



## **Ballarat Gold Project - Mine Plan Update**

Castlemaine Goldfields Limited (**ASX:CGT**) provides an update on the Ballarat mine performance to date and its mine plan going forward.

### **SUMMARY**

Start-up and re-commissioning of the Ballarat Mine operations commenced during the September quarter. To date, approximately 28,000 tonnes at an average grade of 2.3g/t has been mined, and 955 ounces produced to bullion. In the September Quarter, the Company forecast that it would take until mid 2012 to develop sufficient operating headings to achieve forecast steady state production. As a result the Company had anticipated generating between 5,000 and 8,000 ounces of gold in 2011 as this development advanced.

Re-commissioning of the gold processing plant was planned to be on low grade ore. Higher grade ore from two new sources were added into the short term mine plan to add cashflow and allow further time for re-assessment of the first significant ore source - the Tiger South in the Llanberris compartment (ASX Release 28 September 2011). Unfortunately neither of these new sources has performed to expectations.

The Board has therefore decided to prioritise mining activities and focus on the planned higher grade ore sources. A review of all expenditure has also been initiated.

The primary objective of the mine plan continues to be the development down to the large basal portion (Mako Lode) of the mineralisation known as the Mako Fault Zone identified in the Llanberris compartment and identified further north into the Britannia compartment. The experience to date has not diminished this target. The Company plans to now focus on achieving access to this mineralisation in the shortest time possible. The Company is currently reviewing options to achieve this objective, the timeframe needed and the associated funding requirements.

Castlemaine Goldfields Managing Director Matthew Gill said "We are obviously extremely disappointed with having to implement a revised mine plan that will curtail some business activities. The existing strategy, which relied on certain near term ore sources to generate revenue to assist us in reaching our primary objective of the main Mako Lode of gold mineralisation at depth, when projected forward based on performance to date, required decisive action.

We remain confident of the potential for economic gold production from the Ballarat goldfield, but we need to access and commence mining the more prospective Mako Lode to provide a first demonstration of this potential.

Work has begun to prioritise and schedule activities and to determine the funding requirements for the revised mine plan. Full disclosure will continue as further information is available and decisions are made."

### **COMMENTARY**

The company purchased the Ballarat Gold Mine for a consideration of \$4.5m in May 2010 and commenced a nine month exploration drill program to identify sufficient mineralisation before a decision would be made to re-commence mining.



### **COMPANY DETAILS**

#### ***Principal and Registered Office:***

Castlemaine Goldfields Ltd  
10 Woolshed Gully Drive  
Mount Clear, VICTORIA,  
Australia 3350

#### ***Postal Address:***

PO Box 98  
Mount Clear, VIC, 3350

#### ***Website:***

[www.cgt.net.au](http://www.cgt.net.au)

#### ***Email:***

[info@cgt.net.au](mailto:info@cgt.net.au)

#### ***Phone:***

(03) 5327 2555

#### ***Facsimile:***

(03) 5327 2556

#### ***ABN:***

45 073 531 325

#### ***ASX CODE:* CGT**

#### ***Corporate Information:***

Shareholders	~2,000
Shares on Issue	152.8 million
Options (unlisted)	315,000

#### ***Directors:***

##### ***Non-Executive Chairman:***

Gary Scanlan

##### ***Managing Director:***

Matthew Gill

##### ***Non-Executive Directors:***

Drew Henry

Peter Lester

Peter McCarthy

A program utilizing 2 drill rigs conducted 15,000 metres of drilling such that by December 2010 sufficient mineralisation on the primary Mako Fault in the Llanberris compartment was identified, along with four other smaller hangingwall lodes (collectively the Mako Fault Zone – Lower Llanberris mineralisation). This drilling also evidenced the same Mako Fault Zone structures extending further north into the adjacent Britannia compartment.

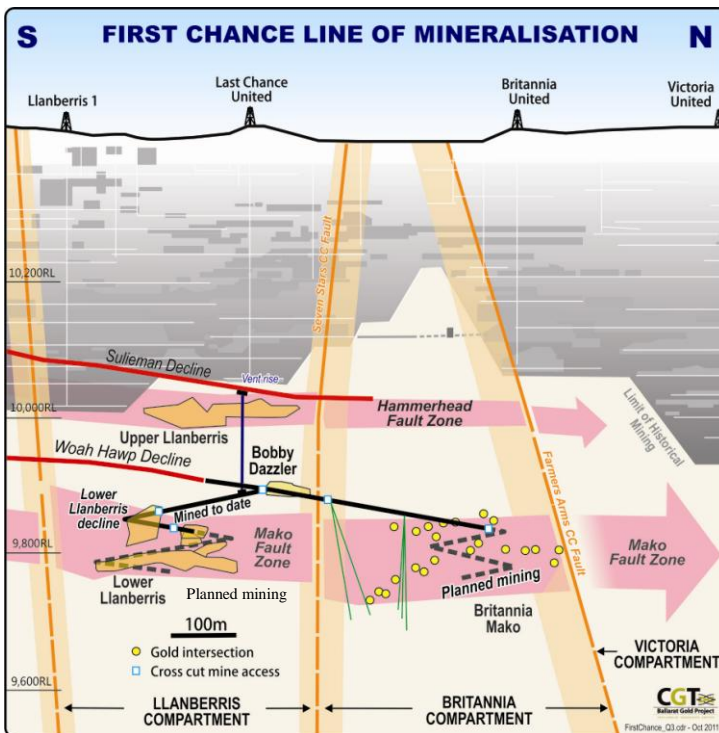
A feasibility study was conducted on the economic merits of re-starting mining operations to access and mine this mineralisation. The findings from this work were released in February 2011 ([ASX Releases of 14 and 16 February 2011](#)). This mine plan provided for the need to access the primary Mako Fault Zone in the Llanberris compartment whilst in parallel extending the Woah Hawp decline into the Britannia compartment, such that the previously identified Mako fault structure there could also be better drilled and the mineralisation delineated ahead of final mine planning and the decision to extract that mineralisation.

The mine re-commenced development to access the identified mineralisation in the Llanberris compartment in March of this year. To date, approximately 1,700 metres of waste development has been achieved, advancing the upper Woah Hawp Decline (WH Decline) north into the Britannia compartment, and advancing the Lower Llanberris Decline (LLB Decline) down towards the primary Mako Fault Zone (refer Figure 1). All development has occurred safely.

As at the end of October, the LLB Decline had advanced half way down the primary Mako Fault Zone, with approximately 400 metres remaining to intersect the primary Mako Lode target.

First ore was mined from the Sovereign compartment in July this year – an area developed by the previous owner but not exploited. This mineralisation was expected to be low grade but of sufficient quantity and quality to be used for re-commissioning of the processing plant. To date, some 20,000 tonnes at 2.4g/t gold<sup>2</sup> has been mined from this source.

First gold was poured on schedule in September.



**Figure 1. First Chance Line of Mineralisation with mining and exploration areas discussed in text shown.**

Certain hangingwall lodes within the Mako Fault Zone were identified in the original 2010 phase of drilling into the Llanberris compartment. Collectively these relate to a series of faults named Tiger, with the Tiger South Lode targeted for first mining in the Lower Llanberris compartment (Figure 2). Mining from this source was deferred in September for several months as a result of the different and disappointing mineralisation encountered on first accessing this lode.

In-mine exploration drilling continued during 2011, with the identification of certain small mineralisation lodes near-by existing mine development. Based on this drilling, and the need to replace the reduced and deferred tonnages from the Tiger South lode, two new ore sources were added to the original mine plan – the BFZ and the Bobby Dazzler.

The BFZ – the Basking Fault Zone on the Suliman Line - was expected to contain approximately 28,000 tonnes at grades over 4.5g/t gold<sup>1</sup> based on 9 drill holes and constrained by 9 surrounding holes. Since mining of the BFZ commenced, a block model has revised the expected tonnages down to approximately 17,000 tonnes. To date this source has delivered approximately 5,000 tonnes at an average estimated

grade of 2.1g/t gold<sup>2</sup>. This result to date is below the original estimates, even though stoping has yet to commence.

The Bobby Dazzler – located only 40 metres from the existing Woah Hawp Decline, and identified from 19 holes drilled, has delivered approximately 3,000 tonnes at 2.4g/t gold<sup>2</sup> against a design expectation of grades over 4g/t<sup>1</sup>.

An internal review of the mine plan performance to date is that the general under-performance of the satellite lodes has not delivered the anticipated gold ounces, and therefore revenues expected. Projected forward, and without changes to the mine

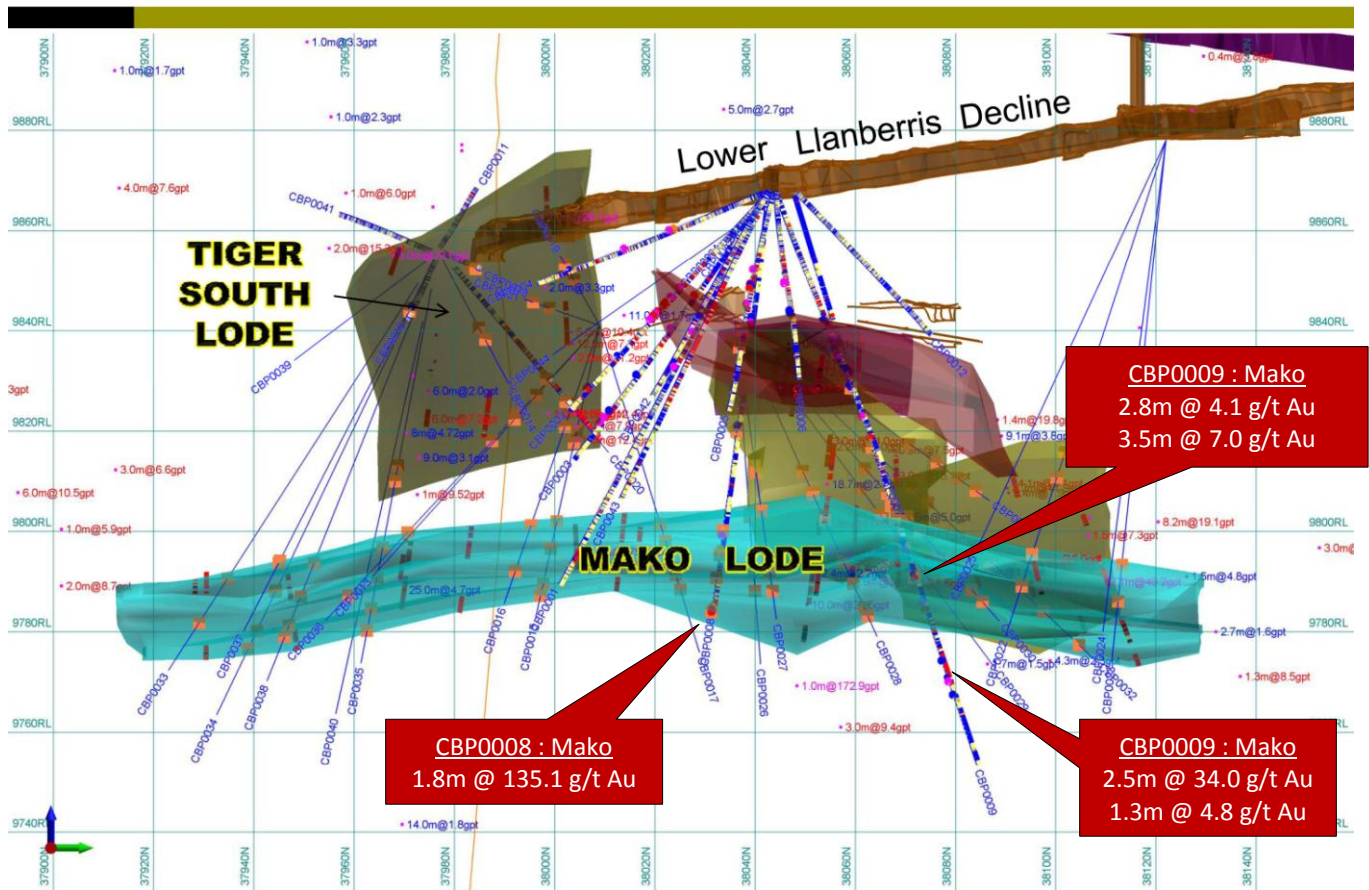
plan, the original objective of reaching the Mako Lode in the Lower Llanberris compartment would not be realized on current cash reserves. The Company had \$9.96 million cash as at 31 October 2011.

The Board has therefore determined that it is necessary to curtail activities outside of the core focus of accessing and mining the Mako Lode in the Llanberris compartment in order to demonstrate whether or not there does exist at the northern end of the prospective Ballarat goldfield sufficient mineralisation to sustain a profitable modern mining operation.

Mine planning is now underway to determine the optimum course of action to achieve the stated objective of reaching and confirming the mineralisation estimated to exist in the Mako Lode in the Lower Llanberris compartment.

**THE MAKO FAULT ZONE**

# Lower Llanberris Mineralisation



*Figure 2. The five identified lodes in the Llanberris compartment, with the primary Mako Lode in blue. The red call-out boxes relate to new drill hole results not previously released (refer Table 2).*



# Lower Llanberris Resource Target

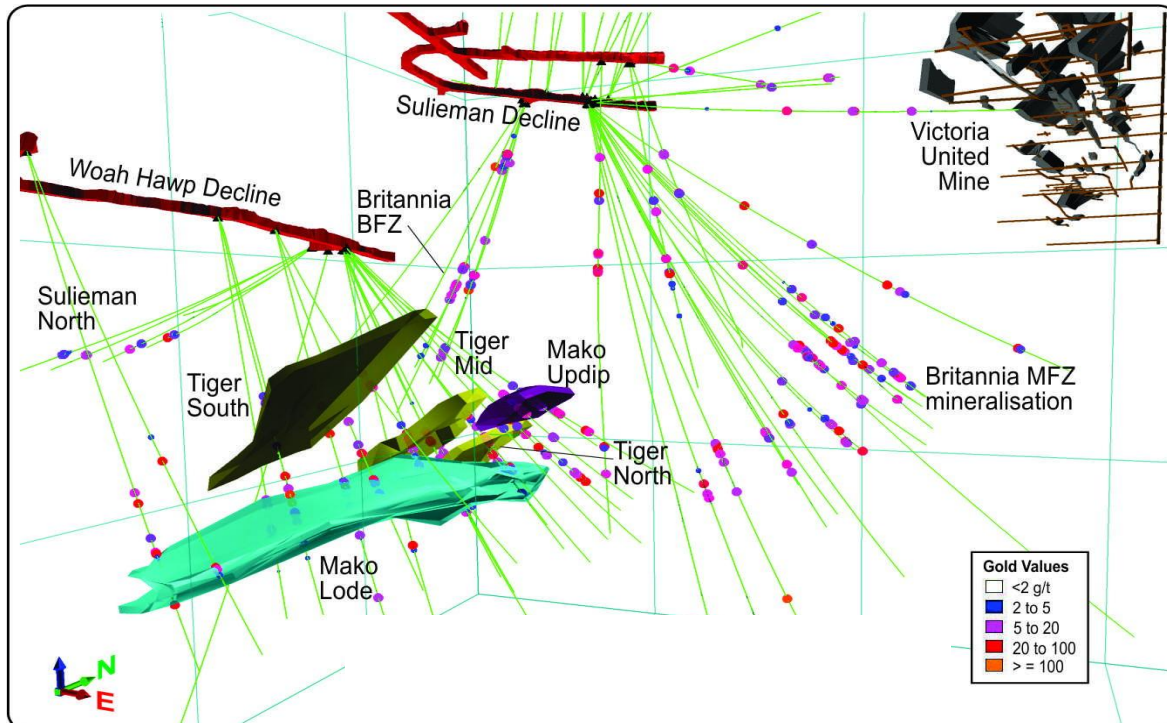


Figure 3. The five identified lodes in the Llanberris compartment, with the primary Mako Lode in green.

The Mako Fault Zone is an interpreted gold mineralisation zone identified from drilling done by the Company and others. It is interpreted from 18 holes (Table 1 below). Two recent holes drilled into this zone, as part of the drilling delineation required ahead of detailed mine planning and extraction, confirms the broad structural nature of the zone. These results are included in Table 2 below.

Current estimates suggest the Mako Lode may contain between 120,000 and 150,000<sup>3</sup> tonnes at an estimated gold grade of approximately 9g/t<sup>3</sup> (for potentially between 35,000 and 40,000<sup>3</sup> ounces).

## IMPORTANT NOTE

The mine planning and schedule and any resources referred to in this release are **not** based on estimations of Ore Reserves or Mineral Resources made in accordance with the JORC Code for the Ballarat East goldfield and caution should be exercised in any external technical or economic evaluation.

Considering the style of mineralisation, and particularly the uncertainty of gold grade continuity, Mineral Resource or Ore Reserve estimates will only be possible once mining has accessed the Lower Llanberris and Britannia gold mineralisation to gain further geological and grade information. CGT emphasises that no Ore Reserve currently exists and cannot be estimated until drilling results can be correlated with bulk tonnage mining outcomes.

<sup>1</sup> Initial expectations derived from drill ½ core sample assayed length-weighted average gold grades contained within the mineralisation shape which was constrained to quartz intersections within the geological model.

<sup>2</sup> Grade estimated using three nominally 15 kg samples taken in the crushing circuit of the gold processing plant. The three samples are ‘scoop’ belt samples taken hourly and composited over a 12 hour period. Samples are then jaw crushed to 1mm and split using a Boyd crusher to a representative 2kg samples which are each analysed by Leachwell<sup>®</sup> cyanide leach

(24 hour) 2000g analysis. The arithmetic average of the 3 sample grades is allocated to the tonnage mill for the 12 hour period and similarly 24 hour day.

<sup>3</sup> It is also important to note that the Exploration Targets and mining assumptions described in this release are conceptual in nature and there is insufficient information to establish whether further exploration, either by drilling or mine access into the mineralisation will result in the determination of a Mineral Resource or Mineral Reserve.

### **Competent Person's Statement**

*Information in this document which relates to Exploration Results, is based on information compiled by Mr Wessley Edgar, a full time employee and Exploration Manager for Castlemaine Goldfields Limited, who is a member of the Australasian Institute of Mining & Metallurgy, and who has the relevant experience as a Competent Person, as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)'. Mr Edgar, has given and has not withdrawn prior to lodgment, his written consent to be named in this Announcement as the person responsible for the Exploration Results statements and to the inclusion of these statements in the form and context in which they appear.*

## Appendix 1

### Tables of Assay Results

- All new gold assays reported here are Leachwell<sup>®</sup> cyanide leach (24 hour) 2000g analysis. A series of external standards and blanks are used to assess laboratory assay quality control.
- Intervals are length weighted grade averages with <2m internal dilution although lower grades and greater internal dilution may be included only where the dilution is predominantly quartz veining (80-100% quartz). No top cut off grade is used. Minimum sample interval is 0.3m. Core loss or unsampled intervals are ascribed a gold grade of zero.
- Some gold bearing assay intersections which relate to individual spur veins which are unlikely to be mined as individual veins have been omitted from the list of assay results. Such results are not considered material to a future mining project.

**Table 1. Existing assay results for the Mako Fault Zone in the Lower Llanberris compartment**

Drillhole	Collar					Depth From (m)	Gold Intersection	Intersection mid-point		
	North	East	RL	Azimuth	Dip			North	East	RL
CBU001	53035.11	38066.03	9906.43	108	-70.5	108.1	6.1m @ 2.9 g/t	53077.08	38053.70	9804.30
						124.2	5.7m @ 0.8 g/t	53083.52	38051.96	9789.86
CBU002	53034.88	38066.1	9906.63	105.3	-76.7	117.05	4.15m @ 10.5 g/t	53063.43	38058.96	9791.20
						148.9	3.0m @ 9.4gpt	53071.44	38057.12	9761.03
CBU003	53035.17	38066.52	9906.53	86.5	-69.1	118.3	5.5m @ 7.5 g/t	53082.80	38067.90	9795.34
CBU005	53034.33	38067.54	9906.35			130.0	10.7m @ 2.4 g/t	53100.41	38095.68	9791.74
CBU007	53035.1	38068.07	9906.27	49.0	-62.0	133.4	2.1m @ 38.5g/t	53087.94	38109.87	9789.94
						148.5	2.6m @ 4.4g/t	53094.28	38114.73	9776.88
CBU016	53034.31	38023.81	9913.01	102.6	-67.0	120.3	6.65m @ 4.6 g/t	53085.06	38013.19	9800.83
						134.7	3.25m @ 25.7 g/t	53090.79	38012.01	9789.56
CBU017	53034.49	38023.83	9912.97	102.6	-75.0	117.15	3.15m @ 14.1 g/t	53068.31	38015.83	9799.47
CBU019	53029.84	37998.41	9916.51	114.4	-70.9	123.4	7.0m @ 5.4 g/t	53072.41	37981.94	9798.12
						138.35	3.6m @ 0.04 g/t	53077.15	37980.05	9785.89
CBU026	53018.9	37930	9934.05	90	-70.0	159.6	3.4m @ 14.0 g/t	53088.96	37927.78	9788.93
						148.9	4.6m @ 6.0 g/t	53063.88	37930.05	9789.79
CBU027	53018.78	37929.98	9934.04	90	-76.0	164.5	3.1m @ 0.6 g/t	53069.04	37929.98	9775.87
						653.34	11.2m @ 0.4 g/t	53097.74	37969.39	9795.40
BDD008	52964.65	38012.57	10429.5	101.9	-85.0	653.34	11.2m @ 0.4 g/t	53097.74	37969.39	9795.40
BDD008A	52964.65	38012.57	10429.5	101.9	-85.0	646.5	8m @ 9.4 g/t	53081.69	37970.65	9796.83
						656.8	7.3m @ 3.7 g/t	53085.76	37969.42	9787.84
BEP1680	53007.03	37988.94	10069	77	-73.6	282.7	9.8m @ 251.2 g/t	53098.55	38003.84	9796.91
BEP1768B	53035.27	38065.67	10057.1	69.5	-82.1	263.65	2.8m @ 0.5 g/t	53101.00	38068.56	9801.26
						270.6	8m @ 20.2 g/t	53104.42	38068.12	9792.36
BEP1811	53020.04	37930.51	9934	65	-75.0	149.9	5.7m @ 1.6 g/t	53064.40	37946.61	9788.75
						161.7	4.3m @ 3.5 g/t	53067.89	37947.92	9778.33
BEU226	53004.4	38075.77	10056.1	103.6	-78.2	265.05	5.8m @ 2.3 g/t	53084.21	38052.40	9801.97
						278.4	7.4m @ 28.3 g/t	53089.59	38050.66	9789.02
						290.4	3.7m @ 2.0 g/t	38743.84	27765.79	7136.63

**Table 2. Significant new assay results for the Mako Fault Zone in the Lower Llanberris compartment (October drilling)**

Drillhole	Collar					Depth From (m)	Gold Intersection	Intersection mid-point		
	North	East	RL	Azimuth	Dip			North	East	RL
CBP0008	53090.64	38042.27	9867.48	159.5	-83.2	68.7	0.6m @ 7.5 g/t	53093.43	38033.44	9799.20
						71.4	0.4m @ 123.9 g/t	53093.54	38033.07	9796.52
						82.8	1.8m @ 135.1 g/t	53094.03	38031.40	9784.44
CBP0009	53084.15	38047.37	9867.27	4.5	-72.9	72.1	2.8m @ 4.1 g/t	53086.00	38069.65	9797.22
						77.3	3.5m @ 7.0 g/t	53086.17	38071.52	9791.51
						85.0	2.5m @ 34.0 g/t	53086.33	38073.94	9784.16
						101.0	1.3m @ 4.8 g/t	53086.70	38078.46	9770.59