

# Gulf Mines Limited

## Brief report for the six months ended 31 December 2006.

### Corporate

**Fundraising:** The second Information Memorandum, dated June 2006, was closed fully subscribed in December 2006, raising \$1,250,000. A third Information Memorandum dated December 2006, has raised an additional \$317,000 to the date of this report, and the Board anticipates closing it fully subscribed shortly.

**IPO:** Preparations are in hand to prepare a Prospectus for fundraising and listing on the ASX towards the end of April 2007. The Independent Geologist's Report is in final draft form, and the Auditors have reviewed the accounts prior to completing a financial report for the Prospectus.

**Financial Report:** Attached to this report, are the accounts for the six months ended 31<sup>st</sup> December, 2006, prepared by Management, and unaudited. In the course of preparing our Prospectus the auditors have reviewed these accounts and will write a report for inclusion in the prospectus based on that review.

### Exploration

**Technical Office:** An exploration base was established in Cairns, and has been staffed and basically equipped.

**Data Base Compilation:** All the open file exploration data for Wologorang and Ebagoola, has been collated and entered into a two databases. A programme of purging these databases to remove inconsistencies is in progress. A third database to include the diamond data for Wologorang – Branch Creek is in preparation.

**Airborne Geophysical Survey:** The survey, to be conducted by Fugro Airborne Surveys Pty Ltd ("Fugro") and scheduled for April 2006, was finally flown in September 2006, when the ground had dried sufficiently to allow collection of meaningful radiometric data. A total of 18,000 line km of data were collected and levelled at Wologorang, and 13,200 line km of data were collected and levelled at Ebagoola. Together these represent one of the largest private company surveys completed by Fugro in recent years. Processing of the data was completed in November.

**Ebagoola Field Work:** Field work commenced on the Ebagoola EL 12119. Several quartz reefs which had previously been explored by others, were remapped as necessary, with particular attention being paid to the wall rocks. Auger sampling of the adjacent wall rocks has shown significant anomalous gold. Also, the areas where our prospector has successfully recovered specimen gold, were mapped in detail.

Trench sampling at other prospects has given significant gold values, up to 9.0 g/t.

Survey, using DGPS equipment, of old grids and drill collars on previously drilled prospects has been carried out so that the "floating" grids used previously can be related to the earth's surface in a standard system.

Work has commenced on entering all previous drill data into appropriate files for compilation of formal resources, where appropriate.

**Ebagoola Geophysical Survey Interpretation:** Work has progressed on the interpretation of the survey data recently acquired. Numerous prospects have been identified using the data base and the survey results. Some of these are located on the EPMA's and will be progressed further when the EPMA's are granted.

**Wologorang Geophysical Survey Interpretation:** The survey results were seamlessly joined to the results of the survey conducted by Lagoon Creek Resources, so that the entire area of all three ELs is continuously covered. Interpretation of the magnetics has revealed several major base metal targets in the Wologorang and overlying Formations. Radiometric survey of the northern portion of the ELs has never been done before. Preliminary inspection of the results indicate a very radioactive structure adjacent to the anomalous base metal plays, and further investigation is in progress.

### Conclusion

The company currently employs two geologists, a geophysicist, and two GIS support staff. Compilation and interpretation of previous results and the new geophysics will produce numerous prospects ready as drill targets for the coming field season on both exploration areas.

Graham Reveleigh  
Managing Director

# Gulf Mines Limited

## INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

NOTE	<i>Economic Entity</i>		<i>Parent Entity</i>		
	Half year ended	Year ended	Half year ended	Year ended	
	31 Dec 2006	30 Jun 2006	31 Dec 2006	30 Jun 2006	
	\$	\$	\$	\$	
Revenue	2	30,588	12,507	30,543	12,395
Administration costs		(43,400)	(2,549)	(42,999)	(1,647)
Depreciation		( 4,651)	-	( 4,651)	-
Director and Officer Emoluments		(67,500)	(45,000)	(67,500)	(45,000)
Exploration Costs		(700)	(318)	(700)	(318)
Legal fees		(943)	(9,047)	(943)	(9,047)
Professional fees - accounting		-	(3,127)	-	(2,877)
Professional fees - audit		(900)	(6,000)	(900)	(6,000)
Travel expenses		(14,239)	(5,375)	(14,239)	(5,375)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Profit before Income Tax</b>		(101,745)	(58,909)	(101,389)	(57,869)
Income tax expense		-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Profit attributable to members of the parent entity</b>		(101,745)	(58,909)	(101,389)	(57,869)

# Gulf Mines Limited

## BALANCE SHEET AS AT 31 DECEMBER 2006

		<i>Economic Entity</i>		<i>Parent Entity</i>	
	NOTE	31 Dec 2006	30 June 2006	31 Dec 2006	30 June 2006
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	3	1,464,579	742,127	1,461,427	713,279
Receivables	4	67,636	19,005	18,504	3,322
<b>TOTAL CURRENT ASSETS</b>		<u>1,532,215</u>	<u>761,132</u>	<u>1,479,931</u>	<u>716,601</u>
<b>NON-CURRENT ASSETS</b>					
Receivables	4	-	-	741,240	187,000
Other Financial Assets	5	-	-	50,010	50,010
Capitalised Exploration Costs	7	869,617	214,249	-	-
Property, plant and equipment	8	45,053	-	45,053	-
<b>TOTAL NON-CURRENT ASSETS</b>		<u>914,670</u>	<u>214,249</u>	<u>836,303</u>	<u>237,010</u>
<b>TOTAL ASSETS</b>		<u>2,446,885</u>	<u>975,381</u>	<u>2,316,234</u>	<u>953,611</u>
<b>CURRENT LIABILITIES</b>					
Payables	9	153,890	31,641	21,845	8,831
<b>TOTAL CURRENT LIABILITIES</b>		<u>153,890</u>	<u>31,641</u>	<u>21,845</u>	<u>8,831</u>
<b>TOTAL LIABILITIES</b>		<u>153,890</u>	<u>31,641</u>	<u>21,845</u>	<u>8,831</u>
<b>NET ASSETS</b>		<u>2,292,995</u>	<u>943,740</u>	<u>2,294,389</u>	<u>944,780</u>
<b>EQUITY</b>					
Contributed Equity	10	2,453,649	1,002,651	2,453,649	1,002,651
Accumulated Losses	11	(160,654)	(58,911)	(159,260)	(57,871)
<b>TOTAL EQUITY</b>		<u>2,292,995</u>	<u>943,740</u>	<u>2,294,389</u>	<u>944,780</u>

# Gulf Mines Limited

## STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	<i>Economic Entity</i>		<i>Parent Entity</i>	
	Share Capital Ordinary	Accumulated Losses	Share Capital Ordinary	Accumulated Losses
	\$	\$	\$	\$
<b>Balance at 1 July 2005</b>	2	(2)	2	(2)
Loss attributable to equity shareholders	-	(58,909)	-	(57,869)
Shares issued during the year	1,002,649	-	1,002,649	-
Subtotal	1,002,651	(58,911)	1,002,651	(57,871)
Dividends paid or provided for	-	-	-	-
<b>Balance at 30 June 2006</b>	1,002,651	(58,911)	1,002,651	(57,871)
 <b>Balance at 1 July 2006</b>	 1,002,651	 (58,911)	 1,002,651	 (57,871)
Loss attributable to equity shareholders		(101,745)		(101,389)
Shares issued during the year	1,450,998		1,450,998	
Subtotal	2,453,649	(160,656)	2,453,649	(159,260)
Dividends paid or provided for				
<b>Balance at 31 December 2006</b>	2,453,649	(160,656)	2,453,649	(159,260)

# Gulf Mines Limited

## STATEMENT OF CASHFLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	<i>Economic Entity</i>		<i>Parent Entity</i>	
	Half year ended	Year ended	Half year ended	Year ended
	NOTE 31 Dec 2006	30 June 2006	31 Dec 2006	30 June 2006
	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	-	-	16,932	-
Payments to Suppliers and Employees	(54,064)	(58,780)	(129,449)	(64,755)
	(54,064)	(58,780)	(112,517)	(64,755)
Interest and Other Costs of Finance Paid	-	-	-	-
Interest Received	30,588	12,507	13,611	12,395
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(23,476)</b>	<b>(46,273)</b>	<b>(98,906)</b>	<b>(52,360)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payment for Exploration and Evaluation	(655,368)	(214,249)	-	-
Payments for Property, plant and equipment	(49,704)	-	(49,704)	-
Payment for Investments	-	-	-	(50,010)
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(705,072)</b>	<b>(214,249)</b>	<b>(49,704)</b>	<b>(50,010)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from Issue of Shares	1,450,998	1,002,649	1,450,998	1,002,649
Payment of Loan Advances	-	-	(554,240)	(187,000)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>1,450,998</b>	<b>1,002,649</b>	<b>896,758</b>	<b>815,649</b>
Increase/(decrease) in Cash Held	722,450	742,127	748,148	713,279
Cash at the Beginning of the Financial Year	742,127	-	713,279	-
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	<b>1,464,577</b>	<b>742,127</b>	<b>1,461,427</b>	<b>713,279</b>

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

### **Statement of compliance**

The half-year financial report is a special purpose financial report prepared in accordance with AASB134 "Interim Financial Reporting". Compliance with AASB134 ensures compliance with compliance with International Financial Reporting Standard IAS34 ' Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial and shall be read in conjunction with the most recent annual financial report.

### **Basis of preparation**

The condensed financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2006 annual financial report for the financial ended 30 June 2006, other than as detailed below.

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

### **Comparatives**

The company did not commence any significant operations until after 22 December 2005. As such, the comparative information for the income statement, statement of changes in equity and cashflow statement have been presented for the twelve months ended 30 June 2006, rather than the comparative interim period, as the directors are of the opinion that this provides more meaningful information in respect of the company's historical performance.

### **Accounting Policies**

#### **(a) Principles of Consolidation**

A controlled entity is any entity Gulf Mines Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 6 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

## **NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Accounting Policies (continued)**

#### **(b) 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>Economic Entity</i>		<i>Parent Entity</i>	
	<b>31 Dec 2006</b>	<b>30 June 2006</b>	<b>31 Dec 2006</b>	<b>30 June 2006</b>
<b>NOTE 2 - REVENUE</b>				
Interest revenue	<u>30,588</u>	<u>12,507</u>	<u>30,543</u>	<u>12,395</u>
<b>NOTE 3 - CASH AND CASH EQUIVALENTS</b>				
Cash at Bank	<u>1,464,579</u>	<u>742,127</u>	<u>1,461,427</u>	<u>713,279</u>
<b>NOTE 4 - RECEIVABLES</b>				
<b>Current</b>				
Other receivables	<u>67,636</u>	<u>19,005</u>	<u>18,504</u>	<u>3,322</u>
<b>Non-current</b>				
Loans to controlled entities	<u>-</u>	<u>-</u>	<u>741,240</u>	<u>187,000</u>
<b>NOTE 5 - OTHER FINANCIAL ASSETS</b>				
Shares in controlled entities	<u>-</u>	<u>-</u>	<u>50,010</u>	<u>50,010</u>
<b>NOTE 6 - INVESTMENTS IN CONTROLLED ENTITIES</b>				
			<b>Equity Holding</b>	
<b>(a) Name of Entity</b>	<b>Country of incorporation</b>	<b>Class of shares</b>	<b>31 Dec 2006</b>	<b>30 June 2006</b>
Hartz Range Mines Pty Ltd	Australia	Ordinary	100%	-
Ebagoola Gold Mines Pty Ltd	Australia	Ordinary	100%	-
<b>(b) Change in composition of the Group</b>				

There has been no significant changes to the composition of the Group since the last annual reporting date.

	<i>Economic Entity</i>		<i>Parent Entity</i>	
	<b>31 Dec 2006</b>	<b>30 June 2006</b>	<b>31 Dec 2006</b>	<b>30 June 2006</b>

#### NOTE 7 - DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

Deferred Exploration and Evaluation Expenditure  
(at cost)

	869,617	214,249	-	-
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The ultimate recoupment of the above deferred exploration and evaluation expenditure 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.

#### NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

Plant and equipment	49,705	-	49,705	-
Accumulated depreciation	( 4,652)	-	( 4,652)	-
	<u>45,053</u>	<u>-</u>	<u>45,053</u>	<u>-</u>

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such costs includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing those parts are incurred.

During the six months ended 31 December 2006 the consolidated entity acquired assets with a cost of \$49,705 (twelve months ended 30 June 2006: nil).

#### NOTE 9 - PAYABLES

Trade Payables	148,438	18,909	17,844	-
Other Payables and Accruals	5,452	12,732	4,001	8,831
	<u>153,890</u>	<u>31,641</u>	<u>21,845</u>	<u>8,831</u>

	<i>Economic Entity</i>		<i>Parent Entity</i>	
	<b>31 Dec 2006</b>	<b>30 June 2006</b>	<b>31 Dec 2006</b>	<b>30 June 2006</b>

#### NOTE 10 - CONTRIBUTED EQUITY

##### (a) Ordinary Shares

Issued and paid up capital	2,453,649	1,002,651	2,453,649	1,002,651
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##### (b) Movements in Share Capital

	<b>31 Dec 2006</b>		<b>30 June 2006</b>	
	<b>No. of Shares</b>	<b>\$</b>	<b>No. of Shares</b>	<b>\$</b>
Balance at start of the period	96,962,536	1,002,651	2	2
Shares Issued	14,750,000	1,475,000	96,962,534	1,014,649
	<u>111,712,536</u>	<u>2,477,651</u>	<u>96,962,536</u>	<u>1,014,651</u>
Less Costs of Issue	-	( 24,000)	-	( 12,000)
Balance at end of the period	<u>111,712,536</u>	<u>2,453,651</u>	<u>96,962,536</u>	<u>1,002,651</u>

##### (c) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends 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.

**NOTE 11 - ACCUMULATED LOSSES**

	<i>Economic Entity</i>		<i>Parent Entity</i>	
	<b>31 Dec 2006</b>	<b>30 June 2006</b>	<b>31 Dec 2006</b>	<b>30 June 2006</b>
Movements in accumulated losses as follows:				
Balance at start of the period	(58,911)	(2)	(57,871)	(2)
Net profit / (loss) for the year	<u>(101,745)</u>	<u>(58,909)</u>	<u>(101,389)</u>	<u>(57,869)</u>
Balance at end of the period	<u>(160,654)</u>	<u>(58,911)</u>	<u>(159,260)</u>	<u>(57,871)</u>

**NOTE 12 - RELATED PARTY TRANSACTIONS**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated

There are service agreements between the company and Zanamere Pty Ltd for provision of registered office and administration, for the supply of services of technical staff, and for hire of vehicles and computer software. Amounts paid in respect of these contracts for the half-year ended 31 December 2006 total \$140,242. (30 June 2006: nil).

**NOTE 13 - CAPITAL COMMITMENTS**

There are no capital commitments entered into by the company as at 31 December 2006.

**NOTE 14 - SEGMENT INFORMATION**

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

**NOTE 15 - EVENTS SUBSEQUENT TO REPORTING DATE**

Since the end of the reporting period, the company has raised a further \$77,000 in capital pursuant to the Information Memorandum dated 18 December 2006.

# CORPORATE DIRECTORY

## Board of Directors

Roy Payne (Chairman)  
Graham Reveleigh (Managing Director)  
Sharif Oussa (Director)  
Peter Smith (Director)

## Company Secretary

Darren Thamm

## Share Capital

111,712,536 shares

## Bankers

Suncorp-Metway Ltd  
15 Spence Street  
Cairns Qld 4870

## Auditors

WHK Greenwoods  
74 Abbott Street  
Cairns Qld 4870

## Registered Office and Share Registry

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Earlville Qld 4870

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## Lawyers

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