

BENDIGO GOLD PROJECT UPDATE

GBM Gold Limited

ABN 59 119 956 624

ASX CODE: GBM

CORPORATE DETAILS:

Shareholders: ~680

Shares on Issue:
945,784,944

Options: Nil

Directors:

Eric JP Ng (*Chairman*)

John Harrison (*CEO*)

Paul Chan

Andy Lai

Linda Lau

Andrew Chan

Company Secretary:

Andrew Chan

CONTACT DETAILS:

Principal and Registered Office:

GBM Gold Ltd
66 Ham Street
Bendigo VIC 3550

Telephone
+61 3 5445 2300

Email
admin@gbmgold.com.au

Website
www.gbmgold.com.au

HIGHLIGHTS

- ✓ GBM completed the takeover of the Bendigo Goldfield on 17 May 2016 with the payment of \$1.1 million to Unity Mining.
- ✓ A clean-up of the Kangaroo Flat Gold Processing Plant to recover gold remaining in the mill has been completed.
- ✓ A 62 ounce (1.94kg) gold dore bar was produced. (see photo).
- ✓ GBM is focusing on the Kangaroo Flat Sand Dam project and the Harvest Home Open Pit Mine Expansion.

GBM Gold Limited (**ASX: GBM**) is pleased to provide the following update to the market in relation to the Bendigo Gold Project. The Victorian government granted the Bendigo tenements to GBM Gold on 9 May 2016. GBM settled the Unity Mining contract on 17 May 2016 with the first \$1.1 million instalment to repay the \$5.9 million environmental bonds to Unity.

The gold processing plant was designed to recover most of the gold by gravity methods. Gold is captured in items of the plant used in the process. The plant has been thoroughly cleaned and the gold captured has been recovered and poured into the 1.94kg Dore bar pictured below.

1.944kg Gold Dore Bar



Kangaroo Flat Sand Dam Project

The Kangaroo Flat Gold Processing Plant was designed to capture the majority of the gold by gravity methods. This was very successful - capturing 75% of the gold. The ore was ground to a size that liberated most of the gold. After initial gravity gold recovery, the resultant sand was separated according to particle size with the fine material being further processed to remove contained gold and 425,000t of coarse material stored in the coarse sand dam.

Total gold recovery was 93% with 7% of the gold not captured in processing. A significant portion of the gold not captured is believed to be in the 425,000 tonnes of material stored in the coarse sand dam. Drill testing revealed significant quantities of free gold and gold bearing sulphides.



GBM plans to excavate the coarse sand dam, wash the sand and recover the gold. The washing and concentrating process removes deleterious materials such as salts, heavy metals and slimes. The 425,000 tonnes of sand will be processed over a period of two to three years. GBM is keeping the local market informed of the properties of the sand product. It is planned to sell this product into the local market then continue with sands produced from tailings clean-up projects around Bendigo. The gold will be recovered in the gold processing plant.

Harvest Home Open Pit Mine

Harvest Home is on Mining Licence MIN 5510 and is located approximately 5 kilometres north of Dunolly in Central Victoria. The tenement encompasses the historic Harvest Home Goldfield. 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 number of discrete smaller prospects are also contained within the tenement. The historical mine workings reached depths of up to 122m.

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 in June 2015. A modest quantity of gold was recovered from ore mined from the bulk sample pit.

GBM is completing the approvals processes for 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 (as per the photo below). Ore will be hauled from the pit to a stockpile location on site for progressive transfer to an offsite processing facility.

Figure 2: Harvest Home Bulk Sample Pit



ENDS

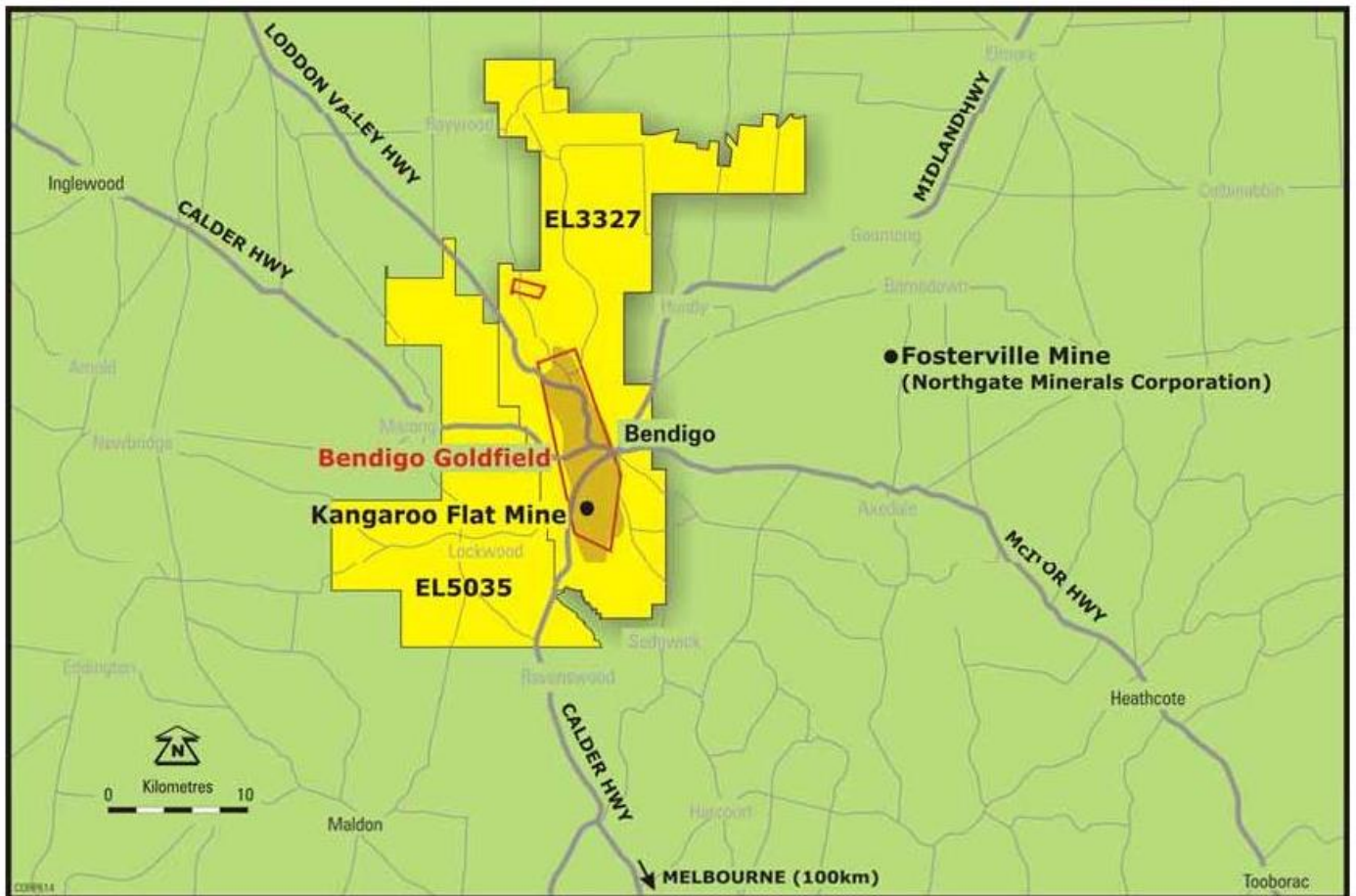
About GBM Gold Ltd (ASX: GBM)

GBM Gold is a gold focused mining and exploration company with mining and exploration assets located in underexplored areas of one of Australia's most significant gold producing regions; the Central Victorian Goldfields that host the Bendigo (~22 million ounce) and Ballarat (~12 million ounce) gold deposits.

The Company 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. GBM has a 50% equity interest in Harvest Home and recently completed a bulk sample from this project producing a 107 ounce gold dore bar. Harvest Home and the adjacent Queen's Birthday will continue to be developed in parallel with the company's development of the Bendigo Goldfield, Australia's second largest goldfield.

For further information, please visit www.gbmgold.com.au or contact:

John Harrison,
CEO and Director
E: admin@gbmgold.com.au
T: +61 (0)3 5445 2300

Bendigo Goldfield Tenement Plan**Forward-Looking Statements**

This announcement contains "forward-looking statements" within the meaning of securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or other similar words, and include statements regarding certain plans, strategies and objectives of management and expected financial performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are outside the control of GBM Gold and any of its officers, employees, agents or associates. Actual results, performance or achievements may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Exploration potential, where discussed is conceptual in nature and indicates there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. Readers are cautioned not to place undue reliance on forward-looking statements and GBM Gold assumes no obligation to update such information.