Level 2, 907 Canning Highway
Mt Pleasant
Western Australia 6153

Postal: Post Office Box 920
CANNING BRIGDE
APPLECROSS WA 6953

Phone: (618) 93159057
Fax: (618) 93159037

Email: enq@gmeresources.com.au

GME RESOURCES LTD

ABN 62 009 260 315

28 September 2006

The Companies Announcement Office
Australian Stock Exchange Limited
Level 10 Exchange Centre
20 Bond Street
SYDNEY NSW 2000

BY E-MAIL

Dear Sirs

2006 ANNUAL REPORT

Please find attached the following documents for immediate release to ASX and lodgement with ASIC:

- The 2006 Annual Report incorporating the Audited Financial Statements for GME Resources Limited and Controlled Entities for the Year ended 30 June 2006; and

Yours faithfully

MARK PITTS
Company Secretary

GME

GME RESOURCES LTD

ABN 62 009 260 315

ANNUAL REPORT

2006

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CORPORATE DIRECTORY

DIRECTORS

Chairman
Michael Delaney PERROTT B.Com

Managing Director
James Noel SULLIVAN FAICD

Director
Peter Ross SULLIVAN BE, MBA

Director
Geoffrey Mayfield MOTTERAM B.MetE(Hons), M.AusIMM

COMPANY SECRETARY

Mark Edward PITTS B.Bus, C.A.

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 2,
907 Canning Highway
Mt Pleasant WA 6153
PO Box 920
Applecross WA 6953
Telephone: (08) 9315 9057
Facsimile: (08) 9315 9037
E-Mail: enq@gmeresources.com.au
Web Site: www.gmeresources.com.au

AUDITORS

HLB Mann Judd
Chartered Accountants
15 Rheola Street
West Perth WA 6005

SHARE REGISTRY

Computershare Registry Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth WA 6000
GPO Box D182
Perth WA 6001
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

STOCK EXCHANGE LISTING

The Company's shares are quoted on the
Official List of Australian Stock Exchange Limited
Ticker code: GME

STATE OF REGISTRATION
Western Australia

CHAIRMAN'S LETTER

Dear Shareholder

It has been a successful year with good progress being made on a number of fronts. The position the Company is now in will provide further opportunities for shareholders.

The Company continued to confirm and extend the lateritic nickel resource base at the NiWest Nickel Project during the past year. Of greater strategic importance has been the delineation of significant quantities of saprock ore types, which are considered amenable to processing by Heap Leach Technology. This was highlighted in the recent prospectus in which funds were raised to further a Heap Leach development.

Whereas high clay smectite nickel ore requires treatment in high pressure acid leach facilities, recent metallurgical test work indicates that saprock ore types at several of the Company's project areas can be treated in a relatively lesser cost Heap Leach process.

Consulting Engineers Aker Kvaerner have been briefed to commence a scoping study for a plant of varying sizes which together with the outcome of the more significant column tests currently being undertaken, should provide the Board with various choices of how to proceed further.

Heap Leaching of copper and other metals has been used successfully for decades whereas treatment of nickel laterites by this technique is relatively novel. Much work has been done in recent years with heap leaching technology in the nickel and cobalt sector and the Company may be well placed to see the benefit of this increased knowledge. If the test work is favorable and we are able to take advantage of the continued high nickel price, it creates additional opportunities and value for the Company.

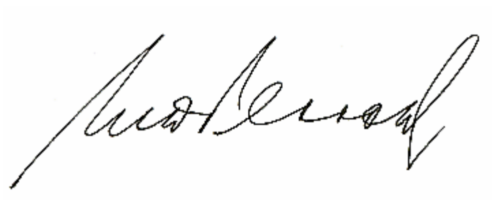
In addition to the metallurgical test work and development studies for the saprock resources, further research and development into the suitability of heap leaching of the various laterite ore types has been initiated. Should this prove successful, the quantity of available leachable nickel laterites may be greater than originally anticipated. This together with advances in treatment technology, could lead to a significant increase in magnitude of the project.

The Board is grateful to its shareholders who have continued to support the Company with another strongly supported rights issue of which 93% of the entitlements were taken up.

Our thanks are expressed to Mr Jamie Sullivan, Managing Director, and his staff together with our fellow Directors.

I look forward to welcoming you to our Annual General Meeting.

Yours faithfully



MICHAEL PERROTT
Chairman

REVIEW OF OPERATIONS

World Class Nickel Project

The NiWest Nickel Project is a world class nickel resource with a contained metal content in excess of 1,200,000 tonnes Nickel and 75,000 tonnes Cobalt, located between surface and 50 metres.

The Directors of your company have initiated metallurgical test programs and development studies aimed at unlocking the value of this multi billion dollar project using Acid Heap Leach Technology

REVIEW OF OPERATIONS

NiWest Nickel Project– 100% Ownership

The past twelve months has proven to be a very productive year for your Company. The Company's primary focus of work is the Niwest Nickel Project located in the North Eastern Goldfields of Western Australia.

The NiWest Nickel Project comprises nine project areas with a land holding of over 500 square kilometres hosting extensive nickel laterite resources. These resources are strategically located within a sixty kilometres radius of the Murrin Murrin Nickel Refinery and other important infrastructure such as, standard gauge railway linked to port facilities, a natural gas pipeline, arterial bitumen road and the townships of Leonora and Laverton. Mining Leases have been secured over 95% of the known resources and Land Access Agreements have been executed with the Native Title Claimants.

Heap Leach Development

The most significance outcome from exploration work completed this year was the discovery of high grade nickel mineralisation in saprock at the Hepi project. A review of the NiWest Nickel Project resources indicated extensive distribution of saprock ore types at Waite Kauri, Mt Kilkenny, and Eucalyptus. This type of mineralisation is friable, low in clay content and is considered amenable for processing by Heap Leach Technology.

> ***Heap Leaching has been used for decades as a processing route to extract metals such as copper, gold and silver. It is a relatively simple, proven process, which uses atmospheric conditions and basic technology to leach the metals into solution.***
>
> ***Heap Leaching is neither labour nor capital intensive requires very few moving parts and provides for low operating costs. The key to successful heap leaching is achieving competent stable heaps that maintain percolation of solution to allow the leaching process to take place.***

Until recently, the NiWest resources represented a logical long term feed to the Murrin Murrin Nickel Refinery and would equate to in excess of 12 years ore supply at the current tonnage and grade being treated by that plant.

However, a number of factors have determined that the Board proceed with an alternate development strategy to that of simple ore sale to the Murrin Murrin Joint Venture namely:

- Murrin Murrin Joint Venture has indicated that they will be able to maintain a 1.3 % Ni feed grade for some time yet.
- Metallurgical bottle roll tests performed on agglomerated RC drill cuttings indicate rapid nickel leach extraction rates up to 85% at acceptable acid consumption. An average leach rate of 66% was achieved over the tests conducted.
- A commitment to develop a Nickel Laterite Heap Leach project in Turkey by European Nickel and a commitment by the Murrin Murrin Joint Venture to establish commercial Heap Leach Operation.
- The recent recognition that a significant proportion of the NiWest resources are contained within weathered ultramafic ("Saprock") which is expected to form stable heaps with good Heap Leach percolation rates.
- An established measured / indicated resource base of 4.6 million tonnes of high grade saprock mineralisation averaging 1.31% nickel and 0.10% Cobalt at Hepi, Waite Kauri and Mt Kilkenny project areas provide the basis for a S*tage One* five year mining and processing operation at between 0.75 and 0.9 million tonnes per annum.
- Higher clay limonite / smectite ores that are not suitable to heap leach processing would be co-mined and available for sale.
- Alternatively, a research and development test program involving the blending of the high grade clay ore types with lower grade saprock ore types to establish competent stable agglomerates has the potential to unlock the value of the Niwest resources through a large scale long life heap leach operation.

Based on the above the Company has commissioned a Sonic drill rig capable of providing core samples from the lateritic profile. Sample generated has been used to establish column leach tests on representative samples from the following measured and indicated resources.

Project	***Tonnes***	***Category***	***% Ni***	***% Co***	***Contained Ni Tonnes***
Hepi	*1,108,000*	*Measured*	*1.44*	*0.10*	*15,955*
Hepi	*584,000*	*Indicated*	*1.30*	*0.11*	*7,592*
Waite Kauri	*1,300,000*	*Measured*	*1.33*	*0.14*	*17,290*
Mt Kilkenny Central	*1,655,000*	*Indicated*	*1.23*	*0.08*	*20,356*
Total	***4,647,000***		***1.31***	***0.1***	***61,193***

The test work is designed to establish the following

- That saprock mineralisation forms stable agglomerates
- Heap Leach solution percolation rates
- Nickel extraction rates
- Acid consumption rates
- Metal recovery from pregnant solution

Metallurgical Results

In March 2006 The Company engaged SGS Lakefield Oretest Pty Ltd to undertake metallurgical bottle roll tests using three separate resource areas where low clay saprolite and saprock ore types had been identified within the NNP.

At Hepi and Mt Kilkenny Central, ore intersections from multiple RC drill holes were collected, to provide representative test samples across each saprolite resource. Samples were then classified into three separate ore types and composite sample prepared for test work. The test from Waite Kauri was one composite sample prepared of the entire ore zone from drill hole WKR301. Each composite sample was analysed and then agglomerated with sulphuric acid prior to commencement of test work. The samples were rolled in bottles with sulphuric acid for 62 days to simulate heap leaching conditions.

A summary of the bottle roll leach results are listed below.

Acid Bottle Roll Test Summary 62 Days			Head Grade		Extraction		Acid Add'n
Composite Sample	Ore Type	Average Thickness	Ni %	Co%	Ni %	Co%	Kg/T
HEPI Comp 1	Saprolite Trans	2.10m	1.44	0.04	62.7	50.5	377
HEPI Comp 2	Saprolite	4.20m	1.98	0.14	60.9	36.7	429
HEPI Comp 3	Saprock	2.70m	1.48	0.08	72.2	38.8	600
MK Comp 1	Clay Trans	4.00m	1.33	0.14	54.2	39.7	447
MK Comp 2	Saprolite	7.20m	1.45	0.09	63.2	33.9	429
MK Comp 3	Saprock	7.90m	1.17	0.04	85.3	55.3	558
WK Comp 1	Saprolite/Saprock	21.00m	2.04	0.09	62.7	75.3	409

The Nickel metal extraction from the bottle roll tests were higher than those expected and these results provide the company with confidence to move forward with further metallurgical test work on representative saprock ore types from the Hepi, Waite Kauri and Mt Kilkenny resources.

Development of Heap Leach Project

As discussed the company is proceeding with column leach testwork, a metal recovery test program and definition of infrastructure availability, such as water supply. Consulting engineers Aker Kvaerner have been appointed to undertake a scoping study to be completed during the first quarter of 2007.

A Feasibility Study will then proceed, however, the scale and timing of the Feasibility Study will depend on the scale of project envisaged. A smaller scale project, with low capital cost due to purchasing acid will require less detailed engineering with a commitment expected during 2007. Commissioning of the project would take place during 2008.

The larger scale project would involve a sulphur burning acid plant, demonstration heap and demonstration metal recovery circuits with Full Feasibility completed by end 2007. Completion time for the acid plant would dictate full commissioning by end 2009. A smaller scale “lead in” project would commission on purchased acid from mid 2008.

Nickel Resources

Over the year the Company completed six drilling campaigns which involved 491 reverse circulation drill holes for a total of 15,770 metres. The programs, which were a combination of, resource expansion and infill resource definition, were highly successful. Significant increases in Total Resource were achieved along with a major upgrade of Indicated and Measured resource categories.

The exploration work undertaken over the past year has resulted in high grade resources increasing by 8.2 million tonnes, or 20%, to 48.77 million tonnes grading 1.25% Nickel and 0.10% Cobalt

Infill drilling has upgraded Total Indicated and Measured resources to 36.7 million tonnes at 1.28% Nickel and 0.09% Cobalt. This represents an increase of 85% over the past 12 months.

There remains a considerable amount of drilling work to be undertaken to fully evaluate the resource extent of each individual project area. To put this into perspective, the total strike of the laterised ultramafic structures within the NiWest Nickel Project is, in excess of 70 kilometres. In particular Eucalyptus and Mt Kilkenny are extensive holdings that host the majority of these structures.

Potential exists to build on the resource base through selective targeting of higher grade drill intersections. Planned future drilling programs will continue to be directed at evaluating the full resource potential of NiWest Nickel Project, however the primary focus of the work will shift to resource definition over the nickel saprock mineralisation. Expansion of these resources is expected to underpin the development of NiWest Heap Leach project.

A re-logging program is in progress to identify areas that require follow up work and to quantify the saprock resources. Targets will be generated from this work and followed up with drill programs.

NIWEST NICKEL PROJECT

TOTAL RESOURCES AT VARIOUS CUT OFF GRADES

				Tonnes Contained Metal	
Ni Cut Off Grade %	***Million Tonnes***	***% Ni***	***% Co***	***Nickel***	***Cobalt***
0.5	*227.55*	*0.81*	*0.05*	*1,843,000*	*113,800*
0.7	*128.1*	*1.0*	*0.06*	*1,281,000*	*76,800*
1.0	*48.76*	*1.25*	*0.1*	*609,500*	*48,700*
1.2	*26.08*	*1.42*	*0.11*	*370,300*	*28,700*

RESOURCE STATEMENT – JUNE 2006

ALL PROJECT AREAS - 1% NICKEL CUT OFF GRADE

Project	*Category*	*Million Tonnes*	*% Ni*	*% Co*
Mt Kilkenny	***Indicated***	***13.73***	***1.29***	***0.10***
Mt Kilkenny	*Inferred*	*1.38*	*1.14*	*0.07*
Eucalyptus	***Indicated***	***17.10***	***1.24***	***0.08***
Eucalyptus	*Inferred*	*7.10*	*1.16*	*0.09*
Waite Kauri	***Measured***	***1.30***	***1.33***	***0.14***
Murrin North	***Indicated***	***2.15***	***1.34***	***0.09***
Murrin North	*Inferred*	*0.97*	*1.14*	*0.11*
Hepi	***Measured***	***1.10***	***1.44***	***0.10***
Hepi	***Indicated***	***0.58***	***1.30***	***0.11***
Hepi	*Inferred*	*0.35*	*1.09*	*0.11*
Mertondale	*Inferred*	*1.20*	*1.24*	*0.08*
Macey Hill	*Inferred*	*0.30*	*1.40*	*0.15*
Duck Hill	*Inferred*	*1.50*	*1.27*	*0.30*
Total	***Indicated/Measured***	***35.96***	***1.28***	***0.09***
Total	*Inferred*	*12.80*	*1.18*	*0.12*
Total	***Combined***	***48.76***	***1.25***	***0.10***

Entitlement Issue

In June the Company announced a one for fifteen Renounceable Entitlement issue to raise up to $2.0 million dollars. The issue was not underwritten but was well supported with 93% of entitlements taken up. The issue raised $1.88 million dollars and funds will directed at further metallurgical test work, scoping studies and future drilling programs.

Information relating to exploration work completed on individual project areas is detailed over the following pages.

Eucalyptus Project

P39/3459 -3460, E39/480, E39/703, M39/289, M39/344, M39/430, M39/313, M39/568, M39/570, M39/615, M39/665 – 666, M39/802

The Eucalyptus Project contains significant defined lateritic nickel cobalt resources which represent almost 50% of the NiWest resources. About one third of this years drilling budget was directed at resource expansion and upgrading the resources at Eucalyptus. The programs resulted in a 30% increase in an overall resource tonnes (at 1% Ni cut off grade) an 85 % increase in indicated resources.

Eucalyptus Resource - 1% Ni cut off grade

	Million Tonnes	**%Ni**	**%Co**
Indicated	*17.10*	*1.24*	*0.08*
Inferred	*7.10*	*1.16*	*0.09*
Total	***24.20***	***1.22***	***0.08***

The majority of the work completed was focused on the Camelback area. The Camelback resource is relatively close to surface and has continuity of high grade mineralisation over six kilometres of strike. The detailed airborne magnetics survey that was flown in August 2005 was used as the control for the resource expansion drilling and has contributed to the recent exploration successes. A series of infill resource definition drilling programs were completed that resulted in a major upgrade in Indicated Resources.

Drilling results from the May 2006 program around hole EBRC89 area returned a number of high grade intersections greater than 1.2% nickel over 10 metres in thickness. Five of the seven holes intersected nickel mineralisation between surface and 5 metres in depth over a strike length of 800 metres.

Systematic infill RC drilling programs will continue to be undertaken to extend high grade nickel/cobalt laterite mineralisation focusing on the +1.3% Nickel zones. A new resource is expected to be delineated at Eucalyptus Central as a result of the high grade mineralisation discovered in May 2006 (see project plan). Drilling is also planned over the untested ultramafic structure to the North of Camelback into the to Eucalyptus North area.

Saprock Mineralisation

The Camelback resource is the most significant at the Eucalyptus project and contains over ten million tonnes averaging 1.25% Nickel and 0.08% cobalt. It will be re-logged to quantify the significant saprock mineralisation thought to be contained in the resource.

Mt Kilkenny

E39/688 M39/878 – 879, E39/1107-1108, P39/4404-4407, P39/4412-4417

The Mt Kilkenny Project area also represents one of the NiWest Nickel Project larger resources. Drilling programs completed throughout the year resulted in a significant increase in total tonnes and a 45% increase in Indicated resource. Details of the resource at Mt Kilkenny are listed in the following table.

Mt Kilkenny Resource - 1% Ni cut off grade

	Million Tonnes	**%Ni**	**%Co**
Indicated	*13.73*	*1.29*	*0.10*
Inferred	*1.38*	*1.14*	*0.07*
Total	***15.11***	***1.28***	***0.10***

Exploration work over the year consisted of detail airborne magnetics survey, numerous geological site inspections, four RC percussion drilling programs, petrological studies, resource calculations, and nickel sulphide review.

Fugro Airborne Surveys Pty Ltd was contracted in July 2005 to undertake a detail airborne magnetics survey of the Mt. Kilkenny Project area. The objective of this ultra detail low level magnetic survey was essentially to provide a reliable geological base to aid resource definition drilling. The detailed airborne magnetics work has contributed to the recent exploration successes.

The August 2005 drill program at Mt Kilkenny was initially planned to test several isolated high grade nickel intersections in the Central area. The aeromagnetic data illustrates that the ultramafic units over the Central area are dislocated from the main northern and southern units and that previous wide spaced drilling could have missed the ultramafic structures.

The results from the program were successful in delineating a substantial new high grade saprock resource. A significant number of holes recorded nickel intersections greater than ten metres in thickness within 12 metres of surface. The following table contains significant results from drilling at Mt Kilkenny Central

Mt Kilkenny Central Drill Results August 2005
1% Ni cut off grade

Hole	From	To	Interval	Ni%	Co%
MKC0131	8	13	5	1.32	0.16
MKC0135	12	33	21	1.28	0.07
MKC0151	5	27	22	1.37	0.06
MKC0154	3	8	5	1.21	0.15
MKC0158	12	17	5	1.00	0.07
MKC0159	11	27	16	1.15	0.05
MKC0160	12	20	8	1.37	0.05
MKC0161	11	25	14	1.35	0.14
MKC0161	32	42	10	1.21	0.05
MKC0163	35	42	7	1.70	0.17
MKC0163	43	54	11	1.36	0.06
MKC0164	4	19	15	1.00	0.03
MKC0164	24	34	10	1.10	0.03
MKC0166	13	35	22	1.11	0.09
MKC0167	**19**	**31**	**12**	**2.08**	**0.15**
MKC0169	8	12	4	1.45	0.20
MKC0170	3	10	7	1.25	0.07
MKC0173	18	31	13	1.48	0.20
MKC0173	34	42	8	1.10	0.04
MKC0177	10	16	6	1.08	0.08
MKC0178	5	29	24	1.28	0.05
MKC0179	9	31	22	1.22	0.10
MKC0181	**8**	**15**	**7**	**2.15**	**0.16**
MKC0181	19	39	20	1.39	0.05
MKC0182	21	41	20	1.23	0.05
MKC0184	9	23	14	1.30	0.09
MKC0184	25	32	7	1.05	0.04
MKC0191	20	31	11	1.10	0.04

In May 2006 a drilling program over the extent of the southern Mt Kilkenny ultramafic was completed to test for high grade mineralisation structures between the existing low grade wide spaced drill holes. Generally the results were in line with previous drilling with the exception of hole, MKC203 which intersected 18 metres averaging 1.35% nickel and 0.05% cobalt on the western edge of the ultramafic by eleven metres of sand cover.

A measured resource base will be required for project development and an infill drilling program is planned to upgrade the strike of the Mt Kilkenny Central resource. Stage one of this program is scheduled to commence in October 2006. The program will also include increased hole density over a further 1000 metres strike to the north of the Central resource. Mineralisation over this area is considered to be suitable for heap leaching.

Hepi

M39/717 – 718, M39/819

The Hepi project is located 10 kilometres to the west of the Murrin Murrin Nickel Refinery and is serviced by bitumen road and a gas pipeline. The Malcolm rail siding which is utilised by the MMJV, to transport product in and out of the area is located 30 kilometres to the west.

The majority of work in the second half of the year was focused on the Saprock resource identified at the Hepi project. The discovery program in December 2005 delivered a number of outstanding nickel intersections over a horizon 200 metres wide. Initial high grade results such as **9 metres @ 3.03% Ni, 6 metres @ 2.63% Ni and 8 metres @ 2.12% Ni** were followed up with further drill programs in February and May. In June the Company released a Measured Resource Statement for Hepi Project.

Hepi Resource - 1% Ni cut off grade

Category	***Million Tonnes***	***% Ni***	***% Co%***
Measured	*1.20*	*1.44*	*0.10*
Indicated	*0.58*	*1.30*	*0.11*
Inferred	*0.35*	*1.09*	*0.11*
Combined	***2.13***	***1.34***	***0.1***

Drilling at Hepi has shown that the distribution of saprock mineralisation is consistent in both grade and geology. Average depth to ore is 16 metres and average thickness of mineralisation at a 1% nickel cut off grade is 6.5 metres. Metallurgical results from bottle roll leach tests indicate nickel metal recoveries up to 65% are achievable under atmospheric leach conditions. Further Heap Leach test work is in progress and results are due in by February 2006.

Additional drilling is planned at Hepi over several ultramafic units that have not been drill tested. Scoping studies underway will examine the benefits of the projects location to established infrastructure, resource and suitability for future treatment plant.

Murrin North

M39/758 and MLA39/757

The Murrin North project contains a significant high grade nickel laterite resource strategically located approximately four kilometres to the North West of the Murrin Murrin JV nickel refinery.

Exploration at Murrin North was focused on completing the infill drilling program to upgrade the resource to indicated category. Two deeper angle holes were drilled to test down dip extensions to +4% nickel intersections recorded in two adjacent drill holes.

Although the angle holes both intersected nickel laterite mineralisation below the high grade zones they confirmed that the +4% nickel mineralisation represents an enriched zone within the laterite profile.

Resource calculations for Murrin North were completed in September 2005. The upgraded resource statement showed an increase in resource tonnes and grade of 15%.

Further work is planned to upgrade the inferred resources. In addition a review of the project for potential heap leach saprock ore types is also planned.

Murrin North Resource – 1% Ni cut off grade

	Million Tonnes	***%Ni***	***%Co***
Indicated	*2.15*	*1.34*	*0.09*
Inferred	*0.97*	*1.14*	*0.10*
Total	***3.12***	***1.28***	***0.10***

Waite Kauri

M37/1215

The Waite Kauri project area is located approximately 20 kilometres to the North West of the Murrin Murrin Nickel Refinery. The area contains a measured resource of 1.3 million tonnes grading 1.33 % nickel and 0.14% cobalt.

Work on the project was limited due to outstanding Heritage issues. This matter was resolved in December following the amalgamation of three tenements and the grant of a new Mining Lease.

The Waite Kauri project has been identified as a saprock ore type and is included in the Company's Heap Leach test work program. Results from bottle roll test work indicated nickel recoveries up to 63% for nickel and 75% for cobalt.

The eastern limb of the resource has recorded exceptionally high nickel grades. Further heap leach test work is in progress on samples taken from this area.

Mertondale

P37/4201 – 4205, MLA37/591

A small reverse circulation RC percussion drilling program was undertaken on three of the five Mertondale tenements, P37/4203, P37/4204 and P37/4205. Exploration objectives were to test the high grade (greater than 1.3 % Ni) areas and determine if the previous drilling was too shallow, especially in the south. Drilling would be undertaken to better evaluate the earlier drilling along the central ironstone ridge.

In total thirty six reverse circulation RC percussion holes for 1014 metres were completed on the southern three tenements.

Drilling indicated that most of the better nickel/cobalt mineralisation is restricted to a narrow ironstone capped band unit within the olivine cumulate ultramafic.

Further drilling is planned over two zones of nickel/cobalt mineralisation located in sections based upon holes MDRC062-66 and the section MDRC085-84-86. The following table shows the significant drill intercepts from the drilling program.

Mertondale Drill Results February 2006
1% Ni cut off grade

Hole	From	To	interval	Ni %	Co %
MDRC60	6	17	11	1.283	0.061
MDRC61	6	10	4	1.028	0.050
MDRC61	16	18	2	1.140	0.101
MDRC62	18	24	6	1.097	0.030
MDRC63	11	12	1	1.030	0.039
MDRC63	20	30	10	1.120	0.054
MDRC64	16	18	2	1.145	0.089
MDRC65	**10**	**28**	**18**	**1.925**	**0.107**
MDRC67	**6**	**14**	**8**	**1.359**	**0.099**
MDRC77	19	24	5	1.052	0.059
MDRC79	13	18	5	1.246	0.085
MDRC81	30	32	2	1.295	0.065
MDRC82	10	28	18	1.090	0.045
MDRC83	11	13	2	1.260	0.222
MDRC84	**24**	**29**	**5**	**1.344**	**0.232**
MDRC86	**16**	**30**	**14**	**1.496**	**0.153**
MDRC87	29	32	5	1.133	0.073
MDRC89	11	14	3	1.013	0.166
MDRC93	9	12	3	1.065	0.171
MDRC94	**14**	**17**	**3**	**1.410**	**0.374**
MDRC95	**15**	**20**	**5**	**1.490**	**0.138**

Golden Cliffs Nickel Laterite Royalty - MMJV

M39/426, 456, 552 AND 569

Minara Resources Limited on behalf of the Murrin Joint Venture has rights to nickel-cobalt laterite mineralisation on the above tenements. GME, through its subsidiary Golden Cliffs NL retains the rights to precious metals or other base metals discovered on these tenements, including nickel sulphides. To maintain these rights Minara pays the company a facility fee of $100,000 per year and, in addition to this, a royalty of $0.20 cents per tonne payable on ore processed. The royalty payment is triggered as increments of 500,000 tonnes of ore processed.

The resources located on the Golden Cliffs royalty tenements do not form part of the NiWest Nickel Project and are not included in the NiWest Statement of Resource.

In February 2006, the Company received a royalty payment $100,000. Total royalty payments received as a result of mining and processing ore from the tenements now exceeds $595,000.

The Statement of Resources provided below was supplied by Murrin Murrin JV in 1997. It is based on a 0.8% Nickel Ni cut off grade. However, the Murrin Murrin JV do not provide resource statements of available tonnes at the higher cut off grade that is required to support the current processing grade of approximately 1.3% nickel.

Statement of Resources located on Murrin Murrin JV

Royalty Tenements

Deposit	Million Tonnes	%Ni	%Co	Cut-off %Ni	Resource Status
MM4	*5.6*	*1.03*	*0.07*	*0.8*	*Measured*
MM4	*4.8*	*0.97*	*0.07*	*0.8*	*Indicated*
MM4E	*3.8*	*1.07*	*0.09*	*0.8*	*Inferred*
MM13	*7.2*	*1.11*	*0.07*	*0.8*	*Inferred*
Total	***21.4***	***1.05***	***0.07***	*0.8*	

The MMJV have announced development of commercial Heap Leach operations to treat reject scats from the treatment plant and is currently testing the viability of heap leaching lower grade ores. The Company is currently seeking information from the Murrin Murrin JV as to:

- Tonnes and grade of remaining resources in situ
- Quantities of Golden Cliffs lower grade ore on stockpiles available for heap leach processing
- Status of the next tonnage based royalty payment

Gold Assets

GME and it's subsidiary Golden Cliffs NL own a number of prospective gold projects in the Leonora – Laverton region. The amount of work undertaken on the respective areas varies from soil sampling through to diamond drilling and resource definition. Minimal work has been undertaken on these tenements over the past two years.

The gold assets do not represent their true value in the company by comparison to the nickel assets. The Company's strategy in relation to gold is to realise a fair market value of these assets through outright sale, joint venture or divestment through a new IPO.

The Company is monitoring and reviewing these and other strategic gold assets with the view to build on the base portfolio where possible. Application for a number of tenements considered either strategic to the current holding or prospective for new discoveries have been lodged over the past year. With the gold price appearing to have stabilised around $800 per ounce, opportunity now exists to maximise the value of these assets for the shareholders.

CORPORATE GOVERNANCE STATEMENT

Introduction

The Board of Directors of GME Resources Limited has adopted the following Corporate Governance Principles and is responsible for the adherence to these Principles. These Principles and Practices are reviewed regularly and upgraded or changed to reflect changes in law and what is regarded as best practice. A description of the Company's main Corporate Governance Principles and Practices is set out below.

Role of the Board

The Board has adopted the following Statement of Matters for which the Board will be responsible:

(1) Reviewing and determining the Company's strategic direction and operational policies;

(2) Review and approve business plans, budgets and forecasts and set goals for management;

(3) Appoint and remunerate Chief Executive Officer and Senior Staff;

(4) Review performance of Chief Executive Officer and Senior Staff;

(5) Review financial performance against Key Performance Indicators on a monthly basis;

(6) Approve acquisition and disposal of tenements;

(7) Approve exploration and mining programs;

(8) Approve capital, development and other large expenditures;

(9) Review risk management and compliance;

(10) Oversee the Company's control and accountability systems;

(11) Reporting to shareholders; and

(12) Ensure compliance with environmental, taxation, Corporations Act and other laws and regulations.

Managing Director

GME's most senior employee is the Managing Director who is appointed and subject to annual reviews by the Board. The Managing Director recommends policies, strategic direction and business plans for the Board's approval and is responsible for managing the Company's day-to-day business.

Board Independence

The Board consists of four directors, but up to 10 directors can serve on the board. Mr James Sullivan is the only executive the remainder are non executive. Currently the four directors are:

Michael D Perrott	Chairman	60 years	Director since 1996
James N Sullivan	Managing Director	45 years	Director since 2004
Peter R Sullivan	Director	50 years	Director since 1996
Geoffrey M Motteram	Director	57 years	Director since 1997

Mr Motteram is the only director considered Independent on the Board according to the definitions by the Australian Stock Exchange Corporate Governance Council ("**Council**").

The Managing Director, Mr J Sullivan is a full time executive, and is also a substantial shareholder of the Company. Both, the Chairman, Mr Perrott, and Mr P Sullivan are also not considered "*Independent*" by the definitions of the Council as they are both directly or indirectly substantial shareholders in the Company.

As such, the Company does not comply with the Council's recommendation, Item 2.1, that the majority of the Company's directors should be Independent Directors. The Board has however adopted a series of safeguards to ensure that independent judgement is applied when considering the business of the Board:

- Directors are entitled to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required but this is not unreasonably withheld.

- Directors having a conflict of interest with an item for discussion by the Board must absent themselves from a board meeting where such item is being discussed before commencement of discussion on such topic.

- The Independent Director confers on a "*needs*" basis with the Chairman with such discussion if warranted and considered necessary by the Independent Director.

- The Board considers Non-executive Directors to be independent even if they have minor dealings with the Company provided they are not a substantial shareholder. Transactions with a value in excess of 5% of the Company's annual operating costs are considered material. A director will not be considered independent if he has transactions in excess of this materiality threshold.

Tenure of the Board

The Directors are expected to review their membership of the Board from time to time taking into account the length of service on the Board, age, qualification and experience. In light of the needs of the Company and direction of the Company together with such other criteria considered desirable for composition of a balanced board and the overall interests of the Company.

A director is expected to resign if the remaining directors recommend that a director should not continue in office, but is not obliged to do so.

Chairman

The current Chairman is Mr Michael D Perrott, Mr Perrott brings a wealth of business experience, connections and drive to the Board.

The Chairman's role is separated from the role of the Managing Director.

The Chairman's role includes:

- Providing effective leadership on formulating the Board's strategy;

- Representing the views of the Board to the public;

- Ensuring that that the Board meets at regular intervals throughout the year and that minutes of meeting accurately record decisions taken and where appropriate the views of individual directors;
- Guiding the agenda, information flow and conduct of all board meetings;
- Reviewing the performance of the board of directors; and
- Monitoring the performance of management of the Company.

Committees

Due to the small size of the Company and the number of board members, the Board does not have a formal nomination committee structure. Any new directors will be selected according to the needs of the Company at that particular time, the composition and the balance of experience on the Board as well as the strategic direction of the Company.

Should the need arise to consider a new board member, some or all of the Directors would form the committee to consider the selection process and appointment of a new director.

At each annual general meeting the following directors retire:

- One third of directors (excluding the Managing Director);
- Directors appointed by the Board to fill casual vacancies or otherwise;
- Directors who have held office for more than three years since the last general meeting at which they were elected.

Details on Current Directors

Details on current directors including their skills and experience are included in the Directors' Report.

Ethical and Responsible Decision-making

In making decisions, the Directors of the Company, its officers and employees, take into account the needs of all stakeholders:

- Shareholders;
- Employees;
- Community;
- Creditors;
- Contractors; and
- Government (Federal, State and Local).

The Directors, officers and employees of the Company are expected to:

- Comply with the laws and regulations both by the letter and in spirit;

- Act honestly and with integrity;

- Avoid conflicts of interest by not placing themselves in situations which result in divided loyalties;

- Use the Company's assets responsibly and in the interests of the Company, not take advantage of property, information or position for personal gain or to compete with the Company;

- To keep non-public information confidential except where disclosure is authorised or legally mandated; and

- Responsible and accountable for their actions and report any unethical behaviour.

Trading in Company Securities

The Directors, officers and employees of the Company must not acquire or dispose of securities in the Company whilst in possession of price sensitive information not yet released to the market. Subject to this condition and the trading prohibition applying to periods prior to major announcements, including announcement of drilling results, announcement of half-yearly and full year results and the holding of a general meeting, trading can occur at any time.

Directors must advise the Company which in turn advises the Australian Stock Exchange of any transactions conducted by them in the Company's securities within five business days after the transaction occurs.

Integrity of Financial Reporting

GME's Managing Director and Company Secretary report in writing to the Board:

- That the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group; and

- That the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the Board and that the Company's risk management and internal controls are operating efficiently in all material respects.

Audit Committee

The Company does not have a formal audit committee as, in the opinion of the directors, the scope and size of the Company's operations do not warrant it. As such the Company is not in strict compliance of the Council's Recommendation 4.2 that the Board should establish an audit committee. It should be noted however that when the Council's Recommendation was made it was emphasised that it was more relevant for large companies.

The Board regularly reviews the scope of audits, the level of audit fees and the performance of auditors.

The Board also is continually assessing to ensure the independence of the external auditor is maintained. The company will and does, if necessary, use other consultants to avoid any potential independence issues.

Timely and Balanced Disclosure to Australian Stock Exchange

The Company has procedures in place to identify matters that are likely to have a material effect on the price of the Company's securities and to ensure those matters are notified to the Australian Stock Exchange in accordance with its listing rule disclosure requirements.

Information to the market and media is handled by the Chairman, the Managing Director or the Company Secretary. In particular, the Company Secretary has been nominated as the person responsible for communications with Australian Stock Exchange. This role includes responsibility for compliance with the continuous disclosure requirements of the Australian Stock Exchange Listing Rules and overseeing and coordinating information disclosures to Australian Stock Exchange, analysts, brokers, shareholders the media and the public.

All disclosures to Australian Stock Exchange are posted on the Company's website soon after clearance has been received from Australian Stock Exchange.

The Chairman, the Managing Director and Company Secretary are monitoring information in the marketplace to ensure that a false market does not emerge in the Company's securities.

Communication with Shareholders

It is the Company's communication policy to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company.

The information is communicated to the shareholders through:

- Continuous disclosure announcements made to the Australian Stock Exchange;
- Distribution of the annual report to shareholders together with a notice of meeting;
- Posting of half-yearly results and all Australian Stock Exchange announcements on the Company's website;
- Posting of all major drilling results;
- Posting of all media announcements on the Company's website; and
- Calling of annual general meetings and other meetings of shareholders to obtain approval for board action as appropriate.

On the Company's website, information about the Company's projects are shown.

At annual general meetings and other general meetings of shareholders, shareholders are encouraged to ask questions of the Board of Directors relating to the operation of the Company.

Risk Management

Due to its size of operation and size of the board, there is no formal board committee to identify, assess and monitor and manage risk. Responsibility for day to day control and risk management lies with the Managing Director and Company Secretary (financial risk) with reporting responsibility to the Board. The Board participate and monitor risks including but not limited to compliance with development and environmental approvals, tendering, contracting and development, pricing of products, quality, safety, strategic issues, financial risk, joint venture, accounting and insurance. Any changes in the risk profile for the Company are communicated to its stakeholders via an announcement to Australian Stock Exchange.

Performance

The Board has adopted a self-evaluation process to measure its own performance. The Chairman evaluates the performance of each director and the Board evaluates the performance of the Chairman. Performance of senior executives is evaluated by the Managing Director in cooperation with the Chairman. All performance evaluations are measured against budget, goals and objectives set.

All directors of the board have access to the Company Secretary who is appointed by the Board. The Company Secretary reports to the Chairman, in particular to matters relating to corporate governance.

All board members have access to professional independent advice at the Company's expense provided they first have obtained the Chairman's approval which will not be unreasonably withheld.

Remuneration

Managing Director and Non-executive Directors

The directors are remunerated for the services, they render the Company and such services are normally carried out under normal commercial terms and conditions. Remuneration is also determined having regard to how directors are remunerated for other similar companies, the time spent on the Company's matters and the performance of the Company. Engagement and payment for such services are approved by the other directors with no interest in the engagement of services.

The Board has no retirement or termination benefits. Payments to all directors are set out in the Director's Report.

Senior Executives

The remuneration of senior executives is discussed and determined by the Board upon receiving advice from the Managing Director. The remuneration packages are set at levels intended to attract and retain the executives capable of managing the Company's operations.

The remuneration of senior executives, where applicable is set out in the Directors' Report.

General

Due to the staff size and the close involvement of the Board in the operations of the Company, the Company does not operate a formal remuneration committee. All remuneration paid to the Chairman, Non-executive Directors, Executive Director and Senior Executives are all reviewed and discussed by the Board.

The Company does not operate an employee share option plan and there are no options outstanding issued to directors, employees or former employees.

Interests of Stakeholders

It is the Company's objective to create wealth for its shareholders and provide a safe and challenging environment for employees and for the Company to be a valuable member of the community as a whole.

The Company's ethical and responsible behaviour is set out under the heading "*Ethical and Responsible Decision-making*".

The Company's core values are summarised as follows:

- Provide value to its shareholders through growth in its market capitalisation;
- Act with integrity and fairness;
- Create a safe and challenging workplace;
- Be participative and recognise the needs of the community;
- Protect the environment;
- Be commercially competitive; and
- Strive for high quality performance and development.

DIRECTORS' REPORT

Your directors present their report of GME Resources Limited and its controlled entities for the financial year ended 30 June 2006.

Directors

The names of directors in office at any time during or since the end of the year are:

Michael Delaney Perrott	(Non executive - Chairman)
James Noel Sullivan	(Managing Director)
Peter Ross Sullivan	(Non executive - Director)
Geoffrey Mayfield Motteram	(Non executive - Director)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

The principal activities of the consolidated entity are mineral exploration and investment.

No significant change in the nature of these activities occurred during the year.

Operating and Financial Review
Operating Results

The net loss after income tax attributable to members of the consolidated entity for the financial year to 30 June 2006 amounted to $379,353 (2005: $30,538).

Overview of operating activity

During the reporting period, the Company's exploration focus was directed towards upgrading it's 100% owned NiWest Nickel Project located in the North Eastern Goldfields of Western Australia.

Work completed has resulted is a significant increase in total resources and upgrading of resource category. The resource base for the NiWest Nickel project now stands at 48.76 million tonnes averaging 1.25% Nickel and 0.10% Cobalt. Measured and Indicated resources are 35.96 million tonnes grading 1.28% Nickel and 0.09% Cobalt.

Initial test work on saprock resources at several of the project areas indicates that these ore types may be amenable to treatment by Heap Leach Technology. Stage two test work has be initiated to establish if the saprock ore can form stable heaps and maintain percolation rates required in Heap Leach processing.

In addition to this work the Company has briefed a consulting engineer on commencing a scoping study to fully evaluate the development of a project using Heap Leach Technology. Results from test work and the scoping studies are expected to be completed by March 2007.

For a more detailed summary of activities for the year refer to the Review of Operations set out elsewhere in this Annual Report

Financial Position

At the end of the financial year the consolidated entity had $365,547 (2005 $351,709) in cash and at call deposits.

Cash increased subsequent to the end of the financial year with the successful conclusion of a Renounceable Entitlement Issue (refer Note 23 in the Financial Report). Carried forward exploration expenditure was $9,097,138 (2005 $7,663,965).

During the year issued capital increased from 191,499,384 in 2005 to 202,807,215 ordinary shares at the end of 2006, the movement of 11,307,831 ordinary shares resulted from a 1:15 entitlement issue on the 12^{th} August 2005.

Dividends

No dividends have been paid or declared since the start of the financial year. No recommendation is made as to dividends.

Significant Changes in State of Affairs

On 12 August 2005, Directors closed a 1 for 15 renounceable entitlement issue at 15 cents. The entitlement issue was not underwritten and closed with almost 90% acceptances. The Company's share registry received acceptances for 11,307,831 ordinary shares at an issue price of 15 cents per share raising a total of $1,696,175.65.

The Company elected not to place the shortfall of 1,458,795 shares or 11.4%.

Other than the Renounceable Entitlement Issue as referred to, there were no significant changes in the state of affairs of the consolidated entity during the financial year.

After Balance Date Events
On 28 June 2006, Directors announced a 1 for 15 Renounceable Entitlement Issue at 15 cents. The entitlement issue was not underwritten, and on 11 August 2006 the offer closed with almost 93% acceptances. The Company's share registry received acceptances for 12,558,783 ordinary shares at an issue price of 15 cents per share raising a total of $1,883,817.

The Company elected not to place the shortfall of 961,698 shares or 7.2%.

Other than the Renounceable Entitlement Issue as referred to, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the consolidated entity's operations, the results of those operations or the consolidated entity's state of affairs in future financial years.

Likely Developments

The consolidated entity's areas of interest are in the exploration stage, and although the results of work carried out to date are encouraging it is not possible to predict the likely developments. The consolidated entity will continue its mineral exploration and investment with the object of finding further mineralised resources and exploiting those already discovered.

The Board is following a strategic plan for the growth of the consolidated entity, however, further information about likely developments future prospects and business strategies as they pertain to the operations and expected results of those operations have not been included in this report, as the Directors' reasonably believe that disclosure of this information would be likely to result in unreasonable prejudice to the consolidated entity.

Information on Directors and Company Secretary

Michael Delaney Perrott BCom FAIM
(Chairman) 60 Years
Director since 1996

Mr Perrott has been involved in industries associated with construction, contracting, mining and land development since 1969. He is currently Chairman and director of various listed and unlisted public and private companies. He is a member of the Board of Notre Dame University and a council member of National Advisory Council for Suicide Prevention and Community Life.

Mr Perrott has been Chairman of the Company since his appointment as a director in 1996.

Other current directorships of listed companies
Director of Port Bouvard Limited since 1998 and Chairman since December 2000, director of Portman Limited since June 1997 and Schaffer Corporation Limited since February 2005.

Former directorships of listed companies in last 3 years
Chairman of Bone Medical Limited from May 2001 to August 2005 and Asset Backed Holdings Limited from October 2000 to October 2003.

James Noel Sullivan
(Managing Director) 45 Years
Director since 2004

Mr Sullivan was appointed Managing Director of the Company in October 2004. Mr Sullivan has over 20 years experience in commerce providing services to the mining and allied industries.

Mr Sullivan was instrumental in establishing and managing the Golden Cliffs Prospecting Syndicate which acquired and pegged a number of prospective tenements in the Eastern Goldfields. The Golden Cliffs Prospecting Syndicate was subsequently acquired by the company in 1996. Mr Sullivan has extensive knowledge in mining and prospecting in the North Eastern Goldfields and in particular on matters involving tenement administration, native title negotiation and supply and logistics of services. Mr Sullivan's practical knowledge in these areas will be of great benefit to the Company as it seeks to develop its assets for the benefit of its shareholders.

Mr Sullivan has not been a Director of any other public listed entities during the past three years.

Peter Ross Sullivan BE, MBA
(Non Executive Director) 50 years
Director since 1996

Mr Sullivan is an engineer and has been involved in the management and strategic development of resource companies and projects for more than 20 years.

Mr Sullivan has been a director of the Company since his appointment in 1996.

Other current directorships of listed companies
Mr Sullivan has been a director of Resolute Mining Limited since June 2001.

Former directorships of listed companies in last 3 years
Mr Sullivan was a Director of Valhalla Uranium Limited for the period September 2005 to September 2006.

Geoffrey Mayfield Motteram BMetE (Hons), MAusIMM
(Non Executive Director) 57 years
Director since 1997

Mr Motteram is a metallurgical engineer with over 30 years' experience in the development of projects in the Australian resources industry.

He has extensive experience in gold and base metals having been involved with WMC's Kwinana Nickel Refinery and Kalgoorlie Nickel Smelter. He subsequently joined BHP, and later Metals Exploration, where he was involved in the evaluation of gold and base metal projects. Since 1989 he has acted as a Mining Project and Metallurgical Consultant. He was involved in the formation of Minara Resources Limited (formerly Anaconda Nickel Limited) in 1994 and controlled the technical development of the Murrin Murrin Joint Venture until the end of 1997. He is a former director of Minara Resources Limited.

Mr Motteram has been a non executive director of the Company since 1997, and provides technical support to the Company. During the past three years Mr Motteram has not been a Director of any other public listed entities.

Mr Mark Pitts B.Bus CA
(Company Secretary) 44 Years

Mr Pitts was appointed to the position of Company Secretary in June 2005. Mr Pitts is a Chartered Accountant who has been providing financial accounting, assurance and governance advice for 20 years. He is currently a Partner in advisory firm Endeavour Corporate which specialises in the provision of company secretarial services to ASX listed entities.

Remuneration report

The remuneration report is set out in the following manner:

- Policies used to determine the nature and amount of remuneration.
- Details of remuneration
- Service agreements
- Share based compensation

Remuneration policy

The Board of Directors is responsible for remuneration policies and the packages applicable to the Directors of the Company. The broad remuneration policy is to ensure that packages offered properly reflect a person's duties and responsibilities and that remuneration is competitive and attracts, retains, and motivates people of the highest quality.

The Managing Director and Non-executive Directors are remunerated for the services they render to the Company and such services are carried out under normal commercial terms and conditions. Engagement and payment for such services are approved by the other directors who have no interest in the engagement of services.

There are no retirement or termination benefits payable to the Board or senior executives.

At the date of this report the Company had not entered into any packages with Directors or senior executives which include performance based components, the Company does not operate an employee share option plan and there are no options outstanding issued to directors, employees or former employees.

(Refer to the Corporate Governance Statement for more detail on the Board's policy in this area.)

Details of remuneration for Directors'

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. The Board of Directors obtains independent advice when appropriate when reviewing remuneration packages.

During the year there were no senior executives which were employed by the Company for whom disclosure is required.

Details of nature and amount of each element of the emoluments of directors and executives of the Company (and each of the officers of the Company and the consolidated entity receiving the highest remuneration) are:

Managing Director	**Fees 2006 $**	**Fees 2005 $**
James N Sullivan (appointed Oct 2004)	123,341	92,999

Non – Executive Directors	**Fees 2006 $**	**Fees 2005 $**
Michael D Perrott	30,000	30,000
Geoffrey M Motteram	24,000	18,000
Peter R Sullivan	24,000	24,000

The Company and its subsidiaries had no employees as at 30 June 2006.

Service agreements

There are no service agreements with any of the Company's Directors.

Share based compensation

There is currently no provision in policies of the consolidated entity for the provision of share based compensation to directors or senior executives. The interest of Directors in shares and options is set out elsewhere in this report.

Directors and Executives Interests

The relevant interests of directors either directly or through entities controlled by the directors in the share capital of the company as at the date of this report are:

Director	Ordinary Shares Balance 1/7/05	Net Change (i)	Ordinary Shares Balance 30/6/06	Share issue subsequent to Balance Date (ii)	Ordinary Shares Balance at the date of this Report
Michael D Perrott	9,196,967	613,132	9,810,099	654,006	10,464,105
James N Sullivan	9,356,132	837,877	10,194,009	679,596	10,873,605
Peter R Sullivan	11,540,147	769,345	12,309,492	987,796	13,297,288
Geoffrey M Motteram	3,885,050	259,004	4,144,054	276,270	4,420,324

(i) Net change - movement for the year was in respect of 15:1 entitlement taken up in August 2005. A related party to James N Sullivan also purchased an additional 214,666 shares on market during the year.
(ii) Renounceable entitlement issue refer note 23.

Meetings of Directors

During the year, 7 meetings of directors were held. Attendances were:

Name	Number Eligible to Attend	Number Attended
Michael D Perrott	7	7
James N Sullivan	7	7
Peter R Sullivan	7	7
Geoffrey M Motteram	7	7

Loans to Directors and Executives

There were no loans entered into with Directors or executives during the financial year under review.

Related party transactions with directors and executives are set out in Note 17 to the Financial Report.

Unlisted Options

At the date of this report the number of unlisted Options on issue were as follows:

- 2,000,000 Options exercisable at $0.20 each;
- 2,000,000 Options exercisable at $0.30 each; and
- 1,000,000 Options exercisable at $0.40 each.

All of the above unlisted Options will expire on 30 June 2007.

Audit Committee

The Company does not have an audit committee as, in the opinion of the directors, the scope and size of the Company's operations do not warrant it.

Indemnifying Officers or Auditors

The company has not, during or since the financial year, in respect of any person who is or has been an officer or the auditor of the Company or of a related body corporate:

- indemnified or made any relative agreement for indemnifying against a liability incurred as an officer or auditor, including costs and expenses in defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer or auditor for the costs or expenses to defend legal proceedings.

Environmental Regulation

The consolidated entity's exploration and mining tenements are located in Western Australia. There are significant regulations under the Western Australian Mining Act 1978 and the Environmental Protection Acts that apply. Licence requirements relating to ground disturbance, rehabilitation and waste disposal exist for all tenements held.

The directors are not aware of any significant breaches during the period covered by this report.

Proceedings on Behalf of Company

No person has applied for leave of Court, pursuant to section 237 of the Corporations Act 2001, to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company or consolidated entity are important.

During the year HLB Mann Judd, has performed certain other services in addition to their statutory audit duties, details of all amounts paid or payable to the auditor are set out in Note 14.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with and did not compromise, the auditor independence requirements of the Corporations Act 2001.

Auditors' independence declaration

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

This report is signed in accordance with a Resolution of Directors.

James N Sullivan
Managing Director
Perth, Western Australia
27 September 2006

HLB Mann Judd
Chartered Accountants

Auditors' Independence Declaration

As lead auditor for the audit of the financial report of GME Resources Ltd for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of GME Resources Ltd.

Perth, Western Australia
27 September 2006

N G NEILL
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership)
15 Rheola Street West Perth 6005. PO Box 263 West Perth 6872 Western Australia. DX 238 (Perth) Telephone +61 (08) 9481 0977. Fax +61 (08) 9481 3686.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au
Partners: Ian H Barsden, Terry M Blenkinsop, Litsa Christodulou, Wayne M Clark, Lucio Di Giallonardo, Colin D Emmott, Trevor G Hoddy, Norman G Neill, Peter J Speechley

CONSOLIDATED INCOME STATMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Parent Entity	
		2006 $	2005 $	2006 $	2005 $
Revenue	2	154,402	379,512	54,402	179,512
Interest expense		-	19,104	-	19,104
Depreciation expense		8,112	2,109	8,112	2,109
Write down in value of carried forward exploration expenditure		65,335	-	64,987	-
Write down in value of investments		-	750	-	750
Management and consulting fees		249,841	223,000	249,841	223,000
Administration expenses		210,467	165,087	210,467	165,067
Loss before income tax expense		379,353	30,538	479,005	230,518
Income tax expense	3	-	-	-	-
Loss from ordinary activities after related income tax		379,353	30,538	479,005	230,518
Net loss attributable to members of the parent entity		379,353	30,538	479,005	230,518
Earnings Per Share					
Basic earnings per share (cents per share)	16	(0.19)	(0.02)		
Diluted earnings per share (cents per share)	16	(0.19)	(0.02)		

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
CURRENT ASSETS					
Cash and cash equivalents	13(b)	365,547	351,709	365,547	351,709
Receivables	4	95,035	166,289	41,448	43,282
Other financial assets	5	8,250	9,375	8,250	9,375
TOTAL CURRENT ASSETS		468,832	527,373	415,245	404,366
NON CURRENT ASSETS					
Receivables	6	-	-	5,391,513	3,916,610
Other financial assets	7	-	-	2,615,950	2,615,950
Plant and equipment	8	24,377	32,489	24,377	32,489
Exploration costs carried forward	9	9,097,138	7,663,965	1,037,228	1,080,246
TOTAL NON CURRENT ASSETS		9,121,515	7,696,454	9,069,068	7,645,295
TOTAL ASSETS		9,590,347	8,223,827	9,484,313	8,049,661
CURRENT LIABILITIES					
Payables	10	241,361	166,267	1,421,652	1,178,774
TOTAL CURRENT LIABILITIES		241,361	166,267	1,421,652	1,178,774
TOTAL LIABILITIES		241,361	166,267	1,421,652	1,178,774
NET ASSETS		9,348,986	8,057,560	8,062,661	6,870,887
EQUITY					
Issued Capital	11	23,221,622	21,549,718	23,221,622	21,549,718
Financial Assets Reserve	11	(1,125)	-	(1,125)	-
Accumulated losses		(13,871,511)	(13,492,158)	(15,157,836)	(14,678,831)
TOTAL EQUITY		9,348,986	8,057,560	8,062,661	6,870,887

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

CONSOLIDATED	Note	ORDINARY SHARES	FINANCIAL ASSETS RESERVE	ACCUMULATED LOSSES	TOTAL
Balance at 1 July 2004		20,630,217	-	(13,461,620)	7,168,597
Loss attributable to members of the parent entity in 2005		-	-	(30,538)	(30,538)
Shares issued	11	919,501	-	-	919,501
Balance at 30 June 2005		21,549,718	-	(13,492,158)	8,057,560
Revaluation of financial assets		-	(1,125)	-	(1,125)
Loss attributable to members of the parent entity in 2006		-	-	(379,353)	(379,353)
Shares issued (net of costs)	11	1,671,904	-	-	1,671,904
Balance at 30 June 2006		23,221,622	(1,125)	(13,871,511)	9,348,986
PARENT					
Balance at 1 July 2004		20,630,217	-	(14,448,313)	6,181,904
Loss attributable to members of the parent entity in 2005		-	-	(230,518)	(230,518)
Shares issued	11	919,501	-	-	919,501
Balance at 30 June 2005		21,549,718	-	(14,678,831)	6,870,887
Loss attributable to members of the parent entity in 2006		-	-	(479,005)	(479,005)
Revaluation of financial assets		-	(1,125)	-	(1,125)
Shares issued (net of costs)	11	1,671,904	-	-	1,671,904
Balance at 30 June 2006		23,221,622	(1,125)	(15,157,836)	8,062,661

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Parent Entity	
		2006 $	2005 $	2006 $	2005 $
Cash Flows From Operating Activities					
Cash receipts from customers		220,000	110,000	-	-
Cash paid to suppliers and employees		(1,932,387)	(2,019,918)	(487,318)	(631,273)
Interest received		54,321	57,971	54,321	57,971
Interest paid		-	(5,264)	-	(5,264)
Net cash from operating activities	13(a)	(1,658,066)	(1,857,211)	(432,997)	(578,566)
Cash Flows From Investing Activities					
Acquisition of Plant and equipment		-	(33,999)	-	(33,999)
Proceeds from sale of prospects		-	132,000	-	132,000
Amounts paid on behalf of controlled entities		-	-	(1,225,069)	(1,263,541)
Net cash from investing activities		-	98,001	(1,225,069)	(1,165,540)
Cash Flows From Financing Activities					
Proceeds from issue of shares		1,696,174	287,500	1,696,174	287,500
Payment of costs associated with issue of shares		(24,270)	-	(24,270)	-
Net cash from Financing activities		1,671,904	287,500	1,671,904	287,500
Net Increase/(Decrease) in Cash and cash equivalents		13,838	(1,471,710)	13,838	(1,456,606)
Cash and cash equivalents at 1 July		351,709	1,823,419	351,709	1,808,315
Cash and cash equivalents at 30 June	13(b)	365,547	351,709	365,547	351,709

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. STATEMENT OF ACCOUNTING POLICIES

GME Resources Limited ('the Company') is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2006 comprise the Company and its subsidiaries (together referred to as 'the Group').

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, unless otherwise stated, except for available for sale investments which have been measured at fair value.

The financial report is presented in Australian dollars.

(b) Statement of compliance

The financial report was authorised for issue on 26th September 2006..

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement.* The Company has adopted the exemption under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* from having to apply AASB 132 and AASB 139 to the comparative period. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in Note 22.

The following amendments to Australian Accounting Standards that have recently been issued or amended are not applicable to the Company and therefore have no impact.

Amendment/New Standard	Affected Standards
2005-2	AASB 1023: General Insurance Contracts
2005-4	AASB 139: Financial Instruments: Recognition and Measurement, AASB 132: Financial Instruments: Disclosure and Presentation, AASB 1: First-time adoption of AIFRS, AASB 1023: General Insurance Contracts and AASB 1028: Life Insurance Contracts
2005-9	AASB 4: Insurance Contracts, AASB 1023: General Insurance Contracts, AASB 139: Financial Instruments: Recognition and Measurement and AASB 132: Financial Instruments: Disclosure and Presentation
2005-12	AASB 1038: Life Insurance Contracts and AASB 1023: General Insurance Contracts
UIG 6	UIG 6 Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
UIG 7	UIG 7 Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Australian Accounting Standards and Urgent Issues Group Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2006:

Amendment / New Standard	Affected Standards	Nature of Change to Accounting Policy	Application Date of Standard*	Application Date for Company
2004-3	AASB 1 First time adoption of AIFRS AASB 101 Presentation of Financial Statements AASB 124 Related Party Disclosures	No change to accounting policy required. Therefore no impact	1 January 06	1 July 06
2005-1	AASB 139: Financial Instruments: Recognition and Measurement	No change to accounting policy required. Therefore no impact	1 January 06	1 July 06
2005-5	AASB 1: First time adoption of AIFRS, AASB 139: Financial Instruments: Recognition and Measurement	No change to accounting policy required. Therefore no impact	1 January 06	1 July 06
2005-6	AASB 3: Business Combinations	No change to accounting policy required. Therefore no impact	1 January 06	1 July 06
2005-10	AASB 132: Financial Instruments: Disclosure and Presentation, AASB 101: Presentation of Financial Statements, AASB 114: Segment Reporting, AASB 117: Leases, AASB 133: Earnings per Share, AASB 139: Financial Instruments: Recognition and Measurement, AASB 1: First time adoption AIFRS, AASB 4: Insurance Contracts, AASB 1023: General Insurance Contracts and AASB 1038: Life Insurance Contracts	No change to accounting policy required. Therefore no impact	1 January 07	1 July 07
2006-1	AASB 121 The Effects of Change in Foreign Currency Rates	No change to accounting policy required. Therefore no impact	1 January 06	1 July 06
AASB 7	AASB 7 Financial Instruments: Disclosures	No change to accounting policy required. Therefore no impact	1 January 07	1 July 07

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

AASB 119	AASB 119 Employee Benefits	No change to accounting policy required. Therefore no impact	1 January 06	1 July 06
UIG 4	UIG 4 Determining whether an Arrangement contains a Lease	No change to accounting policy required. Therefore no impact	1 January 06	1 July 06
UIG 5	UIG 5 Rights to Interests in Decommissioning, Restoration and Environmental Rehabilitation Funds	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
UIG 8	UIG 8 Scope of AASB 2	No change to accounting policy required. Therefore no impact	1 May 2006	1 July 2006
UIG 9	UIG 9 Reassessment of Embedded Derivatives	No change to accounting policy required. Therefore no impact	1 June 2006	1 July 2006

*Application date is for the annual reporting periods beginning on or after the date shown in the above table.

(c) Principles of Consolidation

The consolidated financial statements comprise the financial statements of GME Resources Limited and its subsidiaries as at 30 June each year (the Group).

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(d) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income
Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset

(e) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(f) Receivables

Outlined below are the relevant accounting policies for trade and other receivables applicable for the years ending 30 June 2006 and 30 June 2005.
Accounting policies applicable for the year ending 30 June 2006
Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.
Accounting policies applicable for the year ending 30 June 2005
Trade receivables were recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts was made when collection of the full amount was no longer probable. Bad debts were written off as incurred.

(h) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.
Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

(i) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax 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.

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

(j) Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – over 4 to 5 years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. 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

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount

For plant and equipment, impairment losses are recognised in the income statement in the cost of sales line item.

(ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(k) Investments and other financial assets

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for investments and other financial assets applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category ‘financial assets at fair value through profit or loss’. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

Accounting policies applicable for the year ending 30 June 2005

Listed shares were carried at net market value. Changes in net market value were recognised as a revenue or expense in determining the net profit for the period.

All other non-current investments were carried at the lower of cost and recoverable amount.

(l) Exploration and Evaluation Expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the income statement

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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

Exploration and evaluation assets are assessed for impairment if

- sufficient data exists to determine technical feasibility and commercial viability, and
- facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy 1(m)).

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

(m) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(n) Trade and other payables

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other payables applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Accounting policies applicable for the year ending 30 June 2005

Trade payables and other payables are carried at costs which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

(o) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with potential dilutive ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and potential dilutive ordinary shares, adjusted for any bonus element.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		Parent Entity	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
2. REVENUE AND EXPENSES				
(a) Revenue				
Operating Activities				
Interest received	54,321	57,971	54,321	57,971
Proceeds from:				
Facilitation fee for prospecting rights	100,000	100,000	-	-
Royalty fees	-	100,000	-	-
Other revenue	81	1,541	81	1,541
	154,402	259,512	54,402	59,512
Non Operating Activities				
Proceeds from disposal of tenements	-	120,000	-	120,000
Total revenue	154,402	379,512	54,402	179,512
(b) Expenses:				
Depreciation – plant and equipment	8,112	2,109	8,112	2,109
Interest – other persons	-	19,104	-	19,104
Write down in value of carried forward exploration expenditure	65,335	-	64,987	-
Write down in value of investments	-	750	-	750

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

3. INCOME TAX

	Consolidated 2006 $	Consolidated 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
(a) Income tax recognised in profit and loss				
The prima facie tax benefit on operating result is reconciled to the income tax provided in the financial statements as follows:				
Accounting loss before tax from continuing operations	379,353	30,537	479,005	230,518
Income tax (expense) benefit calculated at 30%	113,806	9,161	143,702	69,156
Non-deductible expenses	-	(1,837)	-	(1,837)
Adjustments to head entity in respect of tax consolidation	-	-	412,962	413,267
Other	7,281	(1,637)	7,281	(1,637)
Adjustments in respect of deferred income tax of previous years	(15,289)	(20,976)	1,959,227	1,480,278
Unrecognised deferred tax assets / (liabilities)	(105,798)	15,289	(2,523,172)	(1,959,227)
Income Tax expense/(benefit) reported in the income statement	-	-	-	-
(b) Unrecognised deferred tax balances				
Unrecognised deferred tax assets comprise:				
Losses available for offset against future taxable income	2,797,214	2,233,427	2,797,214	2,233,427
Prepayments	-	3,969	-	3,969
Capital raising costs	35,137	43,771	35,137	43,771
Accrued expenses and liabilities	3,000	3,000	2,400	2,400
	2,835,351	2,284,167	2,834,751	2,283,567
Unrecognised deferred tax liabilities comprise:				
Exploration expenditure	2,729,141	2,299,190	311,168	324,074
Depreciation for tax purposes	412	266	412	266
	2,729,553	2,299,456	311,580	324,340
Income tax expense not recognised directly in equity:				
Capital raising costs	33,953	42,193	33,953	42,193

Potential deferred tax assets attributable to tax losses and capital losses carried forward have not been brought to account because directors do not believe it is appropriate to regard realisation of the future tax benefit as probable.

Tax Consolidation
Effective 1 July 2003, for the purposes of income taxation, the Company and its 100% wholly-owned subsidiaries formed a tax consolidated group, the head entity of the tax consolidated group is GME Resources Limited.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		Parent Entity	
	2006 $	2005 $	2006 $	2005 $

4. RECEIVABLES (CURRENT)

Sundry debtors	95,035	166,289	41,448	43,282

5. OTHER FINANCIAL ASSETS (CURRENT)

Available-for-sale				
Listed investments	8,250	9,375	8,250	9,375

Listed shares are carried at current market value. A reduction in market value amounting to $1,125 has been recognised for this financial year directly in equity. In the prior years reductions were recognised in the income statement.

6. RECEIVABLES (NON CURRENT)

Loans to controlled entities (wholly owned)	-	-	6,714,208	5,239,305
Provision for impairment loss	-	-	(1,322,695)	(1,322,695)
	-	-	5,391,513	3,916,610

An existing provision for non recoverability has been reclassified as an impairment loss recognised against loans to controlled entities. The provision is considered prudent as these entities have continued to incur losses during the year. The provision allows for the possibility of these loans not being recoverable.

7. OTHER FINANCIAL ASSETS (NON CURRENT)

Unlisted Investments:				
Controlled entities (refer note 12)	-	-	5,178,206	5,178,206
Provision for impairment loss	-	-	(2,562,256)	(2,562,256)
	-	-	2,615,950	2,615,950

All investments comprise ordinary shares and no shares held in related corporations are listed on a prescribed stock exchange.

The recoverability of the carrying value of shares in controlled and associated entities is dependent on the successful development and commercial exploration or, alternatively, sale of the respective areas in which those controlled entities have an interest.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

8. PLANT AND EQUIPMENT (NON CURRENT)

	Consolidated 2006 $	Consolidated 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Plant and equipment - at cost	34,641	34,641	34,641	34,641
Less provision for depreciation	(10,264)	(2,152)	(10,264)	(2,152)
Total Plant and Equipment	24,377	32,489	24,377	32,489
Reconciliation of the carrying amount of plant and equipment:				
Carrying amount at the beginning of the year	32,489	599	32,489	599
Additions	-	33,999	-	33,999
Disposals	-	-	-	-
Depreciation	(8,112)	(2,109)	(8,112)	(2,109)
Carrying amount at the end of the year	24,377	32,489	24,377	32,489

9. EXPLORATION EXPENDITURE CARRIED FORWARD (NON CURRENT)

	Consolidated 2006 $	Consolidated 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Deferred exploration expenditure - at cost				
Movements:				
Balance at beginning of the year	7,663,965	6,028,300	1,080,246	1,022,118
Direct expenditure	1,498,508	1,635,665	21,969	58,128
	9,162,473	7,663,965	1,102,215	1,080,246
Less exploration expenditure written off	(65,335)	-	(64,987)	-
	9,097,138	7,663,965	1,037,228	1,080,246

The ultimate recoupment of the above deferred exploration expenditure is dependent on the successful development and commercial exploitation or, alternatively, sale of the respective areas.

10. PAYABLES (CURRENT)

	Consolidated 2006 $	Consolidated 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Trade payables and accruals	181,361	106,267	179,361	104,267
Unearned income	60,000	60,000	-	-
Amount payable to wholly owned entity	-	-	1,242,291	1,074,507
	241,361	166,267	1,421,652	1,178,774

Trade payables and accruals are non interest bearing and normally settled on 30 day terms.

Details of exposure to Interest rate risk and fair value in respect of liabilities are set out in note 18. There are no secured liabilities as at 30 June 2006.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
11. CONTRIBUTED EQUITY AND RESERVES					
Issued and paid up capital					
202,807,215 (2005: 191,499,384) ordinary shares, fully paid		23,221,622	21,549,718	23,221,622	21,549,718
Ordinary shares					
Balance at the beginning of the year		21,549,718	20,630,217	21,549,718	20,630,217
Entitlement issue	(a)	1,696,174	-	1,696,174	-
Costs associated with entitlement issue		(24,270)	-	(24,270)	-
Issue of shares pursuant to a Native Title Agreement		-	332,000	-	332,000
Conversion of convertible note and take up of 1998 and 2004 entitlements		-	293,750	-	293,750
Conversion of convertible note and take up of 1998 and 2004 entitlements		-	293,751	-	293,751
Balance at the end of the year		23,221,622	21,549,718	23,221,622	21,549,718
		No of Shares	**No of Shares**	**No of Shares**	**No of Shares**
Balance at the beginning of the year		191,499,384	180,555,834	191,499,384	180,555,834
Entitlement issue	(a)	11,307,831	-	11,307,831	-
Issue of shares pursuant to a Native Title Agreement		-	2,193,548	-	2,193,548
Conversion of convertible note and take up of 1998 and 2004 entitlements		-	4,375,001	-	4,375,001
Conversion of convertible note and take up of 1998 and 2004 entitlements		-	4,375,001	-	4,375,001
Balance at the end of the year		202,807,215	191,499,384	202,807,215	191,499,384

(a) On 12 August 2005 the Company received acceptances for 11,307,831 ordinary shares at an issue price of 15 cents per share pursuant to a renounceable entitlement issue of 1:15 shares.

Options over Unissued Capital

At 30 June 2006, 5,000,000 unlisted options were on issue.

2,000,000 Options exercisable at $0.20 each;
2,000,000 Options exercisable at $0.30 each; and
1,000,000 Options exercisable at $0.40 each.

All of the above Options will expire on 30 June 2007.

Reserves

Nature and purpose
The Financial Assets reserve is used to record movements in the fair value of available for sale assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

12. CONTROLLED ENTITIES

Name of Controlled Entity/ (Country Of Incorporation)	Percentage Owned		Company's Cost of Investment	
	2006 %	2005 %	2006 $	2005 $
GME Sulphur Inc (USA)	100	100	-	-
GME Investments Pty Ltd (Australia)	100	100	-	-
Golden Cliffs NL (Australia)	100	100	616,893	616,893
NiWest Limited (Australia)	100	100	4,561,313	4,561,313
			5,178,206	5,178,206

13. STATEMENT OF CASH FLOWS

(a) Reconciliation of cash flows from operating activities

	Consolidated 2006 $	Consolidated 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Loss from ordinary activities after tax	(379,353)	(30,538)	(479,005)	(230,518)
Depreciation / amortisation	8,112	2,109	8,112	2,109
Write off of exploration expenditure	65,335	-	64,987	-
Exploration costs capitalised (excluding creditors)	(1,445,433)	(1,613,948)	(20,364)	(224,661)
Write down in value of investments	-	750	-	750
Non cash interest paid	-	13,839	-	13,839
Net gain from sale of non current assets (excluding creditors and debtors)	-	(132,000)	-	(132,000)
Decrease/(Increase) in receivables	100,000	(100,000)	-	-
Decrease/(Increase) in other current assets	(27,540)	(677)	(27,540)	(677)
Increase/(Decrease) in sundry creditors	20,813	20,492	20,813	20,492
Other non cash transactions	-	(17,238)	-	(27,900)
Net Cash Flows from Operating Activities	(1,658,066)	(1,857,211)	(432,997)	(578,566)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

13. STATEMENT OF CASH FLOWS (CONTINUED)

	Consolidated		Parent Entity	
	2006	2005	2006	2005
(b) Reconciliation of Cash and cash equivalents	$	$	$	$
Cash balance comprises:				
Cash at bank	354,547	340,709	354,547	340,709
Deposits at call	11,000	11,000	11,000	11,000
	365,547	351,709	365,547	351,709
(c) Non Cash Financing and Investing Activities				
(i) Conversion of convertible note debt to equity	-	300,000	-	300,000
(ii) Issue of shares to native title claimants	-	332,000	-	332,000

14. AUDITORS' REMUNERATION

	Consolidated		Parent Entity	
	2006	2005	2006	2005
Amounts received or due and receivable by the auditors of GME Resources Ltd for:				
- an audit or review of the financial statements of the company and any other entity in the consolidated entity	12,500	11,800	12,500	11,800
- other services in relation to the company and any other entity in the consolidated entity	17,730	-	17,730	-
	30,230	11,800	30,230	11,800

15. SEGMENT REPORTING

There are no individual segments to be reported as the Company's operations are predominantly in the mining industry in Australia.

16. EARNINGS PER SHARE

	Consolidated	
	2006 $	2005 $
Basic and diluted loss per share (cents)	(0.19)	(0.02)
Loss used in calculation of basic and diluted earnings per share	379,353	30,538
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted earnings per share	201,475,060	183,505,479

No adjustment was made for the 5,000,000 options on issue at 30 June 2006 (2005 5,000,000) as they are not considered to be dilutive.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

17. DIRECTORS' AND EXECUTIVES DISCLOSURES

a) Details of Key Management Personnel

(i) Directors

Michael Delaney Perrott	– Non executive Chairman
James Noel Sullivan	– Managing Director
Peter Ross Sullivan	– Non executive Director
Geoffrey Mayfield Motteram	– Non executive Director

(b) Compensation of Key Management Personnel

(i) Compensation Policy

The Board of Directors is responsible for remuneration policies and the packages applicable to the Directors of the Company. The board remuneration policy is to ensure that packages offered properly reflect a person's duties and responsibilities and that remuneration is competitive and attracts, retains, and motivates people of the highest quality

The Managing Director and Non-executive Directors are remunerated for the services they render to the Company and such services are carried out under normal commercial terms and conditions. Engagement and payment for such services are approved by the other directors who have no interest in the engagement of services.

There are no retirement or termination benefits payable to the Board or senior executives.

At the date of this report the Company had not entered into any packages with Directors or senior executives which include performance based components, the Company does not operate an employee share option plan and there are no options outstanding issued to directors, employees or former employees.

(ii) Compensation of Key Management Personnel for the year-ended 30 June 2006

	Fees	**Total**
Michael Delaney Perrott	30,000	30,000
James Noel Sullivan	123,341	123,341
Peter Ross Sullivan	24,000	24,000
Geoffrey Mayfield Motteram	24,000	24,000

(iii) Compensation of Key Management Personnel for the year-ended 30 June 2005

	Fees	**Total**
Michael Delaney Perrott	30,000	30,000
James Noel Sullivan	92,999	92,999
Peter Ross Sullivan	24,000	24,000
Geoffrey Mayfield Motteram	18,000	18,000

(c) Shareholdings of Key Management Personnel (Consolidated)

	Ordinary Shares 1/7/2005	**Net Change**	**Ordinary Shares 30/6/06**
Michael Delaney Perrott	9,196,967	613,132	9,810,099
James Noel Sullivan	9,356,132	837,877	10,194,009
Peter Ross Sullivan	11,540,147	769,345	12,309,492
Geoffrey Mayfield Motteram	3,885,050	259,004	4,144,054

(d) Other transactions and balances with Key Management Personnel

There were no other transactions with key management personnel during this financial year.

Up until June 2005, the Company received management services including, administrative support services, office facilities, accounting and company secretarial services from Troika Management Limited, Troika Property Pty Ltd and Port Bouvard Limited entities which are associated with Mr Perrott, to the value of $60,186. An amount outstanding to Director related entities in the prior year of $19,584 was paid during this financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

18. FINANCIAL INSTRUMENT DISCLOSURES

(a) Interest Rate Risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

2006	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing Within 1 year	Fixed Interest Rate Maturing Over 1 year	Non-interest Bearing	Total
Financial Assets		**$**	**$**	**$**	**$**	**$**
Cash assets	5.25%	354,547	11,000	-	-	365,547
Other financial assets		-	-	-	8,250	8,250
Receivables		-	-	-	93,035	93,035
		354,547	11,000	-	101,285	466,832
Financial Liabilities						
Payables		-	-	-	245,361	245,361
		-	-	-	245,361	245,361

2005	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing Within 1 year	Fixed Interest Rate Maturing Over 1 year	Non-interest Bearing	Total
Financial Assets		**$**	**$**	**$**	**$**	**$**
Cash assets	4.79%	340,709	11,000	-	-	351,709
Other financial assets		-	-	-	9,375	9,375
Receivables		-	-	-	166,289	166,289
		340,709	11,000	-	175,664	527,373
Financial Liabilities						
Payables		-	-	-	166,267	166,267
		-	-	-	166,267	166,267

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, to recognised financial assets is the carrying amount as disclosed in the balance sheet and notes to the financial statements.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

18. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

(c) Net Fair Values

The net fair value of the financial assets and financial liabilities approximates their carrying value. Other than listed investments that are measured at the quoted bid price at balance date adjusted for transaction costs expected to be incurred, no financial assets and financial liabilities are readily traded on organised markets in standardised form.

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

19. COMMITMENTS AND CONTINGENT LIABILITIES

There were no capital commitments or contingent liabilities, not provided for in the financial statements of the consolidated entity as at 30 June 2006, other than:

(a) Mineral Tenement Leases

In order to maintain current rights of tenure to mining tenements, the consolidated entity in its own right or in conjunction with its joint venture partners may be required to outlay amounts of approximately $1,202,000 (2005: $1,200,000) per annum on an ongoing basis in respect of tenement lease rentals and to meet the minimum expenditure requirements of the Western Australian and Queensland Mines Department. These obligations are expected to be fulfilled in the normal course of operations by the consolidated entity or its joint venture partners and are subject to variations dependent on various matters, including the results of exploration on the mineral tenements.

(b) Claims of Native Title

Legislative developments and judicial decisions (in particular the uncertainty created in the area of Aboriginal land rights by the High Court decision in the "Mabo" case and native title legislation) may have an adverse impact on the consolidated entity's exploration and future production activities and its ability to fund those activities. It is impossible at this stage to quantify the impact (if any) which these developments may have on the consolidated entity's operations.

Native title claims have been made over ground in which the consolidated entity currently has an interest. It is possible that further claims could be made in the future. However, the Company has not undertaken the considerable legal, historical, anthropological and ethnographic research which would be necessary to determine whether any current or future claims, if made, will succeed and, if so, what the implications would be for the consolidated entity.

	Consolidated		Parent Entity	
	2006 $	2005 $	2006 $	2005 $
(c) Non Cancellable Operating Lease Commitments				
Within one year	27,966	26,840	27,966	26,840
One year or later and no later than five years	20,974	46,970	20,974	46,970
	48,940	73,810	48,940	73,810

20. INTERESTS IN BUSINESS UNDERTAKINGS - JOINT VENTURES

The Company has entered into a number of agreements with other companies to gain interests in project areas. These interests will be earned by expending certain amounts of money on exploration expenditure within a specific time. The Company can however, withdraw from these projects at any time without penalty. The amounts required to be expended in the next year have been included in note 19 – Commitments and Contingent Liabilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

21. RELATED PARTIES

Total amounts receivable and payable from entities in the wholly-owned group at balance date:

	2006 $	2005 $
Non-Current Receivables		
Loans net of provisions for non recovery	5,391,513	3,916,610
Current Payables		
Loans	1,242,291	1,074,507

22. TRANSITION TO AIFRS

For all periods up to and including the year ended 30 June 2005, the Group prepared its financial statements in accordance with Australian generally accepted accounting practice (‘AGAAP’). These financial statements for the year ended 30 June 2006 are the first the Group is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (‘AIFRS’).

Accordingly, the Group has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in Note 1. In preparing these financial statements, the Group has started from an opening balance sheet as at 1 July 2004, the Group’s date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 First-time adoption of AIFRS .

This note explains the principal adjustments made by the Group in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

Exemptions applied

AASB 1 allows first-time adopters certain exemptions from the general requirement to apply AIFRS retrospectively. The Group has taken the following exemptions:

- Comparative information for financial instruments is prepared in accordance with AGAAP and the company and group have adopted AASB 132: Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005.
- AASB 3 Business Combinations has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before 1 July 2004.

Explanation of material adjustments

There are no material differences between the income statement, the balance sheet and the cash flow statement presented under AIFRS and the income statement, the balance sheet and the cash flow statement presented under previous AGAAP.

23. EVENTS SUBSEQUENT TO BALANCE DATE

On 6 July 2006, Directors announced a 1 for 15 Renounceable Entitlement Issue at 15 cents. The entitlement issue was not underwritten, and on 11 August 2006 the offer closed with almost 93% acceptances. The Company’s share registry received acceptances for 12,558,783 ordinary shares at an issue price of 15 cents per share raising a total of $1,883,817.

The Company elected not to place the shortfall of 961,698 shares or 7.2%.

DIRECTORS' DECLARATION

1. In the opinion of the directors:

   a). the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001 including:

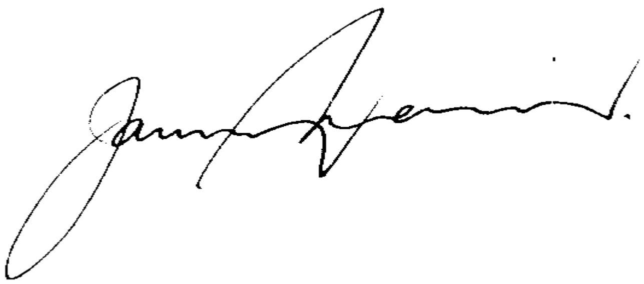
      i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year then ended; and

      ii. complying with Accounting Standards and Corporations Regulations 2001;

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

2. This declaration has been made after receiving the declarations required to be made to the directors by the Chief Executive Officer and the Chief Financial Officer, in accordance with Section 295A of the Corporations Act 2001, for the financial year ended 30 June 2006.

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



James N Sullivan
Managing Director
Perth, Western Australia
27th September 2006

HLB Mann Judd
Chartered Accountants

INDEPENDENT AUDIT REPORT

To the members of
GME RESOURCES LTD

Scope

The Financial Report and Directors' Responsibility
The financial report comprises the balance sheet as at 30 June 2006, and the income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements and the directors' declaration for the year then ended for both GME Resources Ltd ('the company') and the consolidated entity. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error, for the accounting policies and for the accounting estimates within the financial report.

Audit Approach
We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance that the financial report is free of material misstatement. The nature of an audit is influenced by several factors including the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of audit evidence which may be persuasive rather than conclusive. Accordingly, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether, in all material respects, the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations, changes in equity and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When determining the nature and extent of our procedures we considered the effectiveness of management's internal controls over financial reporting. Our audit was not designed to provide assurance in relation to internal controls.

HLB Mann Judd (WA Partnership)
15 Rheola Street West Perth 6005. PO Box 263 West Perth 6872 Western Australia. DX 238 (Perth) Telephone +61 (08) 9481 0977. Fax +61 (08) 9481 3686.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

Partners: Ian H Barsden, Terry M Blenkinsop, Litsa Christodulou, Wayne M Clark, Lucio Di Giallonardo, Colin D Emmott, Peter M Forbes, Trevor G Hoddy, Norman G Neill, Peter J Speechley

HLB Mann Judd (WA Partnership) is a member of HLB International and the HLB Mann Judd National Association of independent accounting firms

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

The Directors' Report attached to the financial statements includes a copy of the Independence Declaration given to the Directors by the lead auditor for the audit. That Declaration would be on the same terms if it had been given to the Directors at the time this audit report was made.

Audit Opinion

In our opinion, the financial report of GME Resources Ltd is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year then ended; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Norman Glasse

N G NEILL
Partner

Perth, Western Australia
27 September 2006

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 21 September 2006.

A. Distribution of Securities

(a) Analysis of numbers of shareholders by size and holding:

Category (size of holding)	Ordinary Shares
1 - 1,000	310
1,001 - 5,000	186
5,001 - 10,000	87
10,001 - 100,000	348
100,000 and over	177
	1,108

(b) There were 388 holders of less than a marketable parcel of ordinary shares.

(c) The percentage of the total holding of the twenty largest shareholders is:

Ordinary Shares	66.00%

B. Voting Rights

The voting rights attaching to each class of shares are set out below:

(a) Ordinary Shares:

On a show of hands, every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

C. Substantial Shareholders

Substantial shareholders who have notified the Company as at 21 September 2006, are:

Name	%
Retirewise Capital Pty Ltd and associated entities	27.32
Mandalup Investments Pty Ltd	7.01
Guiness Peat Group plc, Mid-East Minerals Limited and Retford Resources NL	5.70
Peter Ross Sullivan	6.17
James Noel Sullivan	5.01

SHAREHOLDER INFORMATION

The names of the 20 largest security holders of each class of equity security as at 21 September 2006 are listed below:

ORDINARY SHARES

Name	Number	Issued Shares Held %
Retirewise Capital Pty Ltd	38,715,566	17.98
ANZ Nominees Limited	17,793,858	8.26
Mandalup Investments Pty Ltd	15,082,771	7.01
Retford Resources NL	12,272,073	5.70
Duncraig Investment Services Pty Ltd	10,464,105	4.86
Hardrock Capital Pty Ltd	7,146,223	3.32
UBS Nominees Pty Ltd	5,900,000	2.74
Peter Ross Sullivan	5,114,667	2.37
Geomett Pty Ltd	4,420,324	2.05
James Noel Sullivan	4,265,125	1.98
Gravelstone Pty Ltd (Malavoca Super Fund)	3,081,066	1.43
Donald Anthony Sullivan	3,032,833	1.41
Tunza Holdings Pty Ltd	2,503,200	1.16
Mervyn Ross and Mary Sullivan	2,430,792	1.13
Sullivans Garage Pty Ltd	2,330,000	1.08
Ingot Capital Management Pty Ltd	2,218,666	1.03
The Old Brewery Company Pty Ltd	2,064,512	0.96
Topsfield Pty Ltd	1,706,666	0.79
Douglas Stuart Butcher	1,600,000	0.74
	142,142,447	**66.00**

TENEMENT DIRECTORY

Project	Tenements	Company Interest	Comments
Abednego West	MLA39/427 MLA39/824 MLA 39/825 MLA39/823	Golden Cliffs 100%	Placer Royalty
Chain Bore	MLA37/581	GME 100%	
Clermont	EPMA11575, EPMA11806, EPMA12164	GME 40%	Joint Venture with Australian Gold Fields NL (in Liquidation)
Duck Hill	MLA31/214	Niwest 50%	Murchison Metals 50%
Eucalyptus	P39/3459 - 3460 converted to MLA39/744 EL39/703 ML39/666 ML39/430 and ML39/344 ML39/665 - 666 and ML 39/674 M39/313 ML 39/568, 39/570, 39/616 and 39/802 M39/289 E39/480 converted to MLA39/803 - 804	NiWest 100% NiWest 100% nickel rights	Anglo 100% Gold Rights plus nickel royalty Oldcity Pty Ltd Nickel Royalty
Hawks Nest	M38/218, P38/2515 converted to MLA 38/683	GME 100%	
Ilgarari	E52/1452	100% rights to non copper minerals	Copper Royalty
Laverton Downs	E38/506 converted to MLA38/587 - 588 and 38/782 - 784	NiWest 100% nickel rights	Millennium Minerals 100% Gold Rights
Leonora East	P37/4106 converted to MLA37/566 P37/5330 - 5333, P37/5477 converted to MLA37/1059 P37/5650 - 5656 MLA37/876 ELA37/871	GME 100% Golden Cliffs 100% Golden Cliffs 100%	
Linden	P39/3417 - 3418 converted to MLA39/797 - 798 P39/2974 - 2976 converted to MLA 39/500 ELA 39/1181 ELA39/1251	GME100% GME 10% Golden Cliffs 100% Golden Cliffs 100%	 90% Haoma Mining NL
Macey Hill	ML39/845	NiWest 100%	
Mertondale	P37/4201 - 37/4205 converted to MLA37/591	NiWest 100%	
Mt Kilkenny	E39/688 ML39/878 – 879, ELA 39/1107- 09 P39/4404, P39/4412 -4417 E39/990 J/V JINDALEE RESOURCES	NiWest 100% Niwest 100%	 Farmin to Earn 80%
Mt Morgan South	MLA39/702 - 703, MLA 39/481, MLA39/777	GME 100%	
Murrin Murrin	MLA39/554 and MLA39/457	Golden Cliffs 100%	
Mt Fouracre	ELA37/845	Golden Cliffs 100%	

Project	Tenements	Company Interest	Comments
Murrin Murrin (Minara Resources)	MLA39/426, 456, 552, 553 and 569	Golden Cliffs 100% rights to non nickel laterite	Nickel laterite royalty 20 cents per tonne
Murrin Murrin HEPI	ML 39/717 - 718 ML39/819	Niwest 100%	
Murrin Murrin North	ML39/758 MLA39/757 and MLA39/759	Niwest 100%	
Pyke Hill	EL39/633	GME 100%	
Waite Kauri	M37/1216	Niwest 100%	

***LEGEND**:*

E:	*Exploration Licence*	*P:*	*Prospecting Licence*	*EPM:*	*Exploration Permit for Minerals*	*PLA:*	*Prospecting Licence Application*
M:	*Mining Lease*	*ELA:*	*Exploration Licence Application*	*EPM A:*	*Exploration Permit for Minerals Application*	*MLA:*	*Mining Lease Application*

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