



**Annual Financial Report
Gulf Mines Limited**

ABN 73 059 954 317

30 June 2007

GULF MINES LIMITED

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GULF MINES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2007

The Directors present their report together with the financial report of Gulf Mines Limited (the Company) and its subsidiaries for the financial year ended 30 June 2007 and the auditors report thereon.

1. Directors

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

- Roy Maxwell Payne (Chairman)
- Graham Charles Reveleigh (Managing Director)
- Sharif Awad Oussa (Non-Executive Director removed 4 April 2007)
- Peter Bennett Smith (Non-Executive Director)

Information on Directors holding office at 30 June 2007.

Roy Maxwell Payne, 55, Solicitor of Supreme Court Qld

Chairman (non-executive), appointed 6 October 2005.

Mr Payne is the Managing Partner of Williams Graham and Carman, a substantial legal firm in Cairns, and has over 25 years experience in commercial law and litigation in Far North Queensland, including extensive experience in banking and securities, acting for a number of major nationwide lenders. He has experience in acting for local Government and previously had 12 years litigation and dispute resolution experience as a Court Registrar and Stipendiary Magistrate for the Department of Justice in Queensland.

Listed company directorships held during the last three years: Nil

Graham Charles Reveleigh, 63, MSc MAusIMM CP(Man) MCIMM MSMME

Managing Director, appointed 6 October 2005, Director appointed 31 May 1993.

Mr Reveleigh has wide experience in the mining industry, covering exploration, development, construction and mine operations. Graduating from University of Queensland in 1966 with a BSc majoring in Geology, Mr Reveleigh spent 10 years in active exploration for gold, uranium, copper, and other minerals before becoming Mine Manager at Noble's Nob, where he ran the operations for seven years. During his exploration years Mr Reveleigh completed an MSc at James Cook University of North Queensland in 1977.

Subsequently, he has worked on numerous projects both in Australia and overseas as a consultant. Mr Reveleigh worked for Northern Gold NL at Hill End NSW; Elders Resources at Red Dome, Qld as Mine Superintendent /Mine Manager; Cyprus Gold Australia Corp as Project Manager for the feasibility study, construction, and operation of Moline Gold Mine in the Northern Territory, as Project Manager for Arimco at Gold Ridge, Solomon Islands; as part of the Pacific Delta team for Kennecott at Lihir; as well as smaller jobs in Philippines, New Caledonia, Siberia and most States in Australia. Mr Reveleigh has been the Site Manager for Hill End Gold Limited at Hill End NSW since the commencement of the project, and was the founding Managing Director of that Company.

Listed company directorships held during the last three years:

- Bounty Oil & Gas NL
- Circumpacific Energy Limited
- Drillsearch Energy Limited
- Hill End Gold Limited

GULF MINES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2007

1. Directors (continued)

Dr Peter Bennett Smith, 50, BSc (Hons) MBA PhD

Director (non-executive), appointed 6 October 2005.

Dr Smith has more than 12 years, and a significant reputation in the asset and funds management and financial consulting industries. He has been involved with a number of companies in investment management and corporate finance. He was previously a senior portfolio manager at ACSIS Wealth Management (Australia) Ltd where he successfully managed and designed large superannuation and investment funds for several years. He also previously held directorships with the Investec Group Australia as CIO for several years. Additionally, he managed the treasury investments and Australian domiciled funds of Investec Australia Ltd. He currently holds a directorship in Prema Capital Ltd group of companies, an Investment Banking operation specializing in a comprehensive range of financial advice and services including; investment advice, reporting, valuations and analysis, capital raising, IPO's, corporate restructuring, MBO, M&A and joint ventures. He is currently a senior asset consultant and funds manager with Absolute Alpha Funds Management Ltd.

Listed company directorships held during the last three years: Nil

2. Company Secretary

Darren Gordon Thamm, 37, BCom CA

Mr Thamm was appointed to the position of Company Secretary in December 2006. Before taking this role, he held the position of Audit Manager at KPMG for seven years and was involved in the audit of numerous organisations in the Far North Queensland region. He has strong skills in systems analysis and business process improvement management, having provided these services to several companies as part of the audit process. He has also been actively involved in the training of other Chartered Accountants, being involved in the delivery of several modules of the Chartered Accountants Program in Cairns for the last three years.

3. Directors' Meetings

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

Director	Board Meetings		Audit Committee Meetings	
	A	B	A	B
Roy Payne	10	10	1	1
Graham Reveleigh	10	10	-	-
Sharif Oussa	4	5	-	-
Peter Smith	10	10	1	1
A	Number of meetings attended			
B	Number of meetings held during the time the director held office during the year.			

4. Principal Activities

The principal activity of the Company and its subsidiaries during the course of the financial year was the continuation of exploration activities on the granted tenements. An additional tenement was applied for in the NT during the year.

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

GULF MINES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2007

5. Results

The Company incurred a pre-tax operating loss of \$205,640 (2006 – loss of \$58,909)

6. Dividends

No dividend has been declared or paid since the end of the previous financial year and no dividend is recommended for the current year (2006 - nil).

7. Review of Operations

The company completed the low level close spaced airborne geophysical survey of the Wollogorang Project area and the Ebagoola Project area and interpreted the results. Numerous excellent geophysical targets for base metals were generated by the survey. In addition, an east-west trending belt of anomalous radioactivity some 20 km in length was recorded in the Gold Creek Volcanics just south of the Redbank lease area.

Reprocessing of the airborne EM data acquired by others during the 1990's enhanced the base metal anomalies detected by the airborne magnetics survey. Several targets were selected for follow-up ground geophysics.

Considerable time was spent on preparation of reports and maps for the prospectus, which was dated 5 June 2007 and lodged with ASIC on 6 June 2007.

Suitable staff were hired and a field camp assembled for Wollogorang. Field work commenced at Wollogorang in early June, 2007 with ground follow-up of the base metal targets with an IP survey, and gridding of the larger radiometric anomalies for mapping, ground scintillometer survey and rock chip sampling.

8. Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the company during the year.

9. Events Subsequent to Reporting Date

As a result of the Initial Public Offer, a further \$7,000,000 was raised. The company was admitted to the official List of the Australian Stock Exchange on 1 August 2007 and commenced trading on 3 August 2007.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect:

- the economic entity's operations;
- the results of those operations; or
- the economic entity's state of affairs in future financial years.

10. Likely developments

There are material likely developments in the economic entity's operations and expected results of those operations in future financial years, which will depend on the results of the on-going mineral exploration programmes being undertaken by the Company.

GULF MINES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2007

11. Corporate Governance Statement

This statement outlines the main corporate governance practices in place throughout the financial year.

While the Company aims to comply with the Best Practice Recommendations as set by the ASX Corporate Governance Council, its small size and the composition of its Board of Directors make it inappropriate or impractical to comply with all of the recommendations. The Company currently complies with the Best Practice Recommendations, except for the following:

- A majority of the Board is not represented by independent directors.
- The Board is currently comprised of three members: an independent, non-executive Chairman, the Managing Director, and a non-executive director who is a substantial shareholder in the Company.
- The Board has not established a Remuneration Committee. Compensation arrangements for directors and senior executives are determined by the Board on recommendations of the Managing Director, based on the emoluments approved at a General Meeting of shareholders.
- The Board has not established a Nomination Committee. This function will be performed by the whole Board.

11.1 Board of Directors

Role of the Board

The Board Charter defines the operation of the Board of Directors, its role, composition and responsibilities and the separation of the role of the Board from that of management. The Board reviews the Charter annually to ensure that it remains consistent with the Board's objectives and responsibilities.

The Board is responsible for:

- Setting the Company's values and standards of conduct.
- Providing leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed.
- Setting the Company's direction, strategies and financial objectives
- Ensuring the performance of management, and the Board itself, is regularly assessed and monitored
- Monitoring compliance with regulatory and ethical standards; and
- Appointing, terminating and reviewing the performance of the Managing Director.

The role of the Chairman and the Managing Director are separate.

The Chairman is responsible for:

- Leading the Board in its duties to the Company;
- Ensuring that there are processes and procedures in place to evaluate the performance of the Board, its committees and individual directors;
- Facilitating effective discussions at Board meetings;
- Ensuring effective communication with shareholders; and
- Developing an effective working relationship with the Managing Director

The Managing Director is responsible for:

- Policy direction of the operations of the Company;
- The efficient and effective operation of the Company;
- Ensuring directors are provided with accurate and clear information in a timely manner to promote effective decision-making by the Board;
- Ensuring all material matters affecting the Company are brought to the Board's attention; and
- Maintaining regular communication with the Chairman on operational and strategic matters.

GULF MINES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2007

11.1 Board of Directors (continued)

Role of the Board (continued)

The performance of the Board is reviewed annually. The Board's performance evaluation is undertaken using a self-evaluation questionnaire. The process requires each director, including the Managing Director, to complete a questionnaire covering the Board work programme, Board interaction with management, Board meetings and strengths and weaknesses of the Board. A summary of the responses and significant issues identified form the basis for discussion by the Chairman with each director individually.

The Board monitors the management of senior executives through monthly financial reports, including reports on the operations, tour of operations and major exploration sites, presentations by the Managing Director and Exploration Manager at Board meetings and informal briefings by the Managing Director.

Composition of the Board

The composition of the board is determined using the following principles:

- A minimum of three directors with the appropriate mix of skills and characteristics needed by the Board as a whole. The directors endeavour to appoint individuals who provide the mix of director characteristics and diverse experiences, perspectives and skills appropriate to the Company, at least one of whom has the appropriate technical and commercial skills relevant to the mining industry.
- The Board has not adopted a tenure policy. In accordance with the Constitution of the Company, no director shall hold office for a continuous period in excess of three years or past the third annual general meeting following the director's appointment, whichever is the longer, without submitting for re-election.

Independence

An independent director is a non-executive director and is not a member of management. He is:

- not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or its subsidiaries, or been a director after ceasing to hold any such employment;
- not a principal or employee of a professional adviser to the Company or its subsidiaries whose billings exceed five per cent of the adviser's total revenue;
- not a significant supplier or customer of the Company or its subsidiaries, or an officer of or otherwise associated directly or indirectly with a significant supplier or customer.
A significant supplier is defined as one whose revenues from the Company exceed five per cent of the supplier's total revenue.
A significant customer is one whose amounts payable to the Company exceed five per cent of the customer's total operating costs;
- has no material contractual relationship with the Company or its subsidiaries other than as a director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company;
- free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

GULF MINES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2007

11.1 Board of Directors (continued)

Independent Advice

The Board, or individual directors, may obtain independent professional advice if it (or the director) considers it necessary, with the costs to be borne by the Company.

Director education

The Company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company regarding the performance of the directors.

Further details of the Company's corporate governance policies and procedures are available on the Company's website.

11.2 Remuneration Report

11.2.1 Principles of compensation - audited

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors and other executives. Key management personnel comprise the directors of the Company and executives for the Company and the Group including the five most highly remunerated S300A executives.

Compensation levels for key management personnel and secretaries of the Company, and key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The compensation policy of Gulf Mines Limited has been designed to be in keeping with those applicable to small resource companies. Incorporated in this policy is an ability to adjust rates now the Company has listed on the Australian Stock Exchange. The Board of Gulf Mines Limited believes this compensation policy to be appropriate and effective.

The Board may exercise discretion in relation to approving incentives, bonuses and options. The objective is to attract the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.

Fees for non executive directors are not linked to the performance of the company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

The directors have set the base fees payable for the current financial year as follows:-

Non-executive Chairman	\$40,000 per annum
Non-executive Directors	\$30,000 per annum

All matters regarding compensation are currently reviewed by the full Board.

GULF MINES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2007

11.2 Remuneration Report (continued)

11.2.1 Principles of compensation – audited (continued)

Service agreements

The Company has entered into a Service Agreement with Zanamere Pty Ltd for the provision of the services of Mr Graham Reveleigh as Managing Director. The Agreement is for an overall term of five years, and provides for a remuneration of \$250,000.00 per annum from the time the company is listed. The Agreement can be terminated under circumstances normally contained in such service agreements.

The Company has entered into a Service Agreement with Zanamere Pty Ltd for the provision of technical employees to develop and perform the exploration programmes for Gulf Mines and its subsidiaries. Zanamere charges the Company an administration fee of 5.0% for employing these people.

A further service agreement been entered into with Zanamere Pty Ltd for the provision of registered office and administration services for \$4,000.00 per calendar month reviewable annually.

The Company has service agreements with JNK Exploration services for the provision of John Gallo as a consultant geologist, with Steve Webster Pty Ltd for the provision of Steve Webster as a consultant geophysicist, and with Darren Thamm for the provision of services as the Company Secretary.

There are no other service agreements.

GULF MINES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2007**

11.2.2 Directors' and executive officers' remuneration (Company and Consolidated) - audited

Details of the nature and amount of each major element of remuneration of each director of the Company, each Company executive and relevant Group executives who receive the highest remuneration and other key management personnel are:

		Short term		Post employment	Termination benefits	Share-based payments		Total	S300A(1)e)I Proportion of remuneration performance related %
		Salary & fees \$	Non-monetary benefits \$	Super-annuation benefits \$	\$	Shares and units \$	Options and rights \$		
Directors									
Roy Payne Non-executive Chairman	2007 2006	16,667 5,000	- -	- -	- -	- -	- -	16,667 5,000	- -
Sharif Oussa Non-executive director (removed 4 April 2007)	2007 2006	6,667 3,333	- -	- -	- -	- -	- -	6,667 3,333	- -
Peter Smith Non-executive director	2007 2006	11,667 3,333	- -	- -	- -	- -	- -	11,667 3,333	- -
Graham Reveleigh Managing Director	2007 2006	116,667 33,333	- -	- -	- -	- -	- -	116,667 33,333	- -
Darren Thamm Company secretary (appointed 12 Dec 2006)	2007	4,965	-	-	-	-	-	4,965	-

GULF MINES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2007

11.3 Audit committee

The audit committee has a documented charter, approved by the Board. All members must be non-executive directors. The Chairman of the Committee may not be the Chairman of the Board. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

The members of the audit committee during the year were:

- Dr P B Smith, BSc (Hons), MBA, PhD (Chairman)
- Mr R M Payne, Solicitor of Supreme Court Qld

The Managing Director and the Chief Financial Officer declared in writing to the board that the financial records of the Company for the financial year ended 30 June 2007 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

The audit committee's charter is available on the Company's website along with information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.

The responsibilities of the audit committee include:

- review the appropriateness of the Company's accounting policies and principles;
- review proposed professional and regulatory pronouncements regarding accounting policies and financial reporting and assess their impact on the Company.
- review all published financial statements which require approval by the Board of Directors prior to approval by the Board;
- review any report of management which accompanies published financial statements (to the extent that such a report discusses the financial position or operating results) for consistency of disclosure with the financial statements before approval by the Board.
- review and assess provision of non-audit services by the external auditor, with particular consideration to the potential to impair, or appear to impair, the external auditor's judgment or independence in respect of the Company;
- meet with the external auditor without the presence of management;
- review the audit plans of the external auditors and ascertain the extent to which the planned audit scope can be relied upon to detect weaknesses in internal control, fraud or other illegal acts;
- review any significant recommendations by the auditors to strengthen internal controls;
- review the results of the external audits.

11.4 Risk management

The board oversees the establishment, implementation and annual review of the Company's risk management system. Management has established and implemented appropriate procedures for assessing, monitoring and managing operational, financial reporting and compliance risks for the Group. The Managing Director and the Chief Financial Officer have declared, in writing to the board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the Annual Financial Report for all material operations in the Group.

GULF MINES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2007

11.5. Environmental regulation

The Group's operations are subject to significant environmental regulations under both Commonwealth or State Legislation in relation to its mineral exploration programmes. Should a mineral deposit be identified which is capable of sustaining a mining operation, appropriate environmental studies will be undertaken and suitable actions implemented to effectively comply with the current regulations of the time.

11.6 Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. The Company has clearly defined the Code of Conduct that all directors and employees are required to follow. The Code of Conduct may be viewed on the Company's website. Adherence to the Code is a term of employment with the Company. Employees are encouraged to report any violations of this Code of Conduct to the Managing Director or to the Chairman where a concern or conflict issue involves a senior executive.

Conflict of interests

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related transactions with the Company and the Group are set out in Note 18 to the financial statements.

Trading in general Company securities by directors and employees

The key elements of the Securities Dealings Policy is to create awareness of the legal prohibition on dealing in securities of the Company and deals with the manner in which directors, employees and contractors can deal in securities in the Company. The policy rules are designed to assist in preventing breaches of the insider trading provisions of the Corporations Act. The policy also aims to ensure that the reputations of the Company and of its employees and directors are adversely impacted by perceptions of dealing at inappropriate times. The policy also imposes additional dealing restrictions on all directors, officers, senior executives and managers (referred to as "Designated Persons").

Designated Persons are permitted to deal in the Company's securities throughout the year, except during the following periods:

- The period between the financial year-end (30 June) and the release of the Company's annual results to the Australian Stock Exchange (ASX); and
- The period between the half year-end (31 December) and the release of the Company's half-year results to the ASX.

At all times, a Designated Person is prohibited from dealing in the Company's securities without first giving prior notification of the proposed dealing to:

- the Chairman, if the Designated Person is the Managing Director;
- the Company Secretary or the Managing Director, if the Designated Person is a person other than the Managing Director.

Where the proposed dealing is approved, the Designated Person must complete the dealing within 10 business days of the approval. A Designated Person is also prohibited from engaging in frequent and regular trading activity involving the Company's securities or derivatives with a view to deriving profit related income from that activity.

GULF MINES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2007

11.7 Communication with shareholders

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

In summary, the Continuous Disclosure Policy operates as follows:

- The Managing Director and Company Secretary shall constantly monitor all Company activities with a view to determining the possible need for disclosure of price sensitive information. The company secretary is responsible for all communications with the ASX.
- The Annual Report is distributed to all shareholders including relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments.
- The half-year report contains summarised financial information and a review of the operations of the Group during the year. The half-year reviewed financial report is lodged with the Australian Securities and Investment Commission and the ASX, and sent to any shareholder who requests it
- Proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders

12 Directors' interests

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

Ordinary Shares	Balance at 1 July 2006	Granted as Remuneration	Net Change Other	Balance at the Date of this Report
Directors				
Mr R M Payne	236,000	-	300,000	536,000
Mr G C Reveleigh	19,720,000	-	20,000	19,740,000
Mr S A Oussa	2,800,000	-	(2,800,000)	-
Mr P B Smith	14,000,000	-	4,305,000	18,305,000
Specified Executives				
Mr D Thamm	-	-	-	-

The Company has no options over ordinary shares on issue.

13 Indemnification and insurance of officers and auditors

Indemnification

The Company has agreed to indemnify the following current directors and executives of the Company, Mr R M Payne, Dr P B Smith, Mr G C Reveleigh and Mr D G Thamm and the following former director, Mr S A Oussa against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position with the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

GULF MINES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2007

13 Indemnification and insurance of officers and auditors (continued)

The company has not, during or since the financial year, in respect of any person who is or has been an auditor of the company:

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

Insurance premiums

Since the end of the previous financial year, the Company is in the process of establishing insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts for current and former directors and officers, including senior executives of the Company and directors and secretaries of controlled entities.

The insurance premiums relate to:

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is set out on page 34 and forms part of the Director's Report.

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

Dated this 27th day of September 2007.



Roy Payne
Chairman



Graham Reveleigh
Managing Director

GULF MINES LIMITED**BALANCE SHEETS**

For the year ended 30 June 2007

		Consolidated		Company	
	Note	2007	2006	2007	2006
		\$	\$	\$	\$
Assets					
Cash and cash equivalents	6	5,824,974	742,127	5,822,740	713,279
Receivables	7	<u>126,411</u>	<u>19,005</u>	<u>47,057</u>	<u>3,322</u>
Total current assets		<u>5,951,385</u>	<u>761,132</u>	<u>5,869,797</u>	<u>716,601</u>
Receivables	7	-	-	1,237,435	187,000
Other financial assets	8	-	-	50,010	50,010
Intangible assets:					
- Deferred exploration costs	10	1,259,052	214,249	-	-
Property, plant and equipment	11	<u>223,722</u>	<u>-</u>	<u>223,722</u>	<u>-</u>
Total non-current assets		<u>1,482,774</u>	<u>214,249</u>	<u>1,511,167</u>	<u>237,010</u>
Total assets		<u>7,434,159</u>	<u>975,381</u>	<u>7,380,964</u>	<u>953,611</u>
Liabilities					
Payables	13	<u>4,623,061</u>	<u>31,641</u>	<u>4,568,151</u>	<u>8,831</u>
Total current liabilities		<u>4,623,061</u>	<u>31,641</u>	<u>4,568,151</u>	<u>8,831</u>
Total liabilities		<u>4,623,061</u>	<u>31,641</u>	<u>4,568,151</u>	<u>8,831</u>
Net assets		<u>2,811,098</u>	<u>943,740</u>	<u>2,812,813</u>	<u>944,780</u>
Equity					
Share capital	14	3,075,649	1,002,651	3,075,649	1,002,651
Accumulated losses	15	<u>(264,551)</u>	<u>(58,911)</u>	<u>(262,836)</u>	<u>(57,871)</u>
Total equity		<u>2,811,098</u>	<u>943,740</u>	<u>2,812,813</u>	<u>944,780</u>

The notes on pages 17 to 30 are an integral part of these consolidated financial statements.

GULF MINES LIMITED**INCOME STATEMENTS**

For the year ended 30 June 2007

	Note	Consolidated		Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
Revenue	4	76,754	12,507	76,681	12,395
Administration costs		(72,307)	(2,549)	(71,559)	(1,647)
Depreciation		(4,651)	-	(4,651)	-
Director and officer compensation		(156,633)	(45,000)	(156,633)	(45,000)
Exploration costs not capitalised		(5,918)	(318)	(5,918)	(318)
Legal fees		(11,943)	(9,047)	(11,943)	(9,047)
Professional fees - accounting		(3,157)	(3,127)	(3,157)	(2,877)
Professional fees - audit		(6,900)	(6,000)	(6,900)	(6,000)
Travel expenses		<u>(20,885)</u>	<u>(5,375)</u>	<u>(20,885)</u>	<u>(5,375)</u>
Profit before income tax		(205,640)	(58,909)	(204,965)	(57,869)
Income tax expense	5	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit attributable to equity holders of the Company		<u>(205,640)</u>	<u>(58,909)</u>	<u>(204,965)</u>	<u>(57,869)</u>

The notes on pages 17 to 30 are an integral part of these consolidated financial statements.

GULF MINES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2007

	Note	Consolidated		Company	
		Share capital \$	Accumulated losses \$	Share capital \$	Accumulated losses \$
Balance at 1 July 2005		2	(2)	2	(2)
Loss attributable to equity shareholders		-	(58,909)	-	(57,869)
Shares issued during the year		<u>1,002,649</u>	<u>-</u>	<u>1,002,649</u>	<u>-</u>
Subtotal		1,002,651	(58,911)	1,002,651	(57,871)
Dividends paid or provided for		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 June 2006		<u>1,002,651</u>	<u>(58,911)</u>	<u>1,002,651</u>	<u>(57,871)</u>
Balance at 1 July 2006		1,002,651	(58,911)	1,002,651	(57,871)
Loss attributable to equity shareholders		-	(205,640)	-	(204,965)
Shares issued during the year		<u>2,072,998</u>	<u>-</u>	<u>2,072,998</u>	<u>-</u>
Subtotal		3,075,649	(264,551)	3,075,649	(262,836)
Dividends paid or provided for		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 June 2007		<u>3,075,649</u>	<u>(264,551)</u>	<u>3,075,649</u>	<u>(262,836)</u>

The notes on pages 17 to 30 are an integral part of these consolidated financial statements.

GULF MINES LIMITED

STATEMENTS OF CASH FLOWS

For the year ended 30 June 2007

	Note	Consolidated		Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
Cash flows from operating activities					
Cash receipts from customers		-	-	-	-
Cash paid to suppliers and employees		(285,956)	(58,780)	(253,636)	(64,755)
Interest paid		-	-	-	-
Interest received		76,754	12,507	76,681	12,395
Net cash from operating activities	16(a)	<u>(209,202)</u>	<u>(46,273)</u>	<u>(176,955)</u>	<u>(52,360)</u>
Cash flows from investing activities					
Payment for exploration and evaluation		(1,044,802)	(214,249)	-	-
Payments for property, plant and equipment		(228,373)	-	(228,373)	-
Payment for investments		-	-	-	(50,010)
Net cash from investing activities		<u>(1,273,175)</u>	<u>(214,249)</u>	<u>(228,373)</u>	<u>(50,010)</u>
Cash flows from financing activities					
Proceeds from share application monies		4,492,226	-	4,492,226	-
Proceeds from issue of shares		2,072,998	1,002,649	2,072,998	1,002,649
Payment of loan advances		-	-	(1,050,435)	(187,000)
Net cash from financing activities		<u>6,565,224</u>	<u>1,002,649</u>	<u>5,514,789</u>	<u>815,649</u>
Increase/(decrease) in cash held		5,082,847	742,127	5,109,461	713,279
Cash and cash equivalents at 1 July		<u>742,127</u>	<u>-</u>	<u>713,279</u>	<u>-</u>
Cash and cash equivalents at 30 June	6	<u>5,824,974</u>	<u>742,127</u>	<u>5,822,740</u>	<u>713,279</u>

The notes on pages 17 to 30 are an integral part of these consolidated financial statements.

GULF MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. Reporting entity

Gulf Mines Limited (the 'Company') is domiciled in Australia. The address of the Company's registered office is 41 Cavendish St, Earlville, Queensland. The consolidated financial statements of the Company as at and for the year ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in the exploration and evaluation of mineral resources in Australia.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board. The Company has elected to apply the relief provided to parent entities by AASB132 Financial Instruments: Presentation and Disclosure in respect of certain disclosure requirements.

The financial statements were approved by the Board of Directors on 27 September 2007.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis. These consolidated financial statements are presented in Australian dollars, which is the Company's and the Group's functional currency.

(c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

The entity has elected to early adopt the following accounting standards and amendments:

- AASB 101 Presentation of Financial Statements (October 2006)
- ED 151 Australian Additions to, and Deletions from, IFRSs

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In the Company's financial statements, investments in subsidiaries are carried at cost.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

GULF MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

3. Significant accounting policies (continued)

(b) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Share capital

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

GULF MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- plant and equipment 5 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(e) Impairment

(i) Financial assets

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of future cash flows discounted at the original effective interest rate.

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

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred exploration costs, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

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

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

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

GULF MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

3. Significant accounting policies (continued)

(f) Provisions

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

(g) Revenue

Finance income and expenses

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues, using the effective interest rate method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses include interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

Other

Other revenue is recognised when the right to receive the revenue has been established.

(h) Deferred exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development or sale of the area, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(i) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

GULF MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

3. Significant accounting policies (continued)

(j) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items directly recognised in equity, in which case it is recognised as equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

A deferred tax asset is recognised to the extent it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(i) Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 30 April 2007 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Gulf Mines Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amount of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised by the company as amounts payable/(receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

GULF MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

3. Significant accounting policies (continued)

(j) Income tax (continued)

(ii) Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/ (payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax-sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(k) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those in other segments. The Group's primary format for segment reporting is business segments. The operations comprise the exploration and evaluation of mineral reserves in Australia.

(l) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those that may impact the entity in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this financial report:

- AASB 7 Financial Instruments: Disclosures (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods on or after 1 January 2007, and may require extensive additional disclosures with respect to the Group's financial instruments and share capital.
- AASB 8 Operating Segments replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company or the Group as the standard is only concerned with disclosures.
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 5 Non-current assets Held for Sale and Discontinued Operations, AASB 6 Exploration for and Evaluation of Mineral Resources, AASB 102 Inventories, AASB 107 Cash Flow Statements, AASB 134 Interim Financial Reporting, AASB 127 Consolidated and Separate Financial Statements, AASB 136 Impairment Assets, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 Operating Segments. This standard is only expected to impact disclosures contained within the financial report.

GULF MINES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
(CONTINUED)**

	Note	Consolidated		Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
4. Revenue					
Interest revenue		<u>76,754</u>	<u>12,507</u>	<u>76,681</u>	<u>12,395</u>
5. Income tax expense					
<i>Recognised in income statement</i>					
Current period tax expense		-	-	-	-
Deferred tax expense		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total income tax expense		-	-	-	-
<i>Numerical reconciliation between tax expense and pre-tax net profit</i>					
Profit for the period		(205,640)	(58,909)	(310,826)	(57,869)
Total income tax expense		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit excluding income tax		(205,640)	(58,909)	(310,826)	(57,869)
Income tax using the Company's domestic tax rate of 30% (2006: 30%)		(61,692)	(17,673)	(61,490)	(17,361)
Tax losses for which no deferred tax asset was recognised		(313,441)	(64,275)	61,490	17,361
Change in unrecognised temporary differences		<u>375,133</u>	<u>81,948</u>	<u>-</u>	<u>-</u>
Total income tax expense		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
6. Cash and cash equivalents					
Bank balances		<u>5,824,974</u>	<u>742,127</u>	<u>5,822,740</u>	<u>713,279</u>
The effective interest rate on bank balances in 2007 was 6.15 percent (2006: 5.65 percent).					
7. Trade and other receivables					
<i>Current</i>					
Trade receivables		-	-	-	-
Other receivables		<u>126,411</u>	<u>19,005</u>	<u>47,057</u>	<u>3,322</u>
		<u>126,411</u>	<u>19,005</u>	<u>47,057</u>	<u>3,322</u>
<i>Non current</i>					
Loans to subsidiaries		<u>-</u>	<u>-</u>	<u>1,237,435</u>	<u>187,000</u>
8. Other financial assets					
Shares in controlled entities		<u>-</u>	<u>-</u>	<u>50,010</u>	<u>50,010</u>

GULF MINES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
(CONTINUED)**

9. Group entities

Significant subsidiaries	Country of incorporation	Ownership interest	
		2007	2006
Hartz Range Mines Pty Ltd	Australia	100%	100%
Ebagoola Gold Mines Pty Ltd	Australia	100%	100%

In the financial statements of the company, investments in subsidiaries are measured at cost. The Company has no investments in associates or jointly controlled entities.

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$

10. Intangible assets

Deferred exploration costs	<u>1,259,052</u>	<u>214,249</u>	<u>-</u>	<u>-</u>
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The ultimate recoupment of the above deferred exploration costs is dependant on the successful development and commercial exploitation or, alternatively, sale of the respective areas of interest. All of the above expenditure relates to exploration and evaluation phases and is recorded at cost.

11. Property, plant and equipment

Plant and equipment

Cost

Balance at 1 July	-	-	-	-
Additions	<u>228,374</u>	<u>-</u>	<u>228,374</u>	<u>-</u>
Balance at 30 June	<u>228,374</u>	<u>-</u>	<u>228,374</u>	<u>-</u>

Accumulated depreciation

Balance at 1 July	-	-	-	-
Depreciation for the year	<u>(4,652)</u>	<u>-</u>	<u>(4,652)</u>	<u>-</u>
Balance at 30 June	<u>(4,652)</u>	<u>-</u>	<u>(4,652)</u>	<u>-</u>

Carrying amounts at 1 July	-	-	-	-
Carrying amounts at 30 June	<u>223,722</u>	<u>-</u>	<u>223,722</u>	<u>-</u>

GULF MINES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
(CONTINUED)**

12. Tax assets and liabilities

Movement in unrecognised deferred tax assets and liabilities during the year

Deferred tax assets and liabilities have not been recognised in respect of the following items:

	1 July \$	Additions \$	Recognition \$	30 June \$
30 June 2006				
<i>Consolidated</i>				
Taxable temporary differences	-	(81,948)	-	(81,948)
Deductible temporary differences	-	-	-	-
Tax losses	-	64,275	-	64,275
	<u>-</u>	<u>(17,673)</u>	<u>-</u>	<u>(17,673)</u>
<i>Company</i>				
Taxable temporary differences	-	-	-	-
Deductible temporary differences	-	-	-	-
Tax losses	-	17,361	-	17,361
	<u>-</u>	<u>17,361</u>	<u>-</u>	<u>17,361</u>
30 June 2007				
<i>Consolidated</i>				
Taxable temporary differences	(81,948)	(375,133)	-	(457,081)
Deductible temporary differences	-	-	-	-
Tax losses	64,275	313,441	-	377,716
	<u>(17,673)</u>	<u>(61,692)</u>	<u>-</u>	<u>(79,365)</u>
<i>Company</i>				
Taxable temporary differences	-	(375,133)	-	(375,133)
Deductible temporary differences	-	-	-	-
Tax losses	17,361	313,441	-	330,802
	<u>17,361</u>	<u>(61,692)</u>	<u>-</u>	<u>(44,331)</u>

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

	Note	Consolidated		Company	
		2007 \$	2006 \$	2007 \$	2006 \$
13. Trade and other payables					
Trade payables		104,139	18,909	51,068	-
Non-trade payables and accrued expenses		26,696	12,732	24,857	8,831
Share application account		4,492,226	-	4,492,226	-
		<u>4,623,061</u>	<u>31,641</u>	<u>4,568,151</u>	<u>8,831</u>

GULF MINES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
(CONTINUED)**

14. Share capital

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
(a) Ordinary shares				
Issued and paid up capital	<u>3,075,649</u>	<u>1,002,651</u>	<u>3,075,649</u>	<u>1,002,651</u>

Ordinary shares entitle the holder to participate in dividends as declared from time to time and the proceeds on winding up the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll, each share is entitled to one vote.

(b) Movements in share capital

	2007		2006	
	No of Shares	\$	No of Shares	\$
Balance at 1 July	96,962,536	1,002,651	2	2
Shares issued	<u>19,020,000</u>	<u>2,097,000</u>	<u>96,962,534</u>	<u>1,014,649</u>
	<u>115,982,536</u>	<u>3,099,651</u>	<u>96,962,536</u>	<u>1,014,651</u>
Less costs of issue	<u>-</u>	<u>(24,000)</u>	<u>-</u>	<u>(12,000)</u>
Balance at 30 June	<u>115,982,536</u>	<u>3,075,651</u>	<u>96,962,536</u>	<u>1,002,651</u>

15. Accumulated losses

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Movements in accumulated losses as follows:				
Balance at 1 July	(58,911)	(2)	(57,871)	(2)
Net profit /(loss) for the year	<u>(205,640)</u>	<u>(58,909)</u>	<u>(204,965)</u>	<u>(57,869)</u>
Balance at 30 June	<u>(264,551)</u>	<u>(58,911)</u>	<u>(262,836)</u>	<u>(57,871)</u>

GULF MINES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
(CONTINUED)**

16. Reconciliation of cash flows from operating activities

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
(a) Cash flows from operating activities				
Operating profit/(loss) for the period	(205,640)	(58,909)	(204,965)	(57,869)
Adjustments for:				
Depreciation	<u>4,651</u>	<u>-</u>	<u>4,651</u>	<u>-</u>
Operating profit before changes in working capital and provisions	(200,989)	(58,909)	(200,314)	(57,869)
Change in trade and other receivables	(107,406)	(19,005)	(43,735)	(3,322)
Change in trade and other payables	<u>99,193</u>	<u>31,641</u>	<u>67,094</u>	<u>8,831</u>
	<u>(209,202)</u>	<u>(46,273)</u>	<u>(176,955)</u>	<u>(52,360)</u>

(b) Non-cash financing and investing activities

During the year there were no non-cash financing or investing activities.

(c) Finance or bank overdraft facilities

The company does not have any finance or overdraft facilities.

17. Financial instruments

Interest rate exposure

The Company'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:

	Floating interest rate		Non-interest bearing	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>Financial assets</i>				
Cash and cash equivalents	5,824,974	742,127	-	-
Receivables	<u>-</u>	<u>-</u>	<u>126,411</u>	<u>19,005</u>
	<u>5,824,974</u>	<u>742,127</u>	<u>126,411</u>	<u>19,005</u>
<i>Financial liabilities</i>				
Payables	<u>-</u>	<u>-</u>	<u>4,623,061</u>	<u>31,641</u>
	<u>-</u>	<u>-</u>	<u>4,623,061</u>	<u>31,641</u>
Net financial assets	<u>5,824,974</u>	<u>742,127</u>	<u>(4,496,650)</u>	<u>(12,636)</u>

GULF MINES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
(CONTINUED)**

17. Financial instruments (continued)

	Total		Average effective interest rate	
	2007	2006	2007	2006
	\$	\$	%	%
<i>Financial assets</i>				
Cash and cash equivalents	5,824,974	742,127	6.15	5.65
Receivables	<u>126,411</u>	<u>19,005</u>	-	-
	<u>5,951,385</u>	<u>761,132</u>		
<i>Financial liabilities</i>				
Payables	<u>4,623,061</u>	<u>31,641</u>	-	-
	<u>4,623,061</u>	<u>31,641</u>		
Net financial assets	<u>1,328,324</u>	<u>729,491</u>		

Net fair values

The net fair values of the financial assets and financial liabilities approximate their carrying values. No financial assets and financial liabilities are readily traded on organised markets. 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 the financial statements.

18. Related parties

The following were key management personnel of the group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors

Mr RM Payne (Chairman)
Mr SA Oussa (removed 4 April 2007)
Dr PB Smith

Executive director

Mr GC Reveleigh (Managing Director)

Specified executives

Mr DG Thamm (Company Secretary, appointed 12 December 2006)
Mr BW Peden (Company Secretary, retired 25 September 2006)

(b) Movement in shares

The movement during the reporting period in the number of ordinary shares in Gulf Mines Limited held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Ordinary Shares	Balance at 1 July 2006	Disposals	Acquisitions	Balance at 30 June 2007
<i>Directors</i>				
Mr RM Payne	236,000	-	300,000	536,000
Mr GC Reveleigh	19,720,000	-	-	19,720,000
Mr SA Oussa	2,800,000	(2,800,000)	-	-
Dr PB Smith	14,000,000	(7,000,000)	11,200,000	18,200,000
<i>Executives</i>				
Mr DG Thamm	-	-	-	-

No shares were granted to key management personnel during the reporting period as compensation in 2006 or 2007.

GULF MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

18. Related parties (continued)

(c) Key management personnel compensation

The Board's remuneration policy is to ensure the remuneration level properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The Company has not employed any executive officers, other than Directors, who were involved in, concerned in, or who took part in the management of the Company's affairs. Information regarding individual directors and executives compensation and some equity disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration Report section of the Directors Report on pages 6 to 8.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

There were no loans made to key management personnel and their related parties during the year.

There were no shares or options issued as remuneration to executives during the financial year ended 30 June 2007.

(d) Other key management personnel transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

	Transaction value		Balance outstanding	
	year ended 30 June 2007	2006	at 30 June 2007	2006
(i) Key management personnel				
Mr DG Thamm				
- Accounting services	4,965	-	-	-
(ii) Other related parties				
Zanamere Pty Ltd (Mr GC Reveleigh)				
- Provision of technical personnel	251,330	-	33,017	-
- Provision of registered office	48,000	-	4,400	-
- Provision of motor vehicles	33,900	-	5,720	-
- Provision of administration support	16,330	-	908	-
- Reimbursements of costs	9,759	-	366	-

The Company uses the services of Mr DG Thamm for accounting duties as and when required. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

The Company has entered into a contract with Zanamere Pty Ltd for the provision of administration and technical services. Amounts were billed based on normal market rates for these types of services, and amounts are payable under normal payment terms.

GULF MINES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
(CONTINUED)**

18. Related parties (continued)

(e) Non-key management personnel disclosures

Subsidiaries

Loans are made by the Company to wholly owned subsidiaries for working capital requirements. Loans outstanding between the Company and its subsidiaries have no fixed date of repayment and are non-interest bearing. During the year, such loans to subsidiaries totalled \$1,237,435 (2006: \$187,000). These loans have been recognised as non-current receivables.

19. Auditors remuneration

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Auditors remuneration for audit or review of the financial reports of the parent entity or any entity in the economic entity.				
- Parent entity	19,500	4,000	19,500	4,000
- Controlled entities	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
	<u>19,500</u>	<u>6,000</u>	<u>19,500</u>	<u>6,000</u>
Remuneration for other services by the parent entity auditors.				
- Parent entity	<u>1,650</u>	<u>2,500</u>	<u>1,650</u>	<u>2,500</u>

20. Capital commitments

The company has no capital commitments at 30 June 2007 (2006: \$250,000). The 2006 amount was for airborne geophysical surveying.

21. Segment information

Business Segments.

The Company operates in the mining industry in Australia only. Operations comprise the exploration and evaluation of mineral deposits.

22. Events subsequent to reporting date

As a result of the Initial Public Offer, a further \$7,000,000 was raised. Of this amount, \$4,492,226 was held in trust at 30 June 2007 (see Note 13). The company was admitted to the official List of the Australian Stock Exchange on 1 August 2007 and commenced trading on 3 August 2007.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect:

- the economic entity's operations;
- the results of those operations; or
- the economic entity's state of affairs in future financial years.

GULF MINES LIMITED

DIRECTORS DECLARATION

- 1 In the opinion of the directors of Gulf Mines Limited (the "Company"):
 - (a) The financial statements and notes and the remuneration disclosures that are contained in sections 11.1.1 and 11.1.2 of the Remuneration report in the Directors' report, set out on pages 6 to 8, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a);
 - (c) the remuneration disclosures that are contained in sections 11.2.1 and 11.2.2 of the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures; and
 - (d) 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 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director for the financial year ended 30 June 2007.

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

Dated at Cairns this 27th day of September 2007



Roy Payne
Chairman



Graham Reveleigh
Managing Director

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF GULF MINES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Gulf Mines Limited (the company) and Gulf Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Australian Accounting Standard AASB 124 Related Party Disclosures, contained in sections 11.2.1 and 11.2.2 of the Remuneration report in the Directors' report and not in the financial report. We have audited the remuneration disclosures contained in sections 11.2.1 and 11.2.2 of the Directors' report.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Audit Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Gulf Mines Limited on 27 September 2007 would be in the same terms if provided to the directors as at the date of this auditor's report.

Audit Opinion

In our opinion:

- a. the financial report of Gulf Mines Limited and Gulf Mines Limited and Controlled Entities is in accordance with the Corporations Act 2001, including :
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. the financial report also complies with International financial Reporting Standards as disclosed in Note 1.
- c. the remuneration disclosures contained in sections 11.2.1 and 11.2.2 of the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures.

Signed at Cairns on 27th September 2007



WHK Greenwoods (Cairns)



Jason Taylor
Partner

Auditors Independence Declaration to the Board of Gulf Mines Limited

In relation to our audit of the financial report of Gulf Mines Limited for the financial year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Signed at Cairns on 27th September 2007

WHK Greenwoods

WHK Greenwoods (Cairns)



Jason Taylor
Partner