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silver

producer



**GCR**

Cobar  
Consolidated  
Resources

# Cobar Mining and Exploration Conference

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**The information to which this statement is attached that relates to exploration results is based on information compiled by Martin Lenard who is a Fellow of the Australasian Institute of Mining and Metallurgy. Martin Lenard is an employee of Cobar Consolidated Resources Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Mineral Resources and Ore Reserves” (the “JORC Code”). Martin Lenard consents to the inclusion in this report of these matters based on the information in the form and context in which it appears.**

**BM Geological Services was engaged in October 2011 by Cobar Consolidated Resources Ltd, to prepare a mineral resource estimate for the Wonawinta silver-zinc-lead deposit in New South Wales. A W Bewsher, Senior Geologist, prepared this report.**

**The mineral resource estimates in this report have been classified and reported in accordance with the JORC Code. The following statement is made in accordance with Clause 8 of the JORC Code:**

**The information in this report that relates to mineral resources is based on information compiled by A W Bewsher, who is a Member of The Australian Institute of Geoscientists.**

**A W Bewsher is a full-time employee of BM Geological Services, and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to mineral resource estimation processes to qualify as a Competent Person as defined in the JORC Code. A W Bewsher consents to and has provided his prior written consent to the inclusion in this report of these matters based on the documentation in the form and in the context in which it appears.**

# Company overview

- ▶ **Cobar Consolidated Resources has successfully transitioned from junior explorer to producer in 5 years**
- ▶ **We are moving to become a low cost ASX-listed silver producer benefitting from a buoyant silver price that is underpinned by a compelling story for sustained long term demand**
- ▶ **\$12 million cash at bank**
- ▶ **Major project is the Wonawinta silver mine near the town of Cobar in western New South Wales**

# Wonawinta Silver Project

- ▶ **Total reserve estimate of 10.1 million tonnes**
- ▶ **Inferred and indicated resource of 26 million tonnes Ag at an average grade of 80g/t**
- ▶ **First silver poured in July 2012 and 515kg of silver bars shipped in August 2012**
- ▶ **Produced in excess of 9 tonnes of silver to date**
- ▶ **Wonawinta only at Phase 1 with significant expansion opportunities**
- ▶ **Significant exploration upside to increase silver and resource inventory, and pursue other base metals**

# November Update

- ▶ **Two pits open, Manuka and Boundary, and processing operations have begun**
- ▶ **Still in commissioning and transition phase**
- ▶ **Producing silver on regular basis with total production in excess of 9 tonnes**
- ▶ **Going through a standard mining start-up process of better understanding the ore body**
- ▶ **2.25 tonnes produced**
- ▶ **54,265 tonnes milled**
- ▶ **80g/t feed grade (unreconciled)**

**Ore grade in November was disappointing but we understand the causes and have moved to rectify**

# Stockpile performance

- ▶ **A number of operational issues contributed to the lower than expected grade for November**
  - During November mill feed included excessive quantities of stockpiled ore at lower grades than expected
  - A grade was incorrectly assigned to a medium-grade stockpile that was higher than the actual stockpile grade
  - More of this stockpile material was processed than originally planned due to a delay in ore supply from the Boundary pit
  - Ore from the newly opened Boundary Pit was diluted as a result of over-mining
  - **This was a mining start-up operational problem and we believe it has no consequence for the quality of the reserve – significant lift in grade in fourth week of November**

# Milling operations

- ▶ **Commissioning of the silver circuit is complete and we expect to commission a lead circuit in a few weeks**
- ▶ **Currently some inefficiencies in milling process due to the presence of clay lumps and chips from the circuit - lump generation increases as throughput increases**
- ▶ **Implementing a batch processing strategy that will allow for targeted treatment of high and low-grade material to minimise loss of high-grade ore to stockpiles while maintaining total metal inputs**
- ▶ **Well advanced with debottlenecking and improvement projects**
  - Project Manager Ken Tranter appointed November 2012



# Resources and Reserves

- ▶ **Resources and reserves have been calculated and reviewed independently by a third-party assessor**
  - Consultant engaged to further review resource calculation
- ▶ **Company sees no reason to modify resource and reserves particularly in light of small total volume of material that has been mined (196,000 tonnes out of total 10 million tonne ore body)**
- ▶ **This is a new ore body without many parallels and we are gaining knowledge through operatorship**
- ▶ **Mining control processes are still in early stages and development**
  - Consultant engaged to audit process and identify possible improvements
  - Review will take 3-4 weeks
- ▶ **In the meantime we have ore blocks to mine - Business as Usual**

# Resource reserve base

Resource	Tonnes	Grade	Grade	Cont	Cont
	Mt	Ag g/t	Pb %	Moz	'000t
Indicated	16.9	66	0.9	36.0	148
Inferred	9.1	58	0.7	16.8	61
<b>Total</b>	<b>26.0</b>	<b>63</b>	<b>0.8</b>	<b>52.8</b>	<b>209</b>

Reserve	Tonnes	Grade	Grade	Cont	Cont
Classification	Mt	Ag g/t	Pb %	Moz	'000t
<b>Probable</b>	<b>10.1</b>	<b>80</b>	<b>1.1</b>	<b>25.9</b>	<b>107</b>

- ▶ **Underpins current operation**
- ▶ **Provides platform to consider expansion options**
- ▶ **Dovetails with exploration activity to add to resource/reserve base**

# Improvement activities

- ▶ **Presence of clay means ore requires additional treatment – solutions complementary to short term expansion plans**
- ▶ **Hire crusher mobilised and operating**
  - has improved log washer performance
  - rates to 145tph but reject rate high
- ▶ **Addition of high pressure sprays to vibrating screens to reduce clay carry over**
- ▶ **Currently ~30% of Ag ore mined is contained in over-size material, which is stockpiled for later treatment through a ball-mill.**
- ▶ **Installation of the ball mill is underway and scheduled for completion by June 2013**
- ▶ **Original mine plan included installation of this circuit in year 3 – now brought forward to year 1**
- ▶ **Will reduce the need to stockpile limestone ore for 2 years**

# Expansion options

- ▶ **Short term**
  - **incrementally expand existing flow-sheet**
  - **1.2 to 1.5Mtpa**
- ▶ **Long term**
  - **expand production to maximise resource extraction and value**
  - **study required**
- ▶ **Short term and long term options consistent with each other**



# Expansion options

- ▶ **The ore reserve was recalculated in January 2012, based on \$30/oz silver price**
- ▶ **The inventory increased from 14Moz to 26Moz Ag, at an average grade of 80g/t**
- ▶ **Current mine plan is based on a 5 year schedule**
  - average head grade 97g/t Ag
  - 2.5Moz per annum
- ▶ **Revise mine plan to reflect current ore reserve**
  - investigate expansion options to maintain or increase silver production
- ▶ **\$2M study required to complete**

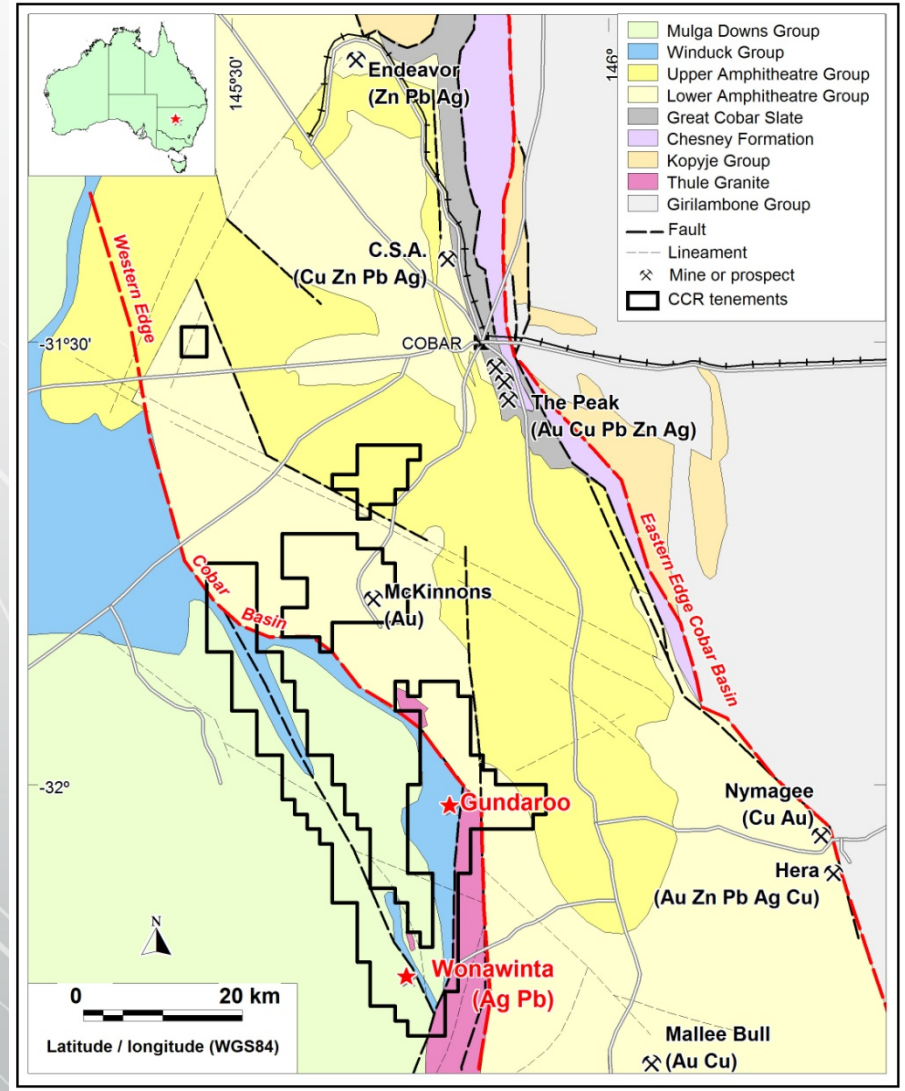
# Exploration upside

- ▶ **Increase silver resource and reserve inventory**
- ▶ **Pursue base metal blue sky at Wonawinta and the Gundaroo anomaly complex**



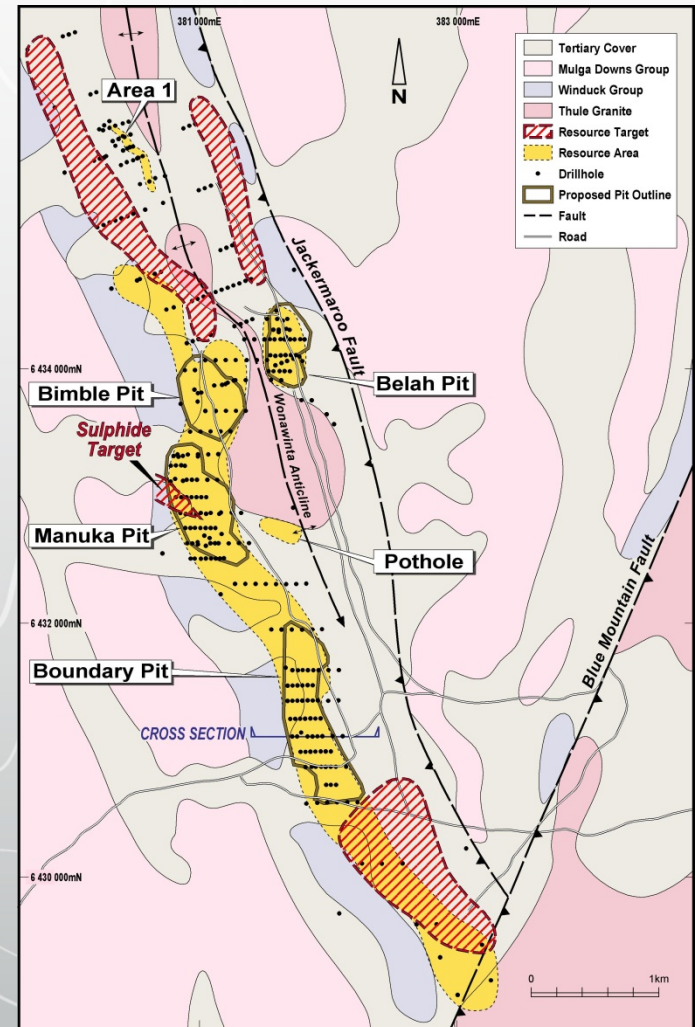
# Cobar Basin Exploration

- ▶ **Cobar Basin poly-metallic mineral field**
- ▶ **Three operating u/g and one o/c mine; two advanced projects**
- ▶ **CCR tenements >900km<sup>2</sup> on western margin of basin**
- ▶ **70 strike km of prospective basin-bounding structures**
- ▶ **Exploration Objectives:**
  - ▶ Extend mine life
  - ▶ Increase silver output
  - ▶ Grow project portfolio (new discovery)
- ▶ **\$2M budget**



# Wonawinta resource expansion

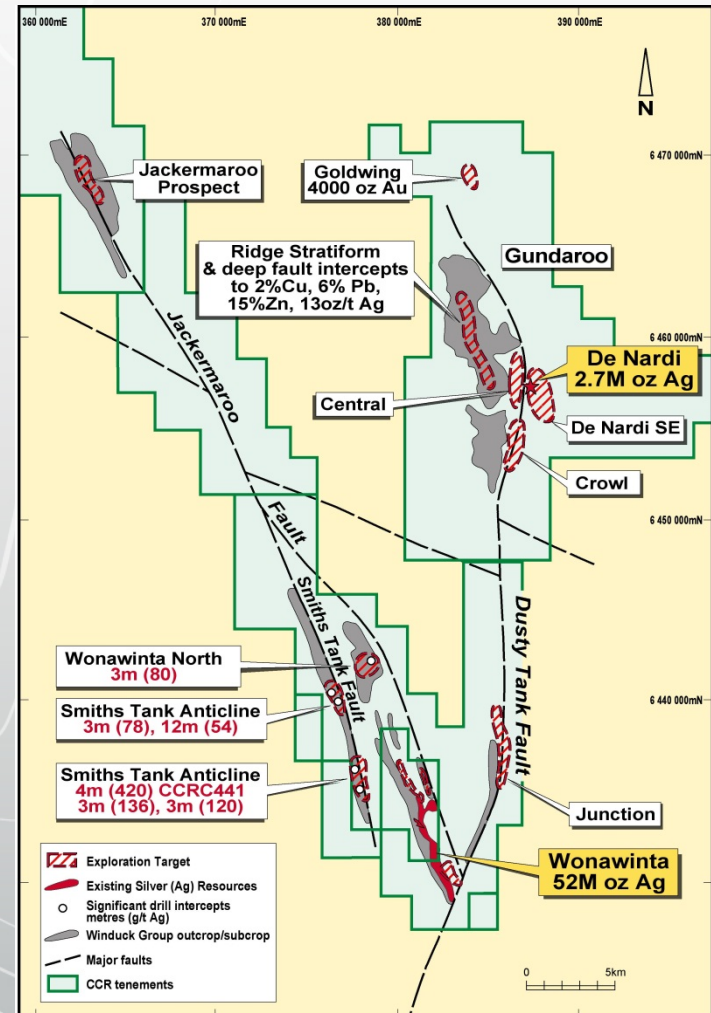
- ▶ Northern strike extension targets
- ▶ Identified from soil and RAB data
- ▶ Southern resource zone sparsely drilled
- ▶ Targeting higher grade zones and Wonawinta east flank
- ▶ Core program on Manuka sulphide down-plunge target:
  - ▶ Follow-up of RC holes:
    - ▶ 18m downhole @ 135 g/t Ag
    - ▶ 4m (203)
    - ▶ 22m (130)
    - ▶ 8m (219)





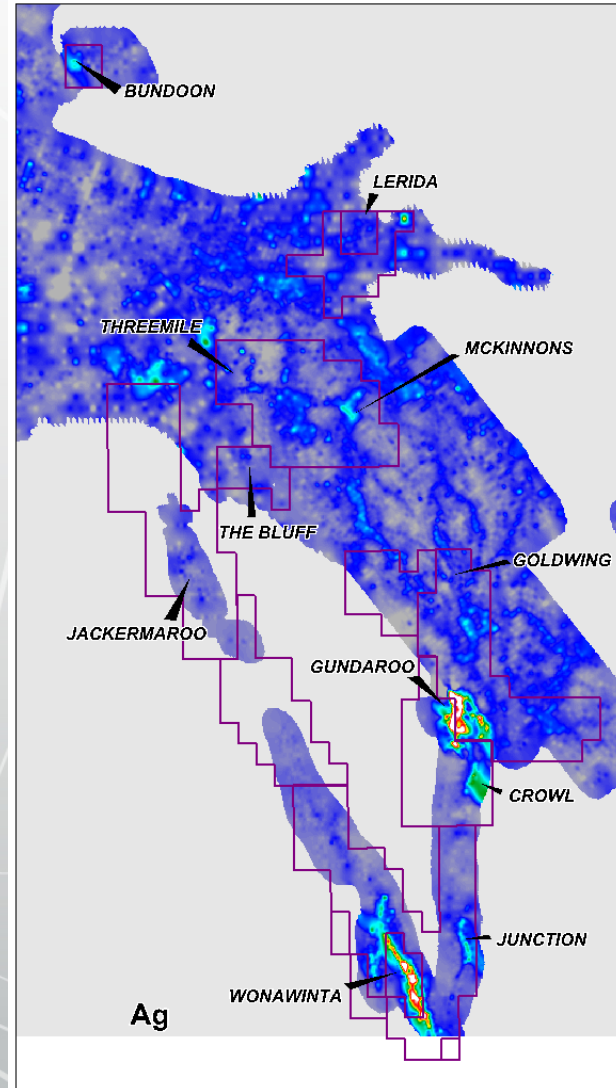
# Wonawinta resource expansion - regional

- ▶ **Additional open pit potential from soil anomaly and RAB data:**
  - ▶ Smith's Tank (Wonawinta structural repetition)
  - ▶ Wonawinta North
  - ▶ Junction (major fault flexure with VTEM conductor)
  - ▶ Crowl
  - ▶ De Nardi Extensions



# Soil program

- ▶ **CCR soil sampling proven exploration tool for shallow ore discovery**
- ▶ **2000 sample program**
- ▶ **Jackermaroo Fault, Bundoon, Lerida, Wonawinta infill**

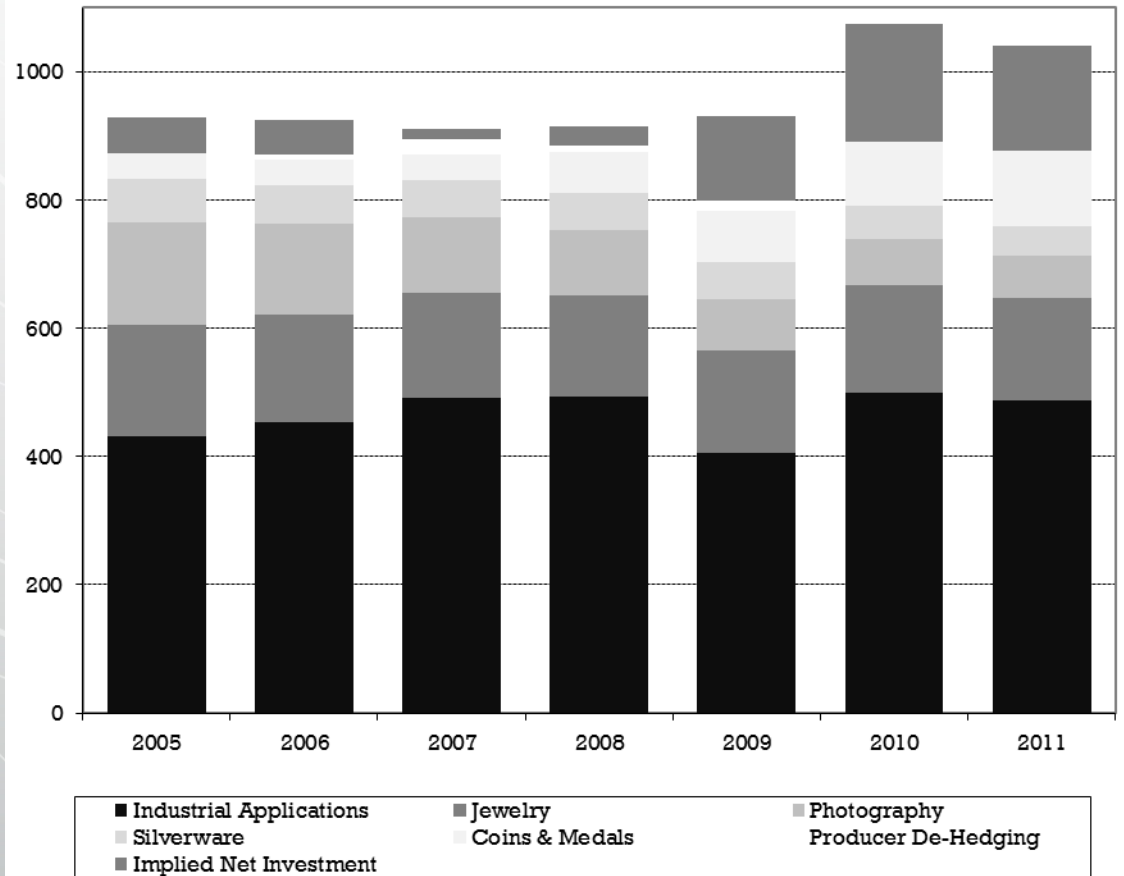


# The silver story

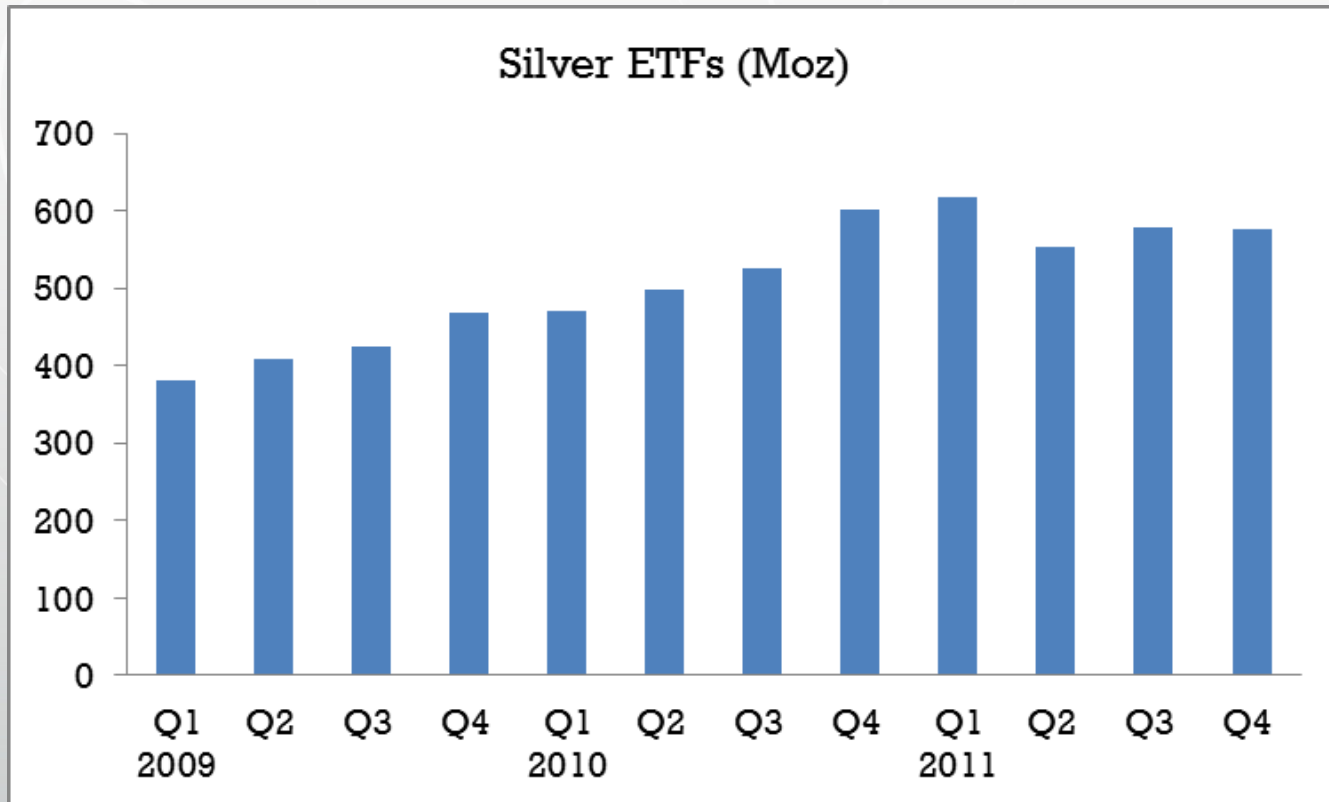


# Silver demand

- ▶ Slight drop in fabrication demand in 2011
- ▶ Strong first half, but weak second half – lower IP growth and Eurozone crisis
- ▶ Emergence of silver-based ETFs

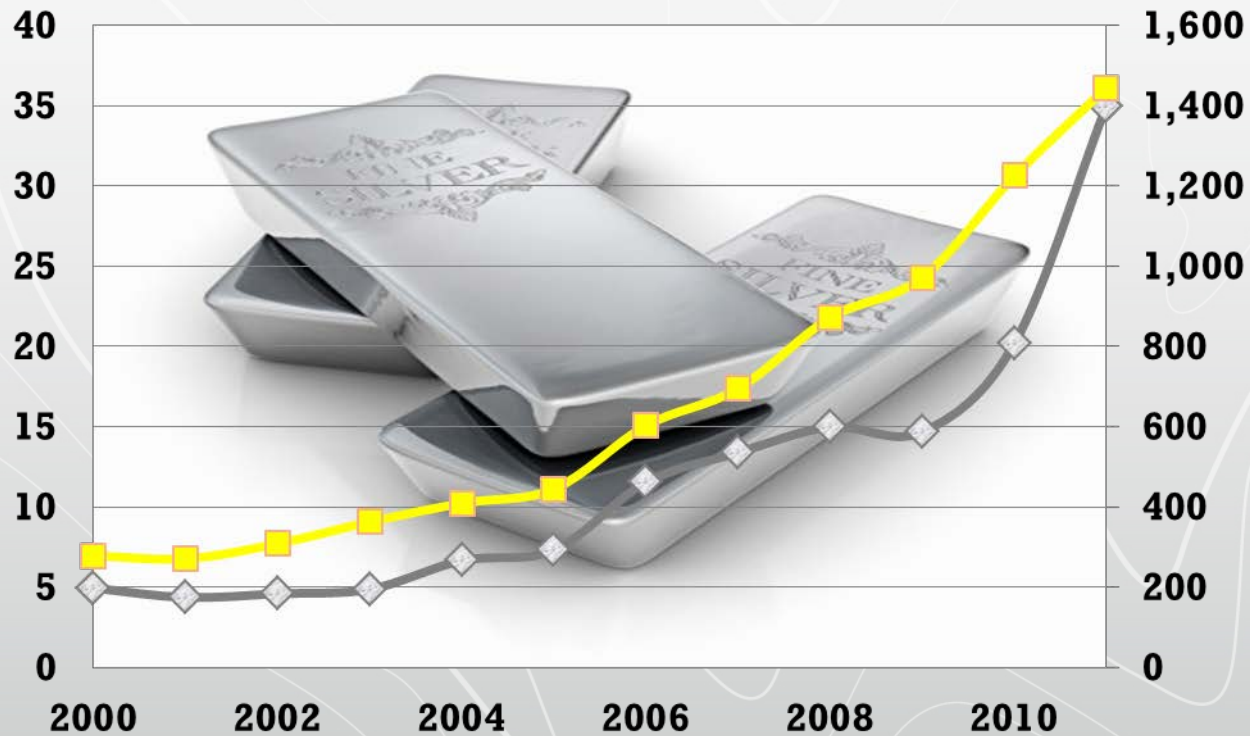


# Exchange traded funds (ETFs)



- ▶ Interest in silver as a “safe haven” has increased
- ▶ The high silver price in Q2 2011 led to some profit taking

# The silver and gold price (US\$/oz)



► The silver price has closely tracked the gold price

# Summary

- ▶ **Operation is transitioning to nameplate capacity**
- ▶ **Debottlenecking projects in progress to enable nameplate to be met**
- ▶ **Full confidence in resource and reserves statement**
- ▶ **Expansion opportunities medium and long term**
- ▶ **Exploration upside – silver and base metals**
- ▶ **Revenue is highly leveraged to silver price**

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