



Chairman's address to the Annual General Meeting of the Members of GBM Gold Ltd

Ladies and Gentlemen

Welcome to the 5th Annual general Meeting of the company and the first under its new name GBM Gold Ltd.

The past financial year has seen significant further capital and effort expended in to the Resource development and operational areas of the group, with most of that effort focused on our Inglewood and Beavis projects. The corporate effort and activity to maintain the group has been significant, and my thanks to all those who have so willingly and energetically contributed to the task.

With world financial markets extremely challenging, and our operations not yet producing sustainable cashflow, our shareprice and market capitalisation remains extremely low. With a solid and committed team, improving signs on the production front and a much improved balance sheet, the sharemarket will hopefully rerate the GBM price in the not too distant future.

As you will be aware GBM is currently focused on 5 projects, ranging from "in production" to "near production" through to "longer term exploration" :

1. Inglewood Project

The Inglewood Gold Mining Company Pty Ltd (ING) is the 100% subsidiary of GBM which owns the operating Maxwell mine and Maxwell mill located off Powletts Road, Inglewood, on and within Mining and Exploration licences covering the entire Inglewood goldfield. On these tenements are 600,000 oz of Exploration Targets & nearly 100,000 oz of Resource in various blocks

Current plant capacity is approx 100,000 t per annum, although at present we are only running a single shift of approx 50,000 t throughput of available underground ore blended with old tailings. We expect ING to be able to generate on a single shift around a group breakeven 7-8kg of gold (225-250oz) per month & twice this [15-16kg/450-500oz] on double shift

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Larger throughput and gold output is projected once a much larger feed of open cut material is available, as open cut/near surface material is much more heavily oxidised and can be processed more easily and quickly.

The plan is to bring on stream a range of open cut blocks (such as our Gowks Hill, Wolff Shoot, Daley, Cominsky, South Gordon and other blocks) to blend with our underground ore, to replace the old tailings which were only commissioning feed and in any event are used up during the financial year. Open cut material will add easily accessible, lower cost volume to our feed - and will cause our average head grade to increase substantially.

In addition ING has a small scouting team reviewing various 3rd party blocks of ore – some already mined and on surface - for purchase or contract processing provided the margins meet ING's needs. In this regard we are contemplating allocating an entire shift for such activity if we can pool together a further 50,000t to process while our own open cut Resource goes through the approval and setup processes to come on line. There are discussions in train in respect of contracts to process ~30,000t of medium to high grade (5-10g/t) material at present.

Significant exploration work has been carried out during the year, lifting both the Resource and Exploration Target levels. In addition it has lifted our confidence that the Exploration Targets are on track for conversion to Resource with further exploration spend.

2. **Beavis-ISG project** :

The Beavis project is owned by our 100% subsidiary Industrial Sands and Gravels Pty Ltd (ISG). It is an alluvial gold and Industrial sand & gravel resource block covered by a WA on freehold land owned by ISG.

Significant exploration during the year has better defined the deposit and its gold channel, and given significant confidence in both the gold present and the volumes and types of Industrial materials in the deposit.

There is ~ 35,000 oz of gold contained in and to be recovered from the Beavis block and initial parameters of the project suggest we do so at a

rate of 5-6,000 oz a year for 6-7 years. There is much feasibility work to be done prior to production commencing, but ISG intends to try and have initial production by the end of the current financial year.

3. **Fiddlers Creek-Avoca project –**

Subsidiaries Fiddlers Creek Gold Mining Company Pty Ltd (FCGM) and GBM Avoca Pty Ltd (Avoca) own mining and exploration licences that cover the entire Avoca region. Avoca owns the Exploration licence over the whole area, thereby covering any extensions of the FCGM mining licences.

FCGM owns a small (5tph) hard rock processing plant which the company has operated. A recently carried out scoping study shows this can be restored to production within 1-2 months with capex of less than \$100,000.

Recent exploration work has shown a likely downward extension of the Fiddlers Creek mine – but this needs to be drilled. Assuming that proves up a 100,000t resource at >6 g/t then that would be economic and represent several years processing for the plant. However a small decline would need to be cut in to the mill to access the underground deposit, so cost/feasibility will need to be undertaken once drilling to test this Resource extension has been completed.

In addition however a surface deposit has recently been defined near the Mill which could equally add several years production – but at a much lower ore recovery cost.

Subject to the successful outcome of the drilling and feasibility work it is intended to review recommissioning the plant by end of the financial year. The plant will produce a sulphide rich concentrate – which will then be transported to Inglewood to be processed through the CIP circuit at the Maxwells plant.

4. **Goldsborough –**

The Goldsborough project consists of two 50:50 joint Ventures – the Harvest Home (HH) and Queens Birthday (QB) joint ventures

HH contains at present 1million t of Resource at circa 2.4g/t for approx 75,000 oz – of which GBM has a 50% interest. A small infill drill programme is planned to take this Resource up to indicated status.

QB consists of a 200,000 oz Exploration target – and much further exploration is planned over the next 1-2 years with the objective of taking this through to Resource status.

5. **Wilson Hill project**

This is 100% owned by GBM Wilson Hill Pty Ltd (WH) and comprises and EL over the entire Wilson Hill goldfield.

It has a modest Resource of 70,000 oz and a much larger 500,000 + oz Exploration Target.

An extensive exploration programme is planned over the next several years, making the Wilson Hill project GBM's longer term exploration play. Extensive historical data has been analysed and is the basis of the exploration programme.

Each of these 5 projects has a combination of significant Resource, Exploration Targets for potential future Resource and, in GBM's scale, ability to add meaningful growth to our gold production profile in the shorter or longer term.

Our target is to produce 3-4,000 oz in the current financial year and to move this up to 10,000 oz+ for the next financial year. Along with this our target is to cover, or go as close as possible to covering, our group operating costs from our production revenues from December 2012 onward.

Corporate work

A significant amount of effort has been applied to corporate work, on especially the funding front. This has seen the group gain a much more stable financial base, which will greatly assist it to move forward.

Along with this we are steadily improving our administration and communication activities.

Implementation

GBM has had mixed results in timely implementation of some of its activities, especially re control of the timing and cost of its plant capex and operational activities. Various personnel appointments, including those of Esther Ryan as Admin manager and John Harrison as Inglewood Manager, have seen more actively managed business processes developed. We expect this will lead to more tightly controlled programmes in future.

As a result, to repeat my statement last year, I still expect there to be a solid rerating of our sharemarket perception and share price as the market gains a better appreciation of GBM's tremendous operational outcomes and both operational and resource potential and reality in terms of :

- Exploration Target ounces
- conversion of Exploration Target ounces to Resource ounces
- quantity and quality of Resource ounces
- Increasing work plan approved mineable Resource ounces
- increasing monthly gold production and sales

Your board and management team are entirely focused on maximising the value your company can generate out of these 5 core projects which are all within approximately a 1 hour drive of Bendigo. We see this close proximity as greatly enhancing our ability of manage, staff and support these projects.

Overall our aim is still to lift :

- Resource from the present 250,000 oz to 500,000 plus oz within 2 years and over 1 million oz within 4-5 years
- Work plan approved Resource scheduled for mining to over 100,000 oz within 1 year

- Annual production to :
 - a. ~3-5,000 oz to 30/6/2012
 - b. 10-12,000 to 30/6/2013 and
 - c. greater than 20,000 oz for year ending 30/6/2014
 - d. with a 5 year target of a sustainable production rate of 50,000 oz.

We have the projects, the key personnel and some of the functional infrastructure with which to achieve these aims.

We are now stable financially allowing us to steadily progress each project. Given this GBM is well on track to deliver the above outcomes.

Further funding may be needed and may be project related debt or equity, holding company debt or issues of shares (equity) at prices and on terms as beneficial as possible to existing shareholders.

Our over-riding objective is to see the GBM shareprice and shareholder value increase substantially from here, by delivering significant operational outcomes from both exploration and gold production.

GBM continues to have tremendous input and support from its key management and its loyal staff — as well as the range of contractors and professional advisors that support the company both operationally and corporately. To all I again extend my heartfelt thanks.

The future continues to be very bright for GBM.

Ian Smith

Chair, GBM Gold Ltd