



GBM Gold Ltd

27 April 2018

ASX Announcement

March 2018

Quarterly Report to Shareholders

GBM Gold Limited
ABN 59 119 956 624

ASX CODE: GBM

CORPORATE DETAILS:

Shareholders:
701

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:
GBM Gold Ltd
66 Ham Street
Kangaroo Flat VIC 3550

Telephone
+61 3 5445 2300

Email
admin@qbmgold.com.au

Website
www.qbmgold.com.au

Summary

Significant activities for the quarter were:

- Processing equipment for the Kangaroo Flat Coarse Sand Dam Gold project has been shipped from Malaysia and is due on site in May.
- The Harvest Home Open Pit Mine expansion has been approved by Earth Resources. The Planning Application is being processed by the local Shire Council. Preparations for mining have commenced.
- 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 Company's strategy to maximise the value of the acquired Bendigo Assets is now being realised. The tailings stored in the Kangaroo Flat sand dam from previous mining operations, estimated to contain 5,100 ounces of gold will be the first project mined. The Gravity Separation equipment from Malaysia will be on site in May and mining will commence immediately after commissioning.

The Harvest Home Open Pit Mine expansion has taken a significant step towards commencement with Earth Resources granting approval. GBM Gold excavated a Bulk Sample Pit in 2015 to gain a detailed understanding of the geology and the nature of the ore. The information gained was utilised in the expanded pit design. The pit will be expanded in length, width and depth providing a low cost ore source with simple metallurgy. This project will commence after planning approval is received from the local Shire Council.

The Kangaroo Flat Sand Dam and the Harvest Home Open Pit Mine projects are an integral part of GBM Gold's strategy to provide cashflow from low cost operations.

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 saddle reef target on the Nell Gwynne Line of Reef has been identified. An exploration program is ready for implementation to exploit this target.

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 the portal of the Swan Decline was cut at the Carshalton site. Decline development in 1999 crossed the Nell Gwynne Line of Reef passing 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 Figure 2).

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 3 and 4) 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.

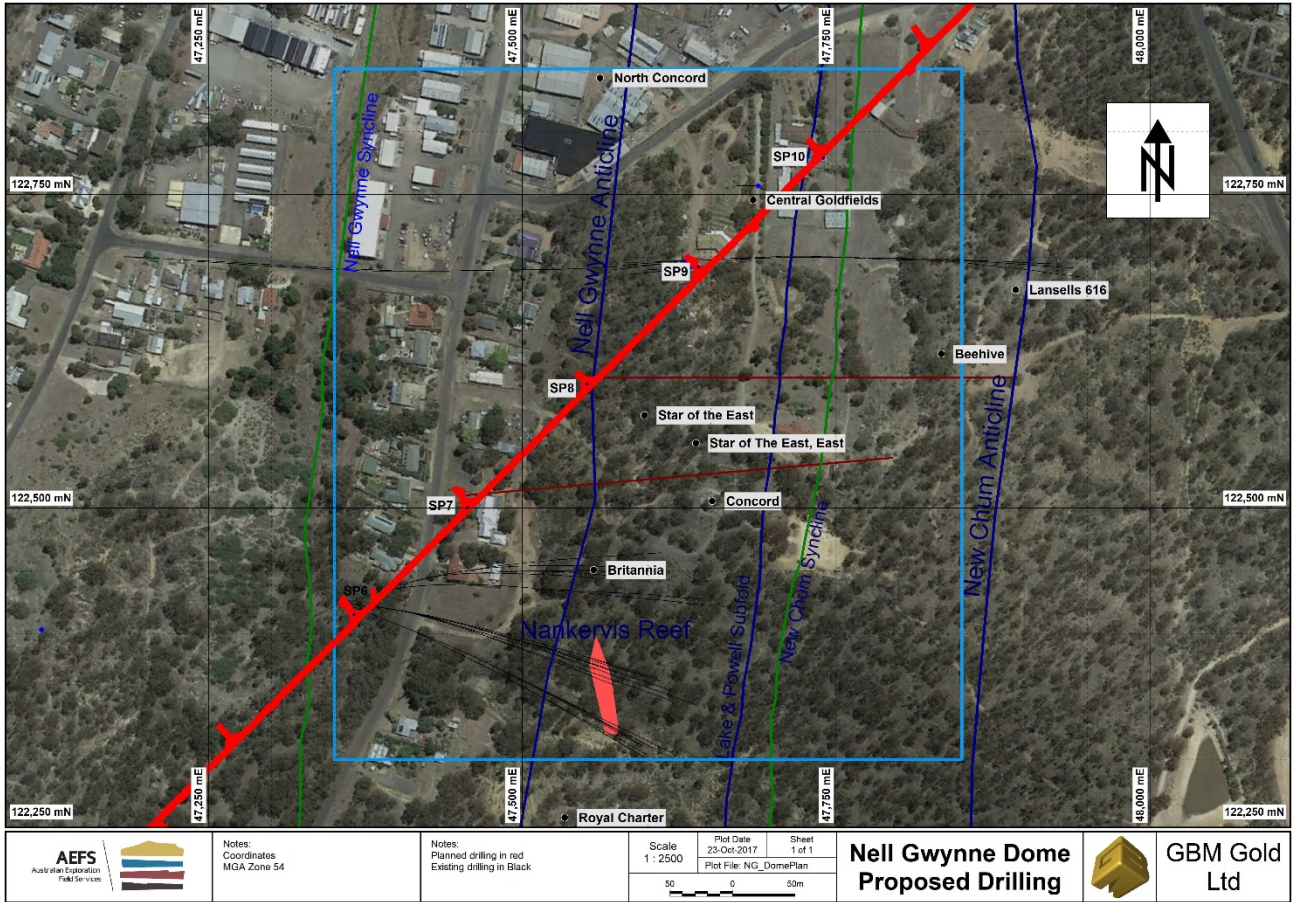


Figure 2: Nell Gwynne Reef Exploration Area

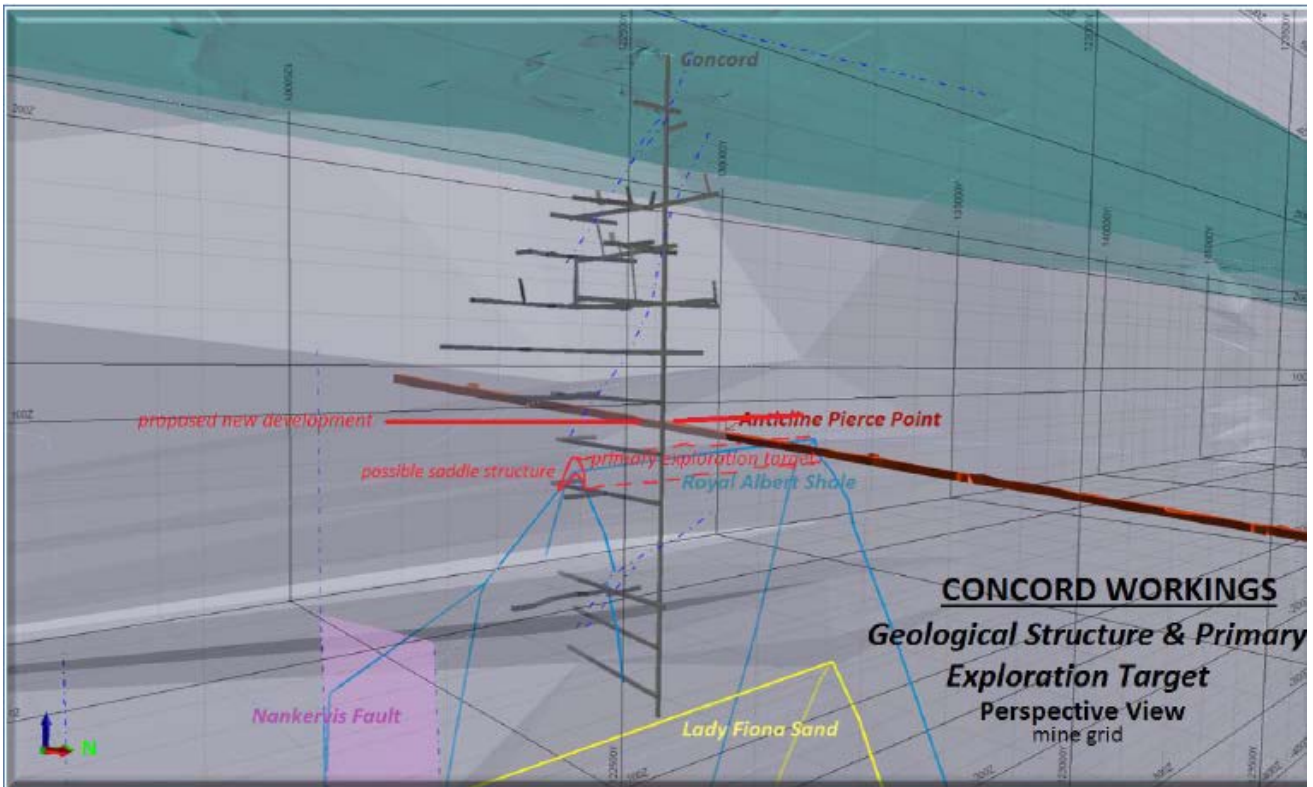


Figure 3: Nell Gwynne Reef Planned New Development

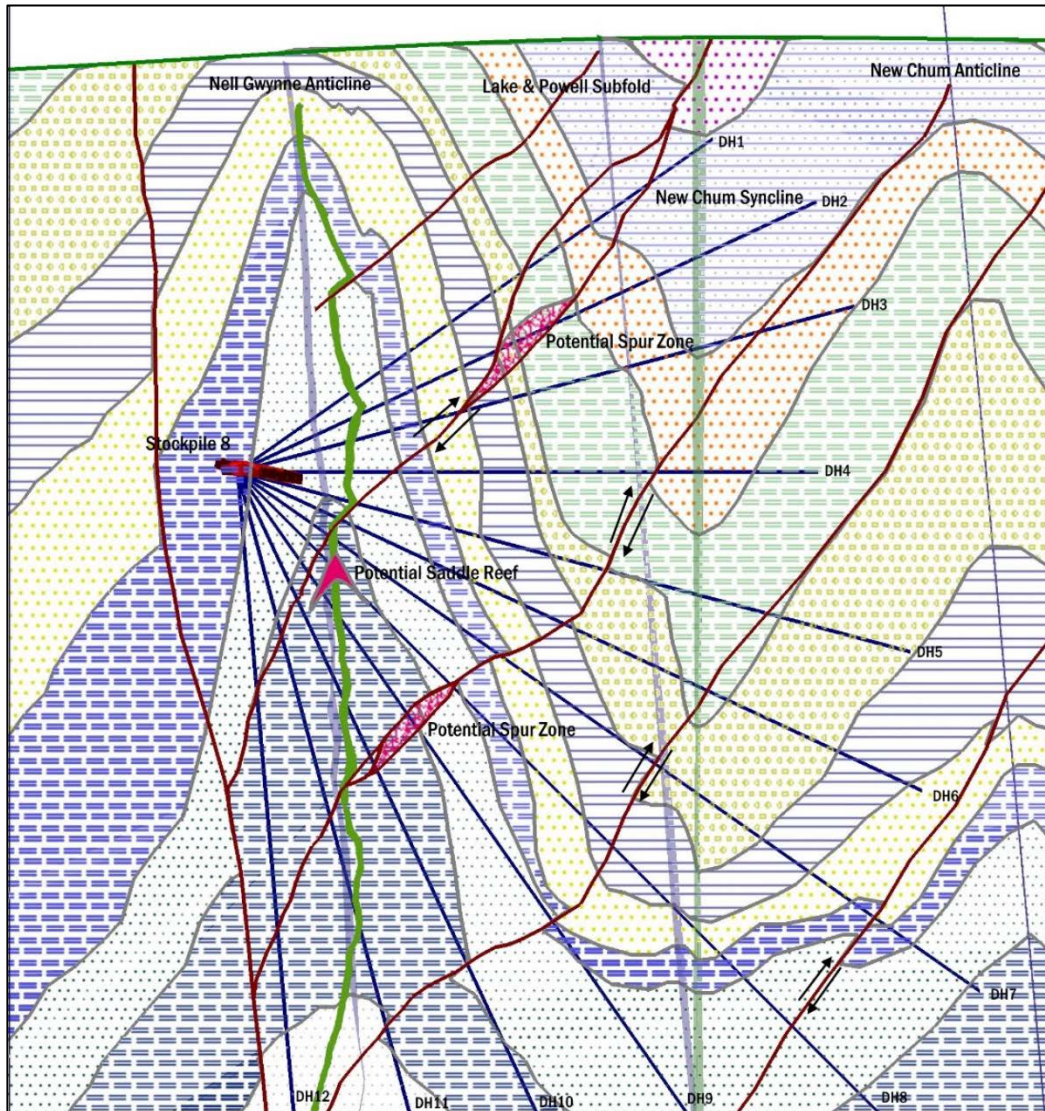


Figure 4: Nell Gwynne Reef – Proposed Drilling from Stockpile Eight

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. McIntyre is 5km to the south-east of Wehla.

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

MIN 5510 is located approximately 5 kilometres north of Dunolly in central Victoria and has an area of 316 hectares. The tenement encompasses the historic Harvest Home Goldfield.

A broad zone of gold mineralisation trends north-northwest through Min 5510, 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 oz (1,860kg) of gold between them (Whitehouse and Watts 2009). A number of discrete smaller prospects are also contained within the tenement. The historical mine workings reached depths of up to 122m.

The economic potential of the Harvest Home prospect was identified by BHP Gold in the 1980's in JV with Bendigo Mining on EL 1191. In the 1990's Highlake Resources N.L. performed a

substantial RC program over the Harvest Home area and the Moran's Luck and Appleton's targets. In the 2000's several resource calculations were undertaken by Highlake's associates and also by Ballarat Goldfields. Whitehouse reviewed the data in 2009 and conducted basic analyses and concluded that a JORC compliant Inferred resource of ~1,000,000 tonnes at 2.4 g/t (Whitehouse and Watts 2009).

Drilling conducted on the tenement exceeds 12km (dominantly reverse circulation with minor diamond drilling) over an explored strike length of 3.2km. Drill-hole depths varied from 17m to 240m. Close spaced drilling sections (< 50m) at the Harvest Home prospect suggested a multiple veined system over a width of 100m.

The results from contemporary exploration work suggested a potential for open-pit mining at the Harvest Home prospect. A small bulk-sampling test pit was completed at the prospect in June 2015. A modest quantity of gold was recovered from ore mined from the shear zone exposed in the test pit. In addition to the gold obtained from the shear, coarse gold was observed where a flat dipping quartz vein intersected a sub-vertical "indicator" fault proximal to the mined shear. Approximately one ounce of gold was produced from 3 tonnes of ore mined from along this intersection with a further 31 tonnes stockpiled (September 2015). Knowledge gained from bulk-sampling of the deposit promoted a review of the mineralisation model and a re-evaluation of the resource potential of the project.

The company is implementing the development of a production pit that 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.

Table 1. Pit Excavation Parameters:

Maximum Depth:	35 metres
Cut Void:	135,478 bank cubic metres (includes ore and ramp)
Maximum Footprint of Pit:	10,170 sq. metres
Ore Volume:	18,516 bank cubic metres (44,253 tonnes at 2.39 SG)
Bench and Berm:	Maximum 10m bench height and 2m berm width
Average Batter Angle	57°
Footprint of Waste Dump:	5,916 sq. metres – max height 12m above natural surface
Top Soil Dump:	4,826 cubic metres (used progressively in rehabilitation)



Figure 5: Excavating Bulk Sample Pit at Harvest Home

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'). Each discrete set of gold workings provides an exploration target.

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.

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 and a Water Treatment Plant at the New Moon site in Eaglehawk as part of the Bendigo purchase.

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 June Quarter

Bendigo

- Commissioning the gravity processing equipment 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:

- Preparations for mining on the Open Pit Mine expansion.

3.0 Company Mineral Tenement Portfolio

The mineral tenement portfolio of the GBM Gold Group as at 31 March 2018 is:

<i>Name</i>	<i>Tenement</i>	<i>Tenure Type</i>	<i>Status</i>	<i>GBM Interest</i>
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 an Australian based resources company that is creating value from its portfolio of mining and exploration assets, including the Bendigo Goldfield, located in one of Australia's most significant gold producing regions; the Central Victorian Goldfields.

The Bendigo Goldfield is Australia's second richest historical goldfield behind Kalgoorlie's Golden Mile. Between 1851 and 1954 the Bendigo Goldfield produced in excess of 18 million ounces from 'quartz reefs' at average grades between 10g/t and 15g/t. A further 4 million ounces of alluvial gold were recovered from the region's creeks and gullies. GBM is implementing plans to build on the success of earlier explorers and producers in Bendigo.

GBM is targeting low cost projects to develop long term sustainable mining to fund the Company's growth both at Bendigo and at its other Central Victorian projects.

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 March 2018

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	122	369
1.2 Payments for		
(a) exploration & evaluation	(193)	(852)
(b) development	-	-
(c) production	-	-
(d) staff costs	(72)	(223)
(e) administration and corporate costs	(151)	(435)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	37	119
1.5 Interest and other costs of finance paid	(11)	(30)
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	(268)	(1,052)

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	10	1,601
	(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	10	1,651

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	356	49
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(268)	(1,052)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	10	1,651
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	98	98

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	98	356
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)	98	356

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	11
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	
\$11,000 interest was paid to Silver Bright International Development Limited in January 2018 on the \$550,000 short term loan.	

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*


* Estimated cash outflows to be funded by a working capital injection or the receipt of part of the proceeds of the sale of the 600k tpa process plant during the June 2018 quarter.

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				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

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: 27 April 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.