



GBM Gold Ltd

25 October 2018

ASX Announcement

September 2018

Quarterly Report to Shareholders

GBM Gold Limited

ABN 59 119 956 624

ASX CODE: GBM

CORPORATE DETAILS:

Shareholders:

684

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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Summary

Significant activities for the quarter were:

- The Kangaroo Flat Coarse Sand Dam work plan has received approval from Earth Resources and the processing equipment ready is in the final phases of commissioning clearing the way for the project to commence operation.
- The Harvest Home Open Pit Mine expansion has been approved by the Regulators. Preparations for mining are in progress.
- The reopening of the Swan Decline at Kangaroo Flat and the program for underground exploration on the Nell Gwynne Line of Reef has the requisite approvals and is ready for implementation.

Introduction

GBM's objective 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. An analysis of the Bendigo goldfield to determine the scope of mineralisation and the potential size and tenor of mineralised zones showed that:

- Systematic exploration beyond the centre of the field both in the historic deep mines and in the modern mine has the highest prospect of success.
- The best of the historic mines usually only worked one or two 'bonanza' reefs but that these were sufficiently rich to furnish a large net profit over the whole life of these mines.
- The focus of initial underground exploration will be the Nell Gwynne Dome in the vicinity of the historic Concord Mine where a prospective zone above the current mine water level intersects the decline.

The Company's strategy to maximise the value of the Bendigo Assets is now being realised. Tailings stored in the Kangaroo Flat coarse sand dam will be the first project mined. The gold processing equipment is in the final phases of commissioning. The project is expected to take two to three years to complete. Mining will commence immediately after completion.

The Harvest Home Open Pit Mine expansion is now ready to mine with final approvals being granted. A Bulk Sample Pit completed in June 2015 will be expanded in length, width and depth providing a low-cost ore source.

1.0 Mining and Exploration

1.1 Bendigo Project (MIN 5344, MIN 5364, MIN 4878, EL 3327, EL 5035)

The most productive portion of the Bendigo Goldfield lies in an envelope some 16 kilometres long by 4 kilometres wide. Within this zone there are seventeen major anticlines, twelve of which account for the bulk of the 16 million ounces of hard rock gold production on the Bendigo Goldfield.

The Bendigo field is one of bonanzas. Instead of large bodies of uniform grade ore the gold at Bendigo is relatively coarse and occurs in shoots which may be of great richness and sometimes great length in reefs of otherwise nearly barren quartz. The Bendigo reefs recur generally one below the other at irregular intervals, and in many cases one bonanza was sufficiently rich to provide a large net profit over the whole life of a mine.

Although most of the reefs are small in cross-section (though sometimes with considerable continuity along strike) some large saddle/fault reefs and spur zones were mined and remnant ore is likely to exist in and around historic workings at favourable locations. GBM Gold has concentrated on defining exploration target areas (Figure 1).

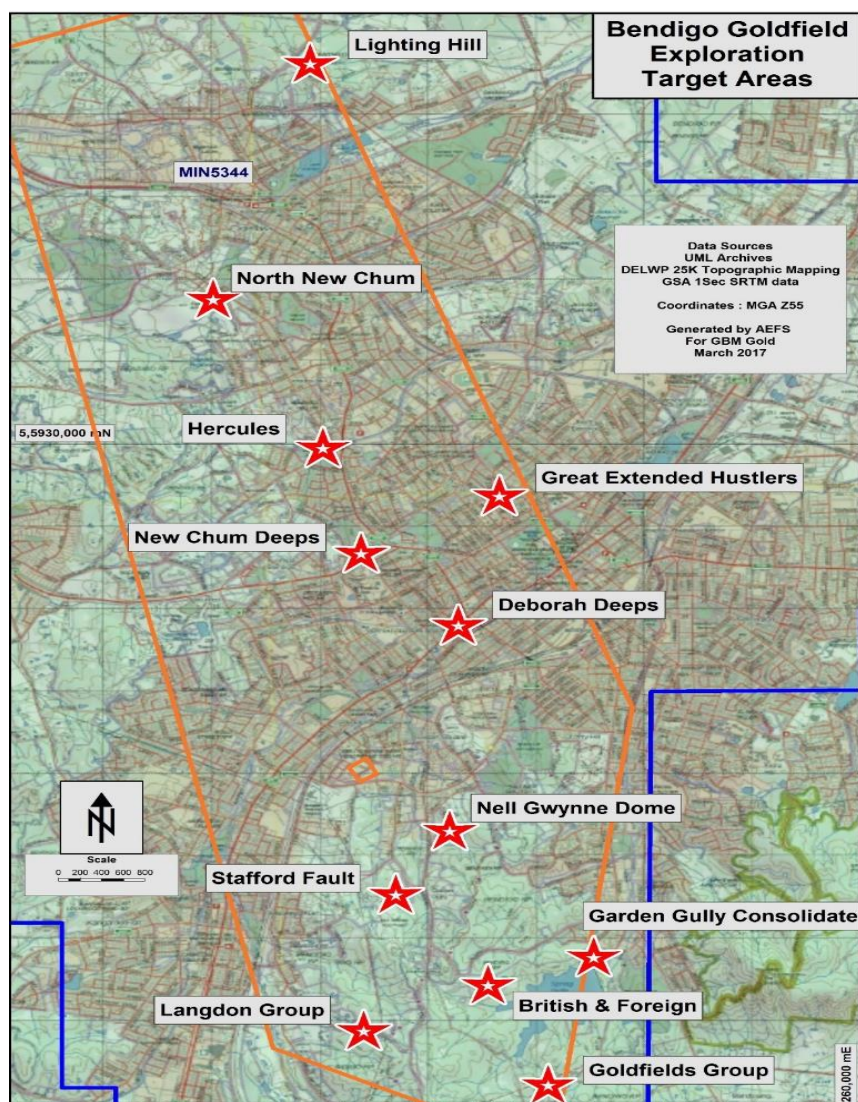


Figure 1: Bendigo Goldfield Exploration Targets

1.2 Nell Gwynne Dome

The Swan Decline development 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 by Bendigo Mining 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 the Nankervis Reef. A number of additional exploration targets were identified in the same area but were not followed up.

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 (Figure 3). This structure is estimated to be within tens of metres of the decline in an area of pitch reversal and double folding. Elsewhere on the Bendigo Goldfield this sort of structural complexity is frequently the site of gold mineralisation. The local structure was confirmed by detailed geological mapping of the decline conducted in 1999.

The exploration of the Nell Gwynne Dome is anticipated to take approximately two years to complete. 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) with a view to demonstrating mineralisation potential.

The second stage of the project is developing new levels at approximately 1,050m from the portal for distances of approximately 300m north and south along strike of the Nell Gwynne Anticline (Figure 2). This development will be in the western limb of the anticline and will provide the opportunity to establish additional drill platforms for the purpose of defining a mineral resource.

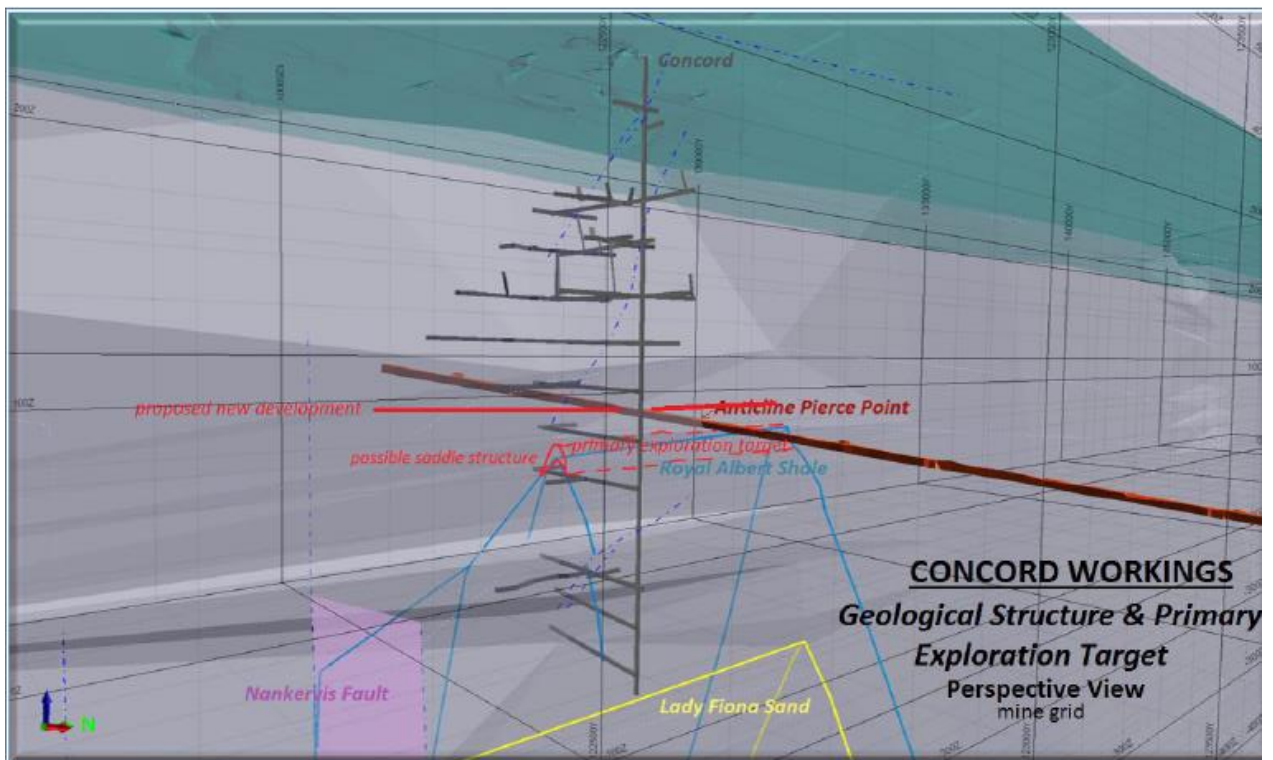


Figure 2: Nell Gwynne Reef Planned New Development

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. The wash plant and 2x35tph gold concentrators to recover the contained gold and sulphides have been installed and are in the final phases of commissioning (see Figure 3).



Figure 3: Kangaroo Flat Coarse Sand Dam Processing Equipment

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. The project is expected to take two to three years to complete. Profit will be shared 50/50 between the parties.

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

These projects lie in the western margin of the Bendigo Zone. The Avoca fault defines the western margin of this zone. The projects are along the 24 km long Goldsbrough–Wehla Shear Zone which forms part of the Wedderburn-Ballarat trend. Within the Goldsbrough–Wehla Shear Zone mineralised quartz reefs occur from Wehla (EL6369) in the north to Harvest Home (MIN 5510) and Queens Birthday in the south. The Queens Birthday Mine at Goldsbrough (EL 5528) and the mine at Stuart's Reef at Moliagul were significant producers of gold with over 100,000 ounces being mined from Queens Birthday.

The Goldsbrough – Wehla Shear Zone is a major deep penetrating structure that has provided fluid pathways for large quantities of gold and quartz. The host rocks are Ordovician deep marine sediments composed of siltstone and shale with minor well sorted and rounded fine grained sandstones. These rocks have been deformed resulting in a

moderate west dipping sequence containing north-northwest trending folds that plunge gently (10°) either north or south.

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

MMIN 5510 is located approximately 5 kilometres north of Dunolly in Central Victoria on the eastern margin of the Goldsbrough – Wehla Shear. A broad zone of gold mineralisation trending north-northwest through MIN 5510 is approximately 3.5 km long and up to 0.4 km wide (Figure 4). Moran's Luck, Harvest Home, Mother O'Gold and Appleton's Gold mines 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. These areas are being re-evaluated based on the results of the new geological interpretation.

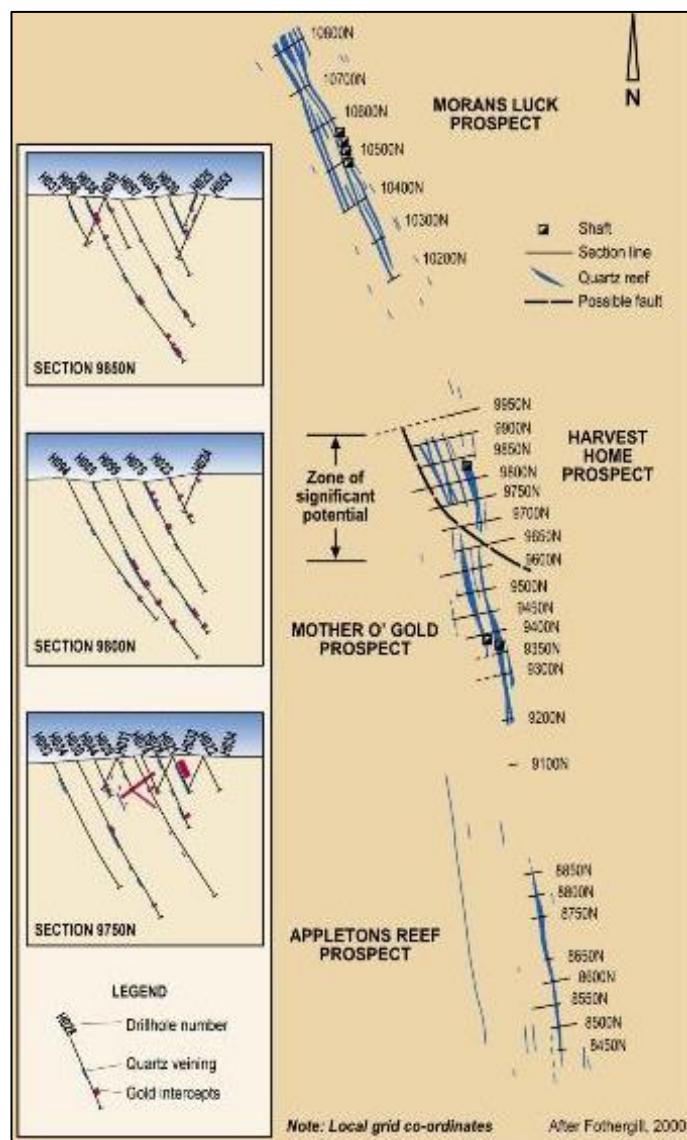


Figure 4: Harvest Home Prospects

The approvals processes for the development of a production pit that will encompass and extend the existing bulk sample pit is complete. 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)

This area is adjacent to and immediately to the south of Harvest Home. It contains the Queen's Birthday mine that historically yielded about 100,000 ounces of primary gold mineralisation and has the potential to expand the resources found on the Harvest Home tenement. GBM has carried out a field exploration survey of the tenement and is preparing the next stage of field sampling aimed at defining targets under cover.

Wehla (EL 6369)

Wehla is a shear hosted gold mineralised system that lies at the northern end of the Goldsborough – 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. Each discrete set of gold workings provides an exploration target. GBM is preparing an exploration program for this site.

McIntyre (MIN 5093)

The McIntyre project is located 50 kilometres northwest of Maldon just to the east of the Goldsborough Wehla Shear Zone. Mining Licence MIN 5093 is centred on the Matrix Reef Mine, which is part of the Berlin goldfield. GBM is awaiting finalisation of the transfer of the tenement.

1.4 GBM Gold Exploration Projects

Fiddlers Creek (EL 6155)

An Exploration Licence application covering the Percydale Goldfield has been approved. 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.

1.5 Woodvale Evaporation Pond Complex (WEPC)

The remediation plan for this site has been subject to an environmental audit under Section 53V of the Environment Protection Act 1970. The Company is implementing the recommendations of the audit.

2.0 Activities Planned for the December Quarter

Bendigo

- Commissioning and operating 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, implementing the recommendations of the 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 30 September 2018 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	Granted	100%

*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 complete the purchase. 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.

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")

30 September 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	218	218
1.2 Payments for		
(a) exploration & evaluation	(184)	(184)
(b) development	-	-
(c) production	-	-
(d) staff costs	(65)	(65)
(e) administration and corporate costs	(93)	(93)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	37	37
1.5 Interest and other costs of finance paid	-	-
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	(87)	(87)

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	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
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	-	-
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	30	30
3.6	Repayment of borrowings	-	-
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	30	30
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	76	76
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(87)	(87)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	30	30
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	19	19

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	19	76
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)	19	76

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	

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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	4,053	4,053
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: \$3,473k 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 and \$30k owing to Andy Lai at zero 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 September 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: 25 October 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.