

16 October 2019

GBM TO ACQUIRE 100% INTEREST IN MILLSTREAM RESOURCES PTY LTD

Highlights:

- **Heads of Agreement signed with Stibium Mining Pty Ltd (Stibium) to acquire its subsidiary Millstream Resources Pty Ltd (Millstream) for consideration of 150 million fully paid shares in the capital of GBM Resources Ltd.**
- **Millstream has entered into a Non – binding Terms Sheet with Round Oak Minerals Pty Ltd (Round Oak) which sets out the terms for Millstream to earn an initial 50% joint venture interest in the White Dam Gold Operation (White Dam).**
- **The Joint Venture interest provides GBM with the opportunity to generate cash flow through heap leach gold production in the next 12 months and assess opportunities to restart mining in remnant open pits and undeveloped resources at White Dam.**

GBM Resources Limited (ASX: GBZ) (“GBM” or “the Company”) is pleased to announce the signing of a Heads of Agreement (“**HoA**”) with Stibium whereby GBM has agreed to acquire a 100% interest in Millstream.

The acquisition of Millstream is subject to several conditions precedent set out below. Furthermore, Stibium through its subsidiary Millstream can initially earn a 50% interest in the White Dam as part of an unincorporated joint venture (**Joint Venture**). The formation of the Joint Venture is subject to several conditions that are also set out below.

The Company believes that the successful formation of the Joint Venture may provide GBM with the opportunity to generate cash while assessing opportunities to restart mining operations to exploit remnant open pit mineralisation, other previously defined mineralised zones at White Dam and explore other associated tenements. The Option Agreement (defined below) will enable GBM to leverage the value of any discoveries with a fully functioning gold heap leach – extraction plant.

The acquisition of Millstream has the potential to support GBM’s working capital requirements and ongoing development of the Mt Coolon Gold Project.

ASX Code: GBZ

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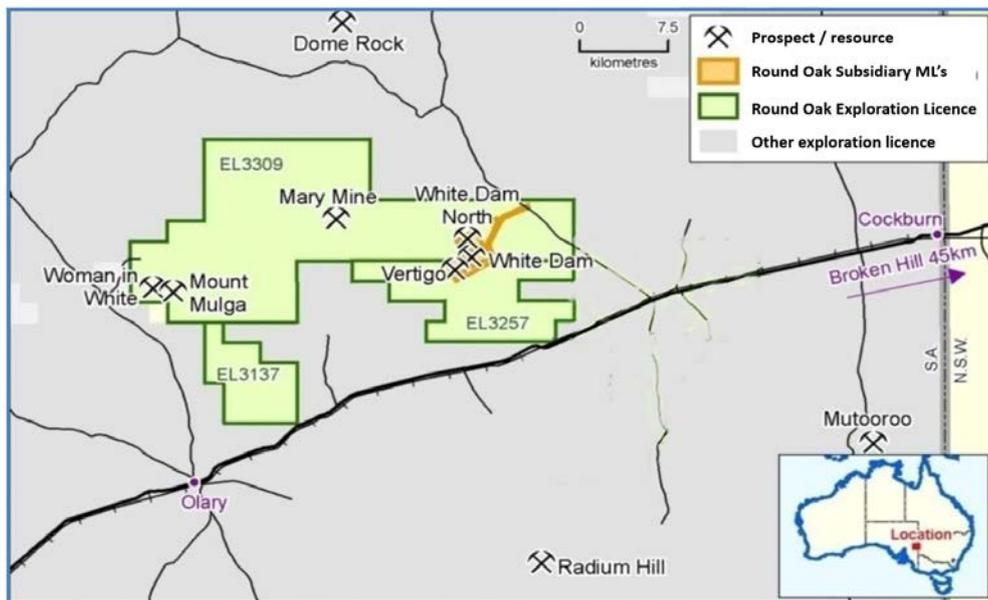
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The White Dam Gold Operation and Development Strategy

The White Dam Gold Operation is located in South Australia, approximately 100 km south-west of Broken Hill. It is currently owned by Round Oak.

The White Dam Gold Operation is a heap leach project and since, 2010 has produced approximately 170,000 oz gold from heap leaching of ~7.5 Mt of ore which has been mined from two open pits. Available reconciliation of mining against resource estimates is good and indicates that a significant tonnage of mineralised material remains to be mined from both the Hannaford and Vertigo open pits. While further work is required to confirm and quantify in detail, this does appear to represent an opportunity to extend the mine life of the project. It is worth noting the current gold price of around AUD\$2,200 versus a price of AUD\$1,650 at the time of the most recent mining in 2016/17.



Location map of the White Dam Gold Operation



Existing Gold Recovery Plant

The White Dam Gold Operation includes the open pit mines, dump / heap leach, the gold extraction plant and related infrastructure.

In summary the potential joint venture gives the opportunity for the Company to:

- Improve gold recovery at the White Dam Gold Project with the SART Plant to be commissioned in 2020.
- Brings an experienced operational team.
- Provides the basis of an attractively priced acquisition.
- The gold recovery plant has the ability to be relocated to the Mt Coolon Eugene Heap Leaching Project to support its possible development, should GBM exercise its option to acquire 100% of the project.
- Provides significant exploration upside from extension of existing pits and exploration of identified structural and geochemical targets for new gold discoveries.

Key terms of the Heads of Agreement

GBM will acquire Millstream from Stibium subject to the satisfaction of the key terms set out below.

1. **(Conditions Precedent)**: the acquisition of Millstream is conditional upon the satisfaction or waiver by GBM of the following:
 - a) GBM obtaining all required third party, regulatory and governmental approvals and consents to give effect to the Acquisition including any necessary shareholder approvals required by the *Corporations Act 2001 (Cth)* and the ASX Listing Rules (and any other applicable law or regulations); and
 - b) Stibium and/or related parties completing a capital raising of at least \$700,000 and up to \$1,500,000 in GBM at \$0.003 per share; and
 - c) Millstream entering into a binding Joint Venture agreement with Round Oak.

Items 1(a), 1(b) and 1(c) are for the benefit of GBM and may only be waived by GBM.

If by the 5 December 2019 (or such other date agreed in writing between GBM and Stibium) the Condition Precedents have not been satisfied or waived, either party may terminate the Heads of Agreement.

2. **(Consideration)**: GBM will issue 150,000,000 fully paid ordinary shares in the capital of GBM to Stibium as consideration for the acquisition of Millstream.

Key terms of the Non-binding Term Sheet

As noted above in the conditions precedent of the Heads of Agreement, Millstream will need to enter a Joint Venture agreement with Round Oak in order for GBM to complete the acquisition of Millstream.

Following the signing of a Joint Venture agreement, the formation of an unincorporated Joint Venture between Millstream and Round Oak is conditional upon the satisfaction of the following conditions precedent below.

- **(Long-form agreements)**: Millstream and Round Oak entering a Joint Venture agreement and an option agreement, in respect of the option for Millstream to acquire the remaining 50% interest in White Dam (**Option**). These agreements will encompass the key terms of the non-binding term sheet;
- **(Start-up costs)**: Millstream raising adequate finance to meet the sulphidisation, acidification, recycling and thickening (**SART**) capital and start-up costs, which is to be no less than \$660,000; and
- **(Approvals)**: receive all regulatory approvals (including environmental permits) in place for the SART plant.

Once the condition precedents have been satisfied, the parties will form a Joint Venture agreement will consist of the key terms below.

The terms set out below consist of Millstream's earn-in terms in the Joint Venture agreement that enables Millstream to earn the initial 50% interest in White Dam:

- **(Funding):** Millstream must fund all capital associated with SART plant and related start-up costs associated with the commissioning of the SART plant within a period of six months after the satisfaction of the condition precedents of the non-binding term sheet;
- **(Start-up costs):** If the start-up costs of the SART plant incurred by Millstream as at three months after the date of commencement of commissioning of the SART plant are less than \$660,000, Millstream will need to pay the difference to Round Oak in cash;
- **(Technical Competence):** Millstream provide all technical competence in relation to the SART plant, on the basis that it intends to enter into a services contract with the Core Resources Group or associated parties for the provision of the SART process and related technical expertise, at its cost.

During Millstream's earn-in period in accordance with the terms set out above, Round Oak must:

- **(Equipment and Labour):** provide identified equipment and labour for the SART project implementation for no consideration, to the extent it does not impact on normal operations at White Dam; and
- **(Funding):** fund all operational working capital required for the recovery of remaining gold from the heap at White Dam.

Once the reagents have been added to the SART plant for the purposes of commissioning, the following terms will be included in the Joint Venture for the operation of White Dam:

- **(Costs):** Millstream and Round Oak will contribute 50% of all capital and operating costs associated with White Dam;
- **(Entitlement):** Millstream and Round Oak will each be entitled to 50% of all gold, copper and other metals produced from White Dam;
- **(Rehabilitation Bond):** any increase in financing costs incurred by Round Oak as a result of increase in rehabilitation bond shall be funded by Millstream.

Additionally, Round Oak will grant Millstream the option to acquire 100% (being the remaining 50%) of White Dam for an exercise price of \$500,000 plus a 2% of the sales revenue of any copper and gold produced. This Option will be exercisable between the period that is six months and one day after the completion of the commissioning of the SART plant, to the date that is twelve months after the date of completion of commissioning of the SART plant.

If Millstream does not exercise the Option:

- the SART Plant reverts to Round Oak ownership and Millstream has no further liabilities; or
- Round Oak directs Millstream to remove the SART plant and pay for the rehabilitation of the SART plant site.

Any duty payable with respect to the grant of the Option or acquisition of the White Dam will be payable by Stibium.

The terms of the Joint Venture are otherwise on standard terms.

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