



19 April 2016

ASX Market Announcements
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000



Gold Production Update

- **Approximately 130,800 dry tonnes @ 2.16g/t for a provisional 9,075 ounces of gold treated to date from WA gold mines**
- **\$6.05 million received in first tranche payments from Paddington**
- **Refinement of sampling and grade determination procedures in progress to facilitate finalisation of second batch payments under Ore Treatment Agreement**
- **Small “starter” pits at Castlereagh, Jackorite and Big Blow South completed with all ore processed**
- **Mining fleet focussed on the large Zoroastrian system with mining in progress in Central and Extended pits**

Western Australian gold producer, Excelsior Gold Limited (“Excelsior Gold” or the “Company”) advises that ore mining has commenced at its main Zoroastrian Central open-pit within its wholly-owned Kalgoorlie North Gold Project (“KGNP”), 45 kilometres north of Kalgoorlie in the Eastern Goldfields.

Haulage of the first Zoroastrian ore to the Paddington Mill commenced on 15 April following the conclusion of initial start-up mining from the three small satellite pits to the south of the large Zoroastrian mineralised zone.

Excelsior Gold has a 5 -10 year milling agreement with the Zijin Mining-Group Ltd owned Norton Gold Fields Ltd (“Norton”) to process a minimum 500,000 tonnes per annum (650,000 tonnes in CY 2016) of Excelsior Gold’s ore at the Paddington processing plant, located 20 kilometres south of the Zoroastrian deposit.

The Company has received initial payments of A\$6.05 million from its first four months of processing of ore from the Castlereagh, Jackorite and Big Blow South (“BBS”) start-up satellite pits.

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A further provisional A\$7.78 million is potentially owing as second tranche payments from the 10 batches of ore delivered and processed from the satellite pits once the Norton completes final grade and recovery determinations and processing and haulage cost assessments.

The 10 batches of ore trucked to Paddington totalled 130,800 dry tonnes @ 2.16 grams per tonne gold (g/t Au) for a provisional 9,075 ounces of gold.

Pursuant to the Ore Treatment Agreement, processing and haulage costs for each of the batches are to be subtracted from the second tranche payments and the Company estimates that these outstanding processing and haulage costs will approximate \$4.5 million.

With ore mining commenced at the main pit, Excelsior and Norton are now also assessing on a continuous basis, the limited data received to date from the laboratory's processing of the satellite ore samples to check the laboratory specific assay procedures against the accuracy of grade and recovery data recorded.

The initial results have exposed some laboratory specific assay procedural issues which may have affected the accuracy of grade and recovery data. The companies' metallurgical teams and consultants are working with the laboratory to resolve procedural inconsistencies that potentially impact on reliability of the final recoverable gold determination. Until this review process is completed the companies have agreed to apply grade factoring of 80 to 90% to the mine claim grades to align first tranche payments with preliminary assay results received from the first ore batches. Excelsior Gold is pleased to note that preliminary assays from more recent ore batches has improved as the Company has been modifying and perfecting the mining procedures.

Excelsior Gold views this as a teething issue in this long-term milling arrangement with Norton and remains confident that a satisfactory resolution is imminent. The review of the processes will potentially lead to a streamlining of the laboratory procedure and a marked improvement in turnaround time for the results.

Excelsior Gold's Managing Director, Mr David Hamlyn, said "This would ensure that as mining, delivery and processing volumes ramped up from Zoroastrian Central, both parties would be satisfied that assay and laboratory procedures subject to the milling agreement set the right precedents for determining final revenue calculations for ore batches."

"As a new gold producer in WA's Eastern Goldfields, we have taken some time to perfect the all-important sampling and recovery process overall but this is essential as we make the transition from a start-up gold mining operation of around 9,000 ounces to our 2016CY production target of around 40,000 ounces of gold," Mr Hamlyn said.

The Ore Processing Agreement is not a standard toll treatment arrangement and processing costs are based on a mixture of fixed charges and variable milling costs. The rationale for this is that the blending of Excelsior Gold's oxide ore into Norton's Paddington Mill will potentially result in lower monthly milling costs from which Excelsior Gold can then benefit.

Mr Hamlyn said the processing charges notified to the Company to date by Norton were in line with Excelsior's expectations of averaging around the low \$30s per dry tonne of ore treated.

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Mining

Satellite Pits

Final reconciliations for the Castlereagh, Jackorite and BBS pits are pending the receipt of final mine claimed and mill numbers.

The Castlereagh pit was successfully mined to design (Figure 1) and produced approximately 69,900 dry tonnes at a grade of 1.83g/t Au for a provisional 4,112 ounces. There remains potential for a cut-back on the western and northern ends of the pit where newly discovered lode positions observed in the pit walls were not effectively defined by drilling.

The Jackorite pit produced 32,500 dry tonnes @ 2.67g/t Au for a provisional 2,789 ounces. Heavy rain in March resulted in the premature closure of the pit due to flooding and a small wall failure below the ramp. The Company is reviewing the feasibility of salvaging the remaining 600 to 1,200 tonnes of broken ore from the bottom of the pit and the potential to deepen the pit to access additional ore.

The BBS pit also had a small wall failure which inhibited access to some ore at the base of the pit (Figure 2). The pit produced 28,400 tonnes @ 2.38g/t Au for a provisional 2,174 ounces.

Zoroastrian Extended Pit

The Zoroastrian Extended pit involves deepening of the original Zoroastrian pit mined by Aberfoyle Gold Pty Ltd in the early 1990s. The original pit was not mined to full design depth by Aberfoyle and this provided an opportunity for Excelsior Gold to access narrow high grade vein mineralisation in the southern part of the old pit (Figure 3).

The deepening of the pit was originally scheduled to be mined in the March 2016 quarter. However, the recent wet weather prevented the commencement of mining until the first week of April. The pit is estimated to produce approximately 15,339 tonnes @ 3.74g/t Au and is scheduled to be completed by early May. Haulage of ore to the Paddington Mill will commence in the coming week.

Zoroastrian Central Pit

A total of 14,745 metres of drilling in 647 grade control holes from surface (~438-440mRL) down to the 420mRL has now been completed. To date, results have broadly been in-line with expectations though it is apparent that the top five metres of the northern end of the pit are more extensively mineralised than initially thought. A program of 2,076 metres of ditch-witch sampling, undertaken to help define the near surface mineralisation and to supplement the grade control drilling, delineated additional modest grade ore which was outside of the current ore reserves.

Mining in the top sections of the Central pit has exposed lode positions and structures containing gold mineralisation within the pit design which are outside of areas of known mineralisation. Evaluation of this near surface mineralisation contributed to some delay in the waste removal program and ramp up of ore production from the scheduled ore zones of the

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pit. However, the completion of the grade control programs has now enabled mining to focus on extraction of the ore.

Two Komatsu 1250 excavators and 6 Caterpillar 777 dump trucks are currently operational in the Zoroastrian Central pit. Waste stripping was conducted in February and March to provide access to the ore zones and ore production proper commenced in early April. Haulage of the first batch of ore from the Zoroastrian Central pit to the Paddington Mill commenced on 15 April 2016.

For further information visit www.excelsiorgold.com.au or contact

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Figure 1. Completed Castlereagh Pit

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Figure 2. Final ore extraction in Big Blow South Pit

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Figure 3. Zoroastrian Extended mining in the southern section of the original Zoroastrian Pit

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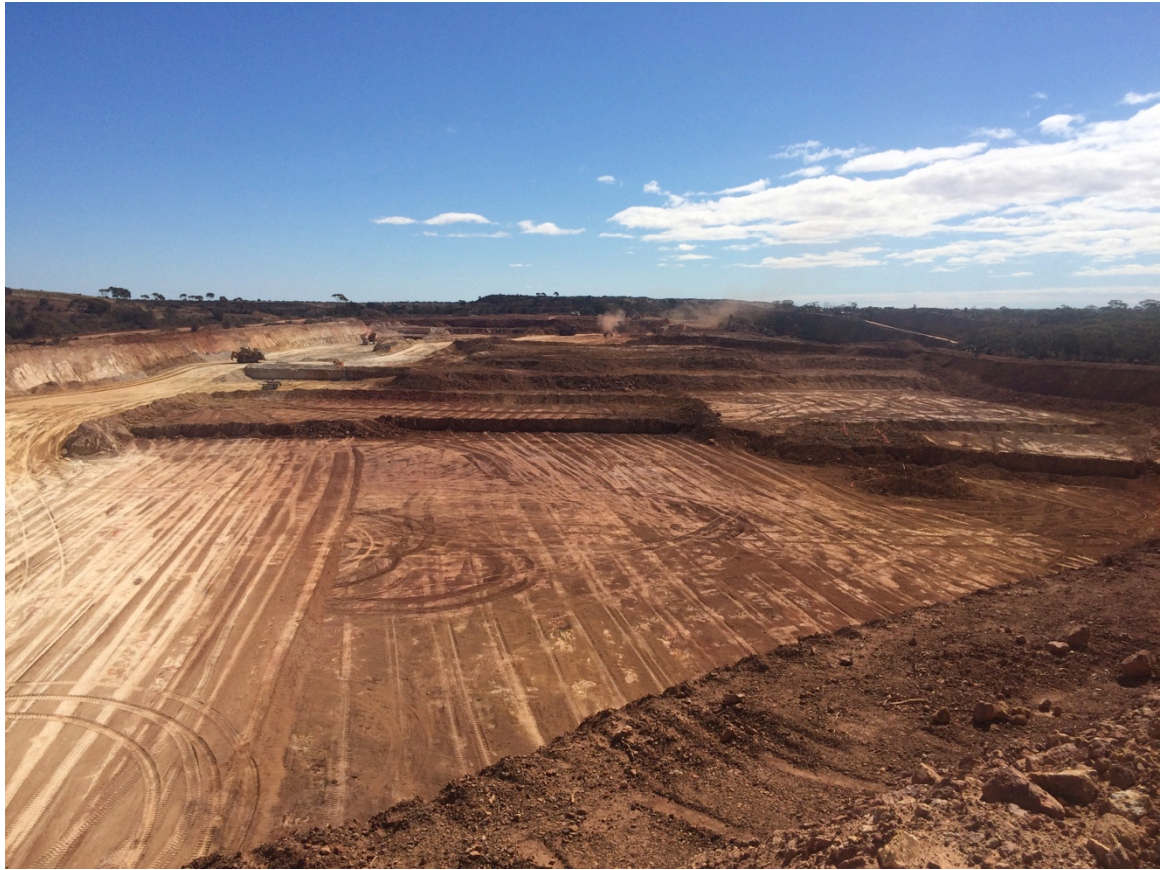


Figure 4. Zoroastrian Central Pit.

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