



GBM GOLD LTD

(ABN 59 119 956 624) and controlled entities

REPORT TO SHAREHOLDERS

FOR THE QUARTER ENDED 31 DECEMBER 2011



HIGHLIGHTS

GROUP/CORPORATE

- Full and final cash settlement received from a former group employee in respect of a loan to him and in consideration of sale to his interests of the 2 x 50% interests GBM held in two shell companies Mineral Resource Technologies Pty Ltd and Mineral Recovery Technologies Ltd.
- Following GBM litigation victory against former director Douglass Wakley Cahill & others a settlement agreement was reached whereby Mr Cahill & others return 2 blocks of freehold land (transferred to them from the GBM subsidiary without fully informed consent), along with cash payment of \$300,000 to be received by GBM in mid February 2012.
- Group debt to ANZ Bank and Esanda Finance repaid and all security GBM granted to ANZ Banking group released by ANZ.
- As part of release ANZ was granted by a 3rd party a cash deposit security of \$250,000 to cover approx A\$250,000 of tenement security bonds ANZ has issued to the Department of Primary Industries (DPI). GBM is to arrange replacement bonds to DPI during the current quarter to unwind this arrangement.

INGLEWOOD

Inglewood Corporate

- Secured \$3m pre-payment re sale of 55kg gold to be delivered at a timing of Inglewood Gold Mining Company Pty Ltd discretion, with a monthly facility fee payable for each month the 55kg of gold is not delivered.

Exploration

- 3D modelling of Inglewood field continuing
- Re assaying of Gowks Hill RAB samples commenced for resource upgrade
- Preparation for January diamond drilling at Gowks Hill
- Wolff shoot resource access options under investigation

Mining

Maxwells Mine

- - Level 1 63mN xcut in Maxwells mine risen on for next lift



HIGHLIGHTS CONTINUED

- Level 1 97 progressed to 124mN with poor ground conditions
- Level 1 150mN driving north and south.
- Level 3 157m driven for Max north shoot, awaiting diamond drilling for target delineation.

Processing

Maxwells Mill

- Mill uptime steadily increased as ball mill finetuned for optimum operation

BEAVIS-ISG PROJECT

- Beavis Resource calculated
- Beavis industrial minerals assessment report commissioned
- Finalisation of all assays from Beavis drilling program
- MIN 4943 at Maryborough relinquished

FIDDLERS CREEK-AVOCA PROJECT

- Fiddlers Ck Mill assessment report tabled
- Field sampling program prepared.

GOLDSBOROUGH PROJECT

- The Harvest Home JV and Queen's birthday JV have been reallocated into their own project "Goldsborough" operated within an existing GBM subsidiary renamed Goldsborough Mining Pty Ltd.
- Further work undertaken on transfer of the GBM interests in Queen's Birthday and Harvest Home to the Goldsborough Company.
- Further work continued on new JV agreements with the new Goldsborough JV partner and GBM has provided input to facilitate the transfer of the other 50% interests in the JV's to the new partner from the old partner
- Work on progressing the Mining licence application re Harvest Home jv

WILSON HILL

- Planning for retrieval of ~6000 metres of diamond core produced by WMC Ltd currently in storage at Unity Mining Ltd Woodvale core farm.



PROJECTS

GBM Gold has licences representing the following geographically based Projects:

Inglewood Project -	MIN's 4639, 4001, 5425 and 5472 EL's 4184, 3800, 4670
Beavis-ISG-Project-	WA 1395, 1304
Goldsborough Project-	EL 5029, EL 4589
Wilson Hill Project-	EL 4999
Fiddlers Ck-Avooca Project-	EL 4936, Min's 4548 and 4023

Ref www.gbmgold.com.au





INGLEWOOD PROJECT

MAXWELLS MINE AND MINE SITE

Work underground continued in the Max shoot on Level 1 focussing on resource blocks at the 63mN and 97mN cross cuts, and at 150mN.

In addition to these mining blocks development of Level 2 and subsequent rise development off the level has commenced. Level 3 is on hold for Diamond Drill Hole development.

Level 1 63m North

The south drive from the 63mN crosscut has reached completion on the current sublevel. A total of 360 tonnes has been produced for the period with a combined average of truck and channel sample return of 1.83g/t. High grade zones of mineralisation have been identified over the strike length of the Max reef line with channel sample assays of 7 g/t and -30g/t respectively.

At the time of writing Sub Level 2 is in development with a combined average of truck and channel sample return of 4.8g/t.

Level 1 97m North

Sublevel 3 north has been completed with the scope of works to develop rises along the high grade footwall zones within the Max North reef.

Level 1 150m North

The access crosscut has been developed North by North West to flank the Maxwells reef footwall structure. Currently the Level has been developed 63 metres within the targeted footwall structure. Development will continue to Diamond Drill Hole Max 57 which had an intersection of 0.65 metres @ 7.22g/t.

The Maxwells reef on 1 level now has three accesses to 4 faces and for development rises off current sub levels.



Sublevel 2 north 63mN face at end of the period.

150mN - 3 Level (L3)

A drive to the projected down dip extension of Max north shoot has been on hold for the quarter. The heading has varied from massive quartz (1m width) then pinched to a narrow fault plane (0.25-0.35m) with low level assay returns from face and truck samples. A plan to drill several short underground drill holes to accurately locate the shoot is to be implemented,



Face at 3 level approximately at 193mN



Maxwells Processing Plant

The processing plant was brought back into operation in October after the scrubber, which controls the front end feed of the plant, had been rebuilt, recommissioned and is operating to its specification once more.

Considerable effort has been undertaken by the Mill team and fine tuning of density, grind size and throughput has seen a steady rise in processed tonnes per day.

The plant is now capable of recovering a gravity concentrate and then preparing the feed for the Carbon in Pulp circuit at the correct densities and grind size.

The plant processed 4,943 tonnes of ore and sands and produced 94 ounces (2.9kg) of gold dore for the quarter.

Feed has been predominantly tailings while awaiting the crushing circuit to be finalised.

It should be noted that low grade material and mullock processed during initial commissioning of the ball mill

At the date of this report, a rolls crusher is being installed after the Jaw crusher to improve the productivity of the front end of the plant.

A Carbon processing circuit which includes a regeneration circuit as well as stripping and washing vessels, pumps will be installed over the Q3 quarter to allow continuous carbon regeneration thereby improving efficiency of gold stripping.

INGLEWOOD EXPLORATION:

Daly Kentish Drilling

Drilling to increase the company's resource levels was completed at the Daly Kentish target in Q1.

Further analysis is ongoing of assay data with selected areas subjected to further analysis with results to be collated in the coming period.

Further modelling will be undertaken to determine if a resource can be estimated or whether infill drilling is required.



The existing work plan allows for infill drilling occurring at the company's discretion.

Comisky's Reef EL 4184

Parks Victoria has given permission for drilling at Comisky's reef which is adjacent to the Maxwells Minesite.

An inferred resource has been estimated for the Comisky reef from 12 diamond drillholes completed by Goldquest. The proposed program consists of a series of Reverse Circulation holes to infill the diamond drilling traverses and provides larger samples for gold analysis.

The Comisky reef is up to 10 metres in width and is a significant shear zone within the Inglewood goldfield.

Gowks Hill EL 3800

A diamond drilling program is to be undertaken in the start of Q3 to assess the current resource geological model.

The resource at Gowks is currently estimated at 106,000 tonnes for 5000+ ounces and following a phase 3 RAB program, the resource is under review.

3 diamond drillholes are planned to commence in January to twin existing RAB / RC holes to provide key structural information on the resource and to provide further grade data to allow an upgrade to Indicated category to be estimated.

BEAVIS – ISG PROJECT

INDUSTRIAL SANDS & GRAVELS PTY LTD (ISG)

WA 1395 has been granted to Industrial Sands and Gravels for a screening operation at the Beavis Block.

The company is now in a position to dry screen the existing spoil heaps to produce a range of gravel products to test the market and provide information for a feasibility study on commencing a significant industrial minerals operation.

It intends to undertake this in the latter part of the next quarter assuming drier weather prevails.

A product uses study has been commenced and is aimed at outlining all possible products available and market potential.

At this stage, a draft report indicates the quartz quality is quite high at 99+ % in the gravels and various higher value silica uses are being identified.



The report has also indicated various potential sand uses and various tests and sizings will be undertaken in the New Year.

The report will assist the company in preparing a draft processing plant scope and operational scheduling plans as part of a mine plan.



Fig 6 – Washed gravel from the Beavis project

Beavis Resource Drilling

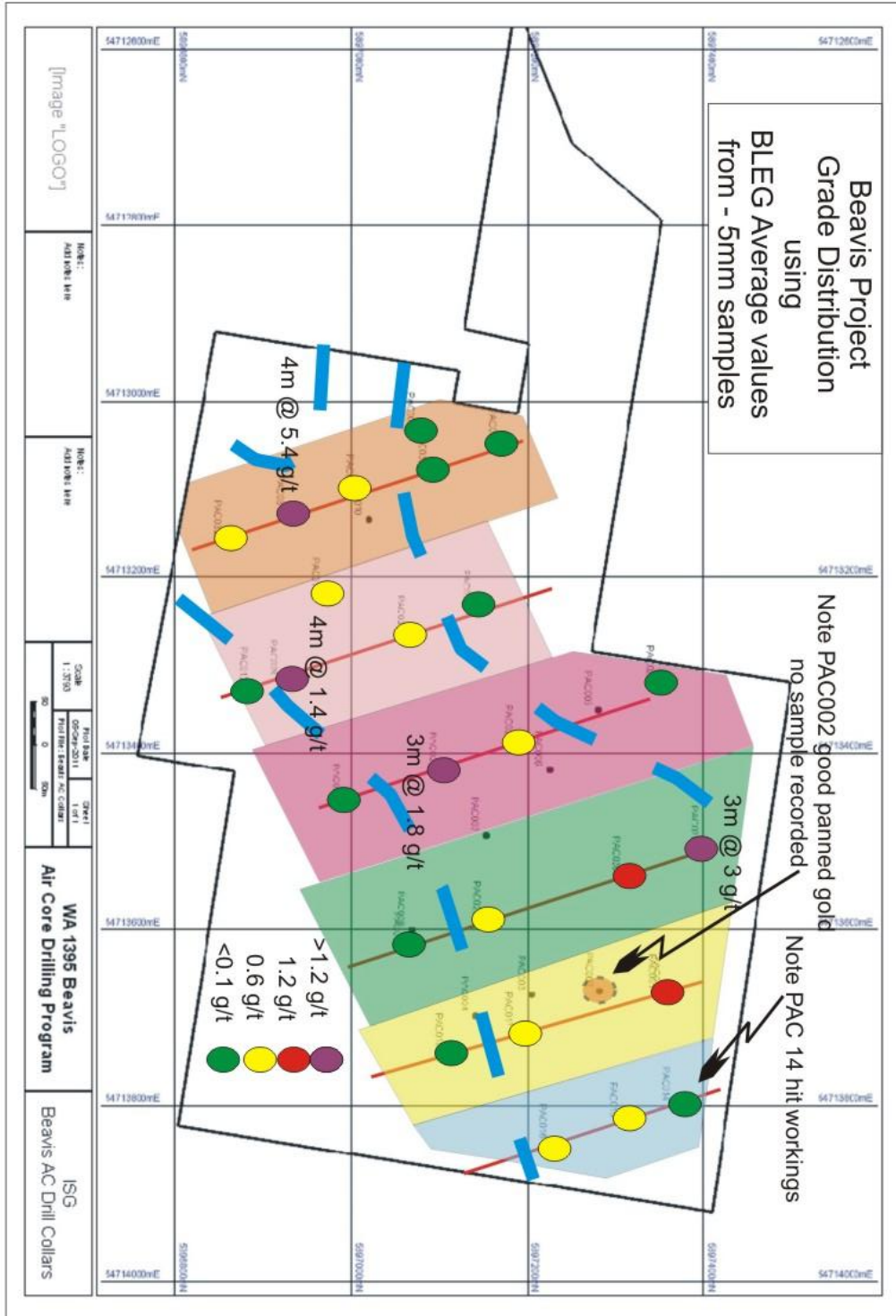
A resource estimate on the Beavis deposit was reported during the quarter.

The report estimated an Inferred Resource of:

2,200,500 tonnes at a grade of 0.5 g/t giving 33,700 Ounces

This was based on an aircore and BLEG sampling program.

This has given the project a strong underpinning and further work on the gravel and sand resource is underway with the aim of preparing a mini feasibility study to assess economics, mining process and processing support infrastructure.



Beavis resource block plan



FIDDLERS CREEK-AVOCA PROJECT

GBM FIDDLERS CREEK PTY LTD/GBM AVOCA PTY LTD

Fiddlers Creek Project Min's 4023/ 4548

A report on the requirements to recommision the Fiddlers Creek processing plant has been received.

This report will assist in a small feasibility study on reactivating the fiddlers Creek project which is to be reviewed in this current period.

EL 4936 Pyrenees

A plan to undertake soil / rock chip sampling across the EL has been commenced with the aim of utilising road cuttings to give a geochemical cross section across the Pyrenees range. Geological structures abound and numerous vein sets repeat regularly across the EL area and this program will highlight areas for close spaced soil sampling to delineate drill targets.

GOLDSBOROUGH PROJECT

CURRENTLY HELD UNDER THE INGLEWOOD PROJECT COMPANY

The Goldsbrough project is the new group name for the Harvest Home (HH) and Queens Birthday (QB) joint ventures of which GBM owns 50% in each case.

The GBM interests in these joint ventures are to be transferred to an existing GBM subsidiary that will be renamed Goldsbrough Mining Pty Ltd, which company name has been reserved.

The HH and QB tenements are adjacent to each other in the Goldsbrough area of Victoria.

Harvest Home

The company has announced an inferred resource estimated by previous title holders of 750,000 tonnes at 2.3 g/t (GBM 50 %.)

Further work by the JV partners following reviews of all data sources and updated modelling has revised this figure to:

1,040,000t @ 2.4g/t Au (Inferred Resource)

The review focused on the two previous resource estimates by Corner (1996) and Ballarat Goldfields (BGF 2000) and analysed the differences between them and compared them with modelled drilling to date.



Various parameters were reviewed with a lower cut of grade, deeper base of mineralisation and interpreted plunges from drillhole modelling factored in due to the current higher base line gold price utilised in the earlier estimates.

The review also pinpointed several existing RC drill holes that are to be diamond drilled for confirmation on structure, quartz percentage and grade.

Following successful drilling, a further resource estimate will be made with the aim of lifting the central 200 metres of strike of the deposit into an indicated status.

Queen's Birthday

Following the current status of research into the Queen's Birthday group of mines the company has worked on preparing an all encompassing Work Plan to undertake the drilling and sampling required to test the exploration target estimated to date.

It is expected to be completed and approved by the next period.

Goldsborough Project QB Target									
Exploration Target table									
Exploration Target	Estimate criteria			Open pits to 50 metres and Underground to 500m					
Projects	Strike	Width	Height	S.G	Tonnes	Grade L g/t	Grade H g/t	Oz Low	Oz High
QB Shallow Target	600	2	50	2.3	138,000	2	4	8,852	17,704
Underground south extent	150	1.5	170	2.6	99,450	6	12	19,137	38,275
QB deeps	600	1.5	180	2.6	421,200	6	12	81,052	162,104
Total					658,650	5	10	109,041	218,082



WILSON HILL PROJECT

GBM WILSON HILL PTY LTD

A program has been prepared and agreed between Unity Mining Ltd and GBM for GBM to recover the ~6000 metres of drill core from the WMC Ltd Wilson Hill drilling program.

The core is currently stored on pallets which have deteriorated significantly requiring resorting and stacking of the core trays on to fresh pallets.

It is intended to relog sections of various holes to assess the similarity to the Bendigo Structural Model.

Examination of the depositional channel characteristics will also be undertaken for comparison to the Bendigo model.

A short program to undertake further aircore drilling has been mooted for February – March subject to weather and drilling schedules. It is planned to drill along the cemetery road traverse on the southern extension of the field.

OTHER

KRALCOPIC

Kralcopic continues to be used as the group service vehicle, providing technical and administration services to the GBM group and the JV's.

Business systems and procedures were significantly developed during the quarter in order to assist the expanded business operations that are emerging from the GBM group over this coming quarter and the financial year.

FORWARD CASH POSITION

GBM had \$979,000 of cash at bank at the end of the quarter, and had agreements in place of further facilities of \$270,000

Additionally the company still has approved and discretionary share placement capacity totalling approx ~186 million shares, and is actively seeking a larger scale investment partner to take a placement of shares and work with and support the group as it continues to develop.

The corporate, operational, exploration and capital expenditure programmes in financial Q3 (January – March 2012) will be covered from cash at hand, revenue



and facilities available. In addition it is intended that share placement funding and/or restructured or further gold funding facilities will enhance cash at hand during the quarter.

Projections show that at the end of the Q3 quarter (March) the company and group will be debt free, other than potentially debt relating to the existing or potentially a new gold loan - which would be repaid over time from a proportion of gold production.

Signed for and on behalf of GBM Gold Limited

A handwritten signature in black ink, appearing to read "John Cahill", written in a cursive style.

John Cahill

Resource Director

ABOUT GBM GOLD LTD (ASX: GBM)

GBM Gold Ltd (GBM) is focused on building a strong gold production base from what are at present 5 gold projects in Central Victoria, Australia. .

Within each of these 5 projects - Inglewood, Goldsbrough, Beavis-ISG, Fiddlers Creek-Avoca and Wilson Hill - are one or more granted Exploration or Mining licences, each containing a number of well defined Resource blocks and/or Exploration Targets. The various projects are at a mix of development stages, with some projects in production and others in later or earlier analysis, exploration or development phases.

GBM has highly experienced teams focused on the requirements of its operating areas, a centralised geology team with strong background in the Central Victoria style of mineralisation as well as Bendigo based management, finance and administration personnel.

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



COMPETENT PERSON STATEMENT

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by John Cahill, who is a Member the Australian Institute of Geoscientists.

John Cahill is the Resources Director of GBM Gold Ltd. John Cahill has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. John Cahill consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



COMPANY INFORMATION

DIRECTORS

Ian W. Smith (Executive Chairman)

John E. R. Cahill (Resource Director)

Wayne Johnson (Non-executive Director)

Malcolm Carson (Non-executive Director)

Eric Ng (Non-executive Director)

Paul Chan (Non-executive Director)

Andy Lai (Non-executive Director)

Stuart Hall (Non-executive Director and Company Secretary)

REGISTERED OFFICE

2H Thistle St, Bendigo, Vic 3550

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Facsimile: 03 5444 0036

AUDITORS

BDO Audit (NSW-VIC) Pty Ltd

Level 30, 525 Collins Street

Melbourne VIC 3000 AUSTRALIA

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 quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

GBM GOLD Limited

ABN

59 119 956 624

Quarter ended ("current quarter")

31 December 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Curent quarter \$A'000	Year to date (6months) \$A'000
1.1 Receipts from product sales and related debtors	103	203
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(113) (166) (326) (370)	(386) (230) (650) (726)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	5
1.5 Interest and other costs of finance paid	(55)	(157)
1.6 Income taxes paid	(145)	(218)
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(1,070)	(2,159)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - (421)	(30) - (869)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - (7)
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	(115)
Net investing cash flows	(421)	(1,021)
1.13 Total operating and investing cash flows (carried forward)	(1,491)	(3,180)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,491)	(3,180)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	3,623
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	3,297	5,947
1.17	Repayment of borrowings	(759)	(5,510)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	2,433	3,955
	Net increase (decrease) in cash held	942	774
1.20	Cash at beginning of quarter/year to date	37	205
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	979	979

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

		Curent quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	(78)
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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

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

Financing facilities available

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	4,462	4,462
3.2 Credit standby arrangements	270	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	150
4.2 Development	250
4.3 Production	550
4.4 Administration	250
Total	1,200

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.	Curent quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	979	37
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	979	37

Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

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 <i>(description)</i>	NIL	NIL		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	516,046,944	516,046,944		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	NIL	NIL		
7.5 +Convertible debt securities <i>(description)</i>	NIL	NIL		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	171,870,224	171,870,224	<i>Exercise price</i> 5 cts	<i>Expiry date</i> 31/03-2012
7.8 Issued during quarter	NIL	NIL		
7.9 Exercised during quarter	NIL	NIL		
7.10 Expired during quarter	NIL	NIL		
7.11 Debentures <i>(totals only)</i>	NIL	NIL		
7.12 Unsecured notes <i>(totals only)</i>	NIL	NIL		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies that comply with accounting standards as defined in the Corporations Act
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

Date: 31 January 2012

Print name: John E. R. Cahill
(Resource Director)

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 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, 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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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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