RM Research

21 January 2013

ASX CODE: GBZ

Speculative Buy

Capital Structure	
Sector	Materials
Share Price (A$)	0.038
Fully Paid Ordinary Shares (m)	277.06
Options (ex $0.20,30/06/13 (m))	129.49
Performance share rights (m)	0.35
Market Capitalisation (undil) (A$m)	10.25
Share Price Year H-L (A$)	0.135-0.04
Approx Cash (A$m)	3.4
(post placement option)	

Directors	
Peter Thompson	Chairman & MD
Neil Norris	Exploration Director
Cameron Switzer	Non-Executive Director
Guan Huat Sunny Loh	Non-Exec Director
Kevin Hart	Company Secretary

Major Shareholders	
UOB Kay Hian Pte Ltd	15.0%
Chew Leok Chuan	5.1%
Lion Resources Devlpmnt Pte Ltd	3.6%
HSBC Custody Nominees	3.5%
Swift Venture Holdings Corp	3.0%
Top 20 Shareholders	48.5%

Analyst

Andy Comas +61 8 9488 0800

GBM Resources Limited

Milo maiden Cu resource statement and "Scoping Study" released

Milo IOCG-REE Project progresses to pre-feasibility stage

GBM Resources Limited (ASX: **GBZ** or the "Company") has released its "Scoping Study" for the 100% owned Milo Project in the Cloncurry district of far northwest Queensland. The details of the study point to a viable, economic project with a base case cash flow of A$702m which gives the Company's directors the confidence to progress directly to the next milestone in the development of the project, the pre-feasibility study.

It is evident from the exploration to date that the Milo Project is a hybrid multi-commodity IOCG (iron-oxide/copper/gold) resource containing copper (Cu), gold (Au), molybdenum (Mo) and uranium (U) that has been overprinted and enveloped by widespread value adding rare earth elements (REE) and yttrium (Y). This means that the resource does not neatly fit into a classification as just a Cu resource or a REE resource. It is both. And **GBM** is much more than a single project company given the potential of its other projects. its other projects with potential resources too.

Since **RM Research**'s last research report (April 2012), the Company has:

- published an inferred resource statement for the Milo Project of 108,000 tonnes total REE and yttrium oxide (TREEYO) and a maiden Cu inferred resource of 88 million tonnes containing 97,000 tonnes Cu and 14 million pounds of uranium oxide (U_30_8)
- drilling has extended the Milo resource to the north and south
- delineated three significant soil anomalies with potential to significantly increase the overall Milo resource
- the Pan Pacific/Mitsui JV partners have committed to a budget of A$3.8 million through to March 2013 for the Bungalien IOCG Project
- discovered new Au/Cu mineralisation near the Mt Morgan Mine, Central Queensland
- appointed Mr Sunny Loh as a Non-Executive Director (April 2012)
- successfully raised A$0.5 million capital via a share purchase plan (July 2012) and A$2.1 million in placements (A$1.1 million April 2012; A$1.0 million October 2012)

Price Catalyst

- The immediate term share price drivers should be announcement driven given the "Scoping Study" shows that the Milo Project is economically viable. Henceforth, market updates on the progress of the Milo Project towards the next major step, the pre-feasibility study should be positive for the share price. Additionally, progress on securing a funding and/or development partnership would be positive. Significant exploration and drilling results for the stable of other projects should also be viewed positively by investors.

Action and Recommendation

- Speculative BUY. Price Target: 35 cents.

The Milo Project "Scoping Study" has a base case pre-tax NPV of A$241m

Metal recoveries of up to 80%

INVESTMENT CASE

- **Milo IOCG/REE:** The maiden JORC compliant Cu-equivalent resource and "Scoping Study" with a base case pre-tax NPV of A$241m provides confidence to advance the project to the pre-feasibility stage.
- The Milo Project resource is up to 200 metres wide, has over 1 kilometre of continuous Cu & REE mineralization and is still open-ended to the north, south and at depth. Further exploration and drilling is expected to increase the footprint of this large mineralised system.
- Preliminary metallurgical test work reveals that a REE concentrate, a Cu/Au concentrate, a Mo concentrate, a phosphate concentrate, and a uranium concentrate can be economically extracted with metal recoveries of up to 80%.
- Further exploration and drilling of the Mt Morgan Project, a large porphyry Cu/Au system, is planned for 2013.
- The Yea Project in Central Victoria is highly prospective for the critical metal tungsten (W).
- The Mayfield Project near Mt Isa, Queensland which is adjacent to **Ivanhoe Australia's** (ASX: **IVA**) Trekelano Cu-Au mine and extends southwards to the Tick Hill gold mine will be drill tested once all previous data has been assessed and key targets have been generated.

COMPANY OVERVIEW

Location & Tenure

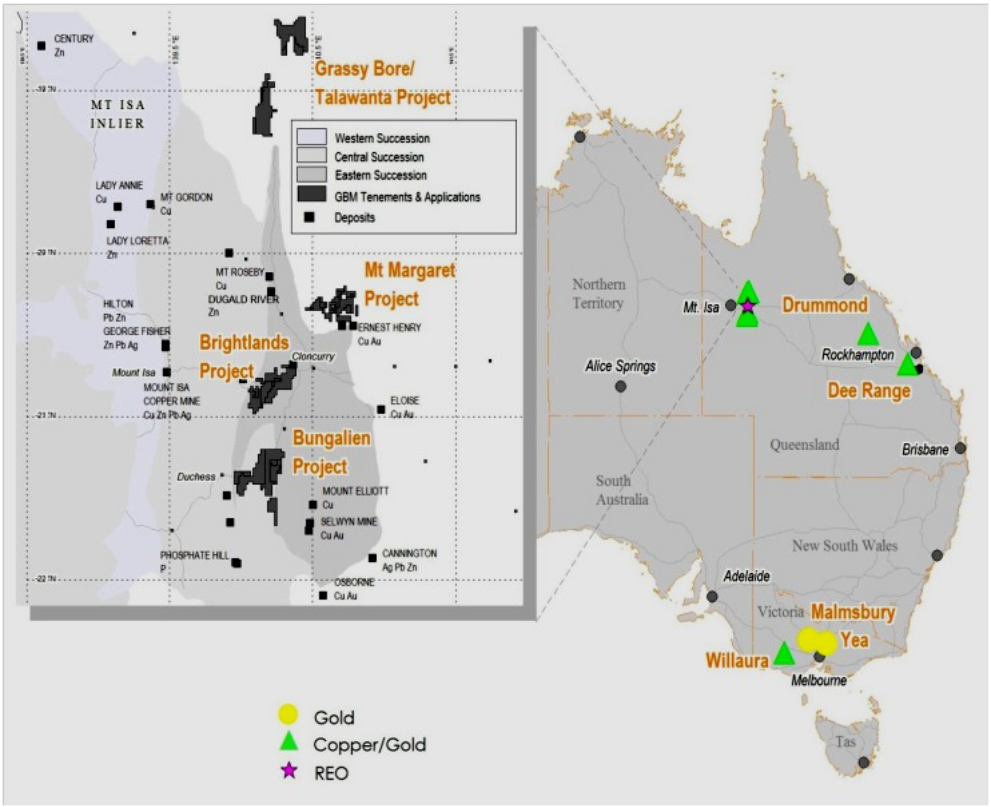

FIGURE 1: Project Location Map (*source*: **GBM Resources**, ASX Announcement 31st October 2011).

A$55 million farm-in agreement with Japanese firms Pan Pacific Copper and Mitsui Corporation

GBM Resources is a Perth based exploration company with IOCG-type copper and gold projects, REEs and phosphate in the Mt Isa/Cloncurry district of Queensland, intrusion style copper and gold projects near Rockhampton, Queensland, and intrusion style copper and gold projects with significant W & Mo in Victoria.

GBM has a joint venture with Japanese firms **Pan Pacific Copper** ("PPC") and **Mitsui Corporation** (Pan Pacific/Mitsui JV discussed below) via the company **Cloncurry Exploration and Development Pty Ltd** ("**CED**") with a A$55 million farm-in agreement on the Bronzewing Bore, Talawanta-Grassy Bore, Chumvale Breccia and Mount Margaret Projects.

EXPLORATION OVERVIEW

Milo Project

Geology and Mineralisation

The Milo Project (Figure 2) is the Company's most advanced exploration project and is located due east of major regional town Mount Isa, and just 20 kilometres west of Cloncurry in far northwest Queensland.

The mineralization is hosted in a highly brecciated and altered rock that is generally striking northwest-south and is coincident with magnetic highs within a broader magnetic low anomaly that has been interpreted as a possible buried granite that gave rise to the IOCG & REE mineralization. The REE and yttrium mineralisation (REEY) appears to overprint and envelope the IOCG style Cu-Au-Ag-Mo-U-Co mineralisation. Drilling shows that the mineralization dips to the east, is possibly fault related, and that higher grade copper mineralization plunges to the north. The mineralization at Milo is considered to be closely linked to the Cloncurry Flexure, a deep structural feature in the region.

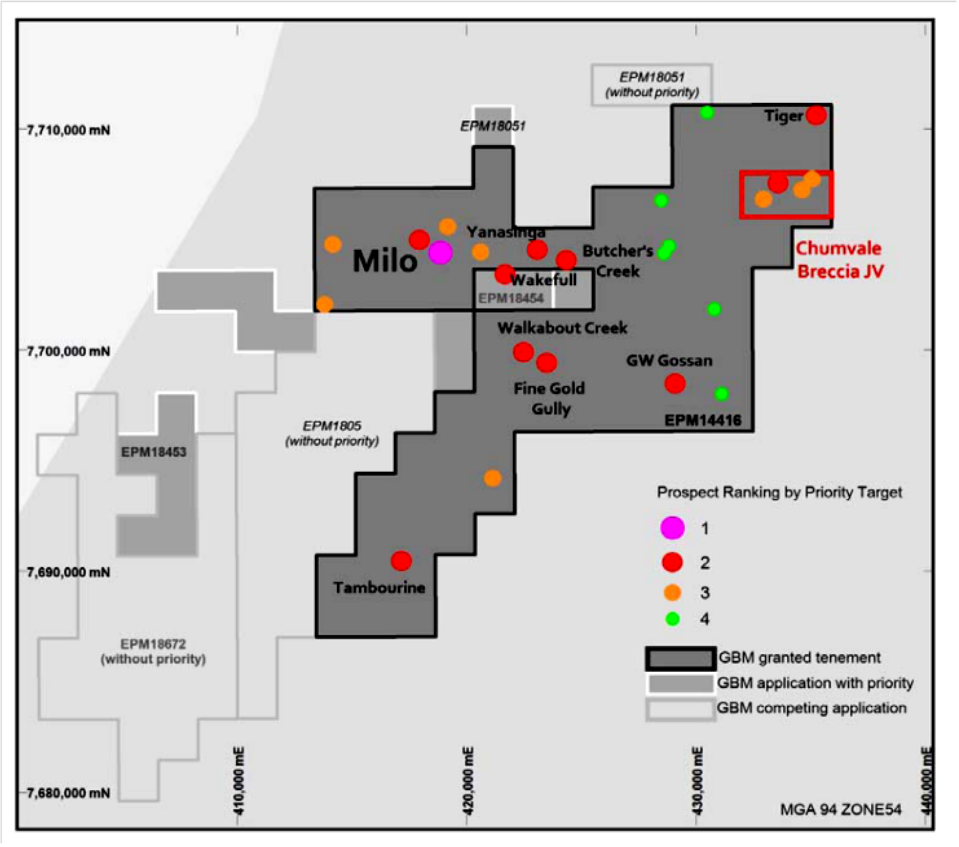

FIGURE 2: Milo Project Location Map (*source*: **GBM Resources**, ASX Announcement 31st October 2011).

Cu and REE mineralization over a strike length of 1 kilometre and up to 200 meters wide

Previous Exploration

Since inaugural drilling in 2010, **GBM** has drilled 32 drillholes at Milo with each phase of drilling extending the main resource to the north and south. The drilling has delineated continuous Cu and REE mineralization over a strike length of 1 kilometre and up to 200 meters wide. The resource is still open-ended to the north, south and at depth.

Soil sampling has proven to be an excellent cost effective technique to better target the drilling campaigns across the Milo Project as the Cu and lanthanum (La) geochemical signatures generated when drilled have shown positive correlations with Cu and REEY mineralisation at depth. Based on the soil sampling to date, it is conceivable that the total strike length of the Milo mineralisation could extend for up to two kilometres. Further drilling along strike should confirm if this is the case.

A number of soil geochemical anomalies adjacent to the main Milo trend of mineralisation remain un-drilled

Soil sampling in 2012 has identified a number of soil geochemical anomalies adjacent to the main Milo trend of mineralisation. As shown in Figure 3, there are a number of parallel zones of coincident Cu-Au-La soil anomalies adjacent to drillhole BTD014 where peak grades of 4,550 ppm Cu, 650ppm La, and 0.7 ppm Au were returned. **GBM** consider it highly likely that these anomalous zones will extend further with additional soil sampling, that they may be structurally related, and that drill testing may discover new mineralisation. Additionally, there is a large Cu-La soil geochemical anomaly west of the Milo prospect that returned peak assay results of 1.44% Cu, 0.35 ppm Au, and 120 ppm La that is associated with a coincident strong magnetic and topographic high.

These soil geochemical anomalies are future drill targets but the significance is that although **GBM** have concentrated on proving up a resource at Milo, the Greater Milo area is showing high promise of addition mineralisation that may eventually add to the economic viability of the Milo project.

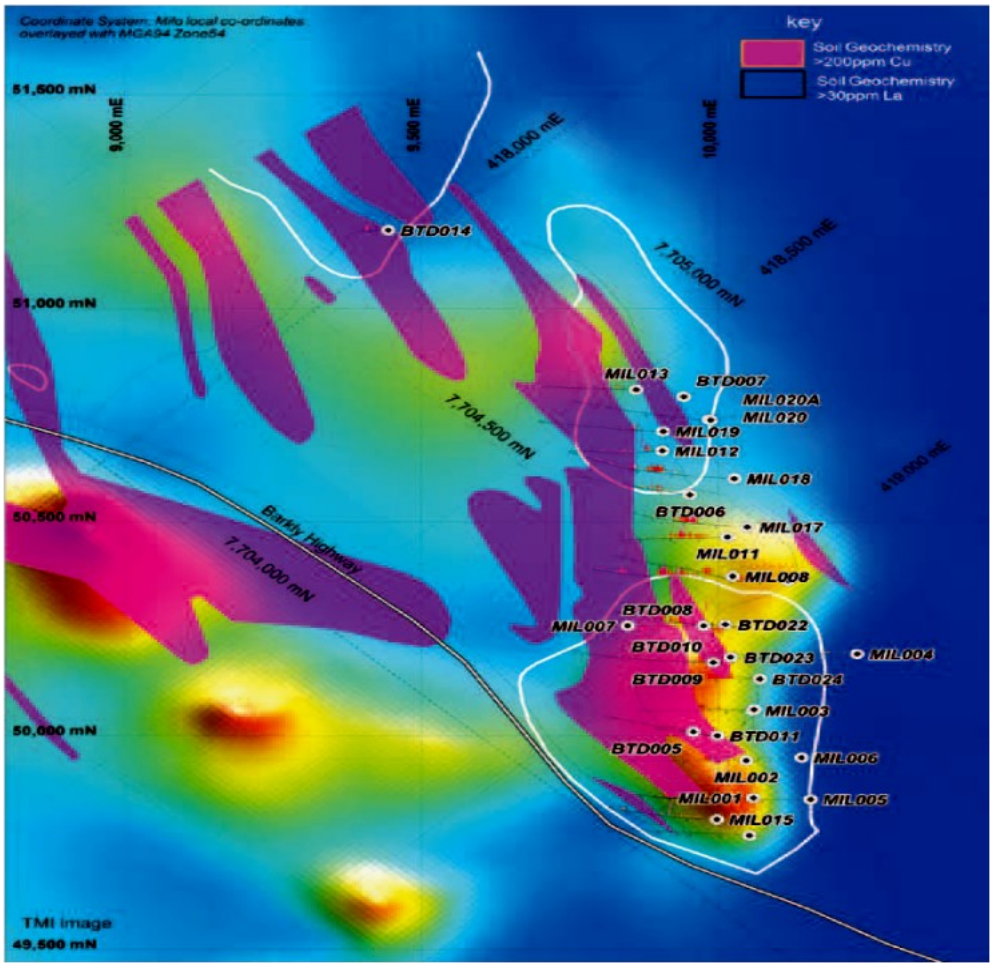

FIGURE 3: Milo Project drill location map overlying the soil geochemical anomaly and the magnetic image (*source*: **GBM Resources**, ASX Announcement 29th February 2012)

High grade Cu mineralisation is evident within the resource and is possible in adjacent anomalies which remain undrilled

In the most recent drilling program, one of the most southern drilled holes, (MIL015) intersected high grade Cu mineralisation of 2 meters @ 6.19% Cu at 163 meters downhole. The significance of this intercept is that high grade Cu mineralisation is evident within the resource and that similar high grades may yet be discovered as successive drilling programs to prove up the resource are completed.

The average copper grades of IOCGU type multi-metal mineralisation are typically lower than veined mineralisation and therefore the associated mineralogy including Au, Mo, U, REEs, magnetite and phosphate often add significant economic value and enhance the viability of any future mining operation.

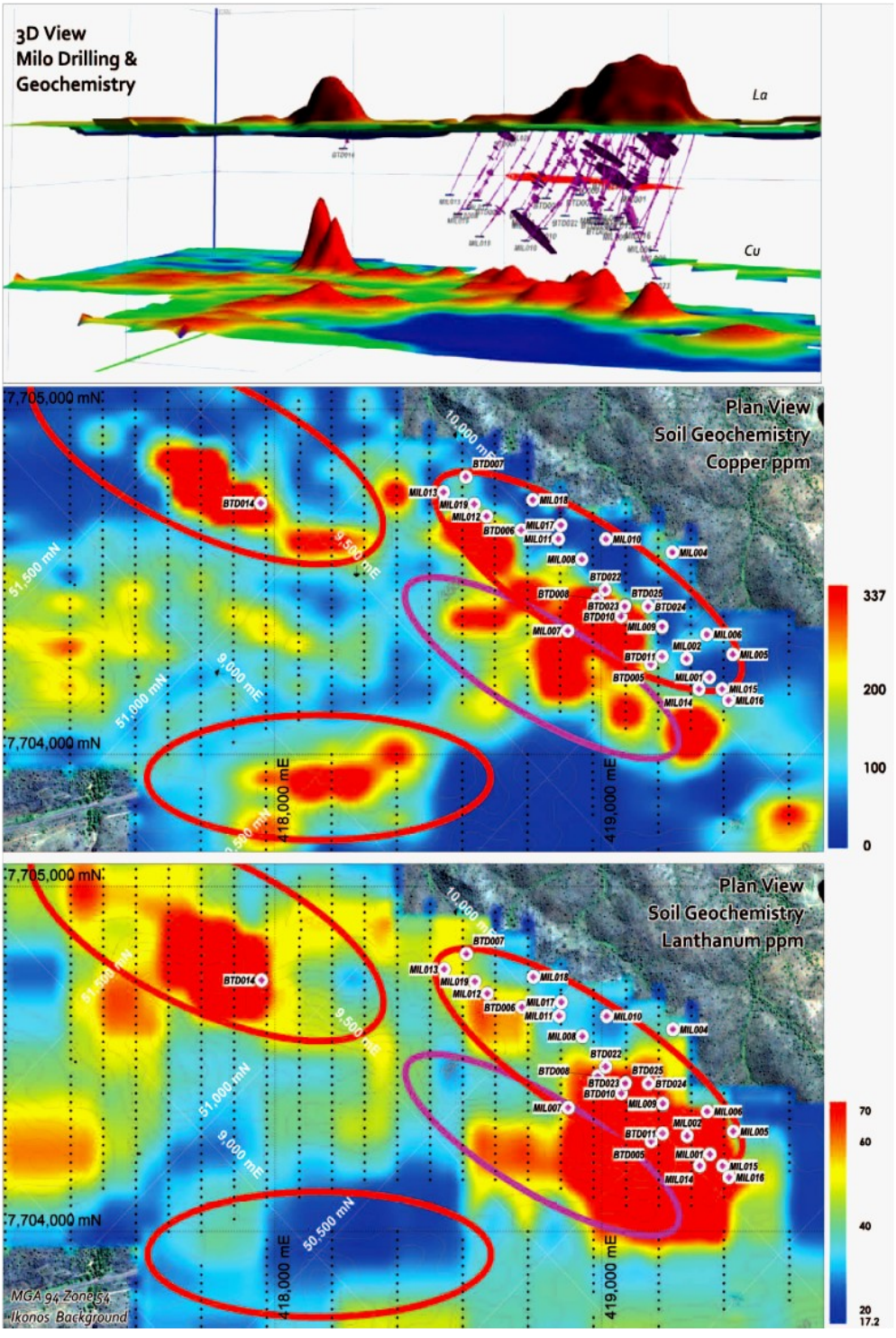

FIGURE 4: Milo Prospect drilling and soil geochemistry, highlighting new drill target areas (*source*: **GBM Resources**, ASX Announcement 31st October 2012)

The Milo mineralisation is still open-ended to the north, south and at depth

Future Exploration

The Milo mineralisation is still open-ended to the north, south and at depth. Further soil sampling and follow-up drilling will be required to determine the extent of mineralisation with in-fill drilling required as the project develops in order to upgrade the classification of the resource under the JORC reporting standards. Figure 4 above shows the exploration targets (red ellipses) adjacent to the main Milo resource.

SCOPING STUDY

An independent "Scoping Study" has been finalised by Mining One Pty Ltd with input from Geomodelling Ltd and Core Resources Pty Ltd that concluded that the Milo Project has the potential to be a highly profitable mining operation. The study showed:

A maiden Cu-equivalent inferred JORC resource statement of 88 million tonnes containing around 97,000 tonnes of Cu and 14 million pounds of uranium oxide

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A TREEYO inferred JORC resource of 176 million tonnes @ 620ppm and 0.75% P_2O_5

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Long term net cash flow of between A$702 million – A$1,160 million over an 11 year mine life

- A long term net cash flow of between A$702 million – A$1,160 million over an 11 year mine life (Table 1)
- Mining will be a low cost conventional open-cut with a crushing rate of 10 Mtpa and onsite processing
- Concentrates will be railed to Townsville and a scenario is that the REE concentrate can be further processed in Townsville to produce 99% pure REOs
- 100% **GBM** owner/operator and funded

Project KPIs	Long Term Base Case	Upside Case*
Net Cash after capital (undiscounted) ($M)	$702	$1,160
Payback (undiscounted) in years	4.4	2.9
Operating Margin (EBIT/ Revenue)	33%	38%
Operating Cost/ Revenue	67%	62%
Model Differences: ImprovedTREEYO plant recoveries	60%	70%
TREEYO Price	$75/kg	$75/kg
AUD:USD	.90	.90

TABLE 1: Milo Prospect "Scoping Study" Key Performance Indicators (pre-tax) (*source*: **GBM Resources**, ASX Announcement 22nd November 2012)

**Upside Case – shows the financial affect improving recoveries of TREEYO from 60% to 70%. All other inputs remain unchanged*

Sensitivity analysis modelled by the Company shows that REE prices and recoveries have the greatest effect on upside to the NPV followed by a lower exchange rate and lower operating and capital costs. A 10% increase in REE prices would increase the NPV over A$400 million, an increase of around 65% on their base case modelling.

The current exchange rate is already around 15% higher than used in **GBM**'s financial modelling and consequently has a negative effect on the NPV. The pit optimisation was based on parity and the project uses a long term average price of A$0.90." **RM Research** expects the exchange rate to remain above parity in the near-term.

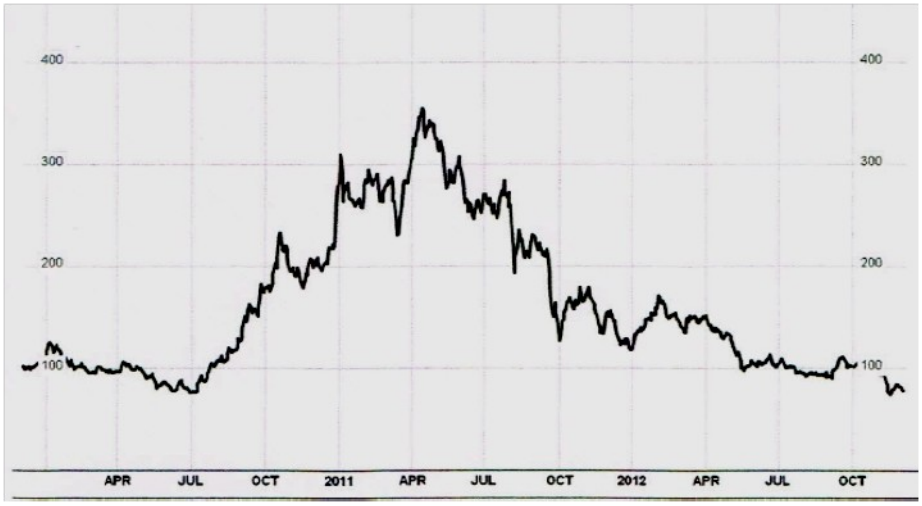


FIGURE 5: Bloomberg Rare Earth Index BNREMRS:IND since January 2010 (*source*: Bloomberg Website, December 2012).

REE sector prices remain weak particularly for LREEs

In order to gauge the performance of the rare earth sector, the Bloomberg Rare Earth Index (which represents a basket of REE companies with an NI43-101 or JORC compliant resource) serves as a graphical reference of the sector's trend (Figure 5). Obviously the downtrend looks like it is continuing and sensitivity analysis will be important in determining the Milo Project's economic viability. New supply from sector heavyweights **Lynas Corporation** (ASX: **LYC**) and **Molycorp Inc.** (NYSE: **MCP**) is not helping sector pricing especially for the LREE prices. However, the Milo resource has around 24% CREOs which account for approximately 70% of the project's forecast revenue. Investors are reminded that the Company will receive financial credit for the other metals, phosphate and uranium content of the resource.

The "Scoping Study" has shown that the majority of the A$945 million forecast for capital costs during the life of the mine are associated with the construction of the onsite processing plant and the proposed construction of an REO refining plant to be built in Townsville. In order to lower the upfront capital expenditure costs, **GBM** may consider scenarios such as outsourcing the mining and parts of the processing and refining operations and some site infrastructure and possibly staging the mine development. Further details contained in the "Scoping Study" can be sourced from the ASX announcement made on November 22, 2012 on the Company's website.

Capital costs	A$ (million)
Mine Equipment	87
Explosives Facility	1
Mining Miscellaneous Capital	11
Roads	5
Power Supply	10
Camp Facilities	10
Heavy Vehicle Workshop	6
Office Complex	2
Heavy Vehicle Wash-down Bay	1
Fuel Bay	3
Concentrator Plant	336
REO Plant (Townsville)	320
Tailings Dam	60
Ongoing Mine Costs	52
Minesite Rehabilitation	41
Total Plant Mine and Infrastructure Capital	**945**

TABLE 2: Milo Prospect "Scoping Study" Capital Costs (*source*: **GBM Resources**, ASX Announcement 22nd November 2012).

Metal recoveries of up to 80%

Metallurgical Test Work

Metallurgical test work on the multi metal Milo mineralisation began in April 2011 and has been ongoing as part of the "Scoping Study". To date, the test work has demonstrated that a REE concentrate (with possible downstream processing in Townsville to produce REOs), Cu/Au and Mo concentrates, a phosphate concentrate, and a uranium concentrate, can be economically extracted with metal recoveries of up to 80%.

99.9% pure REOs may be refined in Townsville, QLD

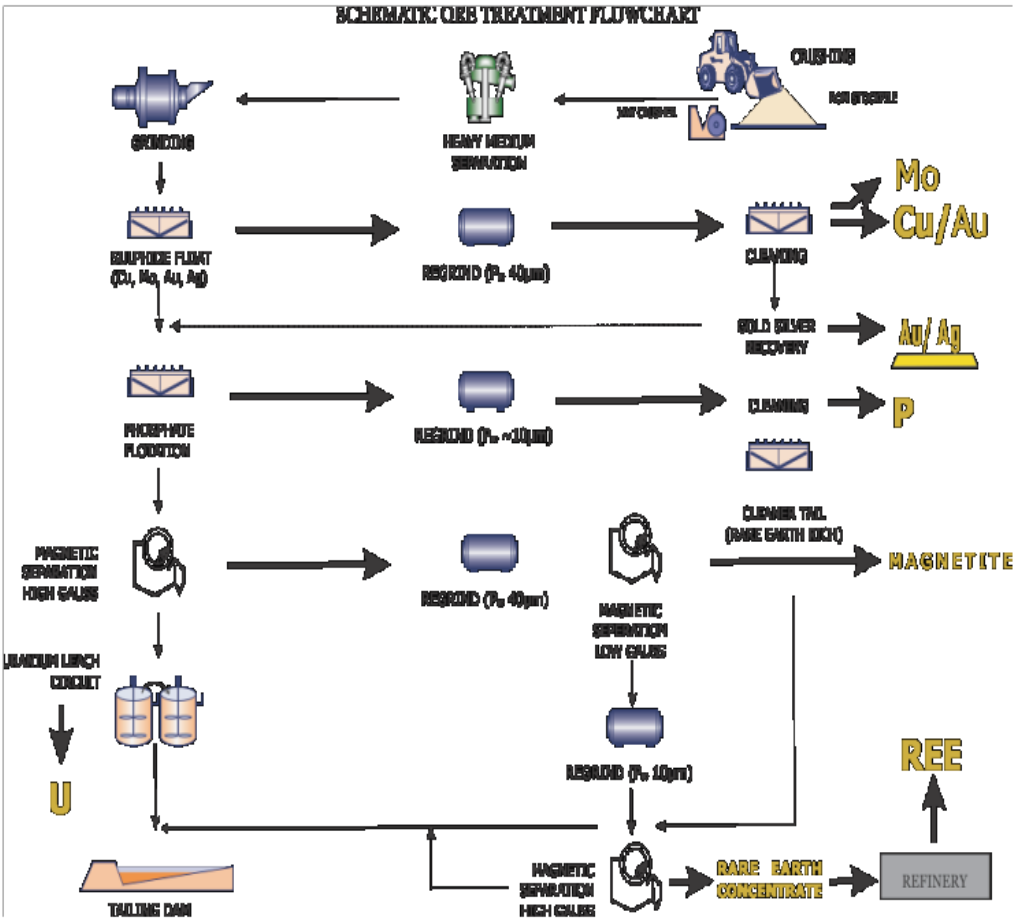
Initial test-work of the minerals hosting the REEs indicates that mineralisation is hosted by apatite ($Ca_{10}(PO_4)_6(OH,F,Cl)_2$) and a range of carbonate minerals. Apatite is a non-radioactive phosphate group mineral in which yttrium (Y) can be found and initial flotation test work has indicated that around 70% of the Y and 25% of the other REEs can be recovered as an apatite concentrate using traditional flotation techniques. The REE concentrate is apparently amenable to further value-adding processing to produce individual or composite REOs.

TABLE 3: Milo Prospect "Scoping Study" base case parameters (*source*: **GBM Resources**, ASX Announcement 22nd November 2012).

Key LOM Production Profile	*Price Assumptions*	*Revenue*	*Metallurgical Recoveries*
	US $	*A$ Million*	*%*
38,000 tonnes of TREEYO	$75/kg	3,185	60
58,000 tonnes of Cu	$4/lb	825*	75
10.2 million lbs of U_3O_8	$50/lb	395	90
1.9 million tonnes P_2O_5	$200/t	399	75

*Long Term Base Case - Key Life of mine parameters.*Includes Au,Ag,Mo metal credits.*

FIGURE 6: Milo Prospect Processing Flowchart (*source*: **GBM Resources**, ASX Announcement 22nd November 2012).



Five concentrates can be produced

RESOURCES AND RESERVES

GBM have chosen to report separately the inferred JORC resource statements for the copper equivalent resource and the TREEYO resource despite 82% of the copper resource (by tonnage) occurring within the REE resource boundary. The contained Co content has been excluded as insufficient analysis has been completed to date.

TREEYO Resource

*TREEYO cut-off: 300ppm; Total tonnes: 187.2 million; Source: metal-pages.com 20/7/2012

		LREE							HREE			
				CREO			CREO		CREO	CREO		
	TREEYO	CeO_2	La_2O_3	Nd_2O_3	Pr_2O_3	Sm_2O_3	Eu_2O_3	Gd_2O_3	Y_2O_3	Dy_2O_3	Er_2O_3	Others
Grade (ppm)	610	260	150	80	24	12	4	10	52	8	5	1350
Metal Tonnes	113,360	48,540	27,100	14,600	4,470	2,280	720	1,870	9,650	1,550	890	1,690
REEO (US$/t)		20,000	19,000	102,500	105,000	67,500	2,010,000	102,500	97,500	9,900,000		

TABLE 4: Milo Prospect TREEYO Resource Statement (*source*: **GBM Resources**, ASX Announcement 22nd November 2012).

The Milo Project is a LREE re-source with around 10% HREEs & CREOs

As a result of the 2012 drilling campaigns, **GBM** has increased its Inferred JORC resource (NI43-101 equivalent) for the REEY component of the Milo Project from the maiden 103 million tonnes at 760ppm for approximately 82,500 tonnes of TREEYO (based on a 400ppm cut-off grade) to 187 million tonnes at 610ppm for 113,360 tonnes (based on a 300ppm cut-off grade) (Table 4). This represents an 82% increase in total resource tonnes and a 25% increase in the total REEYO tonnes.

The rare earth content of the Milo resource can be classified as predominately light rare earth elements (LREE) with around 10% heavy rare earth elements (HREE) which is worth noting as **RM Research** firmly believes that the greater the quantity of HREEs in a resource the higher the contained value. However, the presence of a category known as the critical rare earth oxides (CREO) is in our opinion of relatively greater significance as they are considered to be the more valuable REEs given the forecast dearth of supply into the foreseeable future.

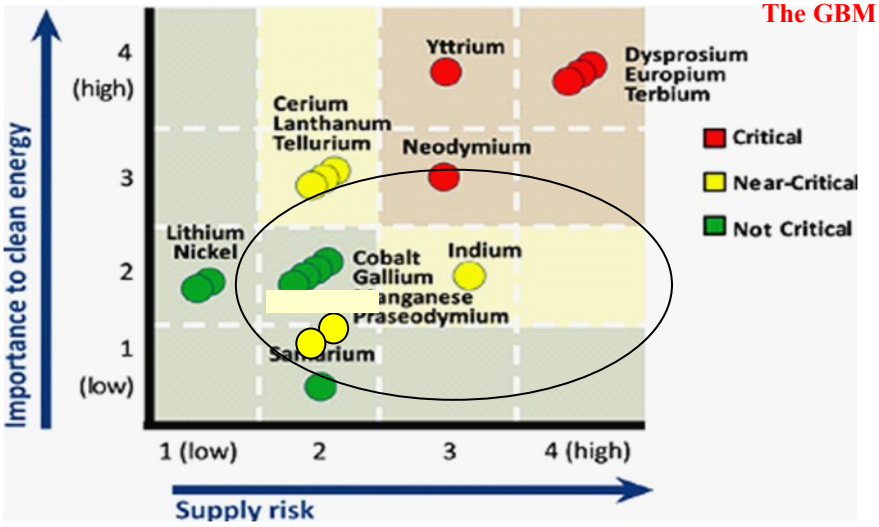


FIGURE 7: Criticality Assessment of REES, Present - 2015 (modified) (*source*: US Department of Energy, DEC 2011, Critical Materials Strategy).

The Milo resource has a CREO content of approximately 23%

The U.S. Department of Energy (DOE) has stated in the 2011 Critical Materials Strategy report that the REEs considered to be in critical supply based on the supply and demand risk to clean energy applications over the next 15 years were dysprosium, terbium, europium, neodymium and yttrium. The Milo resource has a CREO content of approximately 23% which is predominately comprised of neodymium (Nd), dysprosium (Dy), yttrium (Y) and europium (Eu) (Figure 7). As a result of the REEs present, the Milo resource is slightly ahead of other REE deposits that are predominately LREEs devoid of or lacking significant quantities of CREOs and/or HREOs.

However, the mere presence of CREOs and/or HREOs does not necessarily mean that a particular resource will be economic. Detailed pilot plant scale test work is required to confirm the flowsheet processing, extraction, recoveries and associated costs. **GBM** have yet to reach pilot plant scale trials however the results of initial bench scale test work suggests that between an average of at least 60% up to 70% of individual REEs may be recoverable.

Copper equivalent resource

It should be noted that a maiden inferred JORC resource for the total metal content of the IOCG multi-metallic copper mineralisation has now been published as a separate copper equivalent resource as it overlaps the TREEYO resource. At a 0.1% Cu-equivalent cut-off grade, the resource stands at 88 million tonnes @ 0.11% Cu, 0.04 g/t Au, 1.6 g/t Ag, 65ppm Mo, 130ppm Co and 60ppm U for a total of 300,000 tonnes of Cu-equivalent metal.

Milo Copper Inferred Resource							
Mt	Cu (%)	U (ppm)	Co (ppm)	Mo (ppm)	Au (g/t)	Ag (g/t)	Cu equivalent (%)
88	0.11	60	130	65	0.04	1.6	0.36

TABLE 5: Milo Prospect Cu JORC resource statement (0.1% Cu equivalent cut-off) (*source*: **GBM Resources**, ASX Announcement 22nd November 2012).

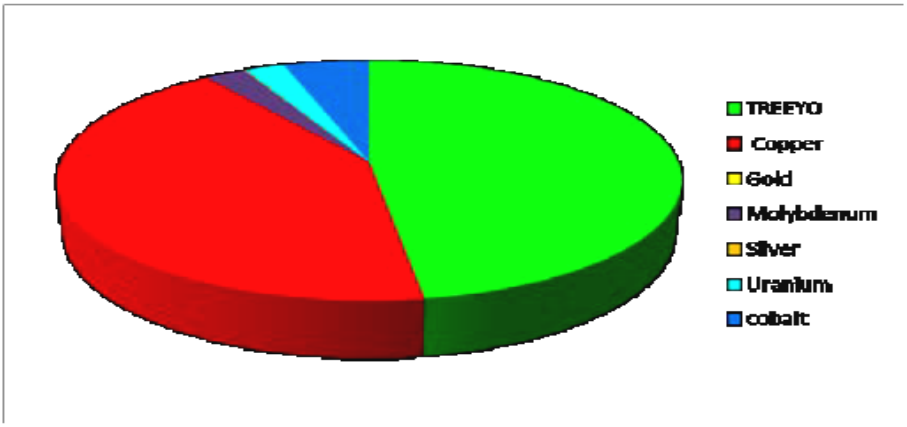


FIGURE 8: Milo Prospect resource showing contained metals by weight (*source*: **GBM Resources**, ASX Announcement 22nd November 2012).

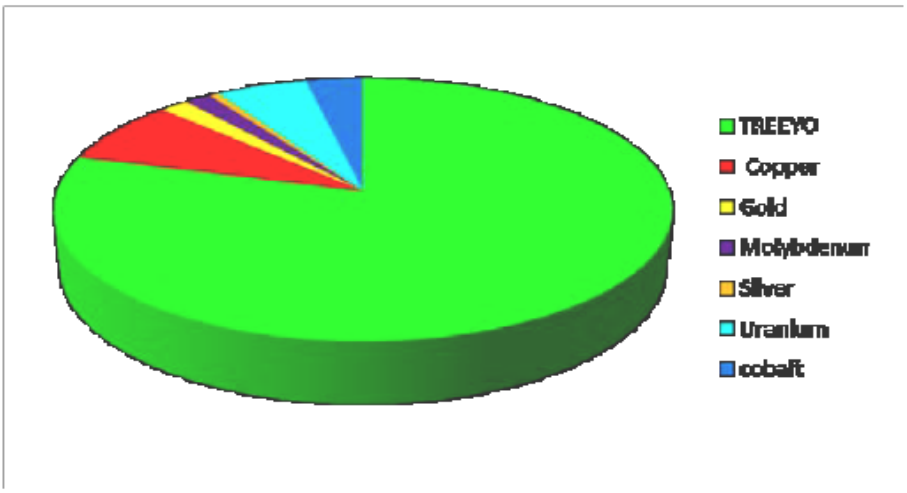


FIGURE 9: Milo Prospect resource showing metals by relative value (*source*: **GBM Resources**, ASX Announcement 22nd November 2012).

The Milo Project is a TREEYO-Cu-Co resource based on contained metals by weight and a TREEYO-Cu-U resource based on relative value.

As shown in the pie charts above (Figures 8,9), the Milo Project is a TREEYO-Cu-Co resource based on the contents of contained metals by weight and a TREEYO-Cu-U resource based on relative value. The Company should focus on maximising the extraction and refining of the REEs in order to maximise the value and revenue derived considering that the REE content and pricing can significantly affect the NPV of the project.

The total potential economic value of the resource is now apparent however, given that the resource has yet to be closed off along strike and at depth, the potential to add more tonnes is quite significant. Not only this, there are a number of geochemical anomalies that have yet to be drill tested.

The geochemical anomaly west of Milo, Milo West, appears to have a more intense signature than the main Milo resource and therefore has the potential to add further tonnes and hopefully higher grade mineralisation. If this is the case, the assay results from the drilling may well be a catalyst for positive share price performance. Milo West will be drill tested in the 2013 drilling campaign.

As exploration and infill drilling of the Milo resource is incomplete both along strike and at depth it is conceivable that the total tonnage, grade and quantities of the various metals contained therein may increase. Additionally, follow-up exploration drilling of soil geochemical anomalies adjacent to the main resource may discover more mineralisation of the same or greater tenor as at Milo.

PROJECT SCHEDULE & FUNDING

Now that the "Scoping Study" has shown that the Milo Project is economically viable under the parameters defined in the study, **GBM** management have the confidence to progress the project to the next major stage of completing a Pre-Feasibility Study (PFS).

TABLE 7: Milo Prospect forecast project schedule (*source*: **RM Research,** November 2012).

JORC Resource Statement	Met & Process Testing	Scoping Study	Feasibility Study	Pilot Plant	EIS Approval	Marketing/ Offtake/LoI	DFS & Funding	Construction	Production
	2013		2013	?	?	?	?	?	?

TABLE 8: Milo Prospect funding estimates to DFS completion (*source*: **GBM Resources** estimates, December 2012).

Estimated funding to the completion of the Definitive Feasibility Study	A$M
Operating Costs, including overheads and general project costs.	2 - 3
Pilot plant, design, construction and operation	3
Pre-feasibility study; REE extraction tests; environmental approvals	2
Extension drilling and infill drilling	8
Definitive Feasibility Study	30 – 40
Total	**45 – 56**

As is common in the development of REE resources, concurrently, **GBM** will conduct proof-of-concept trials to validate the flowsheet and process design with the construction of a pilot plant particularly given the poly-metallic nature of the mineralisation. Most of **GBM**'s Australian peers have chosen to appoint **ANSTO** (Australian Nuclear Science and Technology Organisation) to assist in the validation and verification of the extraction techniques required to recover the REEs from the mineralogy of the resource. **GBM** have yet to formally appoint the consultants to lead the metallurgical, validation and verification studies leading up to the PFS.

Additionally, if **GBM** can process the more valuable HREEs and/or CREEs into the higher value oxides, the Company would retain higher margins than just producing a multi-element REE carbonate. By producing pure oxides, the number of potential customers would also be greater.

The Company will now embark on progressing the development of the project with further metallurgical testing and interrogation of the extraction processes. Concurrently, further drilling will be required along strike and at depth to delineate the resource boundaries which are still open-ended. Infill drilling of the resource will also need to be completed in order to upgrade the resource from the inferred JORC category to the higher confidence and more definitive reserve status. A total of just 31 drillholes were used in the resources statement published with the "Scoping Study" which is nowhere near enough to drill out the resource. This suggests that with further drilling, the resource has the potential to expand significantly.

PPC/Mitsui JV Project, Queensland

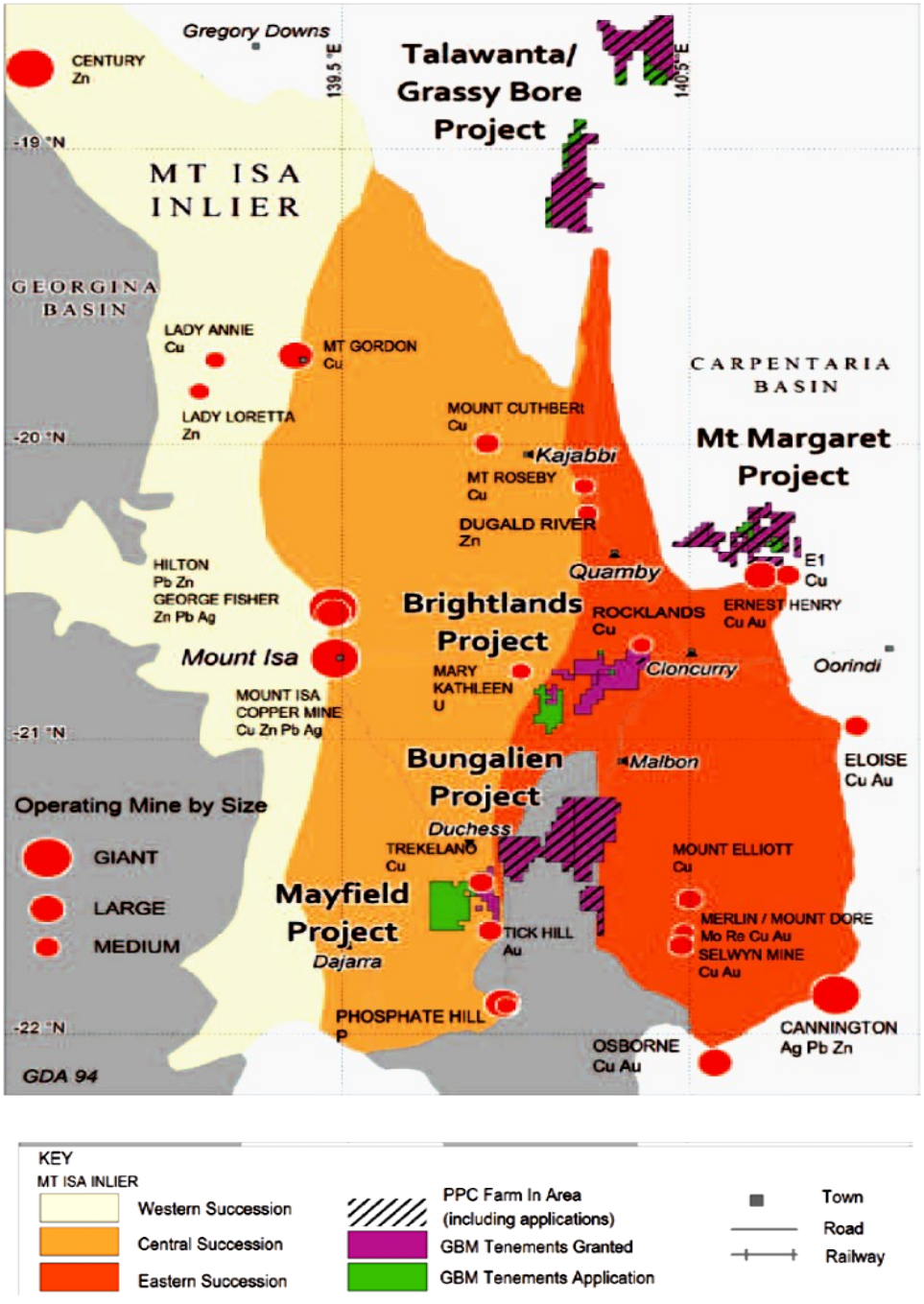


FIGURE 10: PPC/Mitsui JV Project Location Map (*source*: **GBM Resources**, ASX Announcement 31st October 2011).

GBM entered into a farm-in agreement with Pan Pacific Copper ("**PPC**") and **Mitsui Corporation** ("**MC**") via their co-established Australian company **Cloncurry Exploration and Development Pty Ltd** ("**CED**") in April 2011. The farm-in agreement is on the Bungalien, Talawanta-Grassy Bore, Chumvale Breccia and Mount Margaret Projects (Figure 10).

CED can earn up to a 90% interest by spending A$55 million on the exploration and development of the IOCG style projects over a minimum six year period. **GBM** will retain a free carried interest of 10% through to the completion of a Bankable Feasibility Study.

Bungalien IOCG Project

The **PPC/MC** JV covers exploration of basement lithologies for IOCG style mineralization and targets strong magnetic anomalies at the Bronzewing Bore, Malbon2, Horse Creek, and the NW Bungalien, Burke Bore Prospects. Geophysics is an important exploration tool to generate targets as the project area is covered by up to 500 meters of sediments. Three diamond drill holes have been completed at the Bronzewing Bore Prospect and all holes have intersected significant widths (>100 meters) of anomalous albeit low grade chalcopyrite and associated magnetite +/- chlorite and carbonate alteration.

The best intersection has been BNG001 with 219m @ 842ppm Cu from 361m downhole. During 2012, 3D IP & magnetic inversion modeling was completed at Bronzewing Bore including downhole IP surveys. As a result, three diamond drillholes with RC collars (BNG004, BNG005, BNG007) are currently being drilled. Assay results should be available early 2013.

The other prospects will continue to have soil sampling and geophysical surveys carried out in order to target suitable basement features as drill targets however none can be considered as advanced prospects yet.

Talawanta-Grassy Bore Project

Coincident gravity and magnetic highs are the conceptual targets at this typical IOCG project. Diamond drill hole TGD003 was completed at Talawanta however only low grade copper was intersected. At the Landing Ground Prospect, 3D magnetic inversion modeling has revealed coincident gravity & magnetic anomalies that have been drill tested. Drillhole TGD004 intersected chalcopyrite grading 4m @ 962ppm from 454m downhole. Drillhole TGD005 intersected brecciated and altered basement however the best mineralisation intercepted was 328ppm Cu and trace Au. Considerable exploration is still required to advance these prospects.

Chumvale Breccia Project

The Chumvale Breccia Project is located east of the Milo Project and covers 8km^2 within EPM 14416. The target is a WNW-ESE trending zone of breccia that **GBM**'s scout drilling in 2011 confirmed the presence of anomalous Cu and zinc (Zn). Rock chip sampling and a single line IP survey were completed in 2012 Two drillholes were completed; BTD045 to 762m and BTD046 was terminated prematurely at 381.5m. Assay results are expected to be announced early 2013.

Mount Margaret Projects

These tenements are prospective for deep basement lithology IOCG style mineralization similar to the nearby Ernest Henry Mine. Geological and geophysical surveys have been conducted over the project including soil sampling and gravity and IP surveys. Further geophysical and soil sampling surveys will be conducted with ongoing data analysis to generate drill targets. A program of three scout drill holes is currently in progress so assay results are not expected to be announced until early 2013. This project is still at an early stage of assessment.

Bungalien Phosphate Project

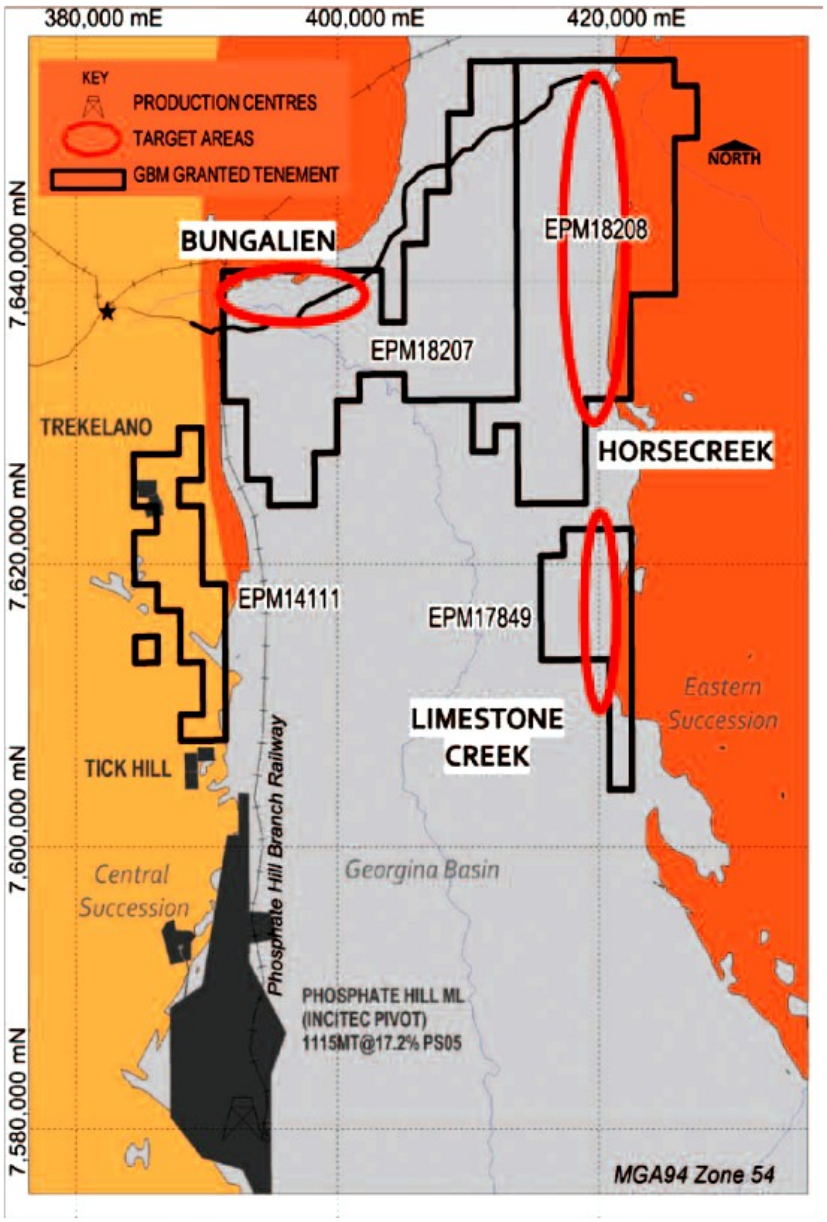


FIGURE 11: Bungalien Phosphate Project location map showing drilhole targets (*source*: **GBM Resources**, ASX Announcement 28th September 2012).

The Bungalien Phosphate Project is located between Mt Isa and Cloncurry, Queensland and is centred on the Georgina Basin (Figure 11). The Project which was slated to list on the ASX through a joint venture arrangement with Singapore based **Swift Venture Holdings Corporation** (**Swift**) has reverted back to 100% ownership by **GBM**. The proposed ASX listing was pulled due to the difficulty to raise sufficient funds under the ASX listing rules. **GBM** intends to issue **Swift** with 10 million shares in **GBM** at a deemed issue price of A$0.05 as approved shareholders at the November 2012 AGM.

Mayfield Project

GBM acquired the Mayfield Project (Figure 12 below) from **Newcrest Operations Limited** (ASX: **NCM**) in April 2012. It is located just west of the Bungalien tenements (Figure 11 above, EPM 14111) and completely surrounds the Trekelano copper mine which is owned by **Ivanhoe Australia** (ASX: **IVA**) and extends around 24 kilometres southwards to just north of the Tick Hill gold mine (Figure 12 below).

The Trekelano copper mine is a high grade copper and gold deposit that **IVA** is drilling and reporting exceptional high grade copper intersections.

The Mayfield Project has the potential to host high-grade Au & Cu mineralization similar to Trekelano and Tick Hill

The Tick Hill gold mine (currently owned by **Xstrata**) was a high-grade gold producer that from 1991-1995 produced 513,333 ounces of gold at a head grade of 22.6 g/t gold from both open pit and underground operations (**DRX** ASX announcement 4 Sept 2009).

The Mayfield Project has the potential to host high-grade Au & Cu mineralization similar to Trekelano and Tick Hill. **GBM** is reviewing all previous exploration data in order to devise a forward program.

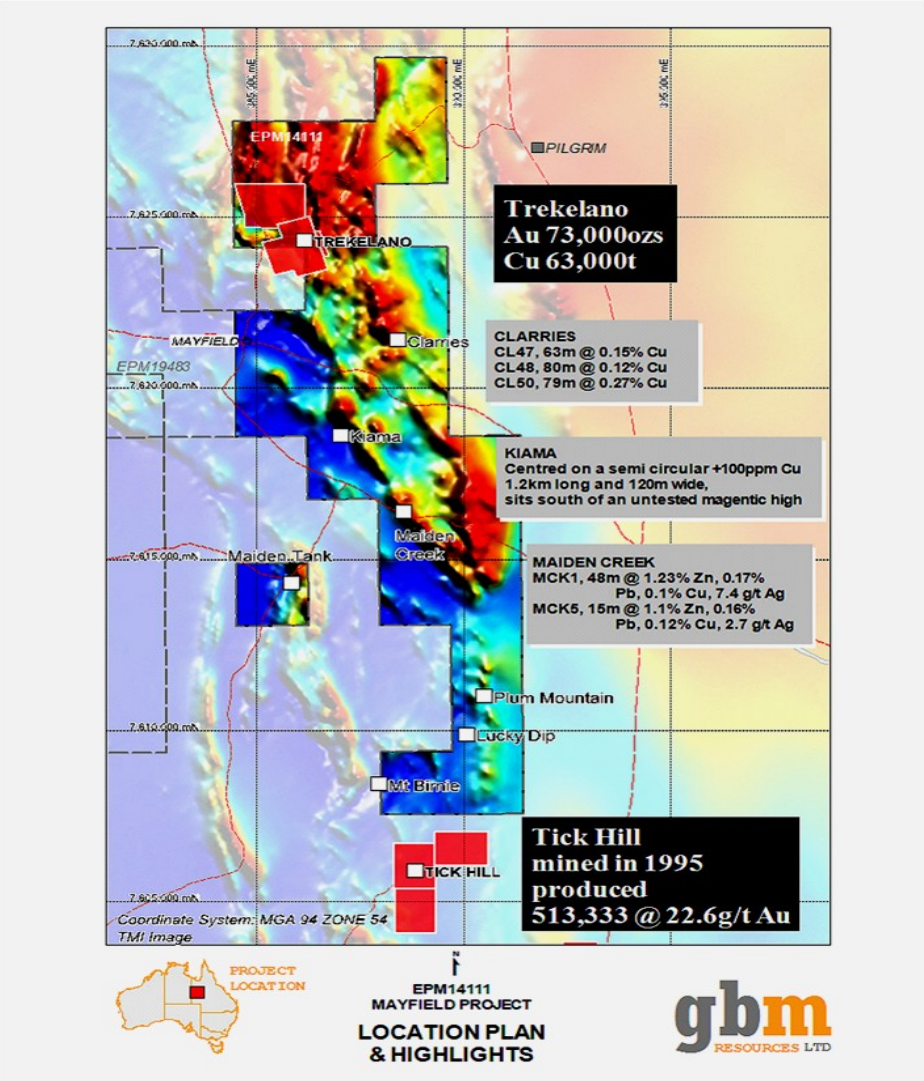


FIGURE 12: Mayfield Project Location Map (*source*: **GBM Resources**, ASX Announcement 31st October 2011).

Mount Morgan Project

The Mount Morgan Project is located adjacent to the world class Mount Morgan Au-Cu mine

The Mount Morgan Project tenements cover 1000 km^2 and are located 40km SW of Rockhampton, Queensland (Figure 13) and are adjacent to the world class Mount Morgan Au -Cu mine which produced over 8 million ounces of gold and 400,000 tonnes of copper during its heyday.

The Sandy Creek Prospect returned rock chip assays up to 39% Cu & 8.5g/t Au

GBM believes that intrusion related gold systems (IRGS) are responsible for the style of copper and gold mineralisation in the area and that regional structures and alteration are related. Soil sampling shows anomalous copper is associated with extensive alteration and anomalous gold correlates well with structural features.

Thorough assessment of all historical data has generated a number of priority targets suitable for drill testing in 2013. The Sandy Creek Prospect where extensive alteration and rock chip assays up to 39% Cu, 8.5g/t Au and 44ppm Ag were recorded is likely to be an initial target.

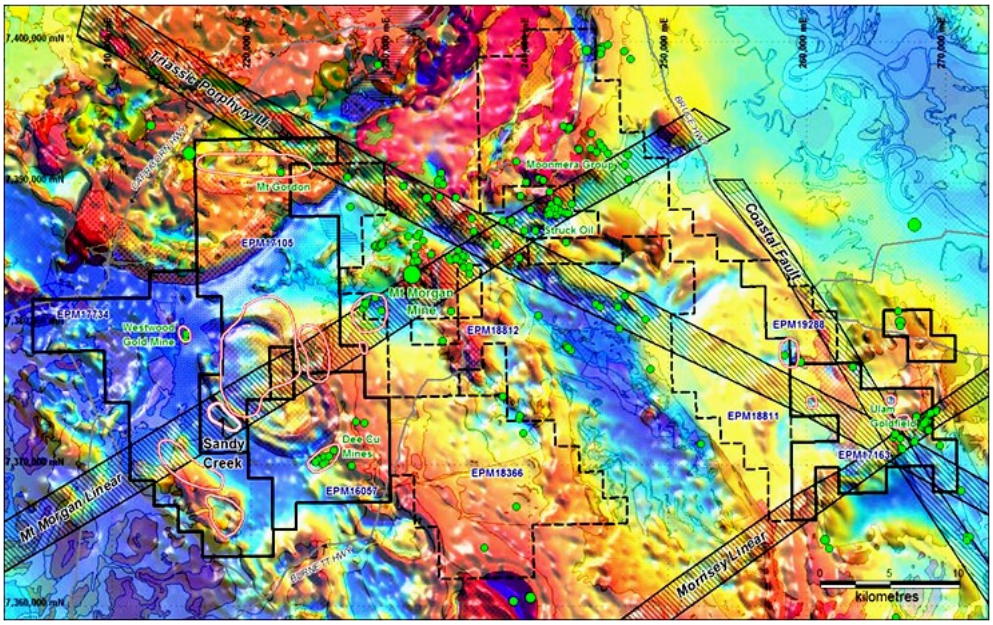


FIGURE 13: Mt Morgan Project magnetic, structural lineaments and historical mines (green dots) (*source*: **GBM Resources**, ASX Announcement 9th February 2012).

Victorian Projects

Malmsbury Project

The Leven Star Prospect has an inferred resource of 820,000 tonnes @ 4 g/t Au for 104,000 ozs

Soil sampling during 2012 produced a geochemical anomaly over the Belltopper Hill Prospect that indicates IRGS style Cu-Au mineralisation is evident. While there is an inferred resource of 820,000 tonnes @ 4 g/t Au for 104,000 ozs at the Leven Star Prospect that requires follow-up work, the project is considered secondary to the Milo Project.

Willaura Project

This project is IRGS style Cu-Au mineralisation considered to be similar to the Mt Lyell, Tasmania or the Cadia, NSW mines. Ground magnetics has delineated strong magnetic highs suitable for drill targets, however the project requires considerably more exploration.

Yea Project

The Yea Project l is IRGS style Au mineralisation that is prospective for Cu, Mo and tungsten

The Yea Project likewise is IRGS style Au mineralisation that is prospective for Cu, Mo and tungsten and likewise is still at an early stage of exploration.

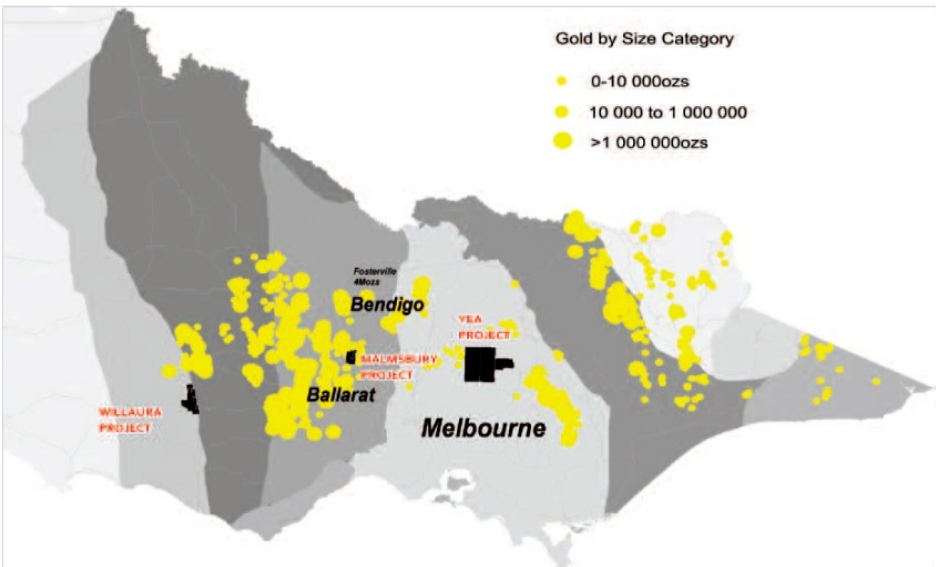


FIGURE 14: Victorian Projects Location Map (*source*: **GBM Resources**, ASX Announcement 28th September 2012).

PEER REVIEW

Previously, **RM Research** had been in a quandary as how to best classify the Milo resource but now that **GBM** have released the maiden JORC resource statement for the Cu-equivalent mineralisation, it is evident that it is a TREEYO resource with a large Cu component whether based on the contained metals by weight or on relative value. (Figures 8&9).

As a multi-commodity explorer, **GBM** is relatively difficult to compare directly given its myriad of target mineral-isations other than just the Milo Project, however as a REE explorer its peers would include **Northern Minerals** (ASX: **NTU**), **TUC Resources** (ASX: **TUC**), **Hastings Rare Metals** (ASX: **HAS**), and **Arafura Resources** (ASX: **ARU**). As a REE and phosphate explorer **Krucible Resources** (ASX: **KRB**) would be a peer. Junior Cu-Au explorers in the Cloncurry district would include **Chinalco Yunnan Copper Resources** (ASX: **CYU**), **Queensland Mining Corp** (ASX: **QMN**) and **Goldsearch** (ASX: **GSE**) which has a joint venture with **CYU**. The relative current market caps of these companies are shown in Figure 15.

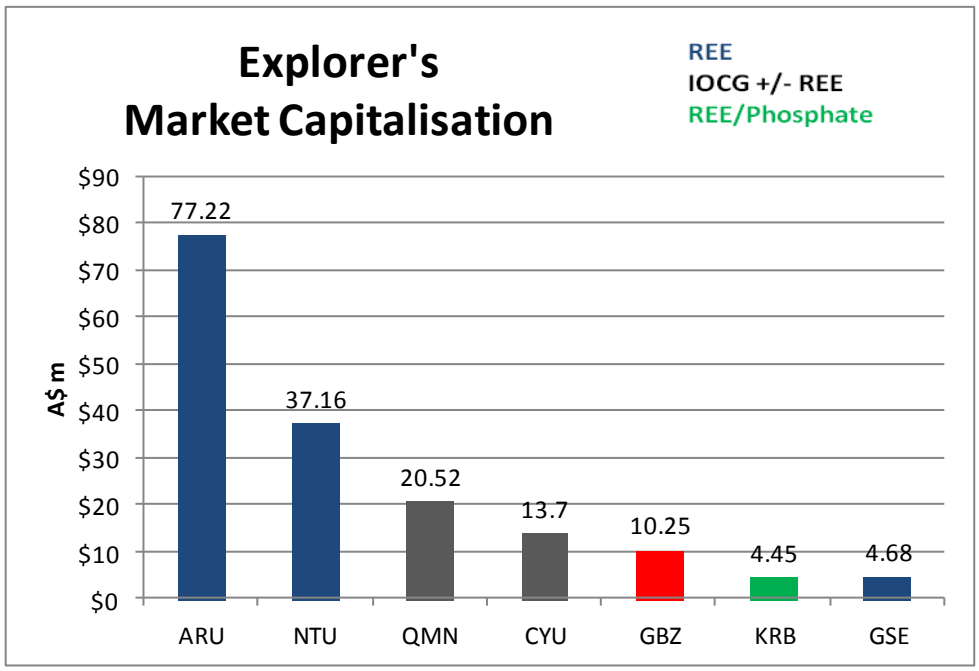


FIGURE 15: Market Capitalisations of selected peers (*source: Shares outstanding is taken from the most recently filed quarterly or annual report and Market Cap is calculated using shares outstanding.) .*

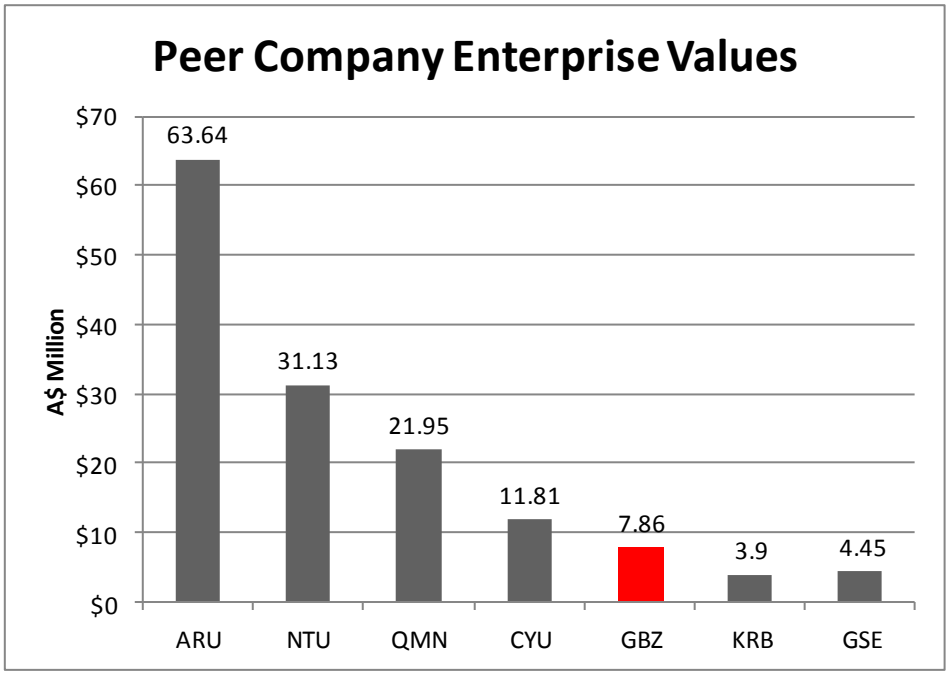
ARU: Arafura Resources, NTU: Northern Minerals, QMN: Queensland Mining Corp QMN, CYU: Yunnan Copper Resources, KRB: Krucible Resources, GSE: Goldsearch

CYU's Cloncurry district projects are similar in style to **GBM**'s Milo project in so far as the Cu-Co-Au mineralization has been overprinted in places by late stage uranium +/- REE mineralization. The light rare earth elements (LREE) cerium, lanthanum and neodymium make up around 95% of the TREEYO mineralisation with a general dearth of the higher value HREEs and CREOs. The CREO content of the Milo project is currently around 24% of the TREEYO present.

QMN has similar style Cu mineralisation to **GBM**'s Milo Project but lacks the REE component and as such is more similar to miner **Cudeco Limited's** (ASX: **CDU**) Rocklands Project.

Of the predominately REE exploration companies, **NTU** and **TUC** have yet to publish maiden JORC compliant resource statements and until they do, it is difficult to calculate comparable valuation numbers. **NTU**'s and **TUC**'s projects differ from **GBM**'s Milo project in that they have a high HREO to TREEYO ratio and the mineralisation is richer in the higher value CREOs yttrium and dysprosium.

FIGURE 16: Enterprise values for selected peers (*source*: *Data derived from multiple sources) .*



ARU: Arafura Resources, NTU: Northern Minerals, QMN: Queensland Mining Corp QMN, CYU: Yunnan Copper Resources, KRB: Krucible Resources, GSE: Goldsearch

GBM's enterprise value (EV) should be based on the total value of its various projects not just on the REE and Cu content of the Milo Project. The Bungalien IOCG JV Project, the Bungalien Phosphate Project, the Mt Morgan Project, the Mayfield Project, and the Victorian projects are all in the early stages of exploration and their respective values will be better realised as exploration progresses.

Base case NPV/share valuation of 31c per share

On an NPV/share basis using the Company's "Scoping Study" data for the Milo Project, **RM Research** derives a base case valuation of 31c per share. In potential upside case scenarios, if REE prices increase by 10% and all other variables are kept the same, the NPV/share rises to around 54c and if just the REE recoveries increase to 70% (from the base case recovery used of 60%) the NPV/share rises significantly to $1.06. Higher recoveries, higher commodity prices and lower costs will improve the NPV of the Milo Project. The financial credits for the copper, gold, uranium and phosphate should ameliorate any downside risks from a higher exchange rate and lower REE pricing.

It is too early to assign valuations to **GBM**'s other exploration projects but obviously there is a value add that is not being reflected in the current pricing of the Company's share price. Basically, these projects are being ascribed no value.

The Bungalien Phosphate Project which was scheduled to be floated out of **GBM** and to be listed on the ASX earlier in 2012 had a prospective market cap of A$16.4 million with 16.5 million shares to be issued to **GBM** valued at A$3.3 million. Although the IPO was cancelled and the project has reverted back to **GBM**, **RM Research** considers therefore that it is feasible that better value may be realised for **GBM** shareholders on a break-up basis of the Company. If this scenario were to eventuate, the current share price is a steal.

CORPORATE

On 16th April 2012, the Company announced a successful placement in which it raised A$1.3 million from the issuance of 16.7 million new shares at an issue price of 8 cents

The Company offered shareholders a Share Purchase Plan (SPP) in July 2012 that raised A$544,200 at an issue price of 5 cents.

The company is well funded

In October 2012, **GBM** announced an agreement had been reached with a Singaporean consortium fronted by **Lion Resources Development Pte Ltd** ("**LRD**") whereby a placement of 61.4 million shares would be issued at a price of 5 cents to raise A$3.1 million. As the issue was approved at the AGM, **LRD** will control 19.9% of the Company.

The **PPC/MC** JV committed to a budget of A$3.8 million to be spent on the farm-in projects up to 31 March 2013.

RISK ANALYSIS

- Further exploration may not define an economic JORC compliant resource at any of the Company's projects as to date the level of drill exploration at some projects is not close-spaced enough to define a sufficient level of confidence in the continuity of the data. This may have a negative impact on the securities of the Company.
- Further drilling at the Milo Project is expected to discover further Cu and REE mineralisation that will extend the strike length and depth potential of the resource. Additional tonnes and higher grades would improve the project's commercial viability.
- **GBM** is currently relatively well funded for its planned 2013 exploration activities. Further capital raisings will be required in order to progress the Milo Project to a feasibility study and to conduct exploration on its other projects. This would be dilutionary for existing shareholders.

Securing a JV partner for the development of Milo will be a priority

- Raising equity capital or securing a JV partner might not be an easy ask as far as the Australian market is concerned for junior exploration companies like **GBM** which may not have trophy boards or glamour projects and are flying below the radar due to suppressed market caps.
- Further declines in equity markets may continue to put pressure on junior resource companies as investors switch out of "risk" into perceived safe haven investments such as cash, gold and counter cyclical equities. Our medium term view is that the risk premium has been eroded for many junior resource companies and we see eventual upside as risk adverse shareholders would have exited these stock by now.
- The prices for the various REOs, Cu and other contained metals in the Milo Project may fall in price to the extent that the resource may not be economical, however higher pricing of REOs has a significant positive effect on the NPV. Financial credit for contained metals such as copper, gold, uranium and phosphate will add to the NPV.
- The current AUD$/US$ exchange rate is already around 15% higher than used in **GBM**'s modelling of the Milo Project which has a negative effect on the NPV. Interest rates may rise or fall over the life of the project. **RM Research** expects the exchange rate to remain above parity in the near-term, although longer term, the expectation is for the exchange rate to trade close to parity.
- Further metallurgical test work will be required in order to determine the optimal extraction and refining processes for the Milo mineralogy. Recoveries higher than 60% will increase the NPV.
- Positive exploration results at the Milo Project or the Company's gold projects should have positive impacts on the share price as would any form of corporate activity.

DIRECTORS AND MANAGEMENT

Peter Thompson, CPA. **CHAIRMAN & MANAGING DIRECTOR**

Mr Peter Thompson is a senior resources industry figure with over 30 years experience across Australia, the UK, and South America including stints at **MIM Holdings**, **Xstrata Plc**, and **Mt Edon Gold Mines**. He has held directorships at Queensland mining and civil contractor **JJ McDonald & Sons Group** and ASX listed **Golden West Resources**. He is a CPA qualified accountant and a Fellow of Chartered Secretaries Australia.

Neil Norris **EXECUTIVE DIRECTOR**

Mr Neil Norris has some 25 years experience in mining and exploration as a geologist with involvement in the discovery of **Newcrest's** Cadia and Ridgeway mines in New South Wales to his credit and the Phoenix gold deposit at Fosterville in Victoria. Before joining **GBM**, Mr Norris held senior roles with **Newmont Australia Ltd** and was Group Exploration Manager for **Perseverance Corporation Ltd**. He is the main driver of **GBM**'s technical and strategic direction.

Cameron Switzer **NON-EXECUTIVE DIRECTOR**

Mr Cameron Switzer is a Queensland based geological consultant with over 20 years experience as a geologist across the globe and importantly for **GBM** he was Principal Geologist with **MIM Exploration Ltd** the diverse experience he gained across a range of geological deposits and environments benefits the company in its exploration activities. Additionally, he has held senior roles including Senior Project Geologist at **Newcrest Mining Ltd's** Telfer gold mine in Western Australia and Geology Manager at **Acacia Resources Ltd's** Union Reef gold mine in the Pine Creek goldfields.

Guan Huat Sunny Loh **NON-EXECUTIVE DIRECTOR**

Mr Sunny Loh brings corporate and investment banking expertise in the Asian region to **GBM** and represents major shareholder **Swift Venture Holdings Corporation** of which he is the Managing Director. Mr Loh is also the Vice Chairman of Shanghai Fortune Capital, an investment banking and corporate advisory firm. Mr Loh holds a BBA from National University of Singapore, an MBA of Strategic Marketing from the University of Hull, and is an associate of the Institute of Chartered Secretaries and Administrators.

SUMMARY

GBM's market cap and EV are on the low side compared to many of its peers and in part is a result of investor risk aversion and the market attributing little or no value being assigned to its projects other than the Milo Project. Additionally, the REE sector is on the nose still given the dramatic fall in REE prices over the last two years and no doubt some investors received burnt fingers.

As a predominately LREE resource, new supply of LREEs from **Lynas Corporation** and **Molycorp** will, together with Chinese oversupply, keep LREE prices suppressed in the short to medium term. However, the Milo resource has around 24% CREOs which account for approximately 70% of the project's forecast revenue. Investors are reminded that the Company will also receive financial credit for the copper, uranium and phosphate metal content of the resource.

Further infill and regional drilling is warranted as the resource is still open-ended along strike, at depth and adjacent to the current delineated resource. The drilling to date has been relatively wide-spaced and more drilling may increase the resource base and grade.

As **GBM** have advanced the Milo Project to "Scoping Study" stage, advancing the project to the Pre-Feasibility stage is the next step on the path to any eventual mining scenario. Given the completion of the "Scoping Study", it may pay **GBM** to analyse various scenarios such as reducing capital and operating costs across the operation. Additionally, further metallurgical testing may improve the processing and recovery of REOs or alternatively the concentrate could be sold to a third party or customer to process thereby significantly reducing **GBM**'s capital costs.

Securing a funding and/or development partnership for the Milo Project would be viewed as a positive by investors and assist **GBM** in progressing the project.

Value should be ascribed by investors to the significant exploration potential for **GBM**'s stable of other projects, particularly the Au & Cu projects as these two commodities are viewed as having the best growth profile by **RM Research** over the next 12 months.

Teaming up with a well funded JV partner should be well received by investors

CONCLUSION

The Milo Project is advancing in-line with industry peers developing similar style projects but clearly requires further drilling to delineate the resource boundaries and to enhance the metal content and overall economics of the project. Driving the project to the next level should be a priority of the Company and if possible, teaming up with a well funded JV partner should be well received by investors and increase the Company's profile among its peers.

It is conceivable that the Company may be worth more if it is broken-up

RM Research is of the opinion that given commodity prices appeared to have peaked in general, the cyclical nature of commodity prices and dour investor sentiment, the inherent value of **GBM**'s Au and Cu assets is overlooked as the Company is generally thought of as a REE and/or IOCGU junior explorer. With the disparate geographies and mineralisations of the various projects that make up the **GBM** stable, it is conceivable that the Company could be broken-up as follows:

- A phosphate company anchored by the Bungalien Phosphate Project with non-core phosphate projects from other phosphate explorers vended into the vehicle
- The Milo REE/IOCGU Project as a stand-alone company that could be funded under joint venture with one of its peers or a larger player in the Cloncurry district, or incorporated into the existing **PPC/MC** Bungalien IOCG JV Project**.**
- The Mt Morgan Project, the Mayfield Project, and the Victorian projects remain bundled together in **GBM** with the Company then developing into a focussed Cu/Au explorer.

A share price target of 35c is appropriate within the next 12 months

RM Research considers that the potential of **GBM** is de-risking as the Milo Project progresses and that a share price target of 35c is appropriate within the next 12 months.

RM Research

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RM Research Recommendation Categories

Care has been taken to define the level of risk to return associated with a particular company.
Our recommendation ranking system is as follows:

Buy	Companies with 'Buy' recommendations have been cash flow positive for some time and have a moderate to low risk profile. We expect these to outperform the broader market.
Speculative Buy	We forecast strong earnings growth or value creation that may achieve a return well above that of the broader market. These companies also carry a higher than normal level of risk.
Hold	A sound well managed company that may achieve market performance or less, perhaps due to an overvalued share price, broader sector issues, or internal challenges.
Sell	Risk is high and upside low or very difficult to determine. We expect a strong underperformance relative to the market and see better opportunities elsewhere.

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