
Pro Forma Accounts 31 December 2006

Condensed consolidated balance sheet

	Pro forma 31 Dec 2006
Current Assets	
Cash and cash equivalents	7,744,577
Receivables	<u>67,636</u>
Total current assets	<u>7,812,213</u>
Non-current assets	
Capitalised exploration costs	869,617
Property, plant and equipment	<u>45,053</u>
Total non-current assets	<u>914,670</u>
Total assets	<u>8,726,883</u>
Current liabilities	
Trade and other payables	<u>153,890</u>
Total current liabilities	<u>153,890</u>
Total liabilities	<u>153,890</u>
Net assets	<u>8,572,993</u>
Equity	
Contributed equity	8,973,649
Accumulated losses	<u>(400,656)</u>
Total equity	<u>8,572,993</u>

Condensed consolidated statement of cashflows

Cashflows from operating activities	
Payments to suppliers and employees	(294,064)
Interest received	<u>30,588</u>
Net cash used in operating activities	<u>(263,476)</u>
Cashflows from investing activities	
Payments for exploration and evaluation	(655,368)
Payments for property, plant and equipment	<u>(49,704)</u>
Net cash used in investing activities	<u>(705,072)</u>
Cashflows from financing activities	
Proceeds from issue of shares	<u>7,970,998</u>
Net cash from financing activities	<u>7,970,998</u>
Increase in cash held	7,002,450
Cash and cash equivalents at beginning of period	<u>742,127</u>
Cash and cash equivalents at end of period	<u>7,744,577</u>

Condensed consolidated statement of changes in equity

	Issued capital	Accumulated losses
		Audited
Balance at 1 July 2006	1,002,651	(58,911)
Loss attributable to equity shareholders	-	(101,745)
Shares issued during the year	<u>1,450,998</u>	<u>-</u>
	2,453,649	(160,656)
Dividends paid or provided for	<u>-</u>	<u>-</u>
Balance at 31 December 2006	<u>2,453,649</u>	<u>(160,656)</u>
		Pro-forma
Balance at 1 July 2006	1,002,651	(58,911)
Loss attributable to equity shareholders	-	(341,745)
Shares issued during the year	<u>7,970,998</u>	<u>-</u>
	8,973,649	(400,656)
Dividends paid or provided for	<u>-</u>	<u>-</u>
Balance at 31 December 2006	<u>8,973,649</u>	<u>(400,656)</u>

PRO FORMA ADJUSTMENTS

The pro-forma adjustments are intended to illustrate the financial effect of the following transactions upon completion of the capital raising:

- (a) The issue of 28,000,000 fully paid ordinary shares of 25 cents each to raise \$7,000,000 pursuant to the Prospectus.
- (b) The payment of the brokerage costs in relation to the share issue estimated at \$360,000. In accordance with applicable Accounting Standards, these costs are recognised as a charge against equity.
- (c) The payment of administration and float costs estimated at \$150,000.

SUMMARY OF ACCOUNTING POLICIES IN RELATION TO PRO-FORMA ACCOUNTS

The significant accounting policies adopted in the preparation of the historical information and the pro forma balance sheet (collectively referred to as the “financial statements”) are:

(a) Basis of Preparation

The financial statements have been prepared in accordance with the measurement and recognition (but not the disclosure) requirements of all Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (‘AIFRS’) and UIG interpretations with such disclosures made as considered necessary.

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

**SUMMARY OF ACCOUNTING POLICIES IN RELATION
TO PRO-FORMA ACCOUNTS (CONTINUED)**

(b) Statement of compliance

The summary financial statements comply with the accounting methodologies and measurement requirements required by Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard ('AIFRS'). Compliance with AIFRS ensures that the financial statements and notes thereto, comply with the corresponding requirements of International Financial Reporting Standards ('IFRS').

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Gulf Mines Limited and its wholly-owned subsidiaries, Hartz Range Mines Pty Ltd and Ebagooola Gold Mines Pty Ltd (collectively referred to as the "Group").

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(d) 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.

(e) Deferred share issue costs

Any transaction costs on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

(f) Goods and Services Tax (GST)

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 recognized as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the balance sheet are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.