

## ASX Announcement

22 August 2022

# Mt Morgan Au-Cu Project Sale - Definitive Agreement Executed

### KEY POINTS

- GBM Resources Limited (**GBM** or **Company**) has executed the Definitive Agreement (**Agreement**) setting out the terms and conditions for the sale of GBM's Mt Morgan Gold Copper Project Tenements (**Mt Morgan**) to Smartset Services Inc. (**Canadian Company listed on TSXV: SMAR.P**). (Refer to previous ASX: GBZ releases 18 June 2021, 1 July 2021, 14 July 2021)
- Smartset Services Inc (**Smartset**) will also acquire four additional gold and copper projects in north-eastern NSW and additional tenement applications in QLD from private Canadian company, Great Southern Gold Corp.
- Scrip consideration sees GBM expected to own 47.5% of Smartset (prior to concurrent C\$8 million equity raising by Smartset).
- Smartset to undertake systematic, well-funded exploration of the Mt Morgan Project targeting discovery of large-scale gold and copper deposits.

### Key transaction benefits for GBM

- Disposal of a non-core asset into a focused vehicle delivers acceleration of exploration value unlock while allowing GBM to maintain focus on its flagship Drummond Basin gold assets.
- Alignment with a strong technical, corporate and capital markets partner in the Smartset team.
- Ongoing equity exposure to the highly prospective Mt Morgan Project to participate in potential value appreciation and future realisation.
- Listed equity provides enhanced future transacting flexibility for GBM and greater value transparency for GBM shareholders with respect to their ownership interest in the Mt Morgan Project.

GBM advises that it has executed a binding Agreement for the sale of its 100% owned Mt Morgan project in Queensland, Australia.

GBM previously received shareholder approval at the 2021 AGM to proceed with the proposed transaction (refer notice of meeting lodged with ASX 29 October 2021).

The Agreement sees GBM vend the Mt Morgan tenements (975 km<sup>2</sup>) into TSXV listed company, Smartset, in exchange for 20,459,545 shares in Smartset (on a post planned 0.75:1 share consolidation basis). Smartset will also make a cash payment to GBM with respect to any amount expended by GBM on obtaining native title, landholder access and compensation agreements and on exploration expenditures, for Mt Morgan between the date of the signing of the LOI until transaction completion (to a maximum of C\$282,500).

Smartset is also acquiring 100% of the issued share capital of Great Southern Gold Corp (**GSG**), a private Canadian company that owns 100% of four prospective gold and copper projects in north-eastern New South Wales and tenement applications in QLD, Australia (**GSG Projects**).

Upon closing (and prior to completion of the equity raising by Smartset), it is expected that GBM will hold 47.5% of the issued share capital of Smartset.

Smartset (as a condition precedent) is to raise approximately C\$8 million in new equity (at C\$0.50 per share) to advance the exploration of Mt Morgan and the GSG Projects.

**GBM Managing Director and CEO, Peter Rohner, commented:** *“While finalising the required documentation has taken longer than anticipated, we are very pleased to have now executed the definitive agreement for the sale of our Mt Morgan gold-copper project with the proven skillset of the Smartset team. It is a further, consistent step in the execution of GBM’s stated portfolio management strategy. We also look forward to assisting the Smartset team in completing the planned financing to allow us to accelerate the exploration and potential value unlock of the Mt Morgan Project, while protecting GBM’s own balance sheet and core project focus in the Drummond Basin”*

### Transaction benefits

Key advantages of the transaction for GBM include:

- Disposal of a non-core asset into a focused vehicle delivers acceleration of exploration value unlock, while allowing GBM to maintain focus on its flagship Drummond Basin gold assets.
- Alignment with a strong technical partner in the Smartset team, with a proven ability to raise requisite capital and successfully advance and add value to mineral projects.
- Equity consideration allows ongoing exposure to Mt Morgan value appreciation and future realisation.
- Listed equity consideration provides enhanced flexibility with respect to future dilution and / or sell down decision-making by GBM.
- Listed equity holding provides greater value transparency for GBM shareholders with respect to their ownership interest in the Mt Morgan Project.

### Conditions precedent

The transaction is subject to a number of conditions precedent, with the following that are outstanding:

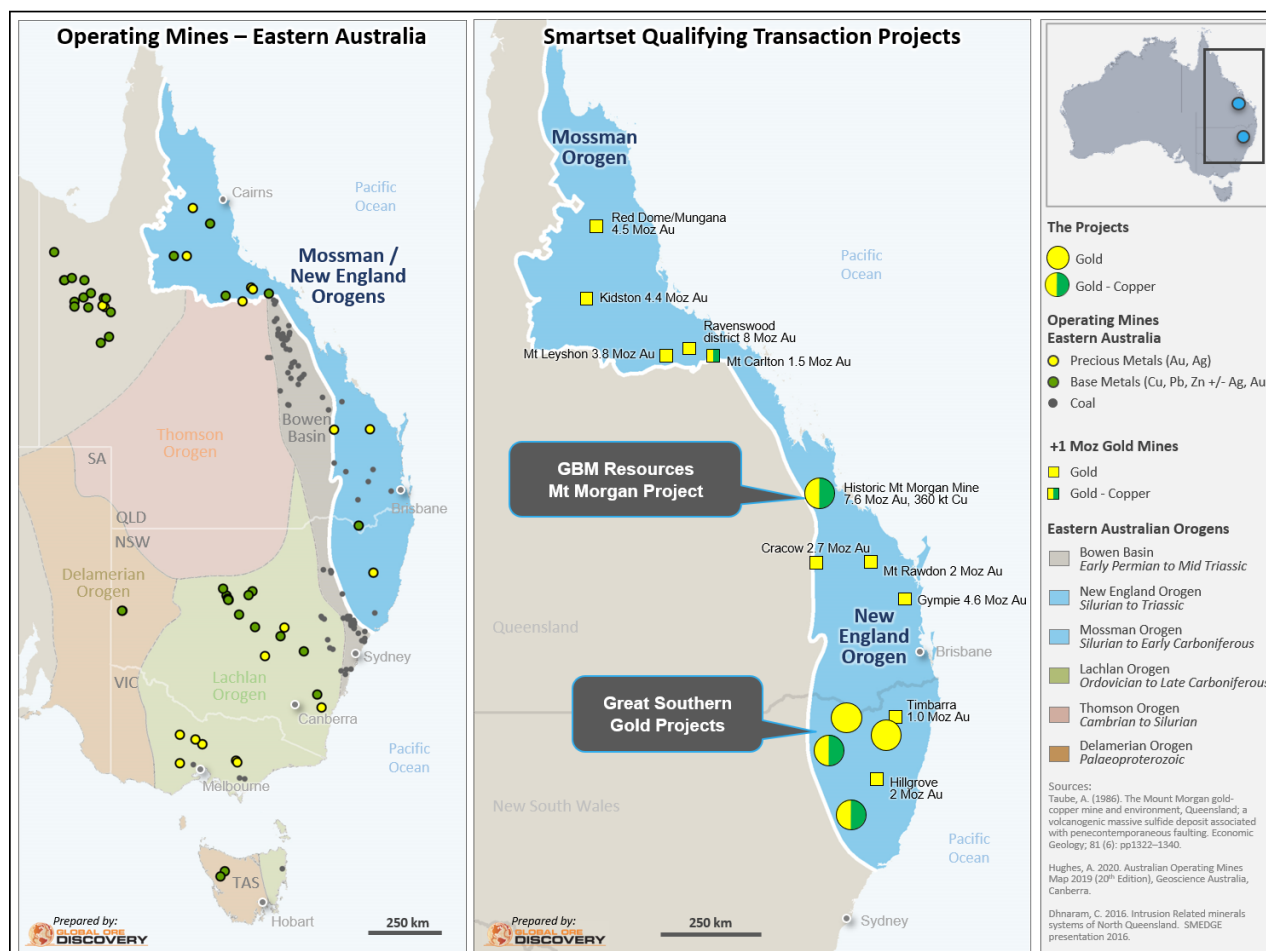
- TSXV and ASX approvals, if required;
- Shareholder approval from GSG (expected shortly) and compliance with any listing rules;
- Completion of the proposed equity raising;
- Smartset having minimum available working capital of not less than C\$8 million; and
- Other customary conditions and statutory approvals for a transaction of this nature (including no material adverse events or breach of warranty by either party).

Under the terms of the agreement, either party may terminate the transaction if completion has not occurred by 19 December 2022.

## Consolidation of Projects Opportunity

The Eastern States of Australia are underlain by a collage of geologic orogens that formed over 500 ma period and from the Cambrian to Triassic periods, along the margin of the supercontinent Gondwana. Mt Morgan is focused within Devonian to Triassic arcs of the Mossman and New England Orogens that have a significant gold pedigree with over 40 Moz<sup>1 2</sup> of gold delineated in historic production and current reserves from eleven (11), + 1 Moz Au deposits (Figure 1) that include Mt Morgan intrusive related Au-Cu, Intrusion Related Gold Systems (IRGS), Epithermal gold and Orogenic Gold deposits.

**Figure 1: Eastern Australian operating mines and projects**



The historic Mt Morgan Mine is the single largest deposit in the New England Orogen and remains one of the largest gold deposits in Australia. The Mt Morgan Mine operated for over 90 years producing 50 Mt of ore from a single body of mineralization, averaging 4.75 g/t Au and 0.72 % Cu, for a total 7.65 Moz gold and 361 kt of copper<sup>3</sup>.

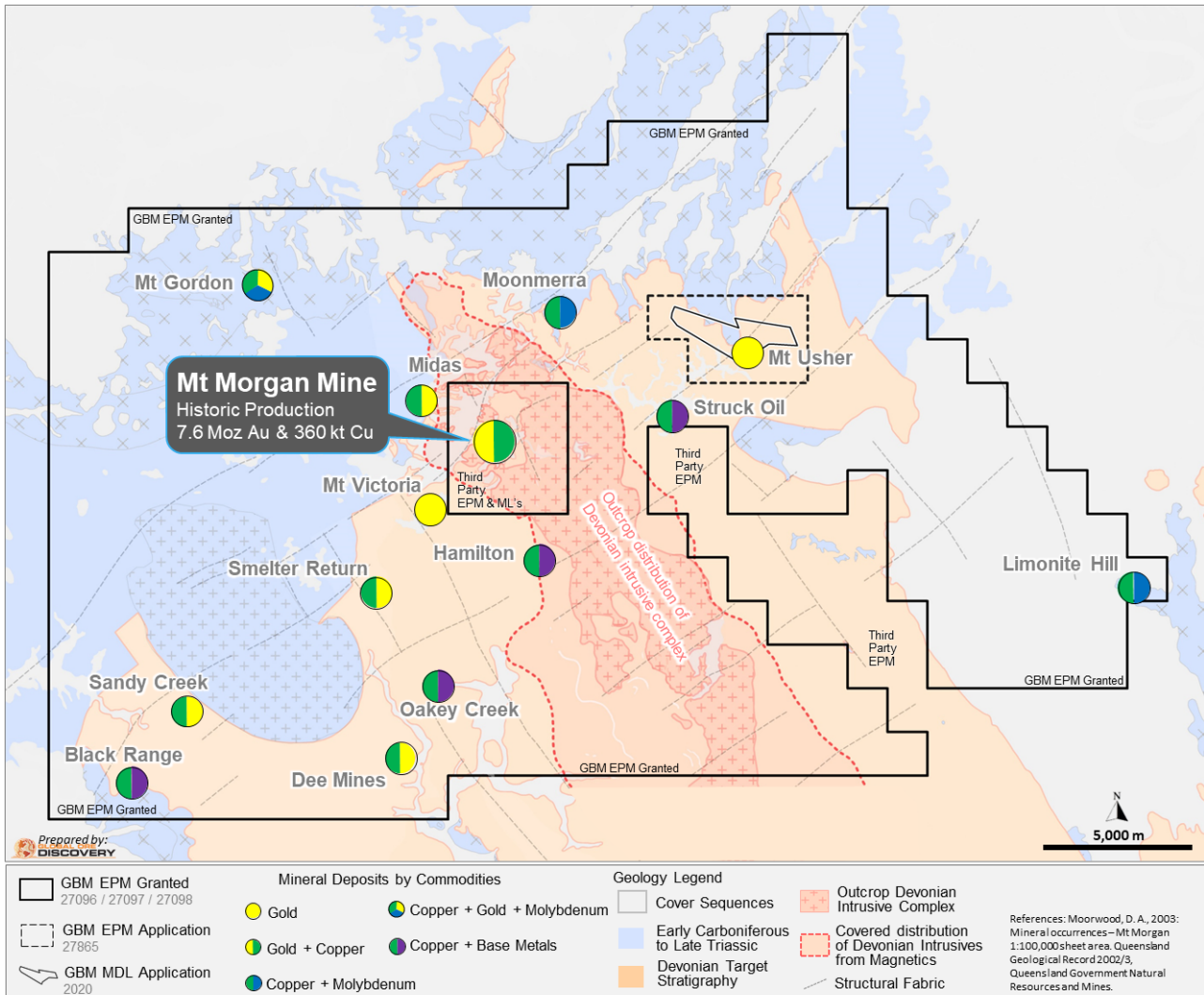
The genesis of the deposit remains contested, but geoscience consultants, Global Ore Discovery, consider that the Mt Morgan deposit is a magmatic related gold-copper deposit that is genetically linked to a Devonian age intrusive complex outcropping in the mine area and over a large area within the GBM claims. The deposit geology suggests mineralization formed in a submarine island arc setting and produced a shallow epigenetic deposit with hybrid epithermal to porphyry transition characteristics.

<sup>1</sup> Morrison, G. and Beams, S., Intrusion-related gold systems of the Charters Towers Province, North Queensland.

<sup>2</sup> [https://www.dpi.nsw.gov.au/\\_data/assets/pdf\\_file/0005/266522/New\\_England\\_Orogen\\_Deposits.pdf](https://www.dpi.nsw.gov.au/_data/assets/pdf_file/0005/266522/New_England_Orogen_Deposits.pdf)

<sup>3</sup> Taube, A., 1986. The Mount Morgan gold-copper mine and environment, Queensland; a volcanogenic massive sulfide deposit associated with penecontemporaneous faulting. *Economic Geology* 1986; 81 (6): 1322–1340. doi: <https://doi.org/10.2113/gsecongeo.81.6.1322>

**Figure 2: GBM's Mt Morgan Tenements subject to sale agreement**



**This ASX announcement was approved and authorised for release by:**

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**About GBM Resources**

GBM Resources Limited (ASX: GBZ) is a well-funded Queensland based mineral exploration and development company focused on the discovery of world-class gold and copper deposits in Eastern Australia. The company has a high calibre project portfolio, hosting district scale mineral systems, located in several premier metallogenic terrains.

Its 100% owned flagship project in the Drummond Basin (QLD) holds ~1.6 Moz of gold in JORC resources (Mt Coolon, Yandan and Twin Hills). 2022 will see an expanded drilling program which is aiming to define 2-3 Moz and support GBM's transition into a mid-tier Australian gold company.

Separately it also holds tenements in the Mt Morgan district (subject to a vend into a TSXV company) and in the Mt Isa Inlier in Queensland (JV with Nippon Mining Australia - 54%), and the Malmsbury Project (JV with Novo Resources Corp. - 50%, earning additional 10%) in the prolific Victorian Goldfields. This is complemented by the cash generating White Dam Gold-Copper Project in South Australia in which GBM now holds a 100% interest. Divestment of non-core assets will continue.