

ASX Release

18 July 2018

Ore Sale & Purchase Agreement Executed and Progress on Acquisition of Twin Hills Gold Project

GBM Resources Limited (ASX: GBZ) (**GBM** or **the Company**) is pleased to advise that an Ore Sale and Purchase Agreement (**OSPA**) for Mt Coolon Gold Project (**Mt Coolon**) ore has been executed with Minjar Gold Pty Ltd (**Minjar**). GBM further advises on the status of the Twin Hills Gold Project (**Twin Hills**) acquisition and funding initiatives.

1. Ore Sale and Purchase Agreement

The OSPA envisages Mt Coolon ore being mined by GBM and then trucked to the Pajingo Gold Operations (**Pajingo**) for processing by Minjar.

Key terms of the OSPA are as follows:

- i. GBM will be responsible for the pre-development, mining and haulage of Mt Coolon ore to the Pajingo plant. Minjar will be responsible for processing the ore and plant sustaining capital.
- ii. Ore deliveries are scheduled to commence from the March 2019 quarter.
- iii. The initial term is two years.
- iv. GBM receives attributable free cash flow equating to approximately 58.5% of contained gold.
- v. Mining is scheduled from the Glen Eva pit, which has been modelled and designed for the OSPA economics.
- vi. Other terms regarding delivery, title and risk, production reconciliation and quality which are typical for this type of arrangement.

The next step under the OSPA is finalisation of the detailed mining and milling schedule for Mt Coolon ore sales.

The OSPA provides GBM with an opportunity to achieve accelerated gold production and cashflow coupled with a considerably lower upfront capital requirement. It also provides a staged approach to development of Mt Coolon that could enable full-scale development of the three existing deposits alongside a stand-alone CIL plant and heap leach processing facility on site. Refer ASX announcement 19 December 2017 for further details.

ASX Code: **GBZ**

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2. Acquisition of the Twin Hills Gold Project

GBM signed a Heads of Agreement (**HoA**) with Minjar on 22 December 2017 to acquire a 100% interest in the nearby Twin Hills deposit (refer ASX releases dated 22 December 2017, 28 February 2018 and 3 April 2018). Satisfaction of remaining conditions precedent has taken considerably longer than originally expected as a result of several due diligence items that remain to be finalised.

The Company continues to work constructively with Minjar in pursuit of resolving these remaining due diligence matters.

GBM considers that the inclusion of Twin Hills could rapidly increase the global resource for Mt Coolon. The Company sees excellent potential for Twin Hills to contribute high margin satellite ore feed to any stand-alone development at Mt Coolon. This dynamic also increases the range of potential funding and investment opportunities for a stand-alone development of Mt Coolon.

3. Funding initiatives

GBM achieving requisite funding remains a key condition of both the OSPA and Twin Hills HoA. The Company continues to be in discussions with a number of parties in relation to the potential provision of such funding.

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Minjar Gold Pty Ltd is a mid-tier gold company producing 230,000 ounces annually from its Golden Dragon, Pajingo and Southern Cross Operations. Minjar is a wholly owned subsidiary of Shandong Tyan Home Co Ltd, a listed company on the Shanghai Stock Exchange.