

ASX Announcement

31 March 2020

Strategic Malmsbury JV with Novo Resources and A\$1 million placement with the EuroPac Gold Fund

GBM Resources (ASX:GBZ) (**GBM** or the **Company**) advises of the execution of a binding term sheet for a strategic Option to Purchase (**OTP**) and exploration farm-in agreement (**JV**), plus share swap with Novo Resources Corp. (TSXV:NVO) (**Novo**). GBM has also agreed to a A\$1 million placement with major US institutional gold investor, EuroPac Gold Fund (**EuroPac**).

HIGHLIGHTS

- GBM has executed two interdependent agreements with Novo in relation to GBM's 100% owned Malmsbury Project (RL6587) in central Victoria.
- **Joint venture and earn-in option deliver potential value realisation and accelerated exploration.** Novo has a six-month due diligence period to exercise an option to acquire a 50% interest in the Malmsbury Project via the issue of 1,575,387 Novo shares (Approx. market value A\$3.5 million ¹) to GBM. If the option is exercised, Novo then has the right to earn a further 10% interest via the expenditure of A\$5 million on the Malmsbury Gold Project over a four-year period.
- **Share swap to cement initial strategic partnership.** Novo will issue 197,907 new fully paid ordinary shares to GBM (Approx. market value A\$450,000 ¹). In exchange, GBM will issue 9,090,909 new fully paid ordinary shares, plus 4,545,454 options with an exercise price of A\$0.11 per share and expiry in 36 months, to Novo.
- Novo is a TSXV listed gold exploration and development company with a current market capitalisation of approximately C\$350 million. Its shareholders include Kirkland Lake Gold (TSX:KL), owner of the Fosterville Mine located 55 km north of the Malmsbury Project, Newmont Corporation (NYSE:NEM), the Creasy Group and well known Canadian mining entrepreneur, Eric Sprott.
- **A\$1M placement.** GBM has also executed a placement agreement with major US institutional gold investor, EuroPac. GBM will issue 18,181,818 shares at an issue price A\$0.055 per share, plus 9,090,909 options with an exercise price of A\$0.11 per share and expiry in 36 months, to EuroPac to raise approx. A\$1 million gross new equity funds.
- Under the above equity transactions, 22,727,272 shares and options will be issued under Listing Rule 7.1 and 18,181,818 shares will be issued under Listing Rule 7.1A.

Peter Rohner, Managing Director and CEO, commenting on the transactions:

"We are very pleased to have executed the OTP / JV and share swap agreements with a quality partner like Novo Resources. Novo's Chairman and President, Quinton Hennigh, brings significant knowledge of Fosterville-style mineralization to our exploration efforts. Importantly, the JV model enables GBM to accelerate exploration of the highly prospective Malmsbury Gold Project, while focusing GBM's funds on the key Mt Coolon epithermal goldfield and the opportunity for potential early cash flow from our earn-in on the White Dam heap leach operation at a time of record Australian dollar gold prices."

"The Novo deal and associated capital raising with EuroPac, an internationally recognized gold fund, is an early example of how the new GBM management team is delivering on its objective to utilize creative corporate development initiatives to accelerate exploration and unlock value across our portfolio."

1. Based on Novo 5 day VWAP at 27 March of CDN\$1.92 and CDN/AUD exchange rate of 1.17

Novo's President and Chairman Dr. Quinton Hennigh said;

"We are delighted to reach this OTP / JV and share swap agreement with GBM Resources. Although early stage, the Malmsbury district hosts one of the closest geologic analogues to the high-grade Fosterville epizonal orogenic gold deposit approximately 50 km to the north. Like Fosterville, Malmsbury is situated along the eastern margin of the Bendigo belt, displays high-level vuggy quartz vein textures, elevated antimony and high gold grades. Historic production from the main part of the Malmsbury district totaled about 90 k oz Au at grades of about one oz per tonne Au. This transaction also provides Novo a strategic stake in GBM whose technical team has a track record of discovery. We are keen also to see the high caliber projects of Mt Coolon Gold and the White Dam heap leach operation progressing over the next 12 to 18 months."

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 M oz of gold from alluvial and hard rock production (see ASX:GBZ release dated 2 March 2020).

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 gold Inferred resource, comprising 820 kt at 4.0 g/t Au (at 2.5 g/t cut off) (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. This highlights Malmsbury as an underexplored, high calibre project that is a priority for renewed exploration by GBM (see ASX:GBZ release dated 2 March 2020 for a more detailed project summary).

GBM has engaged Global Ore Discovery consultants to undertake a hyperspectral alteration vectoring study from existing drill core and integrated analysis of all historic data, in order to design an exploration program and prioritize targets for planned field work.

Strategic Option to Purchase and Exploration Farm-in Agreement and Share Swap with Novo Resources Corp

GBM has executed two interdependent agreements with Nova in relation to GBM's 100% owned Malmsbury Project in central Victoria. These two agreements comprise:

- (1) **Option to Purchase and Exploration Farm-in:** Novo has a six-month due diligence period to exercise an option to acquire a 50% interest in the Malmsbury Project via the issue of 1,575,387 Novo shares to GBM. If the option is exercised, Novo then has the right to earn a further 10% interest (i.e. 60% total) via the expenditure of A\$5 million on the Malmsbury Project over a four-year period. If Novo chooses not to satisfy these subsequent minimum expenditure requirements, then its interest reduces to 49%.
- (2) **Share Swap:** Novo will issue 197,907 new fully paid common shares to GBM immediately. In exchange, GBM will issue 9,090,909 new fully paid ordinary shares, plus 4,545,454 options with an exercise price of A\$0.11 per share and expiry in 36 months (March 2023), to Novo. The Novo shares will be subject to a statutory hold period expiring four months from the date of issuance pursuant to Canadian securities legislation and policies of the TSXV.

Binding Term Sheet - Option to Purchase and Exploration Farm-in

The key terms of the OTP/ exploration farm-in agreement are:

Initial option period

- (1) An initial due diligence option period of 6 months.
- (2) Novo has the right to exercise its option at any point during this period in order to earn a 50% interest in the Malmsbury Project via the issue of 1,575,387 Novo shares to GBM.
- (3) If the option is exercised, GBM is also entitled to reimbursement on any expenditure on the Malmsbury Project during the option period up to Novo's option exercise date and limited to a maximum of A\$250,000.

Earn-in period

- (4) Upon exercise of its JV option and acquisition of a 50% interest in the Malmsbury Project, Novo has the right to earn an additional 10% interest by incurring A\$5 million in exploration expenditure over a four-year period.
- (5) 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.

- (6) If Novo does not incur the requisite earn-in expenditure profile during the earn-in period then its interest in the Malmsbury Project will decrease to 49%.
- (7) Upon Novo reaching the A\$5 million expenditure requirement it will have the right to earn into a 60% interest in the Malmsbury Project and initiate a joint venture with GBM.
- (8) 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 M oz gold resource of which at least 60% must be in the Indicated classification.
- (9) 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 the Malmsbury Project 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 Project cash flows.
- (10) Novo and GBM shall negotiate a royalty arrangement whereby, subsequent to a decision to mine, GBM will be entitled to receive a 2.5% net smelter returns royalty. The Malmsbury Project 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.

Placement with EuroPac Gold Fund

GBM has executed a A\$1 million placement agreement with EuroPac (managed by Euro Pacific Asset Management).

EuroPac is a major US based institutional investment fund focused on the gold sector. EuroPac is focused on long term capital growth, investing 80% of its funds in precious metals, precious metal producers and explorers with attractive valuation and quality management teams.

Under the terms of the placement agreements, GBM will issue 18,181,818 shares at an issue price A\$0.055 per share, plus 9,090,909 options with an exercise price of A\$0.11 per share and expiry in 36 months, to raise approximately A\$1 million before costs in new equity funds.

Funds will be utilised to accelerate exploration on the key Mt Coolon Epithermal Gold Project in the Drummond Basin, for the initial earn-in interest of 50% in the White Dam Gold Operation cashflows and to advance the Company's corporate development activities.

An Appendix 3B with respect to the proposed share issues will be lodged with ASX following release of this announcement.

This ASX announcement was approved and authorised for release by:

Peter Rohner, Managing Director

For further information please contact:

Investor enquiries

Peter Rohner
Managing Director
+61 8 9316 9100
peter.rohner@gbmex.com.au

Media enquiries

Michael Vaughan
Fivemark Partners
+61 422 602 720
michael.vaughan@fivemark.com.au

The Company confirms that the form and context in which the Competent Persons findings are presented have not been materially modified from the original market announcements.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the respective announcements and all material assumptions and technical parameters underpinning the resource estimate with those announcements continue to apply and have not materially changed.

About Novo Resources

Novo is an Australian focused, TSXV-listed gold exploration and development company with a current market capitalisation of approximately C\$350 million. Its shareholders include Kirkland Lake Gold (TSX:KL) owners of the Fosterville Mine in Victoria, Newmont Corporation (NYSE:NEM), the Creasy Group and well known Canadian mining entrepreneur, Eric Sprott.

Novo has extensive property holdings in the Pilbara region of Western Australia where it has defined a global open pit and underground resource of 903,000 ounces of gold at 2.56 g/t Au (457,000 oz Au at 2.1 g/t Au Indicated and 446,000 oz Au at 3.2 g/t Au Inferred) at its Beatons Creek Project (see TSXV:NVO release dated 1 April 2019).

Novo has recently made strategic investments via private placements in New Found Gold Corporation (see TSXV:NVO release dated 2 March 2020) and Kalamazoo Resources (see ASX:KZR release of 15 January 2020). Both these companies are exploring for Fosterville-style epizonal high-grade orogenic gold – in Newfoundland and Labrador, on the east coast of Canada, and Victoria, Australia, respectively. GBM's Malmsbury Project adjoins the Kalamazoo Resources' Castlemaine Project, highlighting the strategic value of the GBM's Malmsbury asset.