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GBM GOLD LTD

(ABN 59 119 956 624) and controlled entities

REPORT TO SHAREHOLDERS

FOR THE QUARTER ENDED 30 SEPTEMBER 2012



HIGHLIGHTS

Corporate

- Industrial Sands & Gravels Pty Ltd (ISG) subsidiary and its Beavis project sold for A\$5m with \$750,000 non-refundable deposit paid
- Remaining \$125,000 due under share placement received
- At end of the quarter a further transaction entered with International investor Wiltshire Asset Management (WAM) for WAM to invest A\$9m in to subsidiary Inglewood Gold Mining Co Pty Ltd (INGMCo).
- Along with the INGMCo transaction the ISG transaction was amended, with impact of amendments dependent on outcome of a future large diameter drilling programme at Beavis project.

Inglewood Segment

- Inglewood operations slimmed to a small skeleton crew during the quarter, whilst corporate arrangements finalised, leading to only a few short run periods for the Mill during the quarter.
- Further interpretation work on Daly, Gowks Hill and Wolff shoot.
- Work on Resource databases progressed and DPI reporting completed
- Maxwells Mine
 - Stopping completed at the L1-192N, sublevel 1 – an area in the Max North high grade shoot.
 - Parallel reef to the mined structure discovered at L1-192N
 - Plans developed to mine both reefs in the next quarter
 - Mining at L1-63mN xcut Sub Level 3 placed on hold
- Maxwells Mill
 - Significant Mill downtime during quarter whilst restructure and repositioning of GBM and the Inglewood operation undertaken
 - Mill processed 2707 tonnes of tailings and low grade ore for the quarter.
 - Production of a modest ~2.6kg of Dore for 1.8kg of gold.
 - Secondary crushing circuit recommissioned and conveyor system refurbished establishing full one pass ore processing.

Avoca Segment

- Small hole drill programme actioned at Beavis, large diameter pending
- Historical research on EL 4936 continued
- Licence renewal applications made re the Fiddlers Creek tenements and DPI requesting a Mineralisation Report by mid 2013



OPERATING SEGMENTS & RESOURCE PROJECTS

GBM Gold has licences representing the following geographically based resource projects Ref www.gbmgold.com.au

INGLEWOOD SEGMENT – Maxwell’s operating site

Inglewood Resource project -	MIN’s 4639, 4001, 5425 and 5472 EL’s 4184, 4670
Wedderburn Resource project	EL 3800
Goldsborough Resource project-	EL 5029, EL 4589
Wilson Hill Resource project-	EL 4999

AVOCA SEGMENT – Beavis-Fiddlers Creek operating site

Avoca resource project	EL 4936
Beavis-ISG-Resource project-	WA 1395, 1304
Fiddlers Ck Resource project -	Min’s 4548 and 4023





INGLEWOOD SEGMENT

MAXWELLS MINE AND MINE SITE

Work was undertaken underground at the Max North shoot area – being Level 1 – 192mN sublevel1.

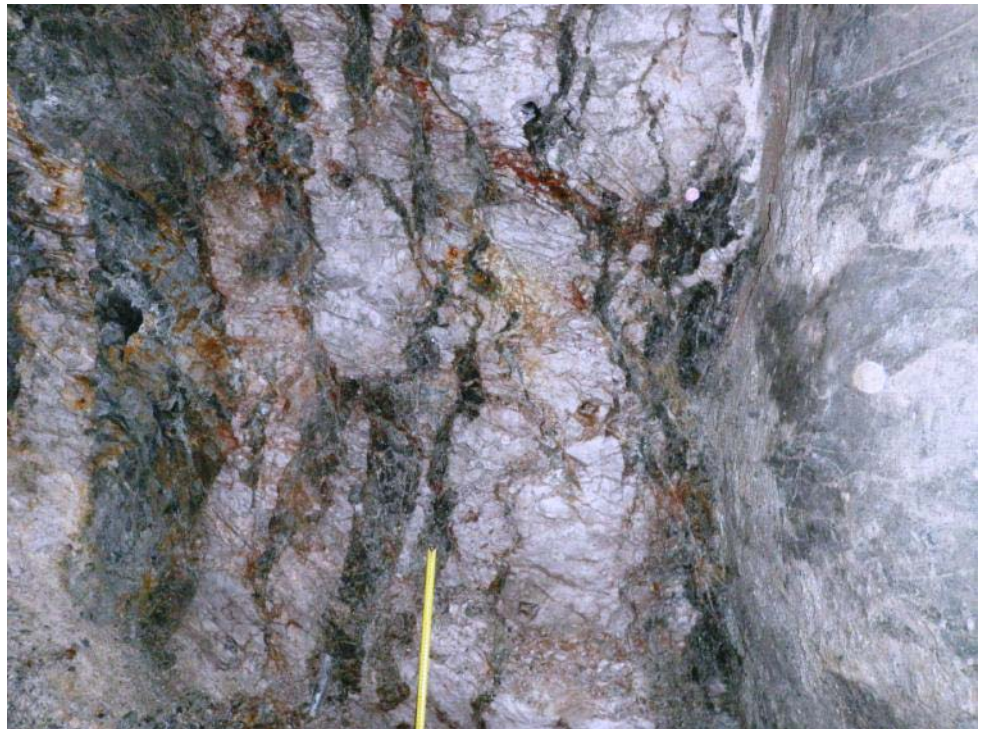
With this stoping work completed during the quarter underground activities were put on hold pending sand fill and sampling of the reef and the new parallel reef structure as explained below.

Level 1 - 192mN sublevel 1

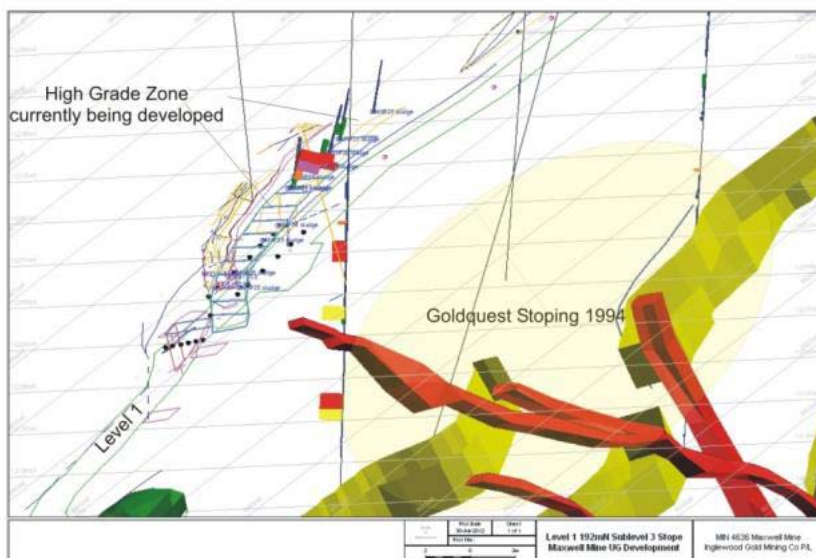
Mining of the 150 reef was completed with approximately 333 tonnes removed.

Ground conditions were excellent with the zone being highly silicified due to a Porphyry dyke forming the hanging wall.

The reef proved to be 1- 1.5 m wide and was continuous for over 25m.



192mN Sublevel stope – 16m face. Highly silicified Porphyry dyke on RHS (Hanging Wall Shear).



Oblique 3D screen snap of the current 190mN mining area

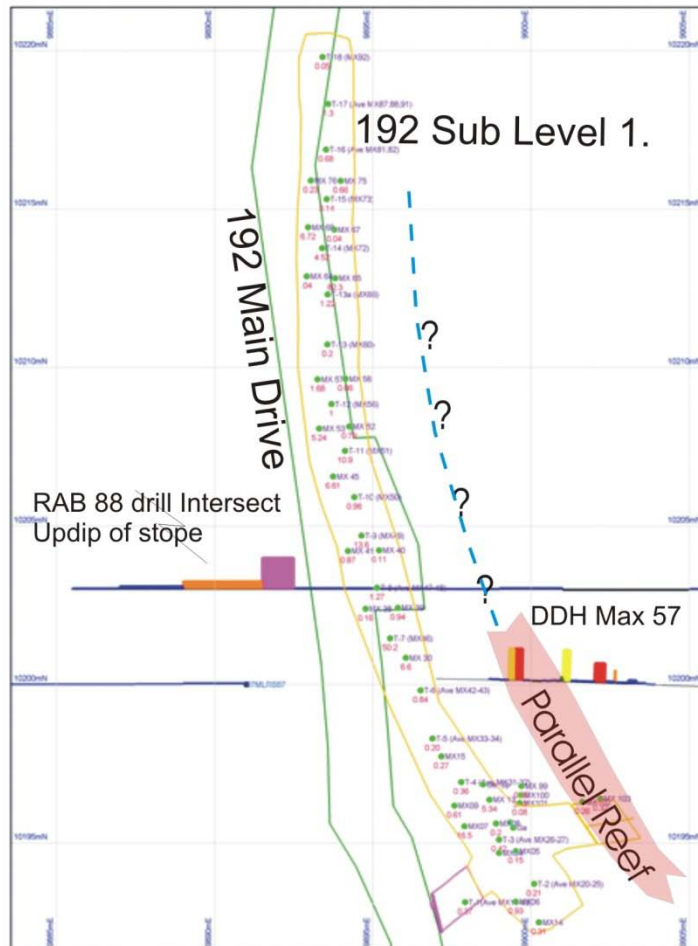
During mining, a short cross cut was made east of the mined area, to a zone that geological interpretation indicated held potential for a parallel reef. This proved to be the case. In future, subject to sampling, both reefs are to be mined.



192 Sub level reef
19 metre Face



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Stope assays from 192 Sub Level 1 Western reef

Level 1, 63m North

A small parcel was mined during the quarter of 159 tonnes.

A short rise was put up to assess the next block and an old working was intercepted from the Havilah shaft.

This area has been put on hold while the extent of previous mining is determined

Level 1, 97m North

No work for the period



ROM

On the ROM pad at the Mill site at end of the Quarter was:

- 17,018t at estimated average 1.8g/t

The material on ROM consists of a small amount of underground ore with mostly upgraded scats and sands for reprocessing.

Near mill, at surface and accessible (approved for mining) - but not on the ROM pad - sits a significant amount of low grade tailings still available for processing. These are:

- 26,000t at ~0.9g/t (Columbian tailings)
- 10,000t at ~0.95g/t (old Maxwell tailings)
- 10,000 at 1.1g/t (Welcome tailings)

Total of this off ROM material is ~46,000t at ave 0.95 g/t

Whilst lower grade these historical tailings provide a supplementary feed at times when the crushing circuit is not operating, or when extra feed is needed.

MAXWELLS PROCESSING PLANT

The processing plant was off line for much of the quarter due to financial and then operational constraints.

A skeleton crew have undertaken basic maintenance and the hammer mill and conveyors have been refurbished, some minor electrical issues repaired and the plant made ready for a return to full processing.

Notwithstanding, 2707 tonnes of tailing sand and ore was processed for a modest ~2.6 kg of Dore poured and 1.8kg of gold sold.

INGLEWOOD RESOURCE BLOCKS & EXPLORATION TARGETS- EXPLORATION AND PRE-PRODUCTION PLANNING

Daly Reef

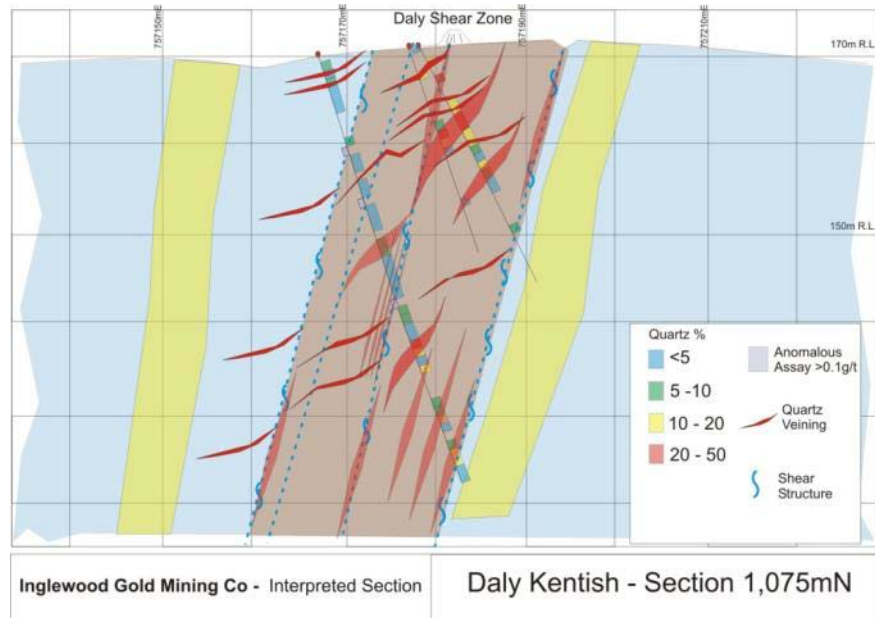
Further work has been carried out on the Daly Reef target this period.

An initial first pass geological interpretation has been undertaken which has shown a shear zone up to 15 metres in width with varying boudinage quartz bodies and fault planes within.

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Interpreted section 1075mN looking North showing large shear zone with boudinage quartz veining and sheared fault planes.

This structure has been displaced by oblique faulting in several areas with significant grades occurring in these areas.

A type section has been prepared and long sectional analysis shows several zones of consistent but low grade mineralisation along strike.

Sampling issues appear to be related to the drill size of 75mm with long anomalous intersections within the shear zone as well as occasional grade spikes.

Infill drilling is approved and a larger diameter drill is to be utilised to assess the impact of drill sample size on grade before committing to a further program at 25 metre spacing's.

There is no resource figure as yet. An upgraded exploration target may result from this work.

Gowks Hill

Ongoing approval work for bulk sampling was carried out with liaison with the Department of Sustainability and Environment, Biodiversity group on identifying an offset area.



GOLDSBOROUGH PROJECT

Queen's Birthday EL 5029

The EL was renewed during the quarter with a reduction to 16 graticules.

An area work plan for drilling was progressed during the period

Harvest Home

Little work this quarter- new JV agreements being progressed.



Clockwise from top left: 1. Sampling at Queen's Birthday, 2. Tailings sands, 3. 1878 print of the Queen's Birthday site at Goldsborough near Dunolly

WILSON HILL

EL 4999 was renewed during the quarter and was reduced by 9 graticules.



AVOCA SEGMENT

BEAVIS

The Beavis Project, having effectively been sold to Wiltshire Asset Management (WAM) during the quarter, saw little work undertaken by GBM.

WAM undertook a short 11 hole check aircore program, and GBM staff provided some assistance during same. The programme was carried out with no lead time, and therefore utilised equipment not ideally suited for the purpose – and therefore technical and operating issues were encountered by WAM during this programme. As a result data obtained did not reflect the data obtained by GBM.

AVOCA RESOURCE BLOCKS & EXPLORATION TARGETS- EXPLORATION AND PRE-PRODUCTION PLANNING

EL 4936 Pyrenees

A draft Work Plan for drilling targets at Banisters and Warrenmang are under construction and are to be submitted in the next quarter.

A number of reef outcrops are to be inspected as well as further database work following up from new historical data which was presented to the company recently.

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CORPORATE

INDUSTRIAL SANDS & GRAVELS P/L SALE

GBM entered in to a sale & purchase agreement with Wiltshire Asset Management Ltd (WAM) in respect of GBM's 100% subsidiary Industrial Sands & Gravels Pty Ltd (ISG).

Under the agreement WAM agreed to pay a total of A\$5m for ISG - A\$750,000 as a non-refundable deposit and the balance of \$4.25m as 17 instalments of \$250,000 from 5 July 2013 to 5 November 2014.

The \$750,000 non-refundable deposit was paid during the quarter

INGLEWOOD GOLD MINING CO P/L TRANSACTION

GBM entered in to a separate agreement with WAM at the end of the quarter whereby WAM agreed to invest A\$9m in to Inglewood Gold Mining Co P/L (INGMCo) in 3 tranches:

- A\$1m - which will be repaid by INGMCo to GBM as part repayment of previous advances from GBM. Upon this occurring GBM will capitalise all other advances to INGMCo. Subject to all required approvals the A\$1m will convert to ownership by WAM of 20% of INGMCo
- A\$4m – which will be used by INGMCo to pay a range of outstanding liabilities. The schedule for same has been supplied and agreed and the first \$887k was received in October. Subject to all required approvals this A\$4m plus the A\$1m above will convert to give WAM 50% of INGMCo
- Further A\$4m – which will be supplied as cash or cash equivalent or plant & equipment – to be used to further develop and progress operations at the Inglewood project. Subject to all required approvals the total of A\$9m will convert to give WAM 80% of INGMCo
- Potentially a further A\$1m can be supplied by WAM, but may or may not be needed. If supplied, at GBM discretion, it will be debt at normal commercial terms and repayable within 1 year, or GBM can request it be converted to INGMCo shares (subject to all approvals) to give WAM 90% of INGMCo

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AMENDMENT TO ISG TRANSACTION

Along with signing of the Inglewood transaction, an amendment was agreed to the ISG transaction.

This arose as the drill programme carried out by WAM produced results at significant variance to previous work carried out by GBM.

Given GBM's confidence that a properly organised large diameter drill programme will produce both (i) data in line with GBM's initial analysis and (ii) an upgrade of at least part of the resource to drill indicated – GBM has been willing to place up as security its investments in Wilson Hill P/L, Goldsborough Mining Co P/L and Inglewood. The representation is that there will be 35,000 oz of gold able to reach Indicated Resource status and if not be present in the Beavis block owned by ISG.

Upon the large diameter drill programme producing a drill indicated Resource of 35,000 oz the security falls away. Otherwise the security is only to give WAM access to tenements at which it can make up production to 35,000 oz, at which point the security also falls away.

KRALCOPIC – GBM'S SERVICE COMPANY

Kralcopic, the group's internal and external service company, continued to provide technical and administration services to the GBM group companies, the joint ventures, WAM and a few other 3rd parties.

Outside contracting work is being scoped currently by Kralcopic to augment revenue that it generates from its GBM group activities, and to better utilise human resources when GBM has less exploration or administration activity.

Whilst the main focus during the quarter was on assisting with the ISG and INGMCo transactions, Kralcopic has been steadily analysing for GBM a number of close to production International resource opportunities identified by Sterlington Resources - given GBM has an objective of moving to acquire one or more in the next two quarters.

POST QUARTER FINANCIAL EVENTS & EXPECTED EVENTS

In October, post the September quarter end, GBM received:

- the first \$887,000 from the INGMCo transaction with WAM and
- a further A\$100,000 from international investor MS VV Ltd

Agreements reached during Sept quarter are to deliver to GBM or INGMCo a further ~A\$5m by December, from WAM, Sterlington Resources & associates.

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FORWARD CASH POSITION

At 30 September 2012 the GBM group had:

- \$16,000 of cash at bank

However in addition GBM reached agreements in respect of:

- A\$100,000 to arrive from MS VV Ltd
- \$875,000 + \$150,000 to arrive from Sterlington Group Ltd and an associate of Sterlington group.
- a further \$5,000,000 of to arrive in the following quarter from WAM in respect of the INGMCo transaction

Of the above total of A\$6.125m, \$997,000 had arrived during October with the balance expected during November and December.

The group was able to progress through the September quarter utilising the proceeds from the Sterlington and MS VV share placements at end June, the WAM deposit re the ISG sale and the modest revenue generated from sales.

As advised last quarter, a sustainable long term outcome is in prospect as a result of:

- funds arriving as above, which will be utilised to resolve all outstanding GBM debt
- The involvement of the Sterlington Resource group in GBM – and access to and potential acquisition of one or more large scale resource investments that are currently under review.
- The involvement of Wiltshire group in both the Inglewood and ISG operations - whereby, subject all required approvals, significant equity funding for INGMCo will allow for expansion of working capital, plant & equipment and mineable resource at Inglewood - and potentially the bringing of further project(s) on line.

Signed for and on behalf of GBM Gold Limited

A handwritten signature in black ink, appearing to read "Blahel", is written over a horizontal line.

Resource Director



ABOUT GBM GOLD LTD (ASX: GBM)

GBM Gold Ltd (GBM) is focused on becoming a strong gold production company, with a growing focus on surface accessed production.

The initial focus has been on building a solid gold production base in Central Victoria, Australia from its various Resource projects in the region. Within each of its Resource projects are one or more granted tenements, each containing a number of well defined Resource blocks and/or Exploration Targets.

The various Resource projects are at a mix of development stages, from production through to later or earlier analysis, exploration or development phases.

GBM has highly experienced teams focused on the requirements of its operations, a centralised geology team as well as Bendigo based management, finance and administration personnel.

GBM is also focused on acquiring a few select international gold assets to provide strong resource and revenue growth in future.

For more information please visit the Company website:

www.gbmgold.com.au

COMPETENT PERSON STATEMENT

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by John Cahill, who is a Member the Australian Institute of Geoscientists.

John Cahill is the Resources Director of GBM Gold Ltd. John Cahill has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. John Cahill consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



COMPANY INFORMATION

DIRECTORS

Ian W. Smith (Executive Chairman)

John E. R. Cahill (Resource Director)

Wayne Johnson (Non-executive Director)

Eric Ng (Non-executive Director)

Paul Chan (Non-executive Director)

Andy Lai (Non-executive Director)

Stuart Hall (Non-executive Director and Company Secretary)

REGISTERED OFFICE

2H Thistle St, Bendigo, Vic 3550

Telephone: 03 5445 2300

Facsimile: 03 5444 0036

AUDITORS

Moore Stephens

Level 10, 530 Collins St

MELBOURNE, VIC 3000

SHARE REGISTRY

Computershare Investor Services Pty Ltd

Telephone: 1300 85 05 05

STOCK EXCHANGE LISTING

Australian Stock Exchange Code: GBM

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

GBM Gold Limited

ABN

59 119 956 624

Quarter ended ("current quarter")

30 September 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Curent quarter \$A'000	Year to date (12months) \$A'000
1.1 Receipts from product sales and related debtors	91	91
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(29) (139) (453) (307)	(29) (139) (453) (307)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	1
1.5 Interest and other costs of finance paid	(9)	(9)
1.6 Income taxes paid	(176)	(176)
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(1,021)	(1,021)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- 750 -	- 750 -
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	750	750
1.13 Total operating and investing cash flows (carried forward)	(271)	(271)

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1.13	Total operating and investing cash flows (brought forward)	(271)	(271)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	125	125
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	180	180
1.17	Repayment of borrowings	(162)	(162)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
Net financing cash flows		143	143
Net increase (decrease) in cash held		(128)	(128)
1.20	Cash at beginning of quarter/year to date	144	144
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	16	16

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	(105)
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

GBM entered a sale and purchase agreement with Wiltshire Asset Management (WAM) during the quarter in respect of sale of its subsidiary Industrial Sands & Gravels Pty Ltd (ISG) for A\$5m. A non-refundable payment of \$750,000 was received during the quarter, with a further A\$4.25m to be received over 17 instalments of \$250,000 from July 2013 to November 2014. This has lifted consolidated assets by some A\$4.65m – but only \$750k of this is reflected in cashflow at present.

Additionally GBM entered a transaction with WAM at the end of the Quarter whereby WAM will invest A\$9m in to GBM subsidiary Inglewood Gold Mining Company Pty Ltd (INGMCo) targeted over the next 6 months. None of this was reflected in cashflow in the September quarter, but \$887k has so far been received in October with a further A\$4.13m expected in November and December.

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

As per section 2.1 above

- WAM has invested \$750,000 as a non-refundable deposit to purchase the shares in ISG. Subject to payment of the further A\$4.25m WAM will acquire 100% of ISG.
- WAM agreed at the end of the quarter to invest A\$9m in to INGMCo. During October \$887k was received in line with terms, and a further A\$4.13m is expected in November and December 2012. Subject to all required approvals this will lift the WAM stake in INGMCo to 50%. A further amount of A\$4m, to bring the total invested to A\$9m, is expected in the first half of calendar 2013. Subject to all approvals this will lift the WAM stake in INGMCo to 80%.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities (** subject Sh and any other approvals \$887k to convert to equity in INGMCo and \$1,025m to convert to equity in GBM)	1,912	0
3.2 Credit standby arrangements	186	186

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	100
4.3 Production	950
4.4 Administration	530
Total	1680

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Curent quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	16	144
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	16	144

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Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	EL4999	100% owned - reduced to meet DPI requirements	25 grats	16 Grats
	EL5029	50% owned jv - reduced to meet DPI requirements	22 grats	16 grats
6.2 Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	NIL	NIL		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	659,451,611	659,451,611		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	NIL NIL	NIL NIL		
7.5 +Convertible debt securities <i>(description)</i>	NIL	NIL		

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7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	NIL	NIL		
7.8	Issued during quarter	NIL	NIL		
7.9	Exercised during quarter	NIL	NIL		
7.10	Expired during quarter	NIL	NIL		
7.11	Debentures <i>(totals only)</i>	NIL	NIL		
7.12	Unsecured notes <i>(totals only)</i>	NIL	NIL		

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Compliance statement

- 1 This statement has been prepared under accounting policies that comply with accounting standards as defined in the Corporations Act
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

Date: 30 October 2012

Print name: John E. R. Cahill
(Resource Director)

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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