

## FOR THE QUARTER TO 31<sup>ST</sup> DECEMBER 2011

Kalgoorlie Mining Company Limited is exploring and developing the Bullant Gold Project NW of Kalgoorlie Western Australia.

**ASX CODE: KMC**

**MARKET CAP**

A\$17.8M (share price \$0.055)

**ISSUED CAPITAL**

323.3 million ordinary shares

**CASH & Receivables (31<sup>st</sup> December 2011)**

\$3.5M

\*Includes gold ore sales

**BOARD OF DIRECTORS & MANAGEMENT**

Mr Jonathan Murray  
Chairman

Mr Christopher Daws  
Chief Executive Officer

Mr Peter George  
Non – Executive Director

Mr James Croser  
Non – Executive Director

[www.kalmining.com.au](http://www.kalmining.com.au)

Suite 1, 346 Barker Road  
Subiaco WA 6008  
P: (08) 6382 7200  
F: (08) 6382 3777

## HIGHLIGHTS

### BULLANT GOLD PROJECT

- Bullant gold mine production and development update
- Approvals received for Bullant crushing circuit
- Bullant resource upgrade
- Bullant exploration success
- 13,170 t gold ore trucked late December

## CORPORATE

- Placement partially completed
- JV with Metaliko on Anthill gold project

## **BULLANT GOLD OPERATIONS**

The Company enjoyed another quarter of strong progress at its flagship Bullant gold operations in the Kalgoorlie goldfields region, Western Australia, with a continued ramp-up of production and ongoing exploration success at the project.

In December, KMC provided a production and development update for the Bullant project. It completed its sixth ore delivery to Barrick's nearby Kanowna Belle facilities in December of 13,170 tonnes for an estimated 1,241.7 recovered oz's Au. To date KMC has delivered and sold 54,864 tonnes of ore to Barrick, recovering 5,305 oz's gold and generating \$8.94 million in gross revenue. Jumbo development re-commenced at the Bullant mine in June 2011 and 1,489 metres of development was achieved in the first six months of operation, with the focus being on the East Lode. Work has also been undertaken on the Main Lode to open up new ore production areas. The Company announced two resource upgrades at the East Lode during the quarter, which delivered an increase in the Measured and Indicated Resource inventory. The current Resource is 437,800t @ 4.72g/t.

### **Bullant Gold Mine Development and Production Update**

KMC continued to make excellent progress at the Bullant project in the December quarter. Its level of production continued to grow, which in turn delivered increasing cash flows from gold ore sales to Barrick. As of the end of the quarter, the Company had completed six gold ore deliveries to Barrick's Kanowna Belle facilities (as per the ore purchase agreements between KMC and Barrick). The latest commenced on 26<sup>th</sup> of December and is among the largest deliveries to date, estimated at 13,170t of ore @ 3.18g/t. This delivery is below guidance given on 13<sup>th</sup> December 2011 due to access issues in the bottom level of the mine when water pumping failures occurred causing development delays to the Main Lode. Mine equipment fleet availabilities (boggers in particular) also caused reductions in production output. New equipment (CAT R1700G bogger) arriving on-site in early February bodes well for future production targets being met. Ore hauled to surface has picked up subsequent to the quarter ending 31<sup>st</sup> December 2011 with a number of record production days hit in January.

The development of East Lode blocks (E6098-E6207) enabled stoping to start in this area in early October. As at quarter end, there was 12,960t of drilled stocks in the East Lode stopes. The East Lode is estimated to produce 18,108t at 4.72 g/t over the next three months (which equates to 31% of the total tonnes and 36% of the total ounces of production forecast for the period). Stopping will also commence in the Main Lode (6000-6083 area), which is expected to produce 2,817t at 4.9 g/t.

As of late October, KMC had two jumbos in operation; with a new single boom jumbo joining the existing twin boom jumbo. This allowed new ore production areas to be developed. The southern block of the Main Lode and the area below the existing workings on the Main Lode were the first new areas to be targeted. 1,037 metres of development is planned for the next three months.

Reconciliation of predicted mine grades against achieved grades was very encouraging. For the first five ore deliveries the predicted mine grade was 3.31g/t Au and the actual reconciled grade (from mill sampling at Kanowna Belle) was 3.30g/t Au.

KMC anticipates that around 60% of total production for the next three months will come from development, but at the same time, the Company will move into the next phase of operation, with new production areas opened up as existing areas are stoped out. It is expected that the East Lode will continue to deliver quality ore tonnes, and the contribution from the Main Lode will increase in 2012.

### **Approval for Bullant Crushing Circuit**

In December KMC reported that it had received all approvals for construction to commence on the Company's crushing circuit at the Bullant project. Final works approval was received, which will allow construction of the crushing plant to commence on site. With the new crushing circuit in place, KMC will be able to crush Bullant underground gold ore for sale to Barrick and cease third-party toll crushing arrangements at the Bullant mine site. This will result in crushing costs being reduced significantly.

During the crusher's first months of operation, all crushed material will be removed off site for processing at Barrick's Kanowna Belle processing facility. The crushing circuit will complement the later development of the gold mill at the Bullant mine, which is expected to be commissioned in the latter part of 2012. Mining proposal applications for ROM pad and stockpiles were also approved (subject to lodgement of bonds with the regulatory bodies).

## Bullant Resource Upgrade

The Company announced two resource upgrades for the East Lode at the Bullant project during the quarter.

The most recent, in December, resulted in a 15.51% increase in Measured Resources and a 5.2% increase in the Indicated category. The percentage increases in Resources were based on the previous Resource statement for the East Lode, confirmed in October 2011. The increase in Measured and Indicated Resources provides greater certainty on Bullant's Resource inventory and will expand the project's production profile. The updated Resource resulted in a small decrease in the overall Bullant Resource, due to the Company's recent mining within the East Lode. It will supplement this decrease and further expand the East Lode Resource via its ongoing drilling programs. Resource expansion drilling is planned to commence early this year.

The East Lode Resource update was confirmed from 12 new resource holes and 20 grade control holes.

Details of the new East Lode Resource statement are provided in the *Table 2* below:

	East Lode Final Rounded 10/11		
	Tonnes	Grade	Ounces
Measured	41,900	6.31	8,500
Indicated	103,700	5.40	18,000
Inferred	301,300	4.21	40,800
	446,900	4.68	67,300

Table 1: October 2011 East Lode Resource

	East Lode Final Rounded 12/11		
	Tonnes	Grade	Ounces
Measured	48,400	6.30	9,800
Indicated	109,100	5.19	18,200
Inferred	280,300	4.27	38,500
	437,800	4.72	66,500

Table 2: December 2011 East Lode Resource Update

## JV of Anthill Gold Project

In December the Company entered into a mining and treatment Joint Venture (JV) with Metaliko Resources Ltd (ASX: MKO), over the Anthill gold project approximately 6km north of the Bullant gold project owned by KMC.

Under the terms of the JV, KMC will undertake and fund the mining, trucking and treatment of ore from Metaliko's nearby Anthill gold deposit (prospecting licenses P16/2336-2339 approximately 6km north of the Bullant mine) at a production level approximating 300,000t per annum. The output will be processed at KMC's proposed ore processing facility at Bullant.

The JV partners will share the proceeds from all gold sales from the JV equally, after agreed costs for mining, trucking and treatment of ore from the Metaliko's Anthill deposit (plus costs in relation to environmental compliance and obligations) are repaid to KMC. KMC intends to have its treatment plant operational at Bullant during the fourth quarter of 2012. It is the intention of the JV to have ore from the Anthill deposit available for processing to coincide with the commencement of operations at the Bullant processing facility.

Metaliko will be responsible for securing a mining lease for the proposed mining operations at the Anthill deposit (at its cost). It is also intended that the JV will pursue opportunities to develop and mine some of Metaliko's other low capital, early cash flow Mine Truck and Treat (MTT) projects in the area, for processing at the Bullant plant.

## Bullant Exploration

KMC reported strong success from its exploration programs at the East Lode at the Bullant project during the quarter. In October it reported a spectacular high grade gold intersection of **4.6m @ 26.19g/t Au** from drilling at the East Lode. The intersection is the best result returned to date from the Company's drill programs at Bullant.

In November KMC reported further high grade drill results from an additional 22 holes at the East Lode. These were the final results from a program designed to define extensions along strike and at depth at the East Lode. Results from these holes returned grades up to 9.77g/t Au (across a true thickness of 2.40m). Highlight from underground drilling results included;

- **6.53 metres @ 9.77g/t Au**

- **1.68 metres @ 12.90g/t Au**
- **2.76 metres @ 6.84g/t Au**

KMC's drill programs highlighted that there is still continued resource growth within the East Lode and that mineralisation persists at depth and is not closed off.

Drilling is expected to continue from both surface and underground during the quarter end March 2012.

## **OTHER PROJECTS**

The Company has committed to the development of the Bullant project as its core focus to deliver rapid shareholder wealth. As such, it is actively seeking opportunities to divest its North American assets; the Snowbird project and the Mid-Continent project. The Company will advise of details of the divestment of these projects as they become available.

## **CORPORATE**

In November the Company announced a placement to raise \$6 million. The funds raised will be used to expedite Bullant mine re-development. Shareholder approval was sought and approved at a meeting of shareholders on the 15 December 2011.

The capital raising was announced as two tranches at \$0.08 per share with a 1:1 free attached listed KMC option, exercisable at \$0.25 per option by May 2014. The first tranche was issued under the Company's 15% placement capacity. The second tranche required shareholder approval at a meeting of shareholders on the 15 December 2011 and was approved at that meeting. As at the end of the quarter \$3,828,440 had been received by the Company that was committed in the placement with a further \$332,000 received up to the date of release of this quarterly update. The Company is seeking to close out the balance of the placement after an amount previously committed was withdrawn.

KMC entered into a joint venture with Metaliko Resources over the Anthill gold project, approximately 6km north of the Bullant mine (see ASX release dated 16<sup>th</sup> December 2011).



Christopher Daws  
Chief Executive Officer

The information in this report that relates to information compiled by Mr. Trevor Eddie (BSc Geol) who is a member of the Australasian Institute of Mining and Metallurgy ("AusIMM") and is bound by and follows the Institute's codes and recommended practices. Mr. Eddie is a full-time employee of Kalgoorlie Mining Company Bullant Pty Ltd (Kalgoorlie Mining Company Ltd). He has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activities being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Eddie consents to the inclusion on this information in the form and context in which it appears in this report.

### **About Kalgoorlie Mining Company Limited**

Kalgoorlie Mining Company Limited is an ASX-listed (ASX: KMC) gold development and exploration Company, which is focused on delivering rapid shareholder wealth through production, development and exploration from its project portfolio. The Company's core project is the Bullant Gold project, located 70km North West of Kalgoorlie, in Western Australia's goldfields. The Company achieved first gold ore sales for the Bullant project in August 2011, and is focused on the rapid development of the project through production ramp-up and targeted exploration to expand the project's resource base. The Company is based in Perth, WA, and has regional offices in Kalgoorlie.

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# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Kalgoorlie Mining Company Limited

ABN

44 091 009 559

Quarter ended ("current quarter")

31 December 2011

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	5,898	8,940
1.2 Payments for		
(a) exploration and evaluation	(570)	(957)
(b) development	(1,885)	(2,446)
(c) production	(4,635)	(8,497)
(d) administration	(610)	(1,383)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	26	56
1.5 Interest and other costs of finance paid	(3)	(3)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material) – Royalties	(124)	(491)
– Security Bond	-	(860)
<b>Net Operating Cash Flows</b>	<b>(1,903)</b>	<b>(5,641)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(2,304)	(3,057)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
<b>Net investing cash flows</b>	<b>(2,304)</b>	<b>(3,057)</b>
1.13 Total operating and investing cash flows (carried forward)	(4,207)	(8,698)

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(4,207)	(8,698)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	3,827	3,827
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	767	767
1.17	Repayment of borrowings	(23)	(23)
1.18	Dividends paid	-	-
1.19	Other – Capital Raising Costs	(152)	(152)
	<b>Net financing cash flows</b>	<b>4,419</b>	<b>4,419</b>
	<b>Net increase (decrease) in cash held</b>	<b>212</b>	<b>(4,279)</b>
1.20	Cash at beginning of quarter/year to date	2,044	6,535
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,256	2,256

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	152
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

1. \$17,559 was paid to Steinepreis Paganin for legal services provided, which Mr Murray is a partner of the law firm.
2. During the quarter, the company financed an Atlas Copco TID Boomer, partially funded by a chattel mortgage of \$766,920.

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not Applicable

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not Applicable

+ See chapter 19 for defined terms.

## Financing facilities available

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

## Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	480
4.2	Development	4,600
4.3	Production	3,200
4.4	Administration	210
<b>Total</b>		<b>8,490</b>

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	2,256	2,044
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other – Term Deposits	-	-
<b>Total: cash at end of quarter (item 1.22)</b>		<b>2,256</b>	<b>2,044</b>

## Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	N/A	N/A	N/A	N/A
	Interests in mining tenements relinquished, reduced or lapsed			
6.2	N/A	N/A	N/A	N/A
	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	319,178,063	298,658,063		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	47,855,500	47,855,500	8 cents	Fully Paid
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	1,000,000 2,600,000 3,050,000 87,855,477	- - - 87,855,477	<i>Exercise price</i> 10c 25c 25c 25c	<i>Expiry date</i> 26 Feb 2013 29 Mar 2016 26 May 2016 31 May 2014
7.8 Issued during quarter	47,855,500	47,855,500	25c	31 May 2014
7.9 Exercised during quarter				
7.10 Expired during quarter	200,000 750,000	- -	25c 25c	29 Mar 2016 26 May 2016
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				


**Compliance statement**

+ See chapter 19 for defined terms.



1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here:  ..... Date: 30 January 2012  
(Company secretary)

Print name: Maurice Catina

## Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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