality with third parties,
- restrictions on who may speak with the media or analysts – Chief Executive Officer only, and
- all announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX.

## PRINCIPAL ACTIVITIES

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

- Completion of the refurbishment of the process plant at Inglewood and the transfer of a ball mill and cone crusher from the Fiddlers Creek process plant to the Inglewood process plant.
- Recommencement of processing operations at the Inglewood process plant in June 2014 with the processing of 1,400 tonnes of ore during a commissioning phase.
- Underground development at the Maxwell's mine at Inglewood recommenced in May 2014 with the initial access drive to the Wolff Shoot being developed.
- Limited exploration work undertaken on various tenements resulting in work plan preparations and upgrade of resources and exploration targets.
- During the December 2013 half-year period the Company renegotiated and finalised the agreement with Wilshire Asset Management Ltd for the part sale of the Inglewood Gold Mining Company Pty Ltd. Key terms include the selling of 50% shares in the subsidiary for \$4,500,000 which has been paid, the option for Wilshire to pay a further \$1,500,000 and assume the Maradox loan liability of approximate \$3,000,000 to obtain 80% of the shares in the subsidiary. Wilshire has provided \$750,000 as a convertible note in the second half of the financial year and Wilshire also has the option to convert the \$750,000 that was provided in August 2012 for the part payment of the Beavis project towards obtaining the 80% of the shares in the subsidiary.
- Corporate work including fund raising activities to secure funds for the group's ongoing activities and growth as outlined in the operating and financial review below.

There were no significant changes in the nature of the activities of the Group during the year other than what has been outlined above.

## Objectives

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

## OPERATING AND FINANCIAL REVIEW

The Inglewood processing plant have been placed on a care and maintenance basis since the September 2012 quarter. The process plant was refurbished during the second half of the financial year and 1,400 tonnes of ore was commissioned through the plant in May and June 2014.

The part sale of the INGMCo was delayed in the first half of the financial year and re-negotiations with Wilshire were finalised in November 2013.

## STRATEGIES AND PROSPECTS FOR FUTURE FINANCIAL YEARS

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

- The company completed the funding and investment transactions with Wilshire as outlined in the State of Affairs and Events Subsequent to Reporting Date section below.
- This funding is to be applied to eliminate Company debt, for working capital, and to allow the Company to invest in other projects to generate ongoing positive cash flows.
- Other Central Victorian projects will continue to be developed and opportunities assessed for investment into.

## Review of principal businesses

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

## State of affairs

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

- The GBM Group renegotiated and entered into an agreement with Wilshire to sell 50% of shares in its subsidiary, INGMCo for \$4,500,000. Wilshire had paid \$1,437,637 during the 2013 financial period towards the \$4,500,000 purchase price of the 50% shares in INGMCo. Wilshire paid the remaining \$3,062,363 of the \$4,500,000 purchase price in November 2013. The issue of 50% of the shares in INGMCo to Wilshire occurred in November 2013.
- The revised part sale of INGMCo agreement provides an option for Wilshire to pay a further \$1,500,000 and to assume the Maradox loan liability of approximately \$3,000,000 to obtain a further 30% of the shares in the INGMCo subsidiary to enable Wilshire to obtain a total of 80% of the shares in the INGMCo.
- A revised Heads of Agreement was reached to provide for Wilshire to have a further 12 month period until 30 November 2014 to complete production testing at the Beavis site. The \$750,000 deposit paid by Wilshire during the FY13 financial period for the ISG sale is held as a current liability.
- Loan funds from Ganesha Capital Holdings Ltd (Ganesha) of \$1,000,000 that were received on 31 May 2013 were converted to equity in GBM Gold Ltd on the 30 June 2014. 165,000,000 shares were issued for the \$1,000,000 loan and \$87,350 interest.
- A convertible note agreement was entered in with Wilshire in April 2014 and subsequently amended in June 2014 for the provision of \$750,000 in convertible notes for the sale of 5% of shares in the INGMCo, being part of the additional 30% of shares to allow Wilshire to obtain a total of 80% of the shares in the INGMCo. The conversion of the notes for shares in the INGMCo. are at the discretion of Wilshire and can be converted during the period 1 July to 31 December 2014.
- Sterlington Resources has not completed the planned funding contribution of \$1,750,000 and as a result the \$375,000 contributed during the 2013 financial year is classified as a 'Current Financial Liability' as a loan. The conversion into fully paid shares in GBM Gold Limited may not occur until the full loan contribution is received.

## Controlled entities list

	CAN	Percentage Owned 30 June 2014	Percentage Owned 30 June 2013
<b>Controlling Entity</b>			
GBM Gold Ltd	119 956 624	—	—
<b>Controlled Entities</b>			
Goldsborough Mining Pty Ltd	072 849 220	100%	100%
GBM Fiddlers Creek Pty Ltd	119 943 421	100%	100%
Inglewood Gold Mining Company Pty Ltd	116 623 100	50%	100%
GBM Wilson Hill Pty Ltd	007 287 452	100%	100%
GBM Avoca Pty Ltd	129 861 123	100%	100%
Industrial Sands & Gravels Pty Ltd	072 258 158	100%	100%
Kralcopic Pty Ltd	007 222 086	100%	100%
Greater Bendigo Gold Mines Pty Ltd	116 991 691	100%	100%

## DIVIDENDS

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

## EVENTS SUBSEQUENT TO REPORTING DATE

The following material events occurred after 30 June 2014.

- The GBM Group entered an agreement with Wilshire to sell the remaining 50% of shares in its subsidiary, INGMCo for the following consideration:
  - \$2,500,000 payable in five instalments during the 2015 financial year being \$350,000 on completion of the agreement, \$550,000 on 31<sup>st</sup> December 2014, \$550,000 on 28<sup>th</sup> February 2015, \$550,000 on 30<sup>th</sup> April 2015 and \$550,000 on 30 June 2015.
  - \$750,000 deposit paid for the Beavis Project in August 2012 that was classified as a current liability in the GBM Group at 30 June 2014;
  - \$750,000 convertible notes paid in April and June 2014 that was classified as a financial liability in the GBM Group at 30 June 2014; and

The agreement is to be subject to shareholder approval which will be considered at the annual general meeting of GBM shareholders to be held in early November 2014. The agreement allows Wilshire to purchase all of the assets of the subsidiary INGMCo, including the Inglewood mine and processing plant, and assume of all the liabilities of the subsidiary INGMCo. including the Maradox loan of \$2,732,153 as at 30 June 2014.

As a result of the sale agreement with Wilshire, the GBM Group will be in a debt free position after the \$2,500,000 component of the sale agreement is paid in full.

- The GBM Group entered into a loan agreement with Ephraim Resources Ltd in August 2014 for loan of \$300,000 to assist with working capital requirements and exploration expenditure on the Harvest Home joint venture. Eric Ng is a director of Ephraim Resources Ltd.
- The GBM Group are actively pursuing other opportunities to invest in mining exploration and associated projects after the sale of the INGMCo subsidiary.

## DIRECTORS' INTERESTS

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

	Ordinary Shares	Options over ordinary shares
Directors		
Mr J Harrison	Nil	Nil – no options on issue
Ms L Lau	Nil	"
Mr Eric JP Ng	148,500	"
Mr Paul Chan	79,157,041	"
Mr Andy Lai	25,535,342	"
Mr Andrew Chan	Nil	"

## SHARE OPTIONS

### Options granted to directors and officers of the Company

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

### Unissued shares under options

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

### Shares issued on exercise of options

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

## INDEMNIFICATION OF INSURANCE OF OFFICERS AND AUDITORS

### Indemnification

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

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

### Insurance premiums

Since the end of the previous financial year the Company has paid insurance premiums of \$20,052 in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers, including senior executives of the Company and directors, senior executive and secretaries of its controlled entities.

## NON-AUDIT SERVICES

No non-audit services were provided by the external auditors during the financial year.

#### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 16 forms part of the Directors' Report for the financial year ended 30 June 2014.

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



Frederick Eric J P Ng  
Chairman  
30 September 2014



John Harrison  
Director & CEO



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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been:

- i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and
- ii) No contraventions of any applicable code of professional conduct in relation to the audit.

Moore Stephens

MOORE STEPHENS  
Chartered Accountants



Nick Michael  
Partner

Melbourne, 30 September 2014

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Note	2014	2013
		\$	\$
Sales Revenue	6	9,663	-
Cost of Sales		(443,433)	-
<b>Gross profit/(loss)</b>		<b>(433,770)</b>	<b>-</b>
Other income	6	25,415	162,657
Depreciation and impairment expenses	7	(2,193,975)	(82,926)
Interest		(149,333)	(72,618)
Fair value movement		(158,758)	-
Inglewood mine care and maintenance expenses		(1,005,073)	-
Administrative expenses	7	(1,125,651)	(1,058,743)
<b>Results from continuing activities</b>		<b>(5,041,145)</b>	<b>(1,051,630)</b>
Income Tax Expense	5	-	-
<b>Loss for the year from continuing operations</b>		<b>(5,041,145)</b>	<b>(1,051,630)</b>
<b>Other comprehensive income</b>			
Results from disposal group classified as held for sale		-	(1,917,395)
<b>Total Comprehensive Loss for the half year</b>		<b>(5,041,145)</b>	<b>(2,969,025)</b>
<b>Loss for the year attributable to:</b>			
<b>Owners of GBM Gold Ltd.</b>		<b>(4,011,877)</b>	<b>(2,969,025)</b>
<b>Non-controlling interests</b>	22	<b>(1,029,268)</b>	<b>-</b>
		<b>(5,041,145)</b>	<b>(2,969,025)</b>
<b>Earnings per share for loss attributable to owners of GBM Gold Ltd:</b>			
Basic Loss per share (cents per share)		(0.01)	(0.01)
Diluted Loss per share (cents per share)		(0.01)	(0.01)

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014	Note	Consolidated 2014	2013
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	30,118	124,671
Receivables and prepayments	12	50,401	68,661
Inventory	13	117,005	-
Assets of disposal group classified as held for sale	8	-	8,532,309
<b>Total current assets</b>		197,524	8,725,641
<b>Non-current assets</b>			
Other financial assets	14	284,301	20,099
Property, plant and equipment & mine development	15	7,835,781	972,178
Exploration and evaluation	16	661,962	947,514
Other intangible assets	17	64,250	-
<b>Total non-current assets</b>		8,846,294	1,939,791
<b>Total assets</b>		9,043,818	10,665,432
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	1,255,123	1,317,590
Financial liabilities	20	1,517,727	1,678,911
Provisions	21	2,781,296	14,490
Liabilities of disposal group classified as held for sale	8	-	4,910,974
<b>Total current liabilities</b>		5,554,146	7,921,965
<b>Non-current liabilities</b>			
Provisions		200,000	-
<b>Total non-current liabilities</b>		200,000	-
<b>Total liabilities</b>		5,754,146	7,921,965
<b>Net assets</b>		3,289,672	2,743,467
<b>Equity</b>			
Share capital	22	25,150,707	24,063,357
Minority interest acquisition reserve	22	1,843,355	-
Accumulated losses		(25,331,767)	(21,319,890)
Equity attributed to GBM Gold Ltd		1,662,295	2,743,467
Non-controlling interests	22	1,627,377	-
<b>Total equity</b>		3,289,672	2,743,467

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

Consolidated	Share capital	Reserves	Accumulated losses	Non-controlling interests	Total
	\$	\$	\$	\$	\$
<b>Balance 1 July 2012</b>	<b>23,963,357</b>	<b>600,000</b>	<b>(18,350,865)</b>	<b>–</b>	<b>6,212,492</b>
<b>Comprehensive Income for the Year</b>					
Loss for the year	–	–	(1,051,630)	–	(1,051,630)
Results from disposal group classified as held for sale	–	–	(1,917,395)	–	(1,917,395)
<b>Total Comprehensive Income for the Year</b>	<b>–</b>	<b>–</b>	<b>(2,969,025)</b>	<b>–</b>	<b>(2,969,025)</b>
Write down of reserve	–	(600,000)	–	–	(600,000)
<b>Transactions with Owners in their Capacity as Owners:</b>					
Shares Issued	100,000	–	–	–	100,000
Transaction Costs	–	–	–	–	–
<b>Balance at 30 June 2013</b>	<b>24,063,357</b>	<b>–</b>	<b>(21,319,890)</b>	<b>–</b>	<b>2,743,467</b>
<b>Comprehensive Income for the Year</b>					
Loss for the year	–	–	(4,011,877)	(1,029,268)	(5,041,145)
<b>Total Comprehensive Income for the Year</b>	<b>–</b>	<b>–</b>	<b>(4,011,877)</b>	<b>(1,029,268)</b>	<b>(5,041,145)</b>
<b>Transactions with Owners in their Capacity as Owners:</b>					
Shares issued	1,087,350	–	–	–	1,087,350
Non-controlling interests – shares issued in subsidiary	–	1,843,355	–	2,656,645	4,500,000
Transaction Costs	–	–	–	–	–
<b>Balance at 30 June 2014</b>	<b>25,150,707</b>	<b>1,843,355</b>	<b>(25,331,767)</b>	<b>1,627,377</b>	<b>3,289,672</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	Note	Consolidated 2014	2013
		\$	\$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		9,663	481,821
Cash paid to suppliers and employees		(2,772,062)	(3,906,555)
Interest received		4,371	2,358
Interest paid		(671,772)	(155,575)
<b>Net cash inflow/(outflow) from operating activities</b>	29	<b>(3,429,800)</b>	<b>(3,577,951)</b>
<b>Cash flows from investing activities</b>			
Acquisition of exploration and evaluation assets		(548)	(6,802)
Acquisition of property, plant & equipment		(564,353)	-
Proceeds from sale of property, plant & equipment		32,405	74,874
Acquisition of other investments		-	-
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(532,496)</b>	<b>68,072</b>
<b>Cash flows from financing activities</b>			
Net proceeds from the issue of share capital		3,062,633	100,000
Repayment of loans		(428,173)	(451,040)
Proceeds from borrowings		1,232,593	3,801,340
<b>Net cash inflow/(outflow) from financing activities</b>		<b>3,867,053</b>	<b>3,450,300</b>
Net (decrease)/increase in cash and cash equivalents		(95,243)	(59,579)
Cash and cash equivalents at 1 July		125,361	184,940
<b>Cash and cash equivalents at 30 June</b>	11	<b>30,118</b>	<b>125,361</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

### 1 REPORTING ENTITY

GBM Gold Ltd (the 'Company') is a company limited by shares. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise GBM Gold Ltd and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates and jointly controlled entities. The Group primarily is involved in the exploration of gold.

### 2 BASIS OF PREPARATION

#### (A) Statement of compliance

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

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

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

The financial statements were approved by the Board of Directors on 30 September 2014.

#### (B) Basis of measurement

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

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

#### (C) Functional and presentation currency

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

#### (D) Use of estimates and judgements

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

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

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

#### Critical judgements in applying the Group's accounting policies

##### *Going Concern*

Attention is drawn to Note 2(E) in the financial report which indicates that the Group is relying upon the part sale of the Inglewood Gold Mining Company to maintain its operations. The Group



will utilise the funds received from the part sale of the Inglewood Gold Mining Company to finance its short-term operations and allow the pursuit of other investment opportunities.

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

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

*Income Taxes*

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

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

### **(E) Going concern**

The consolidated group generated a net loss for the year ended 30 June 2014 of \$5,041,145 (2013: \$2,969,025) and shows a working capital deficiency at 30 June 2014 of \$5,356,622 (2013: \$7,411,365). The group has net assets of \$3,289,672 (2013: \$2,743,467).

As disclosed in Note 25, Events Subsequent to Reporting Date, the GBM Group entered an agreement with Wilshire to sell the remaining 50% of shares in its subsidiary, INGMCo for the following consideration:

- \$2,500,000 payable in five instalments during the 2015 financial year being \$350,000 on completion of the agreement, \$550,000 on 31<sup>st</sup> December 2014, \$550,000 on 28<sup>th</sup> February 2015, \$550,000 on 30<sup>th</sup> April 2015 and \$550,000 on 30 June 2015.
- \$750,000 deposit paid for the Beavis Project in August 2012 that was classified as a current liability in the GBM Group at 30 June 2014;
- \$750,000 convertible notes paid in April and June 2014 that was classified as a financial liability in the GBM Group at 30 June 2014; and

The agreement is to be subject to shareholder approval which will be considered at the annual general meeting of GBM shareholders to be held in early November 2014. The agreement allows Wilshire to purchase all of the assets of the subsidiary INGMCo, including the Inglewood mine and processing plant, and assume of all the liabilities of the subsidiary INGMCo. including the Maradox loan of \$2,732,153 as at 30 June 2014.

As a result of the sale agreement with Wilshire, the GBM Group will be in a debt free position after the \$2,500,000 component of the sale agreement is paid in full.

The GBM Group entered into a loan agreement with Ephraim Resources Ltd in August 2014 for loan of \$300,000 to assist with working capital requirements and exploration expenditure on the Harvest Home joint venture. Eric Ng is a director of Ephraim Resources Ltd.

The directors are currently actively pursuing several investment opportunities which will generate positive operating cash flows in the medium term. Based on this strategy, and the INGMCo sale transaction with Wilshire that will place the GBM Group in a debt free position, the directors are confident that the Group has appropriate strategies in place to ensure that the GBM Group remains as a going concern.

The directors are of the opinion that as a result of the above that the financial statements should be prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. This is based on the Directors' confidence in the Group's strategic future plans and the funding arrangements entered into subsequent to the year end as described above.

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

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

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

### 3 SIGNIFICANT ACCOUNTING POLICIES

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

#### **(A) Basis of consolidation**

##### **(i) Subsidiaries**

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

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

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

In Note 31, investments in subsidiaries are carried at fair value. Fair value is determined by the directors taking into account the underlying net assets of the subsidiaries.

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

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. The company reports its interest in joint venture arrangements on a proportional interest in the joint venture basis. Expenses incurred under the joint venture are expensed as incurred by each joint venture partner. Expenditure in joint ventures on exploration and evaluation assets are accounted for in accordance with the note 3(D)(i) below.

##### **(iii) Transactions eliminated on consolidation**

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

#### **(B) Financial instruments**

##### **(i) Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that

the company commits itself to either the purchase or sale of the asset (i.e., trade date accounting is adopted).

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

**(ii) Classification and subsequent measurement**

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

*Amortised cost* is calculated as:

- a) the amount at which the financial assets or financial liability is measured at initial recognition
- b) less principal repayments
- c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*, and
- d) less any reduction for impairment

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

***Loans and receivables***

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

***Held-to-maturity investments***

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

***Available-for-sale financial assets***

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

***Financial liabilities***

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

**(iii) Fair value**

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

**(iv) De-recognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant

continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit and loss.

## **(C) Property, plant and equipment**

### **(i) Properties**

Freehold land and buildings are shown at cost less any accumulated depreciation and impairment losses.

### **(ii) Plant and equipment**

Plant and equipment are measured on the cost basis less any accumulated depreciation and impairment losses.

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

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

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

### **(iii) Depreciation**

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

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

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

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

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

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

## **(D) Intangible assets**

### **(i) Exploration and evaluation asset**

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

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

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

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

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

Once an area of interest has reached the development stage, the future costs are accounted for in accordance with AASB 116 *Property, Plant and Equipment*, and AASB 138 *Intangible Assets*. Once the commercial viability of the extraction of mineral reserves in an area of interest are demonstrable, exploration, and evaluation assets attributable to that area of interest are reclassified to mine development. These costs are amortised over a period, and the carrying value is assessed annually by the Directors for impairment.

#### **(ii) Other intangible assets**

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

### **(E) Mine development**

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

### **(F) Inventories**

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

### **(G) Leased assets**

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

### **(H) Impairment**

#### **(i) Financial assets**

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

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

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

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

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

**(ii) Non-financial assets**

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

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

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

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

**(I) Employee benefits**

**(i) Defined contribution superannuation funds**

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

**(ii) Defined benefit superannuation funds**

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

**(iii) Other long-term employee benefits**

The Group's net obligation in respect of long-term employee benefits other than defined benefit superannuation funds is the amount of future benefit that employees have earned in return for their service in the current and prior periods and is not expected to be settled wholly within 12 months. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated [Commonwealth Government] bonds that have maturity dates approximating the terms of the Group's obligations.

**(iv) Termination benefits**

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

recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

**(v) Short-term benefits**

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to settle wholly within 12 months. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

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

**(J) Provisions**

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

**(K) Revenue**

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

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

**(L) Finance income and expenses**

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

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

**(M) Income tax**

**(i) Current tax**

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

**(ii) Deferred tax**

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

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be



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

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

**(iii) Goods and services tax**

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

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

**(N) New standards for application in future periods**

No new accounting policies came into effect in the current year that is considered relevant to GBM Gold Limited.

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2012–3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

- Interpretation 21: *Levies* (applicable for annual reporting periods commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

- AASB 2013–3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: *Impairment of Assets* pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

- AASB 2013–4: *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013–4 makes amendments to AASB 139: *Financial Instruments: Recognition and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.

- AASB 2013–5: *Amendments to Australian Accounting Standards – Investment Entities* (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013–5 amends AASB 10: *Consolidated Financial Statements* to define an “investment entity” and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

These Standards will be first applied in the financial report of the Company that relates to the annual reporting period beginning after the effective date of each pronouncement.

#### 4 DETERMINATION OF FAIR VALUES

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- derivative financial instruments;
- financial assets held for trading;
- available-for-sale financial assets;
- freehold land and buildings;
- investment properties; and
- obligation for contingent consideration arising from a business combination.

The Group subsequently measures some items of freehold land and buildings at fair value on a non-recurring basis.

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

## Fair Value Hierarchy

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

## Valuation techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Financial Instrument	Level 1		Level 2		Level 3		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Financial Assets</b>	\$	\$	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	30,188	124,671	-	-	-	-	-	-
Trade and other receivables	50,401	61,552	-	-	-	-	-	-
Property, plant and equipment & mine development	7,835,781	8,887,307	-	-	-	-	-	-
	7,916,370	9,073,530	-	-	-	-	-	-
<b>Financial Liabilities</b>								
Trade and other payables	1,255,123	567,590	-	-	-	-	-	-
Other financial liabilities	1,517,727	1,303,911	-	-	-	-	-	-
	2,772,850	1,871,501	-	-	-	-	-	-

The table above provides the fair value of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

## 5 INCOME TAX

	Consolidated	
	2014	2013
	\$	\$
Income tax recognised in Loss		
Loss from ordinary activities	(5,041,145)	(2,969,025)
Income tax benefit calculated at 30% of loss from ordinary activities	(1,512,344)	(890,708)
Add tax effect of permanent and timing differences:		
Non-deductible items	182	154
Movements in provisions	7,751	96,313
Income tax benefit attributable to operating loss	(7,933)	(794,241)

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

## 6 REVENUE

	Consolidated	
	2014	2013
	\$	\$
<b>a. Operating activities</b>		
- Trading revenue	9,663	-
Total Revenue from operating activities	9,663	-
<b>b. Non-operating activities</b>		
- Profit on sale of assets	4,334	-
- Interest received	4,731	2,220
- Other Income	16,349	160,437
Total Revenue from non-operating activities	25,414	162,657
Total Operating and Non-operating revenue	30,346	162,657

## 7 DEPRECIATION & ADMINISTRATIVE EXPENSES

	Consolidated	
	2014	2013
	\$	\$
Depreciation - Amortisation	871,719	82,926
Depreciation – FY13 period re-stated*1	643,182	-
Impairment expense	679,074	-
	2,193,975	82,926
<b>Employee benefit expenses</b>		
Salaries and Wages	327,868	485,415
Oncosts	9,887	44,726
	337,755	530,141
<b>Other administrative expenses</b>		
Accounting	43,625	80,165
Audit fees	49,500	59,200
Loss on sale of assets	2,947	4,065
Cost incurred in servicing onerous contract *2	536,120	-
Other administrative expenses	155,704	385,172
	251,776	528,602
Total Administrative Expenses	1,125,651	1,058,743

\*1 When the June 30 2013 financial statements were prepared the Inglewood mine and processing facility was classified as an asset held for sale (see Note 8) and no depreciation was incurred on these assets during the period October 2012 to June 2013. The depreciation for this period during the FY13 financial period was \$643,182 and has been incurred during the year ending 30 June 2014 reporting period as the assets are now not classified as held for sale.

\*2 The costs represent the 1kg of gold per month that is payable on the Mardax loan facility. (refer to note 21)

## 8 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (DISCONTINUED OPERATIONS\*1)

The GBM Group has entered into an arrangement with Wilshire whereby the subsidiary INGMCo has received a cash injection of \$4,500,000 for 50% of equity in INGMCo. When the 2013 Financial Statement was prepared it was deemed that the GBM Group's resulting interest in INGMCo would be diluted to a non-controlling interest and therefore the results, assets and liabilities of INGMCo were stated as those of a disposal group held for sale in accordance with accounting standards. A revised deed of amendment for the INGMCo part sale was finalised in November 2013 that provided for 50% of the equity to be sold to Wilshire for \$4,500,000. The deed provides for joint board representation and other joint functions however the INGMCo operations were managed and controlled by the GBM Gold Ltd CEO as at 30 June 2014. As a result the INGMCo subsidiary assets and liabilities are consolidated for the financial reporting period ending 30 June 2014. Wilshire's share of the net gain / loss of the INGMCo operations since the 1<sup>st</sup> December 2013 are accounted for as a non-controlling interest. (Refer to note 22iii.)

	2014	2013
<b>Assets of disposal group classified as held for sale</b>	<b>\$</b>	<b>\$</b>
Plant, property & equipment	-	7,915,129
Exploration and evaluation	-	235,662
Intangible assets	-	64,250
Inventories	-	250,586
Receivables and prepayments	-	65,992
Cash at Bank	-	690
	-	<b>8,532,309</b>
<b>Liabilities of disposal group classified as held for sale</b>		
Financial Liabilities *1	-	1,488,295
Provisions*2	-	2,890,608
Trade and other payables	-	532,071
	-	<b>4,910,974</b>
<b>Net Assets</b>	-	<b>3,621,335</b>
<b>Results from disposal group classified as held for sale</b>		
Revenue	-	167,351
Cost of sales	-	(1,091,284)
Expenses	-	(993,462)
	-	<b>(1,917,395)</b>
<b>Cash flows generated in the period by the disposal group classified as held for sale are as follows:</b>	<b>30-Jun-14</b>	<b>30-Jun-13</b>
Cash outflows from operating activities	-	(2,159,791)
Cash inflows from financing activities	-	2,176,893
Cash outflows from investing activities	-	(5,971)
Reconciliation of cash flows to the statement of cash flows:		
Cash and cash equivalents at start of period	-	52,145
Net decrease in cash and cash equivalents	-	(51,455)
Cash and cash equivalents at end of period	-	<b>690</b>

#### Reconciliation of cash

Cash and cash equivalents of continuing operations	-	124,671
Cash and cash equivalents of disposal group reclassified as held for sale	-	690
	-	<b>125,361</b>

\*1 \$1,437,367 of the financial liability represents part of the Inglewood Gold Mining Company part sale agreement with Wilshire Asset Management. As disclosed in Note 25 the remaining \$3,062,633 was received by the company for the Inglewood Gold Mining Company part sale in November 2013. The \$1,437,367 other financial liability was converted to Inglewood Gold Mining Company shares in November 2013.

\*2 During the 2012 financial year the Company entered into an agreement with Maradox Pty Ltd ('Maradox') to supply 55kg of gold bullion to Maradox by the 29<sup>th</sup> July 2014 in exchange for \$3,000,000. For every month after the commencement of the agreement that the 55kg of gold bullion was not paid, an additional 1kg of gold is required to be delivered to Maradox. At year end the Company created a provision for the 55kg of gold bullion at fair value, plus 9 monthly 1kg deliveries which remains outstanding at 30 June 2013. The total provision at year end amounts to \$2,681,792, which represents the fair value of the 64kg of gold bullion. The \$3,000,000 loan has to be repaid in gold bullion and not cash. Refer to note 21 for the 2014 financial year Maradox liability.

## 9 AUDITORS' REMUNERATION

	2014	2013
Remuneration of Moore Stephens Melbourne for:		
Auditing or reviewing the financial report	49,500	59,200
	49,500	59,200

## 10 EARNINGS PER SHARE

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

	2014	2013
<b>Basic and diluted earnings per share</b>	\$	\$
From continuing operations	(0.01)	(0.01)
From disposal group classified as held for sale	-	(0.01)
Total basic and diluted earnings per share	(0.01)	(0.01)
<b>Earning used in calculating basic and diluted earnings per share</b>		
Loss from continuing operations	(5,041,145)	(1,051,630)
Loss from disposal group classified as held for sale	-	(1,917,395)
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	667,784,944	665,090,880

## 11 CASH AND CASH EQUIVALENTS

	2014	2013
	\$	\$
Cash at bank and in hand	30,118	124,671
	30,118	124,671

## 12 RECEIVABLES & PREPAYMENTS

	2014	2013
	\$	\$
Pre-payments	42,401	27,208
Trade Receivables	-	41,037
Other Receivables	8,000	416
	50,401	68,661

The Company has a history of 100% collection of accounts receivable amounts, and therefore no provision for doubtful debts is provided.

## 13 INVENTORY

	Consolidated	
	2014	2013
	\$	\$
Work In Progress *1	117,005	-
	117,005	-

\*1 WIP to the value of \$250,586 is included in the assets of discontinued operations, (see note 8 above) for the 2013 year.

## 14 OTHER FINANCIAL ASSETS

	Consolidated	
	2014	2013
	\$	\$
Non-Current Bonds	284,301	20,099
	284,301	20,099

These represent bonds held on tenements for rehabilitation obligations with the Department of Natural Resources and the rental bond on the Thistle Street office.

## 15 PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2014	2013
	\$	\$
<b>Plant and Equipment</b>		
At cost	5,989,654	906,939
Accumulated Depreciation	(3,211,599)	(348,278)
	2,778,055	558,661
<b>Mine Development</b>		
At cost	5,812,281	294,765
Accumulated Depreciation	(1,051,116)	(47,809)
	4,761,165	246,956
<b>Land</b>		
At cost	296,561	166,561
	296,561	166,561
	7,835,781	972,178

### (A) Reconciliation of movement in property plant and equipment

Consolidated 2013	Plant & Equipment	Mine Development	Land	Total
	\$	\$	\$	\$
Balance 1 July 2013	558,661	246,956	166,561	972,178
Reallocation	-	-	-	-
Additions	651,707	-	-	651,707
Impairment	(157,312)	-	-	(157,312)
Disposals	(11,021)	-	(20,000)	(31,021)
Transfers from disposal group classified as held for sale	2,834,114	4,931,015	150,000	7,915,129
Depreciation Expense	(1,098,094)	(416,806)	-	(1,514,900)
Balance at 30 June 2014	2,778,055	4,761,165	296,561	7,835,781

Consolidated 2013	Plant & Equipment	Mine Development	Land	Total
	\$	\$	\$	\$
Balance 1 July 2012	4,481,524	4,779,808	316,561	9,577,893
Reallocation	(473,436)	473,436	-	-
Additions	13,521	-	-	13,521
Impairment	(70,536)	-	-	(70,536)
Disposals	(41,705)	-	-	(41,705)
Transfers to disposal group classified as held for sale	(2,834,114)	(4,931,015)	(150,000)	(7,915,129)
Depreciation Expense	(516,593)	(75,273)	-	(591,866)
Balance at 30 June 2013	558,661	246,956	166,561	972,178



## 16 EXPLORATION & EVALUATION

Area of interest	Consolidated	
	2014	2013
	\$	\$
Wilson Hill	-	519,310
Industrial Sands & Gravel	211,138	211,138
Fiddlers Creek	7,909	7,909
Avoca	145,848	145,848
Inglewood	236,209	-
Joint ventures (Queens Birthday)*1	60,858	63,309
	661,962	947,514

\*1 This represents the Group's proportional interest in the JV tenement assets. Expenses incurred under the joint venture are expensed as incurred by each joint venture partner.

### (A) Reconciliation of movement in exploration & evaluation

	2014	2013
	\$	\$
Balance 1 July	947,514	1,778,175
Additions	548	5,001
Disposals	-	-
Impairment of joint venture interest and exploration expenditure *1	(521,762)	(600,000)
Transfer from/(to) disposal group classified as held for sale	235,662	(235,662)
Balance at 30 June	661,962	947,514

\*1 Harvest Home and Queens Birthday joint venture interest that were initially recognised in 2009 at \$600,000 were written down to nil value in the 2013 financial period. The Wilson Hill exploration expenditure on Min 4273 was written down to nil value in the 2014 financial period. Subsequent expenditure on the joint ventures has been capitalised as an exploration & evaluation asset.

## 17 INTANGIBLE ASSETS

Intangible Assets are not depreciated due to having an indefinite life, but are assessed on an annual basis for impairment and the holding value is adjusted accordingly for any impairment found. The database is not depreciated as it is aligned to the resource potential of the Inglewood tenements and re-assessed annually.

	2014	2013
	\$	\$
Database acquired (transferred to disposal group classified as held for sale in 2013)	64,250	-
	64,250	-

## 18 INTEREST IN JOINT VENTURE OPERATIONS

The economic entity is the holder of a 50% interest in a joint ventures with Fiddlers Creek Pty Ltd.

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

The value of the joint ventures areas of interest are recorded on the Statement of Financial Position (refer Note 16).

## 19 TRADE AND OTHER PAYABLES

	2014	2013
	\$	\$
Accrued Expenses	43,257	23,000
Trade Creditors	461,866	544,590
Receivable (Wilshire) ISG Deposit*1	750,000	750,000
	<u>1,255,123</u>	<u>1,317,590</u>

\*1 Receipt of the deposit of \$750,000 for the sale of the ISG subsidiary from Wilshire occurred during the 2013 financial year.

## 20 FINANCIAL LIABILITIES

	Consolidated	
	2014	2013
	\$	\$
<b>Current</b>		
Convertible note *1	750,000	-
Director & Related Parties Loans*2	392,727	255,250
Leases	16,530	-
Other*3	375,000	1,423,661
	<u>1,517,727</u>	<u>1,678,911</u>

\*1 A convertible note agreement was entered in with Wilshire in April 2014 and subsequently amended in June 2014 for the provision of \$750,000 in convertible notes for the sale of 5% of shares in the INGMCo., being part of the additional 30% of shares to allow Wilshire to obtain a total of 80% of the shares in the INGMCo. The conversion of the notes for shares in the INGMCo. are at the discretion of Wilshire and can be converted during the period 1 July to 31 December 2014.

\*2 \$200,000 of the director & related parties loans relates to United Bright Investments and \$126,240 to Silver Bright Investments. The director & related parties loans are unsecured short term loans from directors or related entities to assist the company with meeting their short term liabilities as they fall due. The loans have an 8% interest payable component, and are expected to be repaid within 6 months of the year end.

\*3 \$375,000 of the other financial liability is from Sterlington Resources. This component of the other financial liability will be converted to GBM shares when the remaining terms of the agreement are satisfied.

## 21 PROVISIONS

	Consolidated	
	2014	2013
	\$	\$
<b>Current</b>		
Employee benefits	49,143	14,490
Provision for Maradox agreement *1	2,732,153	-
<b>Total Provisions</b>	<u>2,781,296</u>	<u>14,490</u>

\*1 During the 2012 financial year the Company entered into an agreement with Maradox to supply 55kg of gold bullion to Maradox by the 29<sup>th</sup> July 2014 in exchange for \$3,000,000. For every month after the commencement of the agreement that the 55kg of gold bullion was not paid, an additional 1kg of gold is required to be delivered to Maradox. At 30 June 2014, the Company created a provision for the 55kg of gold bullion at fair value, plus 6 monthly 1kg deliveries which remained outstanding at 30 June 2014. The total provision at 30 June 2014 amounted to \$2,732,153 which represents the fair value of the 61kg of gold bullion. The \$3,000,000 loan has to be repaid in gold bullion and not cash. Refer to note 8 for the 2013 financial year Maradox liability.

### (A) Reconciliation of movement in provisions

Consolidated 2014	Employee Benefits	Maradox Agreement	Total
	\$	\$	\$
Balance 1 July 2013	14,490	-	14,490
Amounts used/paid	(21,093)	(671,772)	(692,865)
Additional amounts provided	46,930	722,133	769,063
Transfers from liabilities directly associated with disposal group classified as held for sale (see Note 8)	8,816	2,681,792	2,690,608
Balance at 30 June 2014	<u>49,143</u>	<u>2,732,153</u>	<u>2,781,296</u>

	Consolidated	
	2014	2013
	\$	\$
<b>Non - Current</b>		
Rehabilitation Provision	200,000	-
<b>Total Provisions</b>	<u>200,000</u>	<u>-</u>

## 22 ISSUED CAPITAL, RESERVES & MINORITY INTERESTS

### i) Issued Capital

	Consolidated	
	2014	2013
	\$	\$
832,784,944 (2013: 667,784,944) fully paid ordinary shares	25,150,707	24,063,357

The Company has authorised share capital of 832,784,944 (667,784,944 at end of 2013 reporting period) ordinary shares of no par value.

	Consolidated	
	2014	2013
	No.	No.
<b>Ordinary Shares</b>		
At the beginning of the reporting period	667,784,944	659,451,611
Shares issued during the year*1	165,000,000	8,333,333
<b>At the end of the reporting period</b>	<b>832,784,944</b>	<b>667,784,944</b>

\*1 An agreement was reached with Ganesha Capital Holdings Limited on 30 June 2014 to convert the \$1,000,000 loan plus \$87,350 interest owed by GBM Gold Ltd for 165,000,000 shares @ \$0.00659 per share. The shares were issued with the allotment date of 30 June 2014.

### ii) Minority Interest Acquisition Reserve

	Consolidated	
	2014	2013
	\$	\$
Balance 1 July	-	-
Balance 30 June*1	1,843,355	-

\*1 The GBM Group renegotiated and entered into an agreement with Wilshire to sell 50% of shares in its subsidiary, INGMCo for \$4,500,000. Wilshire had paid \$1,437,637 during the 2013 financial period towards the \$4,500,000 purchase price of the 50% shares in INGMCo. Wilshire paid the remaining \$3,062,363 of the \$4,500,000 purchase price in November 2013. The issue of 50% of the shares in INGMCo to Wilshire occurred in November 2013.

The minority interest acquisition reserve was calculated by applying 50% of the purchase consideration less the INGMCo shareholders equity at acquisition on the 1<sup>st</sup> December 2013.

### iii) Non-controlling interests

	Consolidated	
	2014	2013
	\$	\$
Balance 1 July 2103	-	-
Balance 30 June 2014	1,627,377	-

	30-Jun-14	30-Jun-13
	\$	\$
Balance at the beginning of the reporting period	-	-
Minority interest of INGMCo at acquisition date	2,656,645	-
Shares of loss for the reporting period	(1,029,268)	-
<b>Balance at the end of the reporting period</b>	<b>1,627,377</b>	<b>-</b>

The GBM Group renegotiated and entered into an agreement with Wilshire to sell 50% of shares in its subsidiary, INGMCo for \$4,500,000. Wilshire had paid \$1,437,637 during the 2013 financial period towards the \$4,500,000 purchase price of the 50% shares in INGMCo. Wilshire paid the remaining \$3,062,363 of the \$4,500,000 purchase price in November 2013. The issue of 50% of the shares in INGMCo to Wilshire occurred in November 2013.

The minority interest at acquisition of \$2,656,645 was derived by subtracting the \$1,843,355 acquisition reserve (calculated by applying 50% of the consideration less the INGMCo shareholders equity at acquisition) from the \$4,500,000 consideration for 50% of the INGMCo subsidiary.

From the 1<sup>st</sup> December 2013 Wilshire is entitled to 50% of the results of the INGMCo operations. The INGMCo loss of \$2,058,536 for the period of December 2013 to June 2014 was as a result of the care and maintenance costs being incurred prior to the recommencement of ore processing in June 2014 and the operational expenses in June 2014. Wilshire's share of the loss is \$1,029,268 which represents 50%.

## 23 INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)

Names and positions held of the group key management personnel in office at any time during the finance year are:

KMP	Position	Tenure
<b>Directors</b>		
Mr J Harrison	Director & CEO	Full year
Mr Eric J P Ng	Chairman (non-executive)	Full year
Mr Paul Chan	Director (non-executive)	Full year
Mr Andy Lai	Director (non-executive)	Full year
Ms Linda Lau	Director (non-executive)	Appointed 9 July 2013
Mr I W Smith	Executive Chairman	Ceased 9 July 2013
Mr Stuart Hall	Director (non exec) & Co Sec	Ceased 9 July 2013
<b>Key management personnel (non-directors)</b>		
Mr J P Cipriano	Geology Manager	Ceased 12 July 2013

	Consolidated	
The totals of remuneration paid to KMP of the company and the Group during this year are	2014	2013
	\$	\$
Short-term employee benefits	190,816	623,821
Post-employment benefits	17,651	28,003
Other long-term benefits	-	-
Share Based payments	-	-
	208,467	651,824

Refer also to the remuneration report contained in the director's report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2014.

The director and related parties loans (\$392,727 - 2014 - \$255,250 - 2013) are unsecured short term loans from directors or related entities to assist the company with meeting their short term liabilities as they fall due. The loans have an 8 % interest payable component, and are expected to be repaid within 6 months of the year end or are to be converted to shares.

### (A) KMP Options and Rights Holdings

There were no options over shares held by each KMP of the Group during the 2014 or 2013 financial year.

### (B) KMP Shareholdings

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

30 June 2014	Balance Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes During the Year†	Balance at end of Year
<b>Directors</b>					
Mr J Harrison	-	-	-	-	-
Mr I W Smith	60,499,750	-	-	-	Note 1
Mr E JP Ng	148,500	-	-	-	148,500
Mr Paul Chan	79,157,041	-	-	-	79,157,041
Mr Andy Lai	25,535,342	-	-	-	25,535,342
Mr S Hall	-	-	-	-	Note 1
Mr L Lau	-	-	-	-	-
<b>Key management personnel (non-directors)</b>					
Mr J P Cipriano	123,375	-	-	-	Note 2
	<b>165,464,008</b>	-	-	-	<b>104,840,883</b>

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

Note 1. Mr I Smith and Mr S Hall ceased on the 9<sup>th</sup> July 2013, and Mr J Cipriano ceased on the 12<sup>th</sup> July and are no longer Key Management Personnel.

30 June 2013	Balance Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes During the Year	Balance at end of Year
<b>Directors</b>					
Mr I W Smith	94,946,916	-	-	(35,447,166)	60,499,750
Mr J ER Cahill	2,440,501	-	-	-	Note 1
Mr W Johnson	144,250	-	-	-	Note 1
Mr E J P Ng	148,500	-	-	-	148,500
Mr P Chan	79,157,041	-	-	-	79,157,041
Mr A Lai	25,535,342	-	-	-	25,535,342
Mr S Hall	9,653,000	-	-	(9,653,000)	-
<b>Key management personnel (non-directors)</b>					
Mr J P Cipriano	1,962,157	-	-	(1,858,782)	123,375
	<b>215,007,707</b>	<b>-</b>	<b>-</b>	<b>(46,958,946)</b>	<b>165,464,008</b>

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

Note 1. Mr J Cahill ceased on the 28<sup>th</sup> June 2013 and Mr W Johnson ceased on the 29<sup>th</sup> November 2012 and are no longer Key Management Personnel.

### (C) Other KMP Transactions

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

For the details of other transactions with KMP, refer to Note 24: Related Party Transactions. There were no loans made to KMP during the year.

## 24 RELATED PARTY TRANSACTIONS

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

- (i) Entities exercising control over the Group:

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

- (ii) Key Management Personnel:

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

For details of disclosures relating to key management personnel, refer to Note 23: Interests of Key Management Personnel (KMP).

- (iii) Subsidiaries:

	ACN	Percentage Owned 30 June 2014	Percentage Owned 30 June 2013	Investment in Subsidiary 2014	Investment in Subsidiary 2013
<b>Controlling Entity</b>				\$	\$
GBM Gold Ltd	119 956 624				
<b>Controlled Entities†</b>					
Goldsborough Mining Pty Ltd	072 849 220	100%	100%	122,024	122,024
GBM Fiddlers Creek Pty Ltd	119 943 421	100%	100%	500,100	500,100
Inglewood Gold Mining company Pty Ltd	116 623 100	50%	100%	3,000,000	3,000,000
GBM Wilson Hill Pty Ltd	007 257 452	100%	100%	575,008	575,008
GBM Avoca Pty Ltd	129 861 123	100%	100%	100	100
Industrial Sands & Gravels Pty Ltd	072 258 158	100%	100%	102,051	102,051
Kralcopic Pty Ltd	007 222 086	100%	100%	54,763	54,763
Greater Bendigo Gold Mines Pty Ltd	116 991 691	100%	100%	-	-
				4,354,046	4,354,046

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

For details of interests held in joint venture entities, refer to Note 18: Interests in Joint Venture Operations.

- (v) Other related Parties:

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

### **(B) Transactions with related parties**

Transactions between related parties occur on normal commercial terms and conditions and are no more favourable than those available to other parties unless otherwise stated. During the year loan transactions occurred between the Parent Entity and its' wholly owned subsidiaries. The details of transactions with related parties of key management personnel are set out in Note 23.

During the 2012 financial year Mr Paul Chan placed \$235,000 on deposit with the ANZ Bank ('ANZ') to secure the DPI bonds that had been issued by ANZ. This enabled ANZ to release its security over the Group. At balance date only \$25,000 of these funds were still on deposit with the ANZ. During the financial year GBM replaced \$210,000 of the ANZ bonds with bonds issued by Bendigo Bank. GBM owe Mr Paul Chan \$56,500 for some of the Bendigo Bank bonds that have been funded by Mr Paul Chan.

At 30 June 2014 there are amounts payable to directors or related parties and key management personnel amounting to \$392,727. Of this total amount \$382,740 is payable to Paul Chan or related parties of Paul Chan if the loan funds are not converted to GBM shares. The remaining \$9,987 is owing to Mr A Lai. All other details relating to the loans has been disclosed in Note 20.

## **25 EVENTS SUBSEQUENT TO THE REPORTING DATE**

The following material events occurred after 30 June 2014. Attention is also drawn to the going concern assumption stated at Note 2(E).

- The GBM Group entered an agreement with Wilshire to sell the remaining 50% of shares in its subsidiary, INGMCo for the following consideration:
  - \$2,500,000 payable in five instalments during the 2015 financial year being \$350,000 on completion of the agreement, \$550,000 on 31<sup>st</sup> December 2014, \$550,000 on 28<sup>th</sup> February 2015, \$550,000 on 30<sup>th</sup> April 2015 and \$550,000 on 30 June 2015.
  - \$750,000 deposit paid for the Beavis Project in August 2012 that was classified as a current liability in the GBM Group at 30 June 2014;
  - \$750,000 convertible notes paid in April and June 2014 that was classified as a financial liability in the GBM Group at 30 June 2014; and

The agreement is to be subject to shareholder approval which will be considered at the annual general meeting of GBM shareholders to be held in early November 2014. The agreement allows Wilshire to purchase all of the assets of the subsidiary INGMCo, including the Inglewood mine and processing plant, and assume of all the liabilities of the subsidiary INGMCo. including the Maradox loan of \$2,732,153 as at 30 June 2014.

As a result of the sale agreement with Wilshire, the GBM Group will be in a debt free position after the \$2,500,000 component of the sale agreement is paid in full.

- The GBM Group entered into a loan agreement with Ephraim Resources Ltd in August 2014 for loan of \$300,000 to assist with working capital requirements and exploration expenditure on the Harvest Home joint venture. Eric Ng is a director of Ephraim Resources Ltd.
- The GBM Group are actively pursuing other opportunities to invest in mining exploration and associated projects after the sale of the INGMCo subsidiary.

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

## 26 CONTINGENT LIABILITIES AND COMMITMENTS

Nil

## 27 OPERATING SEGMENTS

The Group operates as a single operating segment, within the gold mining industry in one geographic area, that being Central Victoria, Australia. The Inglewood and Fiddlers Creek projects are on a care and maintenance phase and all other tenements are utilised primarily for exploration purposes.

## 28 FINANCIAL RISK MANAGEMENT

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

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

	Note	2014	2013
		\$	\$
<b>Financial assets</b>			
Cash and cash equivalents		30,118	124,671
Receivables and prepayments		50,401	61,552
<b>Total Financial assets</b>		80,519	186,223
<b>Financial Liabilities</b>			
Trade and other payables		1,255,123	567,590
Borrowings		1,517,727	1,303,911
<b>Total Financial Liabilities</b>		2,772,850	1,871,501

### (A) Financial Risk Management Policies

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

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

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

### (B) Credit risk

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

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



The Group does not have any individual or in aggregate, material trade accounts receivable at 30 June 2014.

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

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

**(i) Credit Risk with Banks and other financial institutions**

Credit risk with banks and other financial institutions is managed by the Group in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparts with a Standard & Poor's rating of at least AA-.

The following table provides information regarding the credit risk relating to cash and money market securities based on Standard & Poor's counterparty credit ratings.

	Note	Consolidated	
		2014	2013
<b>Cash and cash equivalents</b>		\$	\$
– AA rated		30,118	124,671
– A rated		–	–
<b>Total Financial Liabilities</b>		30,118	124,671

**(C) Liquidity risk management**

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

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

**(i) Cash Flow realised from financial assets**

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

Financial liability and financial asset maturity analysis	Within 1 Year		1 – 5 Years		Over 5 Years		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Consolidated Group \$</b>								
<b>Financial Liabilities due for payment</b>								
Loans	1,517,727	1,303,911	-	-	-	-	1,517,727	1,303,911
Trade and other payables	1,255,123	567,590	-	-	-	-	1,255,123	567,590
Finance lease liability	-	-	-	-	-	-	-	-
<b>Total contracted Outflow</b>	<b>2,772,850</b>	<b>1,871,501</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,772,850</b>	<b>1,871,501</b>
<b>Financial assets – cash flows realisable</b>								
Cash and cash equivalents	30,118	124,671	-	-	-	-	30,118	124,671
Trade, term and loan receivables	50,401	61,552	-	-	-	-	50,401	61,552
<b>Total anticipated inflows</b>	<b>80,519</b>	<b>186,223</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,519</b>	<b>186,223</b>
<b>Net (outflow)/inflow on financial instruments</b>	<b>(2,692,331)</b>	<b>(1,685,278)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,692,331)</b>	<b>(1,685,278)</b>

## (D) Market risk

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

The Company's and Group's exposure to market risk is low. No derivatives or financial liabilities were entered into during the year ended 30 June 2014 with the purpose of managing market risks.

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

### (i) Currency risk

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

### (ii) Interest rate risk

The Group's present borrowings are relatively short term, and some of the recent borrowings can be of a convertible loan in nature (Note 20) with a view to reducing borrowings and increasing equity.

Given the levels of interest-bearing loans and borrowings held by the Group at 30 June 2013 and 30 June 2014, and the expected impact of any fluctuations in the respective interest rate may have on the profit or loss, the Group has not entered into any interest rate swaps.

The interest rate profile of the Company's and Group's interest-bearing financial instruments at reporting date is provided in Note 20.

## (E) Exposure to liquidity and interest rate risk

The following tables detail the Group's exposure to liquidity risk and interest rate risk as at 30 June 2014.

Financial Instrument	Weighted average Effective interest rate		Consolidated Entity		Floating Interest Rate		Non-Interest Bearing		Fixed Interest Rate	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>Financial Assets</b>	%	%	\$	\$	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	4	4	30,188	124,671	30,118	124,671	-	-	-	-
Trade and other receivables	-	-	50,401	61,552	-	-	50,401	61,552	-	-
Other financial assets	-	-	-	-	-	-	-	-	-	-
			80,519	186,223	30,118	124,671	50,401	61,552	-	-
<b>Financial Liabilities</b>										
Trade and other payables	-	-	1,255,123	567,590	-	-	1,255,123	567,590	-	-
Other financial liabilities	-	8	1,517,727	1,303,911	-	-	1,517,727	1,303,911	-	-
			2,772,850	1,871,501	-	-	2,772,850	1,871,501	-	-

Financial Instrument	Weighted average Effective interest rate		Maturity Profile					
			3 months or less		3 months to 1 year		1 year to 5 years	
	2014	2013	2014	2013	2014	2013	2014	2013
	%	%	\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>								
Cash and cash equivalents	4	4	30,118	124,671	-	-	-	-
Trade and other receivables	-	-	50,401	61,552	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-
			80,519	186,223	-	-	-	-
<b>Financial Liabilities</b>								
Trade and other payables	-	-	505,123	567,590	750,000	-	-	-
Other financial liabilities	-	-	-	-	1,517,727	1,678,911	-	-
			505,123	567,590	2,267,727	1,678,911	-	-

## (F) Fair values of financial assets and liabilities

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

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

Consolidated	Carrying amount		Fair value	
	2014	2013	2014	2013
<b>Financial Assets</b>	\$	\$	\$	\$
Cash and cash equivalents	30,118	124,671	30,118	124,671
Trade and other receivables	50,401	61,552	50,401	61,552
Other financial assets	-	-	-	-
	80,519	186,223	80,519	186,223
<b>Financial Liabilities</b>				
Trade and other payables	1,255,123	567,590	1,255,123	567,590
Financial liabilities	1,517,727	1,303,922	1,517,727	1,303,911
	2,772,850	1,871,501	2,772,850	1,871,501

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

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

Sensitivity Analysis	Consolidated	
	Profit	Equity
<b>Year end 30 June 2014</b>	\$	\$
+/-2% in interest rates	4,754	4,754
+/-5% in \$A/\$US	-	-
<b>Year end 30 June 2013</b>		
+/-2% in interest rates	2,116	2,116
+/-5% in \$A/\$US	-	-

## 29 RECONCILIATION OF CASH

Reconciliation of cash	Consolidated	
	2014	2013
	\$	\$
<b>Cash flows from operating activities</b>		
Loss for period	(5,041,145)	(2,969,025)
Depreciation	2,193,975	591,865
Change in trade and other receivables	84,250	149,321
Change in other financial assets	(264,202)	2,866
Change in inventory	133,581	173,307
Change in trade and other payables	(611,071)	(1,321,085)
Change in provisions	76,199	(229,048)
(Profit)/loss on sale of assets	(1,386)	23,848
<b>Net cash from operating activities</b>	<b>(3,429,800)</b>	<b>(3,577,951)</b>

## 30 DIVIDENDS

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

## 31 PARENT ENTITY DISCLOSURES

GBM Gold Limited is the parent entity of the Consolidated Entity. GBM Gold Limited is a party to a Deed of Cross Guarantee with all subsidiaries under which each company guarantees the debts of the others. Details of contingent liabilities of the Parent Entity are contained in Note 26. Refer to the State of Affairs section of the Directors Report, Going Concern Note 2(E), and Events Subsequent to the Reporting Date note 25 in relation to the capital requirements of the Parent Entity during and since the 2014 financial period. Summarised financial information in respect of the Parent Entity is set out below.

	2014	2013
	\$	\$
<b>a) Financial Position</b>		
<b>Assets</b>		
Current assets	2,293	72,803
Non-current assets	8,378,148	16,182,051
<b>Total assets</b>	<b>8,380,441</b>	<b>16,254,854</b>
<b>Liabilities</b>		
Current liabilities	1,569,339	2,720,605
Non-Current liabilities	-	-
<b>Total Liabilities</b>	<b>1,569,339</b>	<b>2,720,605</b>
<b>Net Assets</b>	<b>6,811,102</b>	<b>13,534,249</b>
<b>Equity</b>		
Contributed Equity	25,132,353	24,045,003
Accumulated Losses	(20,321,251)	(12,510,574)
Reserves	2,000,000	2,000,000
<b>Total Equity</b>	<b>6,811,102</b>	<b>13,534,249</b>
<b>b) Financial Performance</b>		
Profit/(Loss) of the year *1	(7,810,497)	(597,617)
Other comprehensive Income	-	-
<b>Total comprehensive Income</b>	<b>(7,810,497)</b>	<b>(597,617)</b>

\*1 \$7,435,177 of the 2014 loss related to an inter-company loan forgiveness from GBM Gold Limited to the Inglewood Gold Mine Pty Ltd subsidiary.

## DIRECTORS' DECLARATION

The Directors of GBM Gold Ltd declare that:

In the opinion of the Directors:

- (i) the financial statements and notes are in accordance with the Corporations Act 2001, including:
  - a. giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2014 and of their performance for the financial year ended on that date, and
  - b. complying with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements.
- (ii) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (iii) The remuneration disclosures set out on pages 6 to 8 of the Directors Report (as part of the audited remuneration report) for the year ended 30 June 2014, comply with section 300A of the Corporations Act 2001.

The Directors have declared that:

- (i) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001,
- (ii) the financial statements and notes for the financial year comply with the Accounting Standards, and
- (iii) the financial statements and notes for the financial year give a true and fair view.

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



Frederick Eric JP Ng  
Chairman

30 September 2014



John Harrison  
Director & CEO

**MOORE STEPHENS**  
ACCOUNTANTS & ADVISORS

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF GBM GOLD LIMITED AND CONTROLLED ENTITIES**

**Report on the Financial Report**

We have audited the accompanying financial report of GBM Gold Limited and Controlled Entities (the "consolidated entity"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial period.

*Directors' Responsibility for the Financial Report*

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

*Auditor's Responsibility*

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

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

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

*Independence*

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

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*Opinion*

In our opinion:

- a) the financial report of GBM Gold Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
  - i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the period ended on that date; and
  - ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial reports also complies with *International Financial Reporting Standards* as disclosed in Note 2.

*Significant Uncertainty Regarding Going Concern*

Without qualification to the opinion expressed above, we draw your attention to Note 2(e) in the financial statements. The Group has a working capital deficiency of \$5,356,622 at 30 June 2014 (2013: \$7,411,365) and generated a loss of \$5,041,145 for the year ended on that date (2013: \$2,969,025).

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

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

*Report on the Remuneration Report*

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion*

In our opinion, the Remuneration Report of GBM Gold Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

Moore Stephens

MOORE STEPHENS  
Chartered Accountants



Nick Michael  
Partner

Melbourne, 30 September 2014