

ASX Announcement

December 2019 Quarterly Report to Shareholders

GBM Gold Limited

ABN 59 119 956 624

ASX CODE: GBM

CORPORATE DETAILS:

Shareholders: 684 **Shares on Issue:** 1,118,319,556 **Options:** Nil

Directors:

Eric JP Ng (*Chairman*)

Paul Chan

Andy Lai

Jianping Wang

CONTACT DETAILS:

Principal and Registered Office:

GBM Gold Ltd 66 Ham Street Kangaroo Flat VIC 3550

Email

admin@gbmbendigo.com.au

www.gbmbendigo.com.au

Highlights

- Main terms of V-Infinity Capital Convertible Loan Agreement for a loan of \$7.0 million at a conversion price of \$0.006 are highlighted in Section 4 of this report.
- Funds raised to repay Unity debt in full and provide working capital.
- Company working with ASX to reinstate GBM Gold's shares to trading.
- The Company has instituted action seeking a judicial review of the decision by Earth Resources Regulation to refuse to renew Mining Licences MIN5344 and MIN4878 Bendigo and MIN5344 Woodvale.

Introduction

GBM Gold Limited (ASX: GBM) ("GBM Gold") GBM Gold has entered into an agreement with V-Infinity Capital Ltd for a \$7.0 million Convertible Note that may be converted to shares at an issue price of \$0.006 per share. The main terms of this agreement are outlined in 4.0 of this report

The judicial review hearings on the Company's appeal against the decision of Earth Resources (i) to increase the rehabilitation bond sum to be deposited by the Company and (ii) not to renew the mining licenses of the Company in the Bendigo Mine area is set for trial in September 2020.

1.0 Mining and Exploration

Pending the outcome of the judicial review the Company was not able to undertake any mining activity during the quarter covered by this report.

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

MIN 5510 is located approximately 5 kilometres north of Dunolly in Central Victoria on the eastern margin of the Goldsbrough – Wehla Shear. A broad zone of gold mineralisation trending north-northwest through MIN 5510 is approximately 3.5 km long and up to 0.4 km wide. 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). A number of discrete smaller prospects are also contained within the tenement. The historical mine workings reached depths of up to 122m. These areas are being re-evaluated based on the results of the new geological interpretation.

The production pit will encompass and extend the existing bulk sample pit. Approximately 44,000 tonnes of ore 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. The work plan was approved by Earth Resources Regulation in September 2019.

Mining operation would commence as soon as working capital becomes available.

- ***McIntyre (MIN 5093)***

The McIntyre project is located 50 kilometres northwest of Maldon just to the east of the Goldsbrough Wehla Shear Zone. Mining Licence MIN 5093 is centred on the Matrix Reef Mine, which is part of the Berlin goldfield. GBM is awaiting finalisation of the transfer of the tenement.

2.0 Activities Planned for the June Quarter

Mining operation at the Open Pit Mine expansion at Harvest Home would commence as soon as working capital becomes available.

3.0 Company Mineral Tenement Portfolio

The mineral tenement portfolio of the GBM Gold Group as at 31 March 2020 is:

Name	Tenement	Tenure Type	Status	GBM Interest
Bendigo Goldfield				
Greater Bendigo	MIN 5344	Mining Licence	Not renewed*	0%
Whip & Jersey	MIN 4878	Mining Licence	Not renewed*	0%
Woodvale	MIN 5364	Mining Licence	Not renewed*	0%
Bendigo Urban***	EL 6595	Exploration Licence	Pending	0%

Raywood***	EL 6596	Exploration Licence	Pending	0%
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%
McIntyre	MIN 5093	Mining Licence	Transfer	0%
Wehla	EL6369	Exploration Licence	Granted	100%
Fiddlers Creek Project (south east of Avoca, Victoria)				
Fiddlers Creek	EL6155	Exploration Licence	Granted	100%

* Non renewal of these licenses is subject of a judicial review motion filed by the Company.

**Joint Venture with Truelight Mining Pty Ltd

***Exploration Licence Applications to replace Bendigo Exploration Licence EL3327

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

4.0 Corporate

The main terms of the V-Infinity Capital ("Lender") Convertible Loan Agreement include

- a) The loan amount is \$7,000,000 convertible to shares of the Company at \$0.006 per share
- b) The tenure of the Convertible Loan is 9 months from date of first drawdown at an interest rate of 6% per annum
- c) The proceeds of the Convertible Loan are to be used for the payment of outstanding sum owed to Unity Mining Limited and Giant Master Limited and for general working capital
- d) The Lender may convert part of or the entire loan principal together with interest to fully paid GBM ordinary shares in tranches, subject to the Company's discretionary placement capacity and/or receiving shareholders approval for same until its full completion
- e) Immediately upon drawdown, the Company must move to use its discretionary placement capacity to issue shares and to achieve shareholders' approval for the issuance of shares through rights issue or for the issuance of conversion shares.

END

About GBM Gold Ltd (ASX: GBM)

GBM Gold is an Australian based resources company that is creating value from its portfolio of mining and exploration assets, including the Bendigo Goldfield, located in one of Australia's most significant gold producing regions; the Central Victorian Goldfields.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

GBM GOLD LTD

ABN

59 119 956 624

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (.....months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	77	204
1.2	Payments for		
	(a) exploration & evaluation		(272)
	(b) development		
	(c) production		
	(d) staff costs	(20)	(163)
	(e) administration and corporate costs	(43)	(201)
1.3	Dividends received (see note 3)		
1.4	Interest received	17	90
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)		
1.9	Net cash from / (used in) operating activities	31	(342)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) exploration & evaluation		
	(e) investments		
	(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (.....months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities	0	3
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	0	3

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		1,164
3.6	Repayment of borrowings		(802)
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		362

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	11	19
4.2	Net cash from / (used in) operating activities (item 1.9 above)	31	(342)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	0	3
4.4	Net cash from / (used in) financing activities (item 3.10 above)		362

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (.....months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	42	42

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	42	11
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)	42	11

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	
6.2 Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	5,435	5,435
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	5,435	5,435
7.5 Unused financing facilities available at quarter end		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
Loan facilities per 7.1: \$2,511k owing to Unity Mining Limited at 10% interest and secured, as per the Bendigo Asset Sale Agreement as announced to the ASX on the 17 th September 2015; \$750k owing to Silver Bright International Development Limited at 6% interest and unsecured; \$700k owing to Giant Master Limited at nil interest and unsecured; \$1,000k owing to Maradox Pty Ltd repayable via 1kg gold in 4 * 3 monthly instalments and 18kg gold payable on termination of loan which equates to approximately 30% interest depending upon future gold prices and secured; \$24,000 owing to Eric Ng at zero interest and unsecured, and \$450k owing to Mr Chiu at zero interest and unsecured.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	31
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	
8.3 Total relevant outgoings (item 8.1 + item 8.2)	31
8.4 Cash and cash equivalents at quarter end (item 4.6)	42
8.5 Unused finance facilities available at quarter end (item 7.5)	
8.6 Total available funding (item 8.4 + item 8.5)	42
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	NA
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Yes	

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The Company has secured a \$7m convertible loan from third party investors, the main terms of which are stated in this report. The Company expects to be able to draw down on this loan as soon as the loan principals have complied with the banking authorities stringent cross border capital flow requirements.

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: The Company expects to be able to continue its operations to meet its business objectives.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

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.

Date:23 August 2020.....

Authorised by:By the Board of Directors.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.