

ASX Announcement

14 May 2021

Malmsbury JV Completes with Novo

KEY POINTS

- GBM Resources Limited (ASX:GBZ) (**GBM** or the **Company**) is pleased to advise that following satisfaction of all the conditions precedent (lastly FIRB approval), Novo Resources Corp. (**Novo**) option exercise to earn 50% interest in the Malmsbury gold project has completed.
- The completion consideration was the issue of 1,575,387 Novo shares to GBM which has now been finalised. The Novo shares are escrowed until 14 September 2021.
- Current market value of the consideration is approximately A\$3.7 million ¹. These shares (once released from escrow) provide GBM significant flexibility (along with its cash balance) to complete planned drilling programs in the Drummond Basin and at White Dam.
- The Company's strong funding position supports both the potential to exercise the option to purchase 100% of the White Dam Gold Copper Project and complete the acquisition of the Twin Hills Gold Project in the Drummond Basin. (Refer ASX:GBZ March Quarterly Report dated 30 April 2021).
- Key exploration programs at Malmsbury have been advancing unhindered during the period to finalise all conditions precedent with both GBM and Novo personnel involved. In recent weeks, the airborne Falcon gravity survey of the Retention Licence was completed, and field mapping is on-going.

GBM's ASX release dated 31 March 2020, *Malmsbury JV with Novo and \$1m Share Placement with Europac*, provides further detail on the option to purchase and farm-in agreement.

GBM Managing Director and CEO, Peter Rohner, commented:

"GBM is pleased with the exploration progress at the highly prospective Malmsbury Gold Project. The GBM and Novo teams continue to view Malmsbury as one of the most prospective and underexplored high grade gold projects in the Victorian goldfields, displaying many of the geological characteristics of the Fosterville epizonal orogenic gold deposit located 58 kilometres to the north. Partnering with Novo allows GBM to accelerate exploration at Malmsbury while focusing the Company's own expenditure on its district-scale, flagship Mt Coolon Epithermal Gold Project in the Drummond Basin of Queensland."

Novo Chairman and President, Dr Quinton Henning, commented:

"We are thrilled to complete our option exercise at Malmsbury," commented Dr. Quinton Hennigh, Chairman and President of Novo. "We see Malmsbury as a Fosterville analogue given its similar position along the eastern margin of the prolific Bendigo Zone, epizonal orogenic setting and historic high-grade gold production. Our geologic team will pursue aggressive field work over the next few months with the goal of developing drill targets for testing later this year."

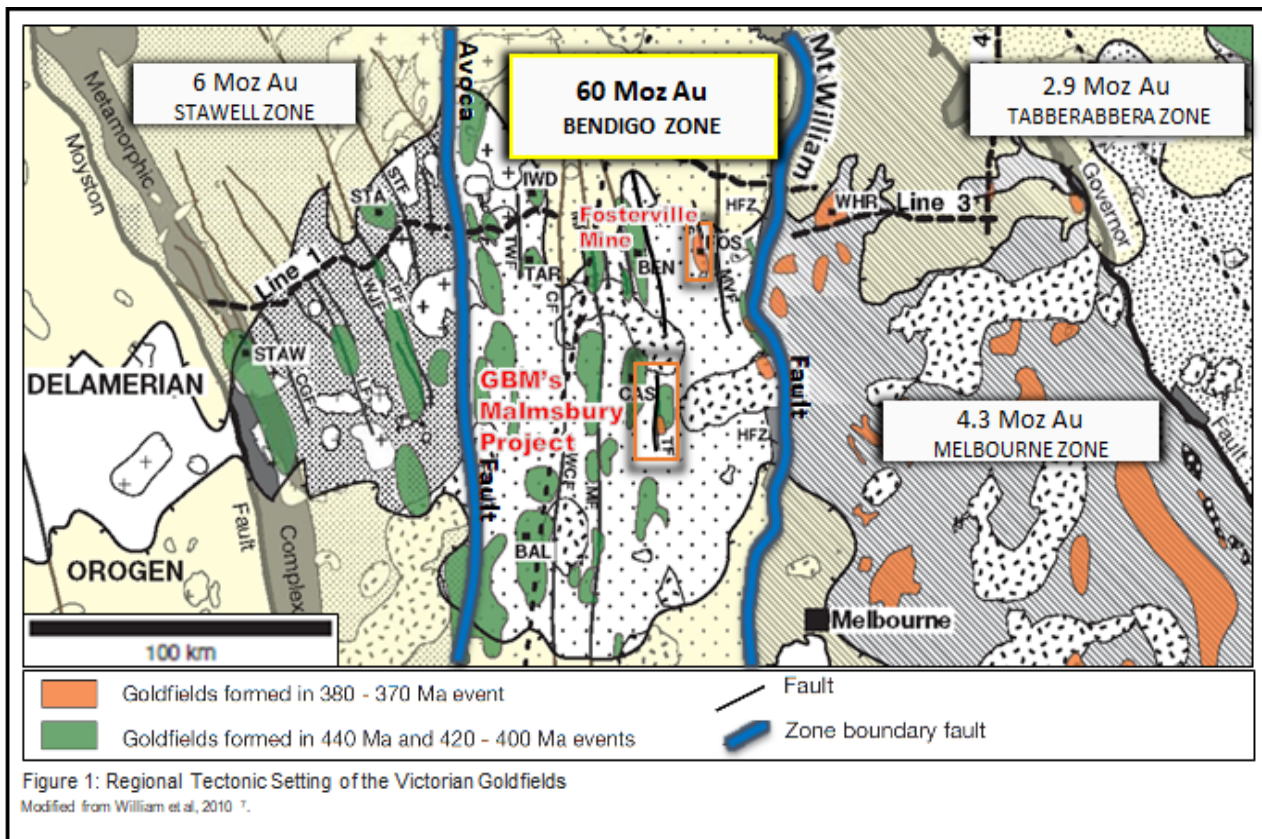
1. Based on Novo 5 day VWAP at 12 May 2021 of CAD\$2.24 and CAD/AUD exchange rate of 1.058

Technical Summary of the Malmsbury Gold Project

The Malmsbury Gold Project is located in the prolific Bendigo Zone of the Victorian Goldfields, an area that has historically produced in excess of 60 Moz of gold from alluvial and hard rock production.

Malmsbury displays many of the characteristics of the epizonal orogenic gold deposit class that includes Kirkland Lake's Fosterville Mine. The cumulative 8.5 km strike extent of historic pits and mines, and evidence of high-grade gold mineralization are indicators of a large, fertile mineral system. The 1 km long Leven Star Trend, where GBM has outlined a 104,000 ounce (820 kt at 4.0 g/t Au) gold Inferred resource (see ASX:GBZ release, dated 4 July 2019), has only been drill tested to relatively shallow depths, with very limited modern exploration across the remainder of the goldfield until the last 12 months under the partnership with Novo.

Figure 1: Regional Tectonic Setting of the Victorian Goldfields



Key Terms of Exploration Farm-In Agreement with Novo

1. Since satisfaction of all conditions precedent and Novo's exercise of its Option to Purchase a 50% interest in Malmsbury, Novo has the right to earn an additional 10% interest by incurring A\$5 million (less up to A\$250 k to be reimbursed to GBM for expenditure incurred during the option period) in exploration expenditure over a four-year period.
2. Minimum annual earn-in expenditure is as follows:
 - i. At least A\$1 million in the first year;
 - ii. At least an additional A\$1.25 million in the second year;
 - iii. At least an additional A\$1.25 million in the third year; and
 - iv. At least an additional A\$1.25 million in the fourth year.

Earn-in expenditure incurred in a year which surpasses the minimum required amount shall be credited against the subsequent year.

3. If Novo does not incur the requisite earn-in expenditure profile during the earn-in period then its interest in Malmsbury will decrease to 49%.
4. Upon Novo reaching the A\$5 million expenditure requirement it will have the right to earn into a 60% interest in Malmsbury and initiate a joint venture with GBM.
5. For a 60-day period following the date on which the joint venture is initiated by Novo, GBM must elect to either:
 - i. Retain its 40% interest by contributing to 40% of exploration and development expenditure going forward; or
 - ii. Allow Novo to continue sole spending but with GBM's interest being diluted to 25% upon Novo delivering a preliminary economic assessment (PEA) within 3 years from the joint venture initiation date. This PEA must include, at minimum, a 1 Moz gold resource of which at least 60% must be in the Indicated classification.
6. In the event that GBM elects to dilute (i.e. option (ii)), Novo shall earn its additional 15% interest (taking it to 75%) from the date that it delivers the PEA and shall continue to fund all expenditure on Malmsbury up until a decision to mine is made. Subsequent to a decision to mine, GBM shall reimburse 25% of any development expenditure incurred by Novo from a maximum of 80% of Malmsbury cash flows.
7. Novo and GBM have also negotiated a royalty arrangement whereby, subsequent to a decision to mine, GBM is entitled to receive a 2.5% net smelter returns royalty. Malmsbury is encumbered by certain pre-existing royalties; where such an encumbrance is present, Novo shall only be required to pay a 2.5% net smelter returns royalty in aggregate, with only any residual amount between pre-existing royalty rights and the 2.5% threshold being paid to GBM.

This ASX announcement was approved and authorised for release by:

Peter Rohner, Managing Director

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GBM confirms that it is not aware of any new data or information that materially affects the resource estimate and that all material assumptions and technical parameters underpinning the estimates in that ASX release continue to apply and have not materially changed.

About GBM Resources

GBM Resources Limited is a 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 a number of premier metallogenic terrains including the Drummond Basin, Mt Morgan district and the Mt Isa Inlier in Queensland, and the Malmsbury Project in the prolific Victorian Goldfields. These exploration assets are complemented by the recently formed JV on the White Dam Gold Operation in South Australia, in which GBM holds a 50% interest (in cashflow only).