



GBM Gold Ltd

29 January 2018

ASX Announcement

December 2017

Quarterly Report to Shareholders

GBM Gold Limited
ABN 59 119 956 624

ASX CODE: GBM

CORPORATE DETAILS:

Shareholders:
711

Shares on Issue:
1,118,319,556

Options: Nil

Directors:

Eric JP Ng (*Chairman*)

John Harrison (*CEO*)

Paul Chan

Andy Lai

Linda Lau

Jianping Wang

Andrew Chan

Company Secretary:

Andrew Chan

CONTACT DETAILS:

Principal and Registered Office:

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Kangaroo Flat VIC 3550

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Website
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Summary

Significant activities for the quarter were:

- The agreement with Gold Miners Australia to jointly reprocess tailings sand in the Kangaroo Flat Coarse Sand Dam to recover the contained gold is progressing with the construction of the processing equipment on schedule and due on site in April.
- At the Harvest Home Project, a Bulk Sample Pit was completed in June 2015. An application was made in November 2015 to excavate an additional 44,000 tonnes of ore by extending the pit to the north. This application is in the final stages of the approvals process with the plans being referred to relevant government agencies for comment.
- GBM Gold Ltd (GBM) received an additional \$0.05 million payment in the \$6.2 million sale of the Kangaroo Flat Gold Processing Plant to Australian Mineral Exporters Pty Ltd (AME).
- GBM Gold issued a default notice to AME when the second tranche payment due on 1 December 2017 was not received. The Companies are working together to resolve the situation.
- The program to reopen the Swan Decline at Kangaroo Flat for underground exploration of a saddle reef structure on the Nell Gwynne Line of Reef, is in the detailed planning phase.

1. Introduction

The ultimate objective of the Bendigo Gold Project is the establishment and operation of an economically viable underground mine (or series of mines) and associated facilities to exploit the remaining potential of the Bendigo Goldfield. As an initial step in this process, GBM plans to access the existing Swan Decline and utilise existing underground development along with some additional underground development, to explore the potential of anticlinal lines traversed by the Swan Decline at locations above the standing water level in the decline. A potential saddle reef on the Nell Gwynne Line of Reef has been identified as the first target.

GBM Gold's open pit projects, Harvest Home, Queens Birthday and Wehla are located along the Goldsbrough–Wehla Shear Zone. Harvest Home is at the southern end of the line and the Wehla reefs occur along the northern end of a line that includes the reefs on other famous goldfields to the south such as Moliagul and Goldsbrough. This lineament is at least 24km long, runs parallel to the Avoca fault and is very prospective.

1.0 Mining and Exploration

1.1 Bendigo Project (MIN5344, MIN 5364, MIN 4878, EL 3327, EL 5035)

Kangaroo Flat Sand Dam Project

As reported in the September 2017 Quarterly Report, GBM has an agreement with Gold Miners Australia (GMA) to jointly mine and process the sand in the Kangaroo Flat Coarse Sand Dam to recover the contained gold and sulphides. The agreement provides for GMA to purchase a wash plant and 2x30tph gold concentrators, and provide mobile plant to excavate and transport the sand to the processing equipment. GBM will provide some infrastructure and will operate the project, expected to take two to three years to complete commencing in Q2, 2018. Profit will be shared 50/50 between the parties.

The Kangaroo Flat Gold Processing Plant operated with crushing, grinding, flotation and leaching circuits. Losses in the flotation stage of the process led to appreciable quantities of free gold and gold bearing sulphides being deposited in the coarse sand dam. The sand dam is estimated to hold 430,000 tonnes of material containing 5,100 ounces of gold at a grade of 0.37 g/t as reported in the March 2017 Quarterly Report.



Figure 1: Kangaroo Flat Coarse Sand Dam (2009)

Bendigo Exploration - Nell Gwynne Dome

In June 1998 a Work Plan describing the excavation and operation of a decline to facilitate access to areas of gold mineralisation beneath the surface of the Bendigo Goldfield was approved by the State mining regulator. The portal of the Swan Decline was cut at the Carshalton site (refer Figure 2)

Decline development in 1999 passed within 50 metres of the Concord workings at a depth of approximately 180m below ground level (75mAHD). Drilling from Stockpile 6 (at chainage 843m from portal) in 2009 targeted the Nell Gwynne anticline between -250mAHD and -350mAHD. This drilling revealed mineralisation on a cross-course fault that was subsequently named Nankervis Reef. A number of additional exploration targets were identified in the same area but not followed up.

Historical research suggests that a structure revealed in the historic Concord Mine may correspond with the Central Nell Gwynne Reef worked profitably further to the north. This structure is estimated to be within tens of metres of the decline in an area of pitch reversal and double folding. This sort of structural complexity tends to favour localised enrichment of mineralised ribbons. The local structure was confirmed by detailed decline geological mapping conducted in 1999.

The Nell Gwynne Dome area is known to exhibit a degree of geological complexity that elsewhere on the Bendigo Goldfield has been conducive to gold mineralisation.

The exploration of the Nell Gwynne Dome is anticipated to take approximately two years to complete and will involve the following:

- Removal of redundant infrastructure
- Portal remediation work
- Decline remediation work
- Dewatering of Concord shaft to level of decline (if necessary)
- Ventilation installation inside portal
- Underground disposal of mullock (as far as is practicable)
- Underground drilling
- Underground development

The Nell Gwynne Dome Exploration Program aims to examine the potential for payable underground ore-bodies in structurally favourable locations within the vicinity of the existing decline. The focus of initial underground exploration will be in the vicinity of the historic Concord Mine (refer Figures 2 to 5).

The first stage of the project will entail re-equipping and re-entering the Swan Decline to a position approximately 1,100m from the decline portal. Reconnaissance diamond drilling will be undertaken from drill platforms from within the decline (between 1,000m and 1,100m from the portal – refer Figures 4&5) with a view to demonstrating mineralisation potential.

New levels may be cut at approximately 1,050m from the portal and developed for distances of approximately 300m north and south along strike of the Nell Gwynne Anticline. This development will be in the western limb of the anticline and will provide opportunity for establishment of additional diamond drill platforms for purposes of defining a mineral resource. There is potential for the proposed development to uncover economically viable quantities of mineralised material in addition to developing drill platforms.

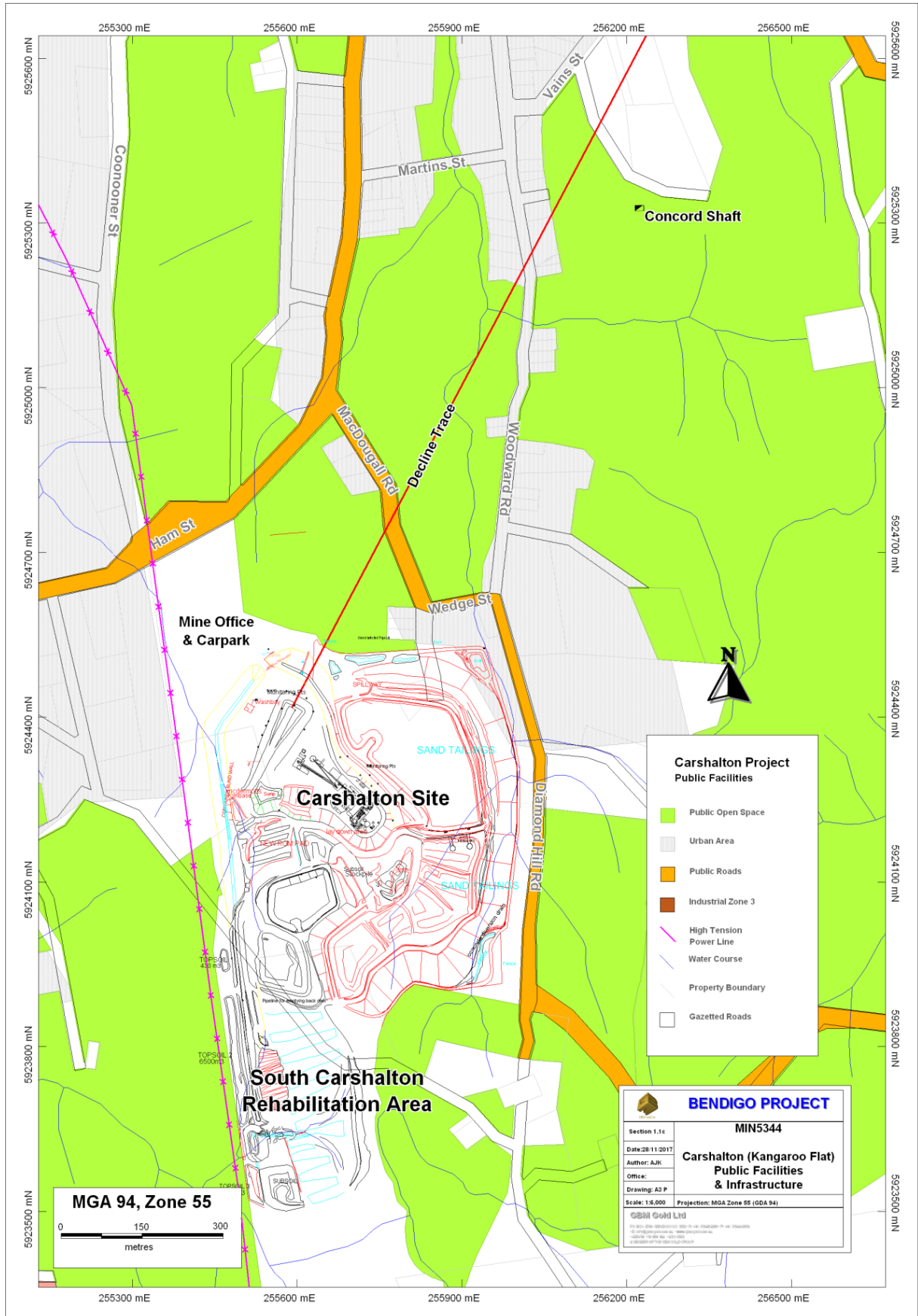


Figure 2: Swan Decline

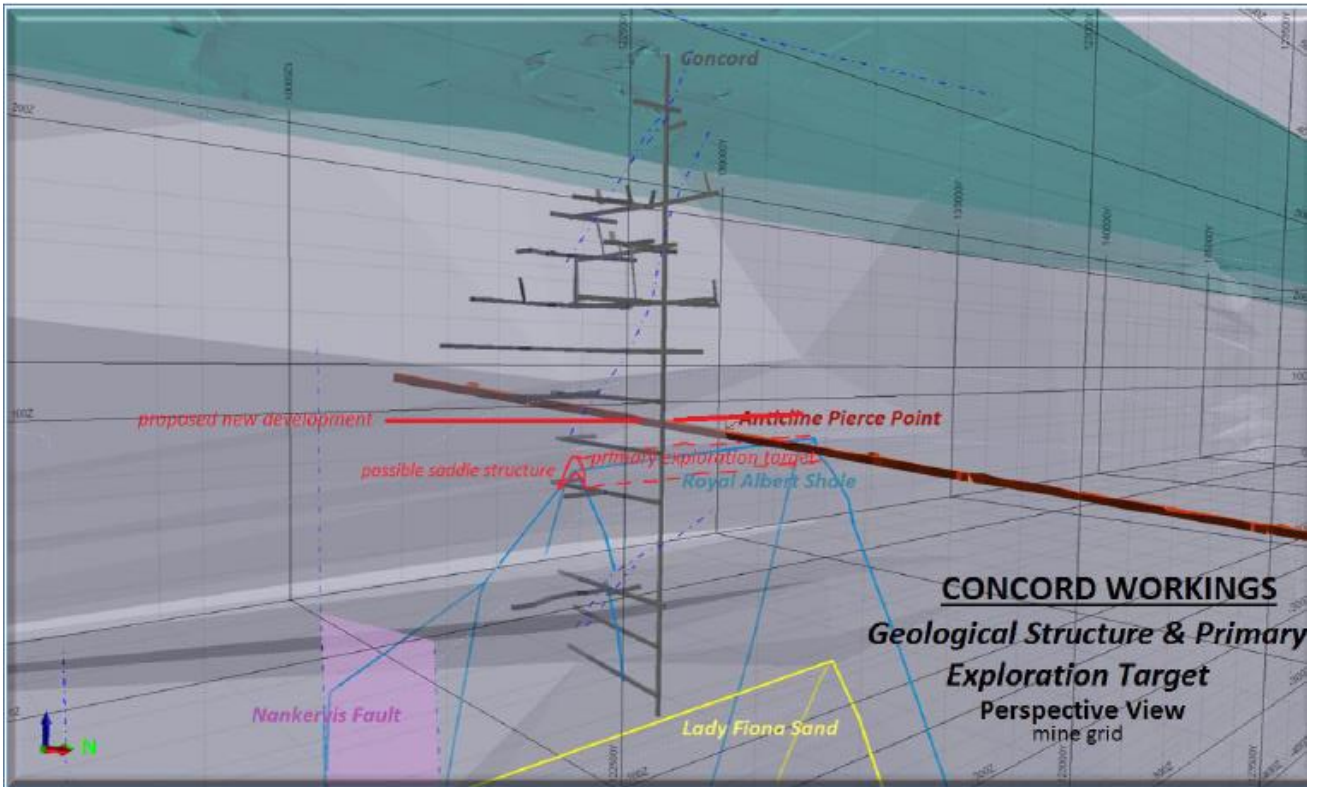


Figure 3: Nell Gwynne Reef Planned New Development

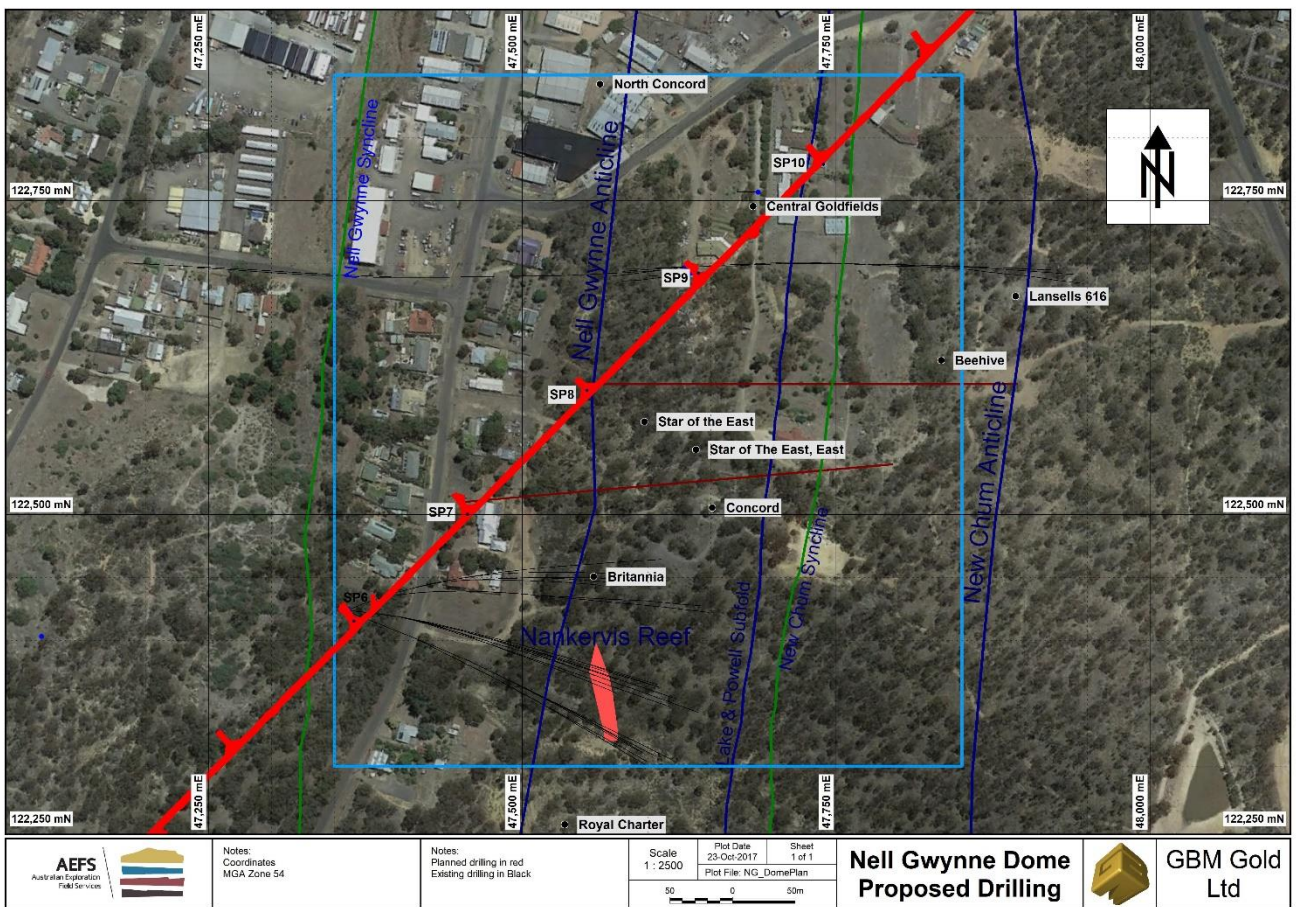


Figure 4: Nell Gwynne Reef Exploration Area

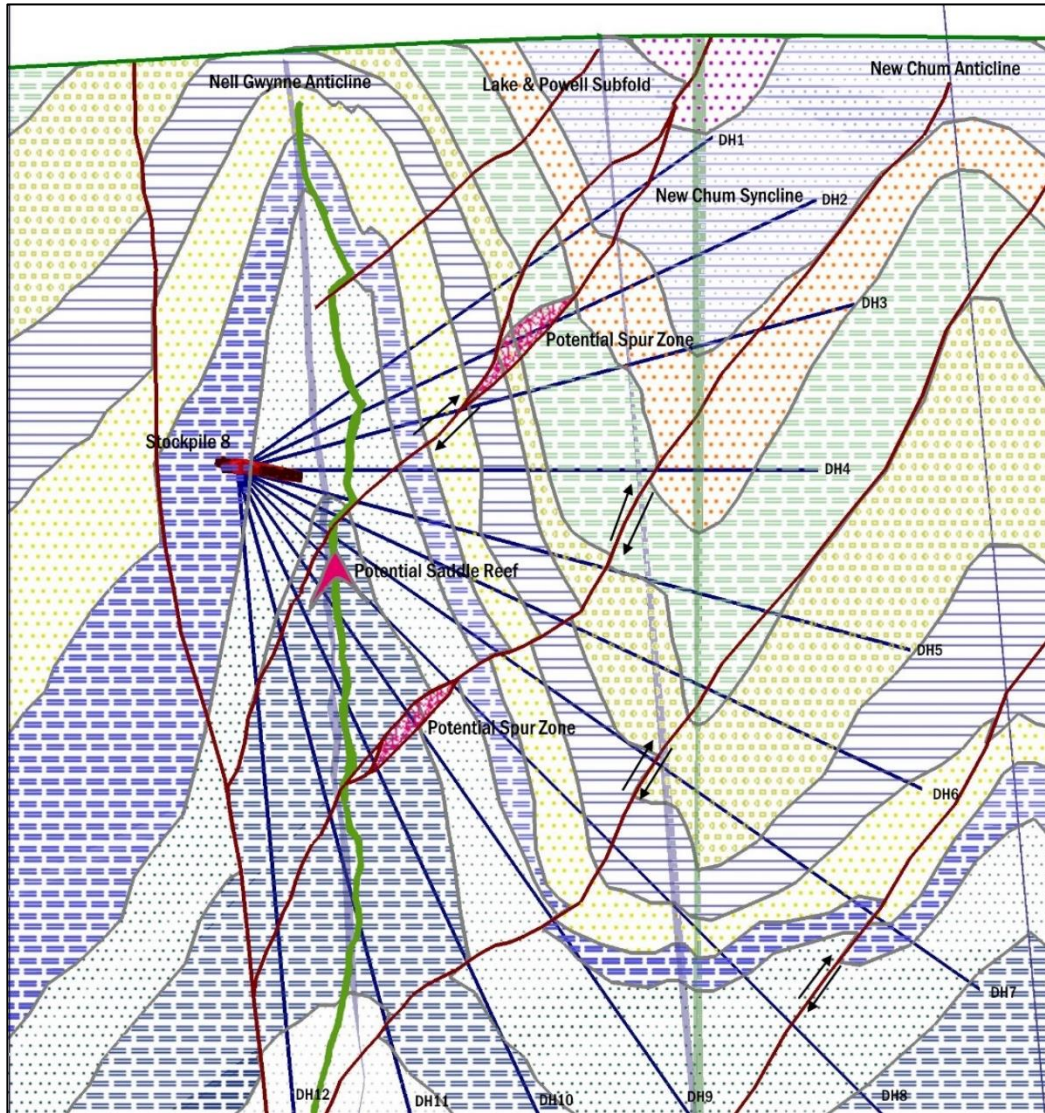


Figure 5: Nell Gwynne Reef – Proposed Drilling from Stockpile Eight

1.2 Goldsbrough-Wehla Zone (MIN 5510, EL 5528, MIN 5063 and EL 6369)

The Harvest Home, Queens Birthday and Wehla tenements are located along the 24km long Goldsbrough-Wehla Shear Zone with McIntyre situated 5km to the south-east of Wehla.

Harvest Home (MIN 5510, 50% Joint Venture with Truelight Mining Pty Ltd)

Harvest Home is on Mining Licence MIN 5510 and is located approximately 5 kilometres north of Dunolly in Central Victoria. A broad zone of gold mineralisation trends north-northwest through the licence area, approximately 3.5 km long and up to 0.4 km wide. Moran's Luck, Harvest Home, Mother O'Gold and Appleton's production centres are estimated to have produced in excess of 60,000 ounces (1,860kg) of gold between them (Whitehouse and Watts 2009). A Bulk Sample Pit was completed in June 2015 (Figure 6), and an application was made in November 2015 to extend the pit to the north. This application is in the final stages of the approvals process with the plans being referred to relevant government agencies for comment.



Figure 6: Excavating Bulk Sample Pit at Harvest Home

The pit will encompass and extend the existing bulk sample pit. Approximately 44,000 tonnes of ore at an estimated grade of 2.46g/t will be excavated in the next phase of the operation. Contiguous with this, a selective program of costeaning and in-fill drilling will build resource potential at Harvest Home and other prospects on the tenement. Mining will be conventional drill & blast utilising hydraulic excavator and articulated trucks. Ore will be hauled from the pit to a stockpile location on site for progressive transfer to an offsite processing facility.

Queens Birthday (EL 5528)

Queens Birthday is adjacent to Harvest Home and has the potential to expand the resources found on the Harvest Home tenement. A field exploration survey has been carried out on the tenement to identify the most promising exploration targets. This is the most comprehensive survey that has been carried out on this area for many years. It has identified a number of targets that have similarities to Harvest Home.

Wehla (EL 6369)

An Exploration Licence has been approved for the Wehla Goldfield. Wehla is a shear hosted gold mineralised system that lies at the northern end of the Goldsbrough – Wehla Shear Zone. The main gold workings consist of north trending auriferous reefs; Adelaide, Prince of Wales, Frenchman's, Petticoat, Black, Bismarck and Little Nell with Scotchman's and Hungarian between 50 and 200 metres to the east. Recorded production from the Wehla Goldfield is approximately 100,000 ounces of gold. The Prince of Wales Mine produced more than 60,000 ounces of gold from a series of drives following a large mineralised quartz channel (known as the 'Big Quartz'). Exploration targets on the EL are shown in Figure 7 below.

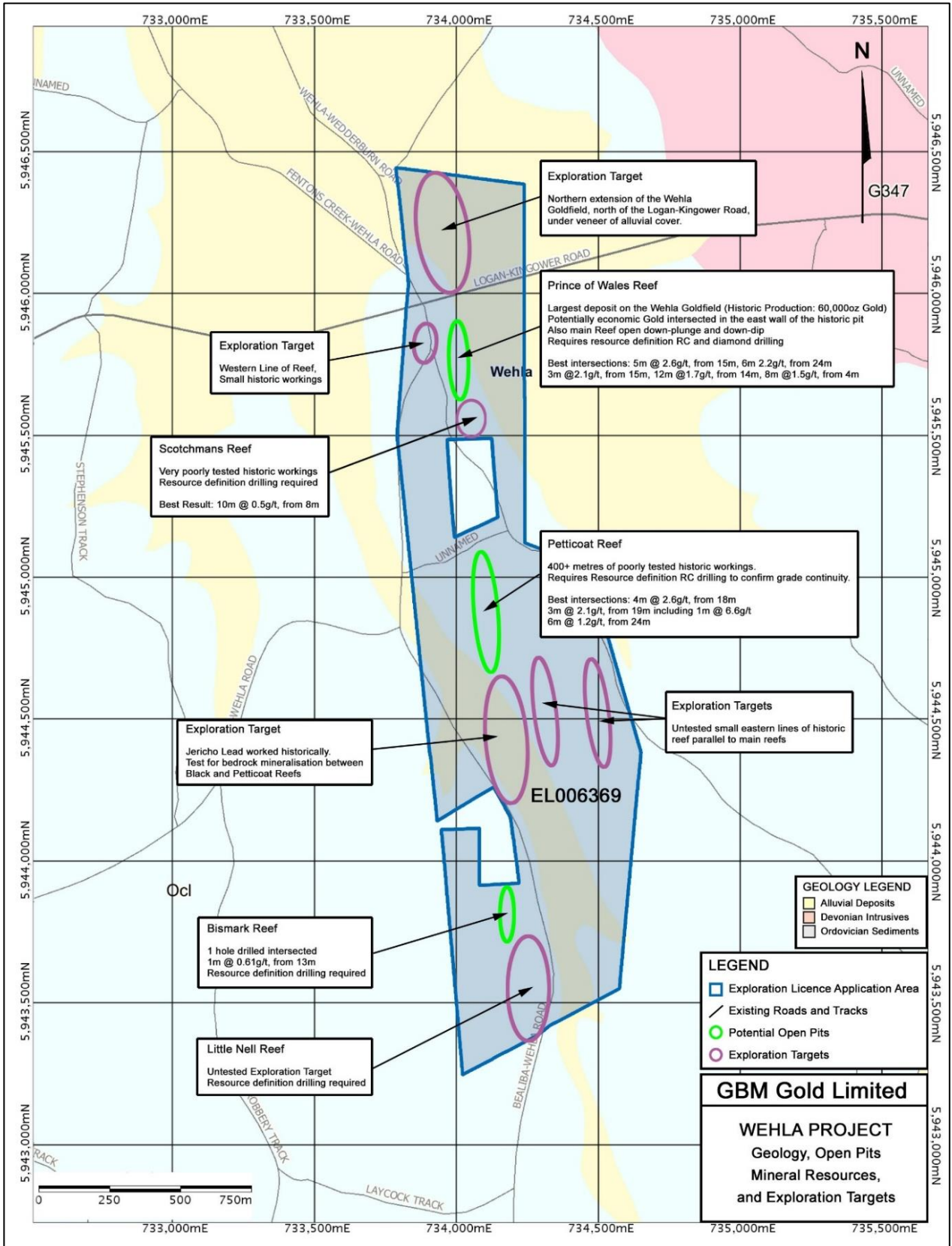


Figure 7: Wehla Exploration Targets

McIntyre (MIN 5093)

The McIntyre project is located 50 kilometres northwest of Maldon. Mining Licence MIN 5093 is centred on the Matrix Reef Mine and is part of the Berlin goldfield.

The Berlin Goldfield is one of the richest gold nugget producing areas in the world and has produced fourteen of the fifty largest nuggets found in Victoria, all of which exceed 500 ounces in weight. Four of these nuggets, ranging in size from 782 to 860 ounces, were discovered in colluvium and gully alluvium along or adjacent to the Matrix Reef. This led to the development of the Matrix Reef Mine a small primary gold producer that is one of only two high grade gold mines in Victoria with average production grades of greater than 140 g/t gold.

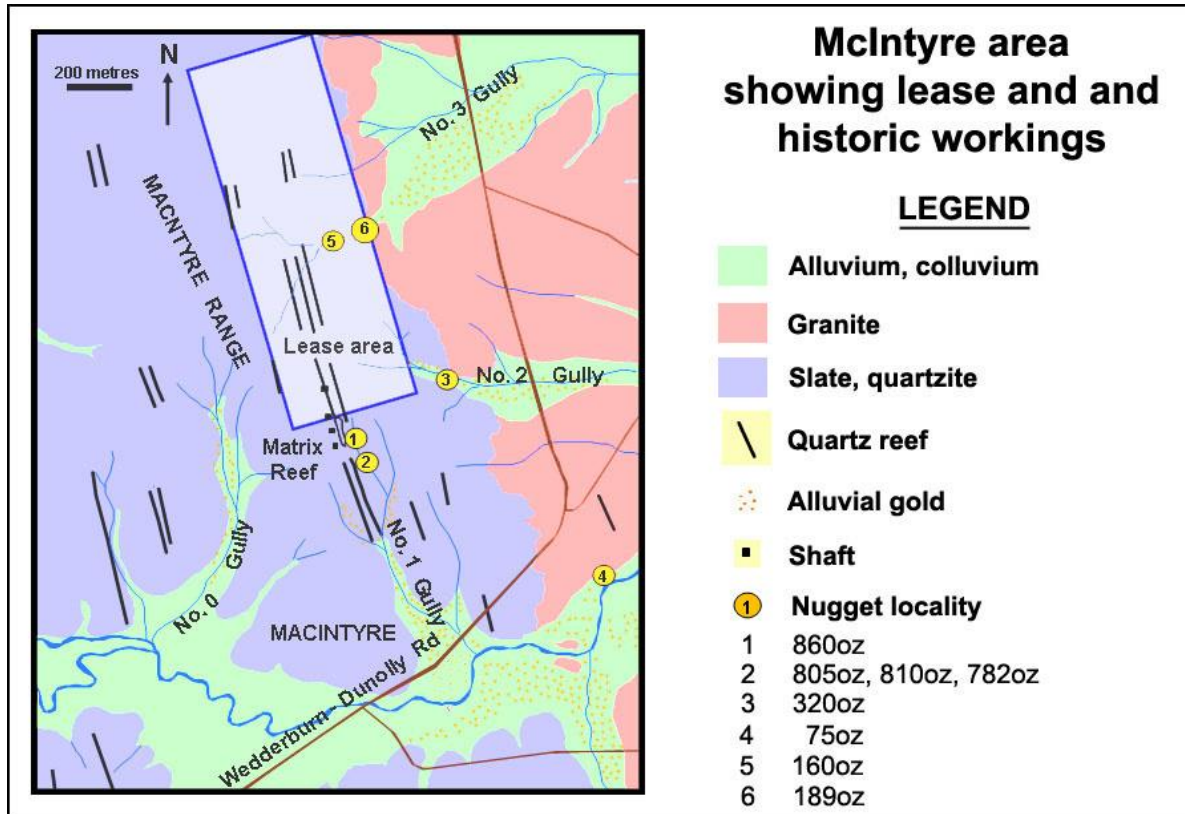


Figure 8: McIntyre Surface Geology Plan

Limited underground mining at the Matrix Reef recorded an in-situ production grade of 180 g/t gold and a recovered grade of 148 g/t gold with most of the ore coming from the intersection of moderate west dipping quartz veins with carbonaceous shale units and vertical faults. Coarse gold mineralisation occurs in the footwall of the quartz veins and is accompanied by a broad alteration halo of bleaching and ferruginisation that presents a larger exploration target than the localised high-grade gold shoots.

GBM is awaiting finalisation of the transfer of the tenement.

1.3 GBM Gold Exploration Projects

Fiddlers Creek (ELA 6155)

An Exploration Licence application has been submitted covering the Percydale Goldfield. There is an abundance of known workings associated with the Percydale Fault Zone. The planned exploration is directed towards known mineralization trends in the vicinity of Fiddlers Creek and Perseverance mines particularly near areas of historical workings. GBM expects the assessment of this application by Earth Resources Regulation to be completed in the near future.

1.4 Woodvale Evaporation Pond Complex (WEPC)

Bendigo relied on pumping to suppress groundwater levels in mine workings. A number of evaporation pans (ponds) were constructed at Woodvale to the north of Bendigo in the 1980's to facilitate the evaporation of groundwater from the underground workings. The facility grew over a number of years to accommodate the progressive increase in the volume of water pumped from underground as the Kangaroo Flat mine grew. GBM acquired the Woodvale Evaporation Pond Complex (see Figure 9) and a Water Treatment Plant at the New Moon site in Eaglehawk as part of the Bendigo purchase.

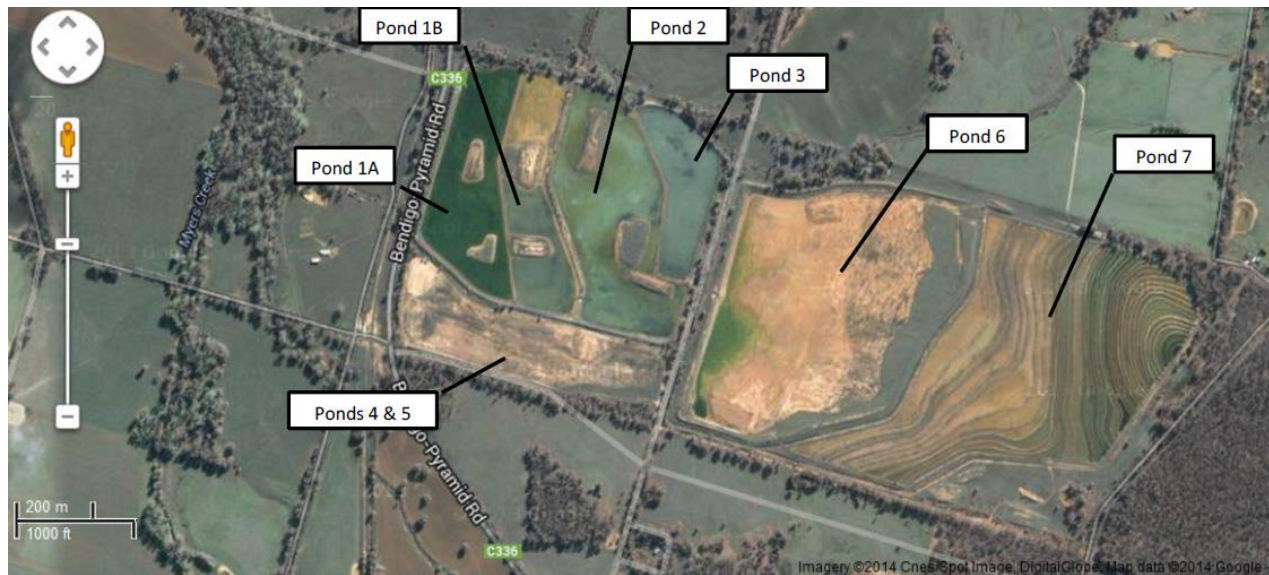


Figure 9: Woodvale Evaporation Pond Complex Layout

After Unity ceased underground mining in 2011, the Victorian Government assumed responsibility for ensuring that there are no uncontrolled discharges of mine water to the surface across Bendigo and managed the water level to ensure that the Central Deborah tourist mine could continue to operate.

The government committed funding for a solution to manage the groundwater that included refurbishment and operation of the GBM water treatment facility at New Moon. GBM has leased this facility to Coliban Water, the local water authority, until June 2021. GBM will not require any dewatering from underground at Bendigo for at least the next five years as the water level in the area of the Nell Gwynne Dome is 300m below surface, some 50m below the lowest level of workings required to develop this project.

The change in mine water disposal methodology by the government rendered the Woodvale Evaporation Pond Complex redundant. In September 2017, GBM received approval from Earth Resources Regulation to rehabilitate the Woodvale Evaporation Pond Complex site. A condition of approval dictates that the remediation proposal shall be subject to an environmental audit under Section 53V of the Environment Protection Act 1970. After consultation with the community, GBM appointed a qualified EPA auditor to carry out this work.

2.0 Activities Planned for the March Quarter

Bendigo

- Production planning for the coarse sand dam at Kangaroo Flat.
- Planning for exploration of Nell Gwynne exploration target in the Bendigo Goldfield.
- Woodvale Evaporation Pond Complex, monitoring EPA accredited auditor on s53v audit.

Harvest Home:

- Exploration work plan approvals.
- Mining work plan approvals.

3.0 Company Mineral Tenement Portfolio

The mineral tenement portfolio of the GBM Gold Group as at 31 December 2017 is:

Name	Tenement	Tenure Type	Status	GBM Interest
Bendigo Goldfield				
Greater Bendigo	MIN 5344	Mining Licence	Granted	100%
Whip & Jersey	MIN 4878	Mining Licence	Granted	100%
Woodvale	MIN 5364	Mining Licence	Granted	100%
Bendigo Urban**	EL 6595	Exploration Licence	Pending	0%
Raywood**	EL 6596	Exploration Licence	Pending	0%
Wilson Hill	EL 5527	Exploration Licence	Granted	100%
Goldsborough Corridor Project (north east of Dunolly, Victoria)				
Harvest Home	MIN 5510	Mining Licence	Granted	50%*
Queens Birthday	EL 5528	Exploration Licence	Granted	100%
McIntyre	MIN 5093	Mining Licence	Transfer	0%
Wehla	EL6369	Exploration Licence	Granted	100%
Fiddlers Creek Project (south east of Avoca, Victoria)				
Fiddlers Creek	EL6155	Exploration Licence	Application	0%

*Joint Venture with Truelight Mining Pty Ltd

** Exploration Licence Applications to replace Bendigo Exploration Licence EL3327

GBM's beneficial interests in any joint venture agreements did not change during the quarter.

4.0 Corporate

GBM Gold through its wholly owned subsidiary Kralcopic Pty Ltd, and Australian Mining Equipment Exporters Pty Ltd (AME) are parties to an asset sale agreement in respect of the Kangaroo Flat Gold Processing Plant dated 24 July 2017 (ASA).

AME has been notified that it is in breach of its obligations under the ASA to proceed with Second Tranche Completion and pay the Second Tranche Purchase Price. Second Tranche Completion was due to occur 1 December 2017. Kralcopic was capable of fulfilling its obligations under the ASA subject to AME paying the Second Tranche Purchase Price. GBM and AME are working together to resolve the situation.

END

About GBM Gold Ltd (ASX: GBM)

GBM Gold is a gold focused mining and exploration company with mining and exploration assets, including the Bendigo Goldfield, located one of Australia's most significant gold producing regions; the Central Victorian Goldfields.

The Company is focused on the return to production of the Kangaroo Flat mine at Bendigo - an advanced high-grade gold exploration play, with significant infrastructure, tenement footprint and prospectivity, well positioned for near-term mining.

GBM is targeting low cost projects to develop long term sustainable mining to fund the Company's growth. Recent work has centred on the Harvest Home deposit located north-east of Dunolly in the Golden Triangle area of Central Victoria. Harvest Home, in which GBM has a 50% equity interest, will continue to be developed together with tailings projects on the Bendigo Goldfield.

For more information, please visit the Company website: www.gbmgold.com.au

Competent Person Statement

The information in this report that relates to Mineralisation, Exploration Targets and Mineral Resources is based on information compiled by Keith Whitehouse who is a Member of The Australasian Institute of Mining and Metallurgy and a Chartered Professional (Geology). Mr. Whitehouse is a principal of Australian Exploration Field Services Ltd (AEFS) a consulting firm providing geological expertise to GBM Gold. Mr Whitehouse has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Whitehouse consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

GBM Gold Ltd

ABN

59119956624

Quarter ended ("current quarter")

31 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	192	247
1.2 Payments for		
(a) exploration & evaluation	(244)	(659)
(b) development	-	-
(c) production	-	-
(d) staff costs	(73)	(151)
(e) administration and corporate costs	(161)	(284)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	41	82
1.5 Interest and other costs of finance paid	-	(19)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(245)	(784)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	141	1,591
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	50
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	141	1,641
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(550)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	(550)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	460	49
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(245)	(784)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	141	1,641
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(550)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	356	356

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	356	460
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	356	460

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	62
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	4,258	4,258
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Loan facilities 3.1: \$3,708k owing to Unity Mining Limited at zero interest and secured, as per the Bendigo Asset Sale Agreement as announced to the ASX on the 17th September 2015, and \$550k owing to Silver Bright International Development Limited at 6% interest and unsecured.


9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	200
9.2 Development	-
9.3 Production	-
9.4 Staff costs	60
9.5 Administration and corporate costs	90
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	350

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	EL3327	Exploration Licence	100%	0%
10.2 Interests in mining tenements and petroleum tenements acquired or increased	EL6595	Exploration Licence	0%	0%
	EL6596	Exploration Licence	0%	0%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:


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(Director)

Date: 29 January 2018

Print name: John Harrison

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.