



26 October 2016

ASX Announcement

September 2016

Quarterly Report to Shareholders

GBM Gold Limited

ABN 59 119 956 624

ASX CODE: GBM

CORPORATE DETAILS:

Shareholders:

737

Shares on Issue:

1,075,784,944

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:

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HIGHLIGHTS

GBM Gold Limited (GBM) is focused on revitalizing 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 of great richness and sometimes great length.

- A review of recent exploration work and historical records has identified a shallow zone on the Nell Gwynne anticline adjacent to the decline. It has structural characteristics together with high gold grades that make the zone a prospective target for early exploration and potential development. GBM is developing plans for this target.
- Geologists from the Liaoning Provincial Institute of Geological Exploration in China visited Bendigo in August. They are preparing a report on prospective areas in the Bendigo Goldfield;
- GBM plans to excavate the coarse sand dam at the Kangaroo Flat Mine Site, wash the sand and recover the gold. It is planned to sell the sand product into the local market. The gold will be recovered in the Kangaroo Flat gold processing plant;
- GBM is completing the approvals processes for the development of an open pit mine at Harvest Home. The pit 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.

1. Mining and Exploration

GBM Gold Limited (ASX: GBM) ("GBM" or "the Company") is actively working towards developing mining projects in Central Victoria's proven gold mining areas (Figure 1).

Work during the September Quarter focused on:

- Assessing the potential of the Bendigo Goldfield for near mine geological targets to identify mineable reefs.
- Progressing exploration and mining work plans for the Harvest Home Project.
- Progressing planning for the processing of the Kangaroo Flat Sand Dams.
- Rehabilitation of the Fiddlers Creek mine site.
- Rehabilitation of the Woodvale Evaporation Ponds Complex.
- Exploration on the Queens Birthday tenement.

1.1 Bendigo Project (MIN5344, MIN 5364, MIN 4878, EL 3327, EL 5035)

Bendigo Exploration Potential

The Bendigo Goldfield is Australia's second richest goldfield behind Kalgoorlie's Golden Mile. Between 1851 and 1954 the Bendigo Goldfield produced in excess of 18 million ounces from underground mining of in excess of 40 million tonnes of 'quartz reef'. At least 4 million ounces of alluvial gold were recovered from the region's creeks and gullies. The Bendigo Goldfield was, by far, the richest goldfield in Victoria.

The most productive portion of the Bendigo Goldfield lies in an envelope some 16 kilometres long by 4 kilometres wide. Within this zone seventeen major anticlines occur, twelve of which account for the bulk of the hard rock gold production on the Bendigo Goldfield. The most productive anticlines (those producing more than 500,000 ounces each) are the Garden Gully, New Chum, Hustlers, Sheepshead, and Carshalton (see Figure 2).

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 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 is sufficiently rich to provide a large net profit over the whole life of the mine.

The Bendigo Goldfield consists of many individual reefs. 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.

In 1998 Bendigo Mining commenced a decline from the Kangaroo Flat site which bridged eight anticlines, including the Nell Gwynne Anticline in Spring Gully. The focus of the initial underground exploration is planned to be the Nell Gwynne Dome in the vicinity of the historic Concord Mine. Decline development passed within 50 metres of the Concord workings at a depth of approximately 180m below ground level (See Figure 3). Drilling in 2009 revealed mineralisation on a cross-course fault that was subsequently named Nankervis Reef (See Figure 4). A number of additional exploration targets were subsequently identified in the same area but not followed up.

Historical research suggests that a structure worked 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 is confirmed by detailed decline mapping conducted in 1999.

It is proposed to investigate the Nell Gwynne anticline adjacent the historic Concord Shaft by diamond drilling from platforms located in existing development and from limited new development proposed to be undertaken.

MIN5344: Kangaroo Flat Sand Dam Project

The Kangaroo Flat Gold Processing Plant had total gold recovery of 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 and metallurgical 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. 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.

1.2 Goldsbrough Corridor Gold Project (MIN 5510 and EL 5528)

The Goldsbrough Corridor Gold Project is located 10km northwest of Dunolly and 192 km from Melbourne via the Dunolly-Moliagul Road in Central Victoria (Figure 1). The project is at the southern termination of the 24 km long Goldsbrough-Wehla Shear Zone which is part of the Wedderburn-Ballarat line.

The Harvest Home, Queens Birthday and Wehla tenements are located in the Goldsbrough Corridor. At Harvest Home, 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). The Queens Birthday Mine at Goldsbrough and the mine at Stuart's Reef at Moliagul were significant producers of gold with over 100,000 ounces being mined from Queens Birthday.

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

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.

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. 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 north of Harvest Home. It also part of the Goldsbrough – Wehla Shear Zone. 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. 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 is identifying a number of targets that have similarities to Harvest Home.

Wehla (ELA 006369)

An Exploration Licence application has been submitted covering the Wehla Goldfield. 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. Additional lines of auriferous reefs (Scotchman's and Hungarian) occur 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 is the largest in the field and produced more than 60,000 ounces of gold from a series of drives following a large mineralised quartz channel (known as the 'Big Quartz'). Quartz spurs projected into strata on the footwall and the highest gold concentrations were at the intersection of the quartz spurs and 'indicator' shales. GBM is awaiting the grant of the tenement.

1.3 GBM Gold Exploration Projects**Fiddlers Creek (ELA 00615)**

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.

2.0 Activities Planned for the December Quarter**Bendigo**

- Planning for production from the coarse sand dam at Kangaroo Flat.
- Geological analysis of Nell Gwynne exploration target in the Bendigo Goldfield.
- Woodvale Evaporation Ponds 6 and 7, planning for rehabilitation.

Harvest Home:

- Exploration work plan approvals.
- Mining work plan approvals.

Avoca / Beavis:

- Complete the sale of the project.

3.0 Corporate

With the purchase of the Bendigo Goldfield a strategic review of tenements was undertaken. The Beavis Alluvial Project was identified as a non-core business and the Company has been negotiating the sale of the project with an interested party.

4.0 Company Mineral Tenement Portfolio

The mineral tenement portfolio of the GBM Gold Group as at 30 September 2016 is:

| <i>Name</i> | <i>Tenement</i> | <i>Tenure Type</i> | <i>Status</i> | <i>GBM Group 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 3327 | Exploration Licence | Granted | 100% |
| West Bendigo | EL 5035 | Exploration Licence | Granted | 100% |
| 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% |
| Wehla | EL006369 | Exploration Licence | Pending | 0% |
| Fiddlers Creek Project (south east of Avoca, Victoria) | | | | |
| Fiddlers Creek | EL006155 | Exploration Licence | Pending | 0% |
| Avoca Project (south east of Avoca, Victoria) | | | | |
| Avoca | EL 4936 | Exploration Licence | Granted | 100% |
| Beavis | WA 1395 | Work Authority | Granted | 100% |

*Joint Venture with Truelight Mining Pty Ltd

GBM's beneficial interests in any joint venture agreements did not change during the quarter.

END

About GBM Gold Ltd (ASX: GBM)

GBM Gold is a gold focused mining and exploration company with mining and exploration assets located one of Australia's most significant gold producing regions; the Central Victorian Goldfields.

GBM has purchased the Bendigo Goldfield, Australia's second largest goldfield. 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. Harvest Home, in which GBM has a 50% equity interest, and the adjacent Queen's Birthday will continue to be developed together with tailings projects on the Bendigo Goldfield.

For more information, please visit the Company website: www.gbmgold.com.au

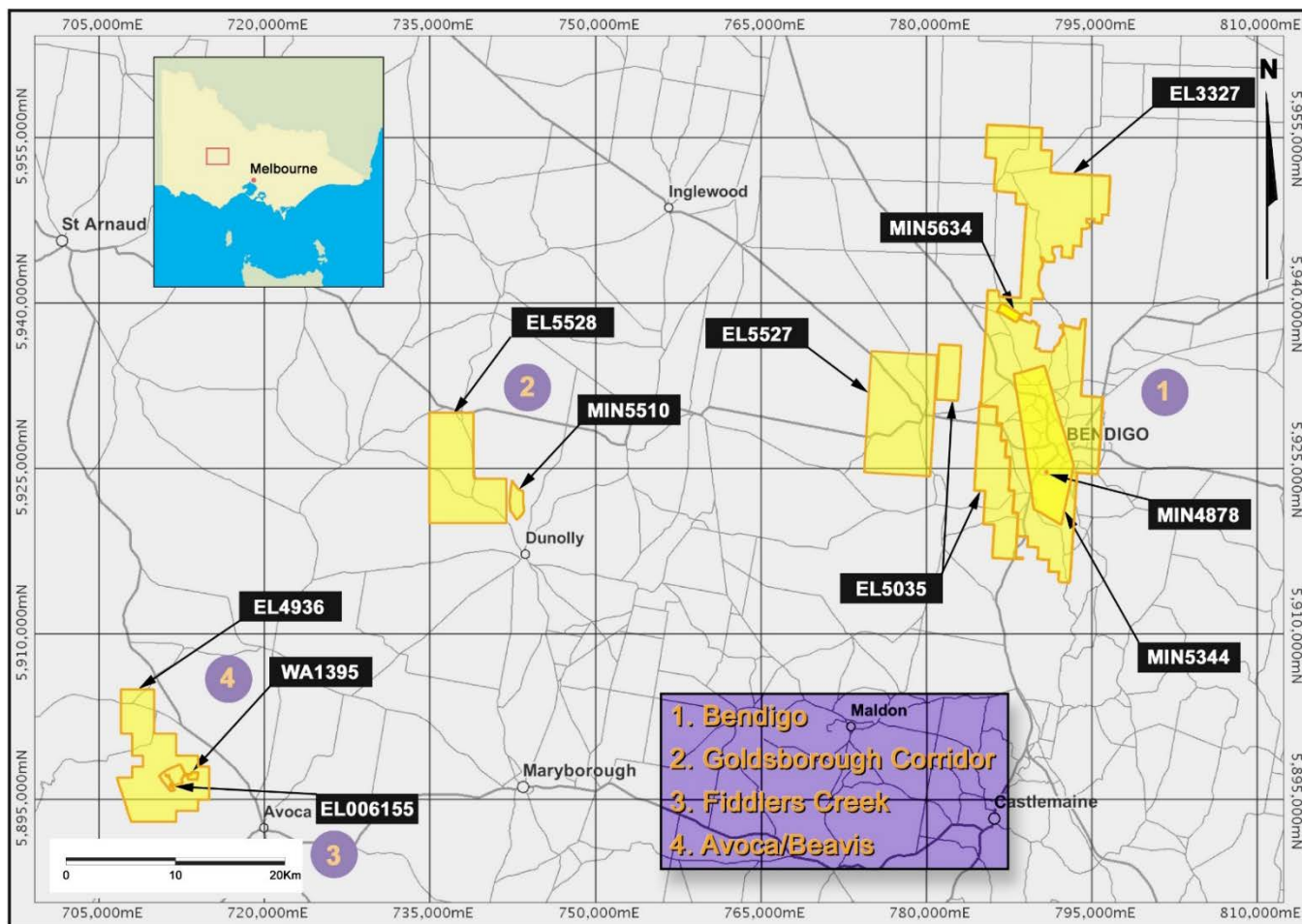


Figure 1: GBM Gold Projects

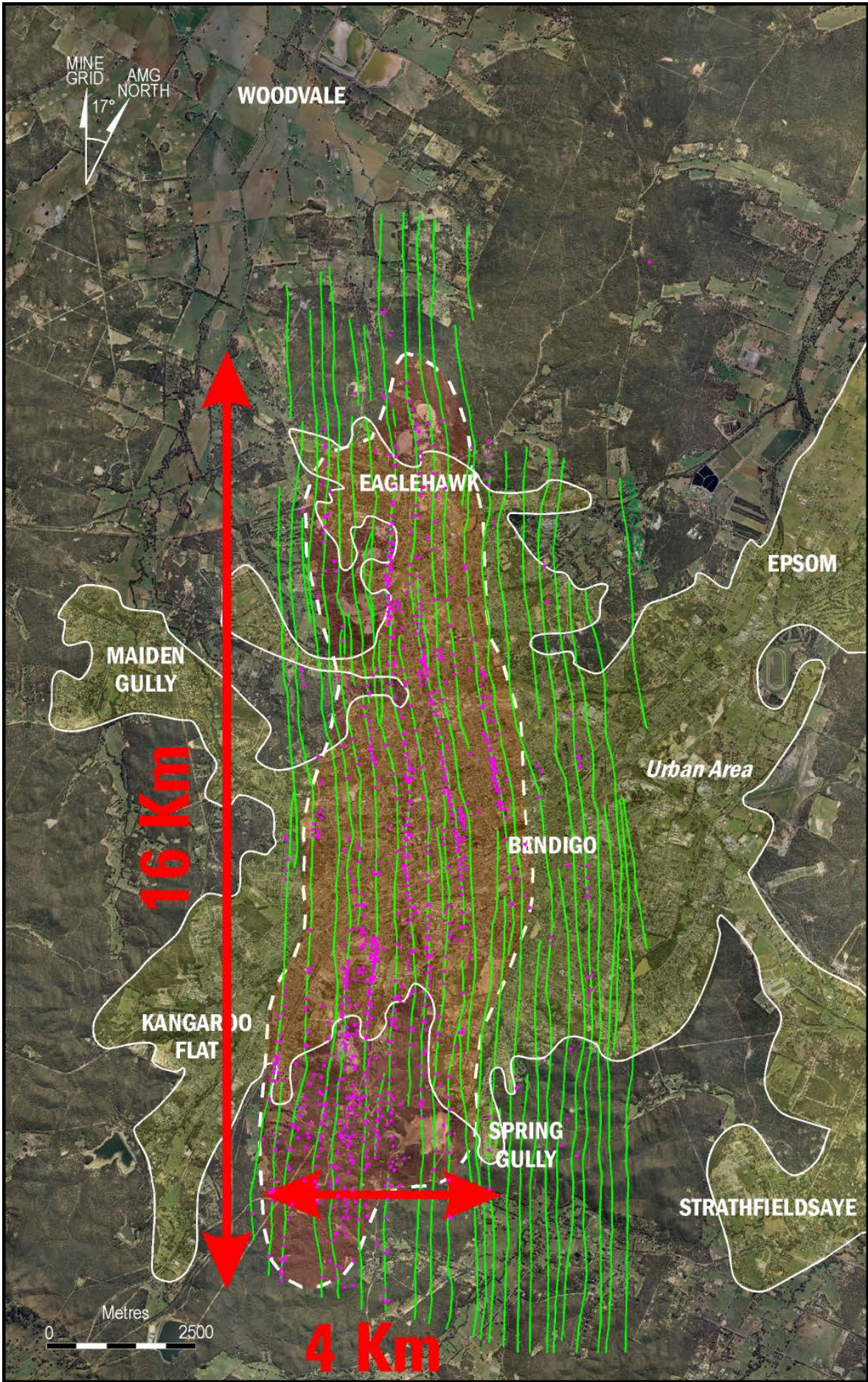


Figure 2: Bendigo Goldfield

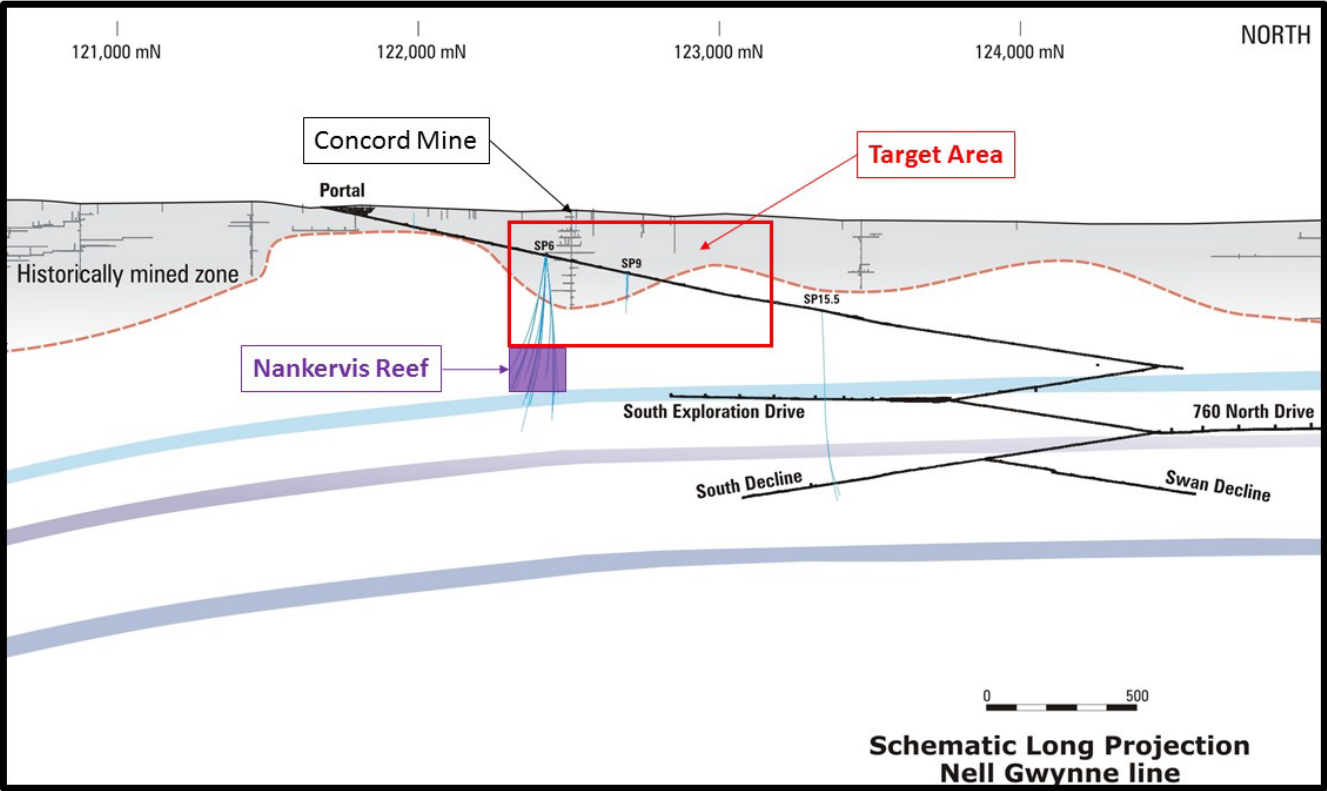


Figure 3: Nell Gwynne Line Target Exploration Area

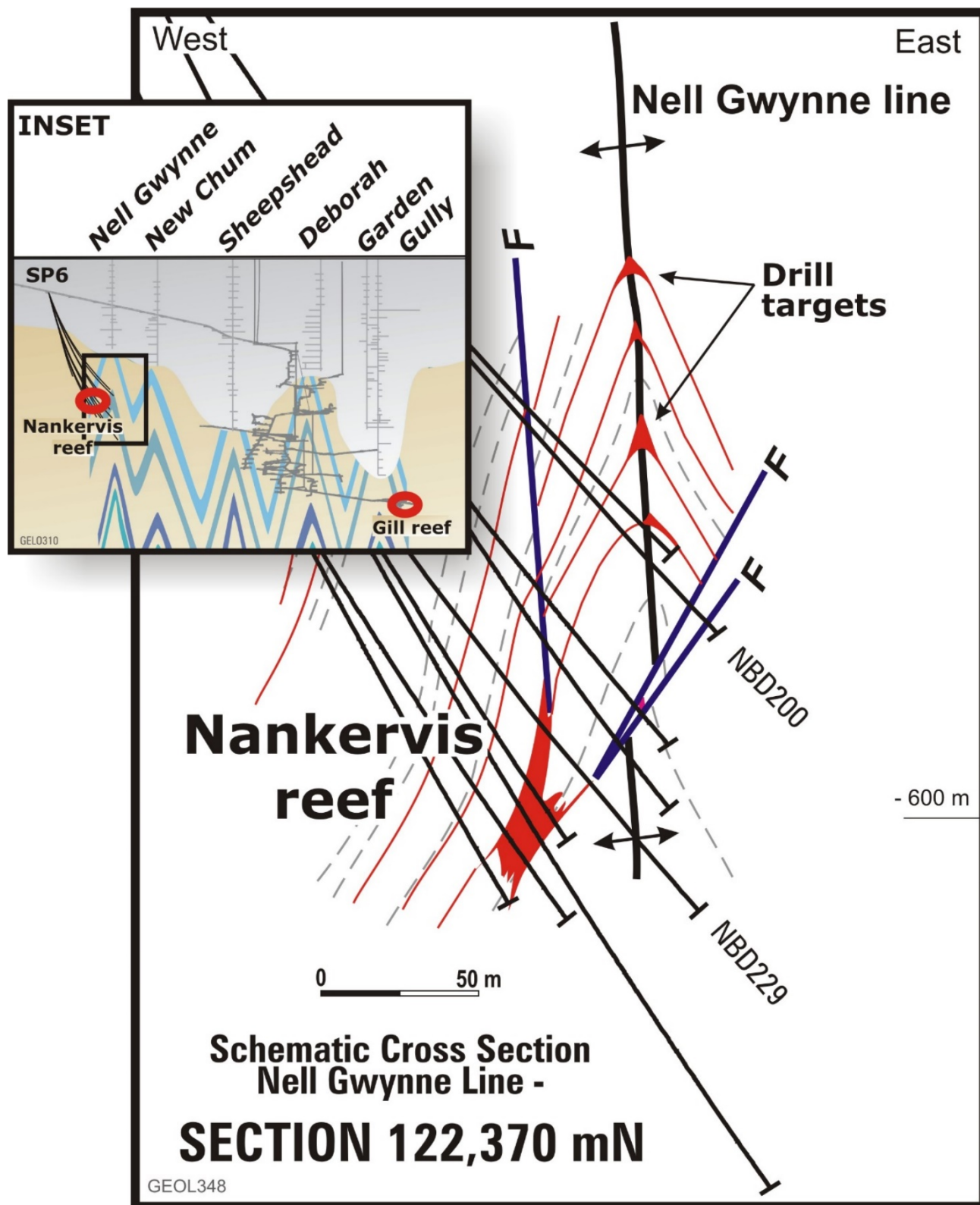


Figure 4: Nell Gwynne Drilling

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 2016

| 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 | 119 | 119 |
| 1.2 Payments for | | |
| (a) exploration & evaluation | (440) | (440) |
| (b) development | - | - |
| (c) production | - | - |
| (d) staff costs | (62) | (62) |
| (e) administration and corporate costs | (121) | (121) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 1 | 1 |
| 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 | (503) | (503) |

| | | |
|--|------|------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (13) | (13) |
| (b) tenements (see item 10) | - | - |
| (c) investments | - | - |
| (d) other non-current assets | - | - |
| 2.2 Proceeds from the disposal of: | | |
| (a) property, plant and equipment | 67 | 67 |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|---|------------------------------------|--|
| | (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 | 54 | 54 |

| | | | |
|-------------|---|------------|------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | 800 | 800 |
| 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 | (60) | (60) |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | (30) | (30) |
| 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 | 710 | 710 |

| | | | |
|------------|--|------------|------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 26 | 26 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (503) | (503) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | 54 | 54 |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 710 | 710 |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 287 | 287 |

+ See chapter 19 for defined terms.

| 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 | 287 | 26 |
| 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) | 287 | 26 |

| | | |
|-----|--|----------------------------|
| 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 | 57 |
| 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 | |
| | | |

| 8. | Financing facilities available | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|---|--|--|---|
| | Add notes as necessary for an understanding of the position | | |
| 8.1 | Loan facilities | 5,183 | 5,183 |
| 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: \$4,808k owing to Unity Mining Limited at zero interest and secured, as per the Bendigo Asset Sale Agreement as announced to the ASX on the 17 th September 2015. The \$375k loan at 4% interest and unsecured, from Sterlington Resources to GBM Gold Ltd ('GBM') is contracted to be converted to shares in GBM, but has not yet been converted. | | | |

| 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 |


| 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 | | | | |

+ See chapter 19 for defined terms.

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: 26 October 2016

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.