



ASX: GBM

Quarterly Report for the period ended 30 June 2014

Summary

GBM Gold Ltd (ASX: GBM) (“**GBM**” or “**Company**”) has focussed on the recommencement of operations at its gold processing plant at Inglewood and proceeding with regulatory approval to undertake exploration and mining activities at its tenements in Victoria.

Work planned for the September 2014 Quarter includes:

- Gold production at the Inglewood Gold Processing Plant
- Processing Inglewood ore
- Excavation of a 5,000 tonne bulk sample from Wedderburn
- Planning for excavation of a 5,000 tonne bulk sample from Harvest Home

Safety & Environment

Inglewood Gold Operation - Victoria

No medically treated injuries (MTIs) or lost time injuries (LTIs) were recorded during the reporting period.

There were no reportable environmental incidents during the June quarter.

Background

The Company’s operations are centred at Inglewood an historic primary gold producing area in Central Victoria. It is here that GBM part owns an underground mine and a Gravity/CIP/CIL gold processing plant, 235,000 ounces of inferred open pit and underground gold resources.

GBM Gold has the following mining and exploration licences and work authorities:

Inglewood	-	MIN 4639, MIN 5472 & EL’s 4184 & 4670
Wedderburn	-	EL 3800, MIN App 5425
Kingower	-	MIN 4001
Marong, Wilson Hill	-	EL 4999
Avoca	-	EL 4936
Avoca, Beavis-ISG	-	WA’s 1395 & 1304
Fiddlers Creek	-	MIN 4548 & MIN 4023
Dunolly, Queen’s Birthday	-	EL 5029
Dunolly, Harvest Home	-	50% jv interest in MIN 5510



GBM Gold Tenements

Inglewood Gold Operation - Victoria

The Inglewood gold processing plant is capable of processing competent underground ore and lower grade open pit ore. The plant has an annual capacity of 105,000 tonnes per annum. All gold recovered is extracted by gravity and cyanide leaching. The capacity of the Inglewood plant has been increased with the installation of a higher tonnage Ball Mill and Cone Crusher. A total of 1,400 tonnes of ore have been processed through the plant during commissioning. A summary of the upgrades is as follows.



Ball Mill



Cone Crusher

Inglewood ore has a high percentage of gold that can be recovered using gravity methods. With the addition of the Ball Mill and Cone Crusher the gravity gold circuit now consists of Feeder, Scrubber, Jaw Crusher, Cone Crusher, Ball Mill No1, Vibrating Screen, Concentrators and the Gemeni Table (see photos below). It is expected that these improvements will significantly improve the recovery of gravity gold.



Scrubber



Jaw Crusher

The Scrubber washes the ore and separates it into oversize and undersize. The oversize goes to the Jaw Crusher then the Cone Crusher before being returned to the Scrubber. The undersize goes through the new Ball Mill No.1.



Vibrating Screen



Concentrators

The Vibrating Screen and the Concentrators have been refurbished. The Vibrating Screen separates the fine ore from the coarse ore. The fine ore goes to the Concentrators and the coarse ore is returned to Ball Mill No.1 for further grinding. The Concentrators separate the gravity gold and other heavy minerals from the remainder of the ore that contains fine gold.

This material is sent to the Gold Room where the gravity gold is separated from the heavy minerals on the Gemeni Table (see photos below). The remainder of the ore containing fine gold and the heavy minerals are sent to the cyanide leaching part of the circuit.



Gemini Table and Gravity Gold

The remainder of the ore containing fine gold is finely ground in Ball Mill No 2 then processed through two Carbon in Leach tanks and five Carbon in Pulp tanks (see photos below). The gold is dissolved into solution and attaches itself to the carbon in the tanks. The gold is then recovered in the stripping circuit.



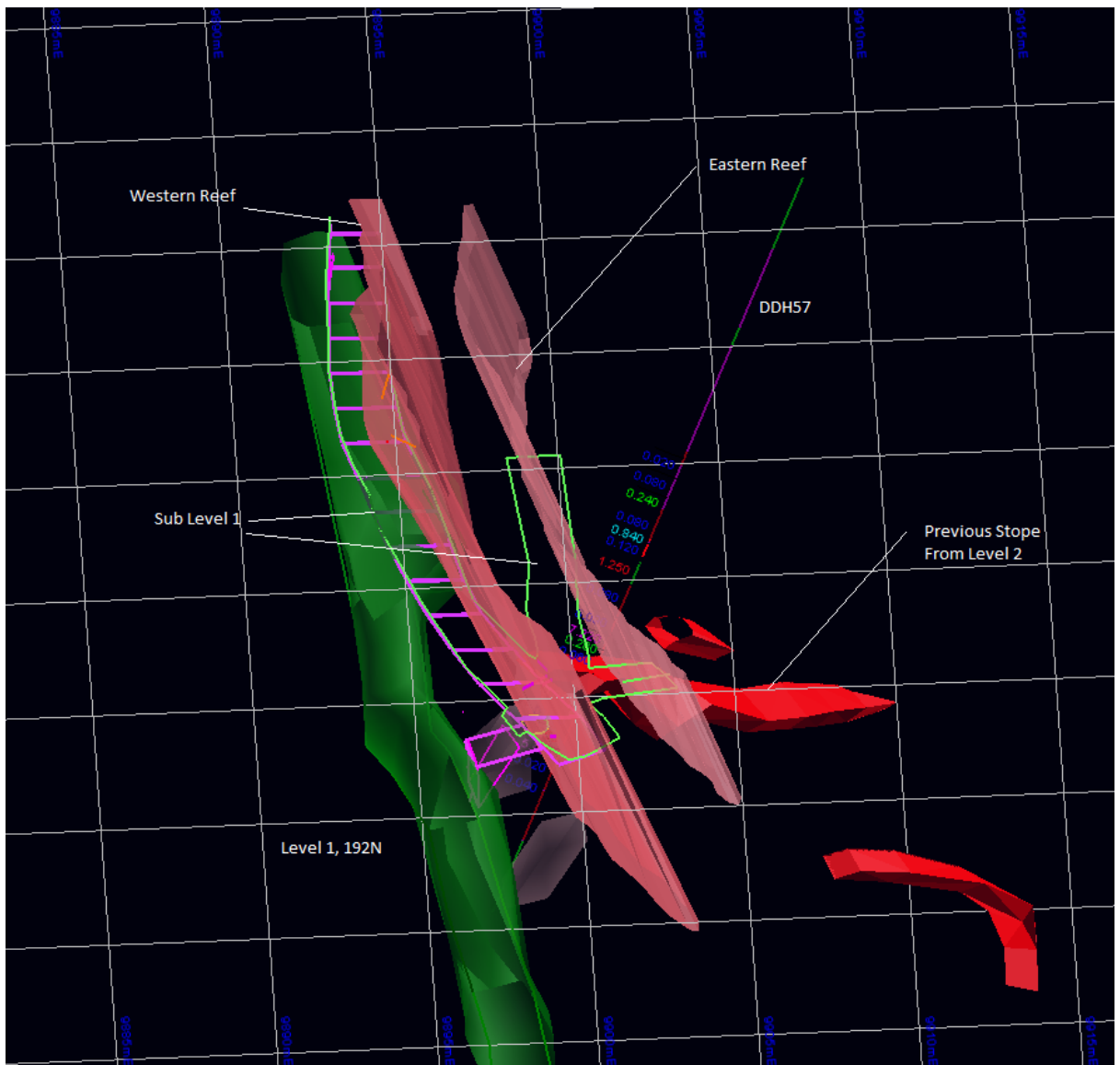
Carbon in Leach (CIL) and Carbon in Pulp (CIP) tanks

The five Carbon in Pulp tanks and ancillary equipment have been refurbished and the capacity of the Tailings Dam increased. The plant was returned to operation during the June quarter.

Maxwell Mine Inglewood

Underground mining operations at the Maxwell Mine recommenced at the Level 1, 190 metre ore shoot. This level was last mined in August 2012 when approximately 22 m of stoping was completed. A total of 450 tonnes was mined out of the stope. The assay averaged 4.85 g/t Au.

The reef at 192mN Sublevel 1 is a 1 - 2 m wide quartz vein with variable dip to the east. The hanging wall has steep dip from 70 to 80° E and the reef is in contact with a hanging wall fault. The footwall dips at shallower angle from 45 to 60° E. The footwall is dark grey fine-grained shale with widespread presence of large joint sets and strong cleavage.

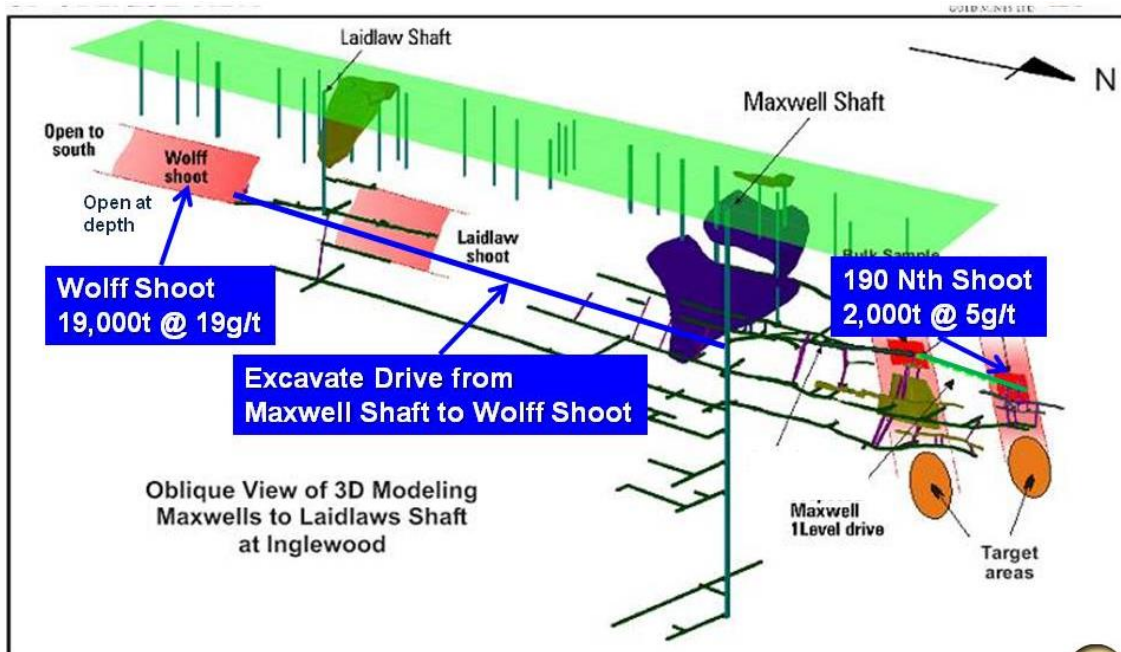


Block model of Level 1 192mN showing the interpreted East and west reef.

Sample holes were drilled along 1m ring spacing for 10m strike. All holes were drilled to 2m along Sub Level 1 covering both footwall and hanging wall of the Western Reef to determine grade. The strike of the stope was 10 m longer than the initial model which resulted to 450 tonnes being mined compared to initial estimate of 300 tonnes.

Stoping has now stopped because only anomalous values had been received even though the laminated quartz vein contains pervasive sulphide mineralisation. A decision has been made to concentrate on Wolff Shoot.

Work is advanced on accessing Wolff Shoot. It is planned to drive from the Maxwell's mine shaft to Wolff Shoot at the 100 metre level and determine the viability of mining Laidlaw's shoot as it is adjacent to the drive.



Maxwell Mine showing Wolff Shoot and Current Development Area

Laidlaw South Open Pit Project Inglewood

During the period a costean program was completed to identify and sample surface expressions of the Laidlaw South line of Reef (Eastern flank) and further West towards the Comisky line. The costean program successfully intersected both alteration zones. It showed that the alteration is bounded by a set of sub parallel faults trending with the syncline bedding (dip 75-82°). This alteration was a series of inter connecting laminated and brecciated quartz stringers with variable width (1cm to 6.2m). A particular area of interest was south of 9,500mN along the eastern shear striking a distance of 10m for a width of 6.2m.



Area of interest displaying the 6.2m alteration zone.

All costeans were sampled at metre intervals. A Work Plan Variation approval is now being sought to undertake a bulk sample program where mineralisation extends to surface in the southern (9,450mN) area of the Laidlaw's South. This has been identified by costeans as the near surface expression of Wolff Shoot.

Wedderburn (Gowks Hill) EL3800 & MIN App 5425

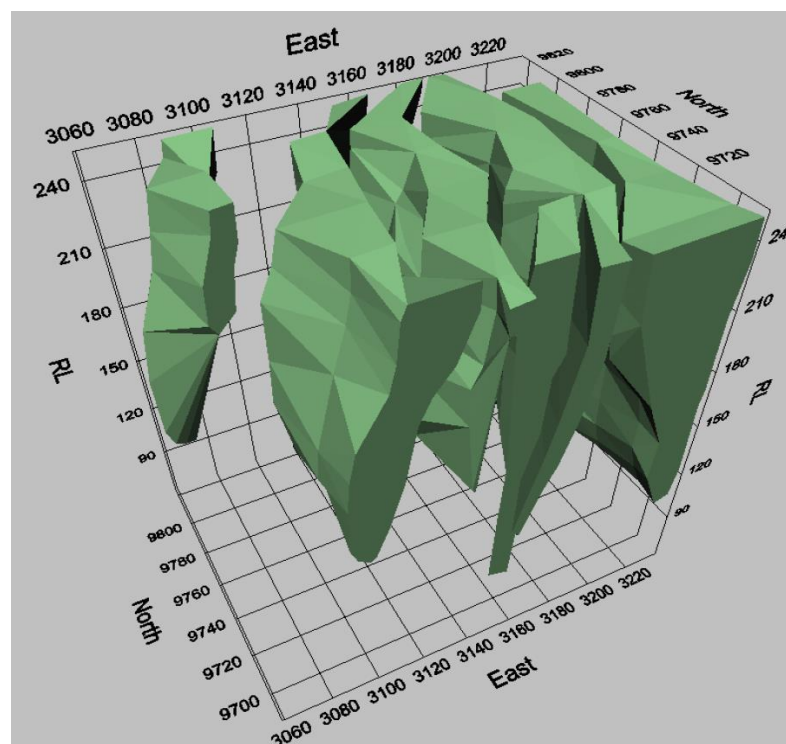
The Gowks Hill deposit has been drilled along 300 metres of strike and to 50 metres deep, mineralization remains open at depth. Approvals have been finalised to mine a 5,000 tonne bulk sample.



Wedderburn Bulk Sample site

Harvest Home, Dunolly EL4985 & MIN5510 – 50% Joint Venture

The Company has a 50/50 Joint Venture on the Harvest Home exploration licence EL4985. With the granting of mining licence MIN5510 the agreement is being renegotiated. A work plan has been lodged to gain approval for the excavation of a 5,000 tonne bulk sample to be processed at Inglewood.



Harvest Home deposit 3D model

Corporate

Wilshire Asset Management has provided \$570,000 in loan funds during the quarter to support the Inglewood operation while production was recommenced.

Revenue from operations and loan funds from shareholders are expected to support the planned cash outflows for the next quarter.

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Company Information

Directors

Eric Ng (Chairman)

John Harrison (Chief Executive Officer)

Paul Chan (Non-executive Director)

Linda Lau (Independent non-executive Director)

Andy Lai (Non-executive Director)

Andrew Chan (Non-Executive Director)

Company Secretary

Andrew Chan

Registered Office

2H Thistle St, Bendigo, Vic 3550

Telephone: 03 5445 2300

Facsimile: 03 5444 0036

Auditors

Moore Stephens

Level 10, 530 Collins St

MELBOURNE, VIC 3000

Share Registry

Computershare Investor Services Pty Ltd

Telephone: 1300 85 05 05

Stock Exchange Listing

Australian Stock Exchange Code: GBM

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, 01/05/2013

Name of entity

GBM Gold Ltd

ABN

59119956624

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12months) \$A'000
1.1	Receipts from product sales and related debtors	10	10
1.2	Payments for (a) exploration & evaluation	(65)	(239)
	(b) development	-	-
	(c) production	(131)	(626)
	(d) administration	(207)	(1,349)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	5
1.5	Interest and other costs of finance paid	-	(676)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	(333)
	Net Operating Cash Flows	(393)	(3,208)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(314)	(675)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	30	33
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	(284)	(642)
1.13	Total operating and investing cash flows (carried forward)	(677)	(3,850)
1.13	Total operating and investing cash flows (brought forward)	(677)	(3,850)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	3,062
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	570	1,233
1.17	Repayment of borrowings	-	(510)
1.18	Dividends paid	-	-
1.19	Other (refer 1.25 below)	-	-
	Net financing cash flows	570	3,785
	Net increase (decrease) in cash held	(107)	(65)
1.20	Cash at beginning of quarter/year to date	127	85
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	20	20

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	50
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.16 relates to loan funds received from Wilshire Asset Management during the June quarter for working capital purposes.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Refer to item 1.14 explanatory in the December 2013 Appendix 5B.

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	4,461	4,461
3.2 Credit standby arrangements	-	-

Notes to financing facilities available - Loan facilities 3.1: Under 3.1 "Loan Facilities" included are the amounts of (i) \$3,000k loaned from Maradox Pty Ltd in November 2011 which is to be repaid via the supply of 55kg of gold bullion in August 2014; (ii) \$375k loaned from Sterlington Resources to GBM Gold Ltd ('GBM') but contracted to be converted to shares in GBM [but not yet converted]; (iii) \$200k loaned from United Bright Investments Pty Ltd to GBM which are yet to be converted to shares or repaid and (iv) \$750k loaned from Wilshire Asset Management that can be converted into equity in the subsidiary Inglewood Gold Mining Company Pty Ltd during the period 1/7/14 to 31/12/14.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	50
4.2 Development	-
4.3 Production	200
4.4 Administration	300
Total	550*

* Revenue from operations and loan funds from shareholders are expected to support the planned cash outflows for the next quarter.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	20	127
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	20	127

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	Nil		
6.2	Interests in mining tenements and petroleum tenements acquired or increased	Nil		

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

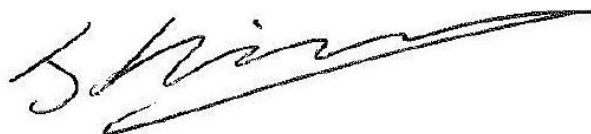
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	667,784,944	667,784,944	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs			
7.5	+Convertible debt securities (description)			

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:
 (Director & CEO)

Date: 28 July 2014

Print name: John Harrison

+ See chapter 19 for defined terms.

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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