



**excelsiorgold**  
LIMITED

12 July 2016

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



**ASX Code: EXG**

## Funding Program and Operational Update

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### Changes to funding program

Excelsior Gold Limited (“**Excelsior Gold**” or the “**Company**”) wishes to advise of changes to the proposed funding program (*refer ASX announcement 20 June 2016*) which significantly reduces the potential dilution to existing Excelsior Gold shareholders.

Under the terms of the binding agreements entered into with GWR Group Limited (“**GWR**”) and Farrah Property Securities Pty Ltd (“**Farrah**”), GWR has provided funding of \$2.25 million consisting of a \$1.59 million Loan and \$0.66 million of Convertible Notes and Farrah has provided funding of \$0.5 million of Convertible Notes. On completing due diligence GWR had the right to subscribe for approximately 27.8 million Shares in full satisfaction of the GWR Loan and at the same time convert the GWR Convertible Notes to Shares.

GWR has advised Excelsior Gold that it will not be electing to convert the GWR Loan and GWR Convertible Notes, GWR has foregone the opportunity to take up additional financing rights that could have provided GWR with a substantial cornerstone interest in Excelsior Gold, and its interest in Excelsior Gold will remain the GWR Loan (repayment on 21 June 2017) and GWR Convertible Notes (which at GWR’s election convert to Excelsior Gold shares at \$0.0387 and mature on 21 June 2017).

The Company intends to continue its working relationship with GWR and is pleased to advise that GWR’s appointee to the Excelsior Gold board, Mr Jimmy Lee, will remain a director of the Company and continue to provide valuable operational and commercial input on Excelsior Gold’s activities.

In response to GWR’s decision not to take up their full financing rights, Farrah has requested, and EXG has agreed, to immediately convert the existing Convertible Loan to 10 million Shares and with 10 million Attaching Options and issue a further 4,000,000 Shares at \$0.05 per share and 4,000,000 free Attaching Options to Farrah. As a result Farrah’s investment will increase to \$0.7 million. The share placement will be made using the Company’s existing 10% capacity and shareholder approval will not be sought for the issue. The issue of the 14 million free Attaching Options is subject to shareholder approval.

**Excelsior Gold Limited**

ABN 38 123 629 863

**Address:** Unit 2, 124 Stirling Highway, North Fremantle WA 6159 **Postal:** PO Box 520, North Fremantle WA 6159

**Telephone:** 08 9335 7770

**Facsimile:** 08 9335 6231

In addition and as previously announced, Farrah has agreed to underwrite 40 million Shares (or \$2 million) under the Rights Issue. The Company will provide a revised timetable for the Rights Issue and lodge a prospectus with ASIC shortly, and dispatch to eligible shareholders shortly thereafter. Persons should consider the prospectus in deciding whether to acquire the securities and complete the personalized application form that will accompany the prospectus.

The Company welcomes the continued support of Farrah and GWR which has provided immediate access to working capital to progress mine development at Zoroastrian and to advance exploration drilling on the Zoroastrian mineral system and in new resource areas.

### **Mine reconciliation data**

Following the discovery of corrupted resource definition modelling data at the Kalgoorlie North mine site which provided erroneous mine reconciliation information (*ASX announcement 21 June 2016*), the Company's mining team has reviewed the reconciliation estimates and its internal audit procedures.

Mining commenced in the Zoroastrian Central open pit in February 2016 and to the end of June, the pit has been extended to 20 to 30 metres below surface. Mineralisation in the upper oxidised profile is typically more sporadic and generally lower grade compared to more consistent ore zones which extend below a vertical depth of approximately 30 metres.

Mine production to date of 98,600 tonnes @ 1.45g/t Au for 4,592 ounces is consistent with the Company's grade control resource estimate, however is below the diluted resource model production estimate of 170,000 tonnes @ 1.47g/t Au for 8,065 ounces. The discrepancy between mine production tonnage to date and the diluted resource model production estimate tonnage is attributable to: -

- poor ore definition in the top of the oxidised profile and assignment of lower confidence zones of mineralisation to low grade and mineralised waste stocks;
- extrapolation of deeper exploration drilling data up into the untested volumes near to surface resulting in predictions of materially more contained metal in the surface volumes;
- disruption of the ore zones by cross cutting fault structures resulting in a pinch and swell of the mineralised zone with associated ore loss in the narrow sections;
- lower bulk densities than predicted in the top levels of the pit;
- changes to dip and strike orientations of some mineralised structure producing narrower ore zones; and
- possible leaching of gold during the weathering process with partial depletion of near surface gold.

The Company has commissioned independent consultants Cube Consulting to carry out a review of the grade control and site procedures which has provided recommendations to improve grade control and resource modelling practices, many of which have already been implemented. Cube has also been engaged to carry out new resource modelling on the

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Zoroastrian deposit to confirm mineral resource estimates based on the more comprehensive data set now available from recent mining and grade control drilling. This new resource model is expected to be completed in August.

Only about 10% of the Zoroastrian deposit is contained in the top 30 metres of the pit and while poor reconciliations have been observed in these levels, the disparity between mine production and resource model predictions has declined progressively with depth as the pit advances towards areas of the deposit that are considered to be more uniform.

In addition to the extensive grade control drilling being undertaken in the pit, specific targeted reverse circulation drilling is also in progress to test deeper sections of the large mineralised structure to confirm widths and grades of the mineralisation to support the current mining plan and to complement Cube's resources modelling.

The mining operations in the Zoroastrian Central open pit are now focussed on the northern section of the pit which is scheduled to deliver 56,900 tonnes @ 1.50g/t Au (2,740 ounces) during July. On completion of the Cube resource modelling program further mine optimisation studies will be conducted to refine open pit mine designs and production forecasts.

For further information visit [www.excelsiorgold.com.au](http://www.excelsiorgold.com.au) or contact **Excelsior Gold Limited**

David Hamlyn  
Managing Director  
T: + 61 8 9335 7770  
E: [dhamlyn@excelsiorgold.com.au](mailto:dhamlyn@excelsiorgold.com.au)

Nicholas Ong  
Commercial Director  
T: +618 9335 7770  
E: [nickong@excelsiorgold.com.au](mailto:nickong@excelsiorgold.com.au)

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