

## ASX Release – 31<sup>st</sup> October 2016

# September Quarterly Activities Report

### A1 Consolidated Gold Ltd

ABN 50 149 308 921

ASX:AYC

#### Investment Highlights:

##### A1 Gold Mine

Operating mine site including underground development and infrastructure

Mineral Resources in accordance with the JORC Code (2012)

**Indicated** – 250,000 t @ 5.1 g/t for 41,200 oz Au

**Inferred** – 1,170,000t @ 6.4 g/t for 240,000 oz Au

##### Maldon Gold Operations

Operational 120 - 150,000tpa gold processing facility, Union Hill Mine, including underground development & infrastructure

**Executive Chairman**  
Dale Rogers

**Non-Executive Directors**  
Jamie Cullen  
Anthony Gray

**Company Secretary**  
Dennis Wilkins

##### Capital Structure:

705,444,899 Ordinary Shares  
288,557,651 Listed Options  
33,000,000 Unlisted Options  
71,428,565 Convertible Notes

##### Contact:

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A1 Consolidated Gold Limited (ASX: AYC) (A1 Consolidated Gold or the Company) is pleased to report its activities for the Quarter ending 30<sup>th</sup> September 2016.

#### Highlights:

- ❖ **Significant Drilling Programme, Drill Target 1, completed**
- ❖ **Drill Target 1 Resource grade +200% more than previous estimates\***
- ❖ **First ever Measured Resource at A1 Gold Mine**
- ❖ **Continued accelerated drilling campaigns seeking to add more confidence to the 6-12 month mining schedule, better results received during the Quarter include;**
  - 1.0m at 31.29g/t Au
  - 20.4m at 47.29g/t Au
  - 4.8m at 9.97g/t Au
  - 10.95m at 24.47 g/t Au
  - 0.5m at 161 g/t Au
  - 19.8m at 13.26 g/t Au
  - 1.40m at 28.92 g/t Au
  - 0.43m at 160.59 g/t Au
- ❖ **Renounceable rights issue completed raising \$3.3m**
- ❖ **Recommended mechanised development and ore development**
- ❖ **Continued improvements to the A1 Gold Mine's services and networks**
- ❖ **Post reporting period, fired the first Long Hole stope rings in the Drill Target 1 Resource, and**
- ❖ **Doubled the shifts worked per week at the Porcupine Flat Mill**

\* Using a 0.0 g/t Au lower cut-off grade and 80.0 g/t Au upper cut-off grade

## Safety and Environment

There were no Lost Time Injuries and no reportable environmental incidents during the Quarter. The Company had achieved over 285,000 hours Lost Time Injury Free by the end of the Quarter.

## Drill Target 1, Drilling Programme

As announced in late April, development was paused to enable diamond drilling from the newly developed 1410 Hanging Wall Drill Drive, located to the west of the mineralisation and also from the Decline, located to the east of the mineralisation. The first drilling campaign, Drill Target 1, was focussed on an area immediately below the 1410 Crosscut area.

The better results included;

- 20.4m at 47.29 g/t Au
- 10.95m at 24.47 g/t Au
- 19.8m at 13.26 g/t Au including
- (9.8m at 25.6 g/t) Au
- 3.95m at 71.60 g/t Au
- 15m at 10.35 g/t Au including
- (8m at 15.57 g/t) Au
- 3.3m at 35.44 g/t Au
- 1.2m at 113.42 g/t Au
- 4.26m at 14.4 g/t Au
- 4.95m at 13.6 g/t Au
- 6.0m at 13.1 g/t Au
- 2.0m at 17.54 g/t Au

**Every hole drilled in this campaign intercepted gold mineralisation.**

Refer to the Company's ASX announcement dated 4<sup>th</sup> July 2016 for full details.

## Drill Target 1, Resource Upgrade

Following the Drill Target 1 drilling campaign, a Resource calculation was completed, as announced on 8<sup>th</sup> July, 2016 (**Phase 1 Resource**). That Resource update was only for the portion of the A1 Gold Mine Resource that was recently drilled in the Phase 1 drilling campaign and is a sub-set of the much larger A1 Gold Mine Resource totalling 281,200 ounces of gold.

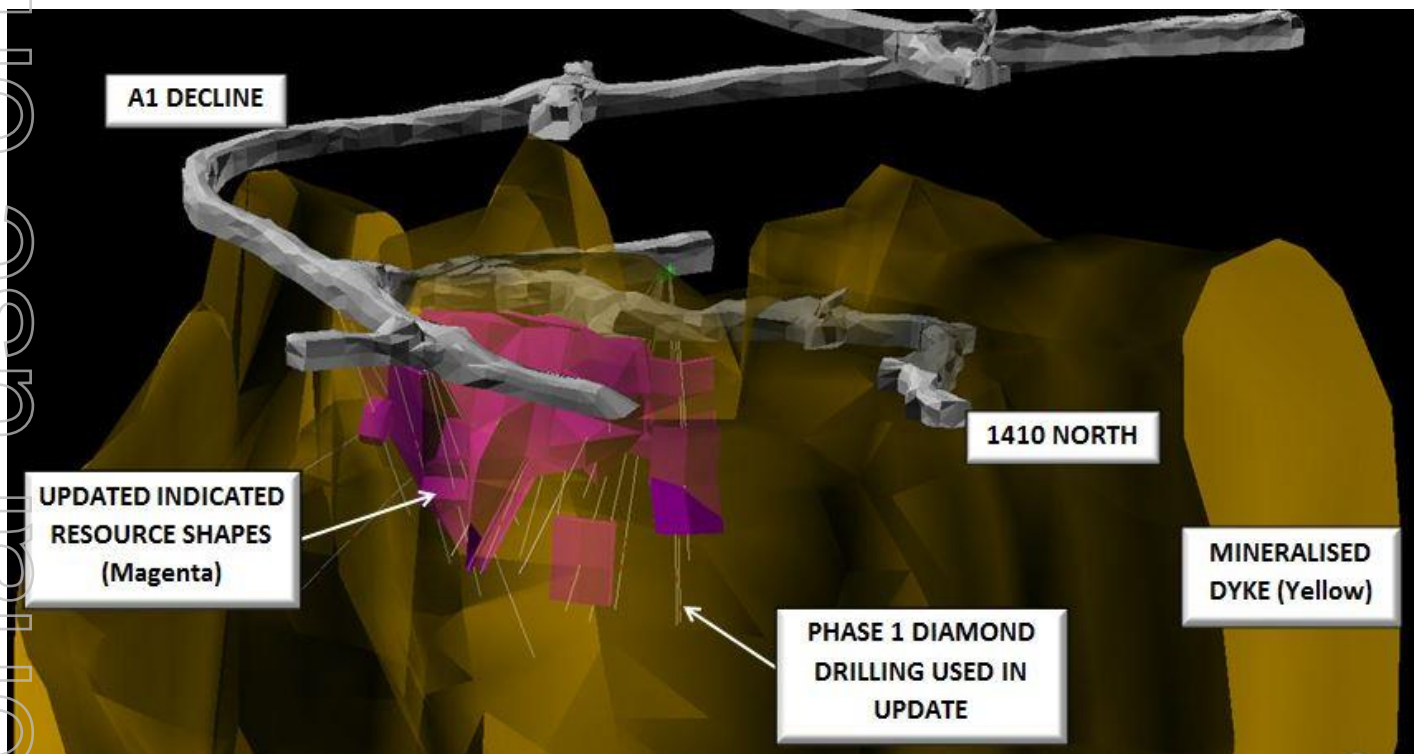
The highlights of this Resource upgrade were;

- Drill Target 1 Resource grade 200% more than previous estimates for that area
- 5,000 tonnes at 15.53g/t Au\* Measured
- 23,000 tonnes at 9.44g/t Au\* Indicated
- Total of 28,000 tonnes at 10.50g/t Au\*
- First ever Measured Resource at A1 Gold Mine.

\* Using a 0.0 g/t Au lower cut-off grade and 80.0 g/t Au upper cut-off grade

All of the Phase 1 Resource estimated was classified as either Indicated or Measured, as defined by the JORC Code 2012.

This is the first Measured Resource, as defined by the JORC Code 2012, ever achieved at the A1 Gold Mine. The grade estimated for the Phase 1 Resource was 200% higher than the previous Resource estimate for this area of the mine.



**Figure 1. Oblique view of 1410m RL area. The Inferred Resource shape which corresponds to the diorite dyke is shown in yellow, the West Dipping reef and East Dipping reefs forming the Indicated section of the resource are magenta, the A1 Gold Mine decline is grey, diamond drill holes into the reefs are white. North is to the right; for scale the decline is 5m x 5m in cross-section; the end of the decline is at about 1400m RL.**

This First Phase of drilling covered a relatively small area at the top of the interpreted mineralised dyke at the A1 Gold Mine. Figure 1, above, highlights the area recently tested with drilling and the remaining area of mineralised dyke, extending at depth below the Phase 1 Resource, which comprises the current Indicated and Inferred Resource at the A1 Gold Mine. The Phase 1 drilling campaign only tested an area 20 to 30 metres below the 1410 level over a short strike length of 60 metres.

During August and September, air leg miners focussed on stripping out the old 14 level drive towards the South Shaft to create a drill drive and improve the mine's ventilation circuit, as well as continuing development of the escape-way rises. This development is critical for increasing confidence in the A1 Gold Mine Resource as by establishing these new drilling positions a broader length of the A1 Gold Mine dyke may be tested with drilling, in addition to deeper targets at the A1 Gold Mine.

A schematic diagramme of this development is shown in red below. In addition to the North – South Drive cross cuts are being developed (which can't be shown on the cross section below) to provide drilling positions for targets deeper in the A1 Gold Mine. As a result of this work, there were fewer tonnes of high grade ore mined by the air leg miners during the final months of the Quarter.



own in Figure 2, the Phase 1 Resource is located at the very top of the interpreted Mineralised Dyke. Drill Drive(s), shown in red, will allow drilling to test up to a further 240 metres below the 14 Level and reaches the historic 23 level at the mine.



## Rights Issue

On 27<sup>th</sup> July, 2016 the Company announced a renounceable rights issue to raise up to approximately \$3.3 million (before costs).

The rights issue, to eligible shareholders of the Company, was offered on the basis of 1 new share for every 4 shares held on the record date at \$0.024 per new share (together with one free attaching new listed option AYCO for every 3 new shares subscribed for and issued) (**Rights Issue**). The Rights Issue was underwritten by Patersons Securities Limited.

The purpose of the Rights Issue was to ensure that PYBAR, the mining contractor at the A1 Gold Mine, recommence mining with a clean slate, past director emoluments were cleared and there was sufficient working capital to:

- recommence production with mechanised development and ore development;
- support the “flying squad” to optimise air leg operations to enhance production;
- complete improvements to the A1 Gold Mine’s services and networks; and
- continue the accelerated drilling campaigns seeking to add more confidence to the 6-12 month mining schedule.

The Rights Issue was supported by all the Directors of the Company and, due to the strong support of shareholders, an additional \$350,000 was raised following completion of the Rights Issue, as announced on 9<sup>th</sup> September, 2016.

## Production Update

Work was completed, by the air leg miners, on stripping one of the primary ventilation drives on the historic 7 level. Stripping of the old rail drive is the first step in a major upgrade of the A1 Gold Mine’s entire primary ventilation system. Further restrictions in the ventilation circuit, between the historic 7 and 10 levels of the mine, were also stripped and enlarged by the air leg miners during the Quarter.

The number of air leg miners onsite increased during the Quarter as additional infrastructure projects, notably the 14 Level Drill drive, were commenced. A new 125mm compressed air poly pipe was also installed from surface to the 1410 level to increase the compressed air capacity underground and allow the increase in air leg mining activities.



**Figure 3. Photograph of air leg miner, Nathan Hicks, drilling holes at the 14 Level 840 Stope at the A1 Gold Mine.**

Air leg work continued on stripping the primary ventilation return air drive on the 14 Level. Stripping of the old rail drive is another step in a major upgrade of the A1 Gold Mine's primary ventilation system. This drive will also provide drill positions for further significant drilling programmes planned at the mine. In addition to this work, the air leg miners continued developing escape-way rises from the bottom of the mine.

A new, state of the art, 20 man self-contained Refuge Chamber was acquired and commissioned to improve the A1 Gold Mine's emergency preparedness in the event of an underground fire or similar incident.



**Figure 4. Photograph showing the interior of the new 20 Man Refuge Chamber with Left to Right, Peter Crooks (Mining Consultant), Dale Rogers, Jamie Cullen, Anthony Gray and Peter de Vries (Geology Manager).**

Agreement was reached with PYBAR which saw jumbo development recommence in August, prior to the completion of the Rights Issue and repayment of their outstanding old invoices. PYBAR agreed to do this as the Rights Issue was underwritten.

A mobilisation plan was developed to expedite commencement of mechanised development and mining via a ramp up as labour was remobilised to the site. Throughout August, the PYBAR mining crews were repopulated and towards the middle of the Quarter jumbo development operations were fully resumed. PYBAR'S remaining manning shortages were filled during September such that by the end of the Quarter the mechanised crews were operating at full capacity.

As the mechanised crews returned to site and development recommenced in and around the 14 Level, the air leg miners were moved out of the stopes in the Northern end of the 14 Level.

By the middle of the Quarter, all of the air leg mining activities were on capital projects and as such the air leg ore tonnes mined during August and September were reduced.



**Figure 5. Jumbo mechanised Development immediately adjacent to the old 14 Level North of the A1 Gold Mine.**





**Figure 6. The 1700 LHD loading an underground truck at the 1410 Level of the A1 Gold Mine.**

In early September the mechanised mining fleet was increased at the A1 Gold Mine with the addition of a Solo Long Hole rig. This rig is used to drill Long holes for the mechanised stopes at the mine.



**Figure 7. Solo Long Hole rig being taken underground at the A1 Gold Mine.**



With the remobilisation of PYBAR'S mechanised crews to the A1 Gold Mine in August, development towards the Phase 1 Resource was commenced. The first ore was intercepted on the 1394 RL, as planned approximately 10 metres below the 1410 RL ore drive (14 Level North), at the end of August.

Strike driving of the first ore extraction level on the 1394 RL continued through September and was stopped in early October.



**Figure 8. Viewing High grade ore in the walls of the 1394 RL ore drive, from left to right, Peter Crooks (Mining Consultant), Dale Rogers, Peter de Vries (Geology Manager), Anthony Gray and Jamie Cullen.**

The 1394 ore drive was developed past the Northern extent of the Phase 1 drilling campaign as it continued to generate high grade ore tonnes. It was finally stopped early in October having gone some 20% further than planned. It was decided that further extensions to the North could be mined from the next ore level to be developed below the 1394 level as the Decline continues at depth.

As part of the remobilisation of PYBAR to site improvements were made to the Company's procurement process and the Company has now taken over most of the procurement and logistics from PYBAR. This initiative will see a cost reduction of 10% of all consumables previously purchased by PYBAR.

A number of IT issues severely hampered communication during the Quarter, with regular failure and restriction of internet access. These issues have, largely, been remedied following upgrades to the computing system at the A1 Gold Mine and connection to the NBN late in the Quarter.

During the Quarter, the Porcupine Flat processing plant near Maldon milled a total of 6,776 dry tonnes at a head grade of 10.08 g/t and recovery of 95.3% to give 2,094 ounces of gold recovered. Gold poured during the Quarter was 2,418 ounces as the Cold in Circuit reduced during the Quarter.

All of the material mined for the first half of the Quarter was from the air leg stopes in and around the northern end of the historic 14 Level (1410 level). Later in the Quarter, ore was sourced from the mechanised development of the 1394 level ore drive, particularly as the air leg miners were moved onto waste development for capital works.

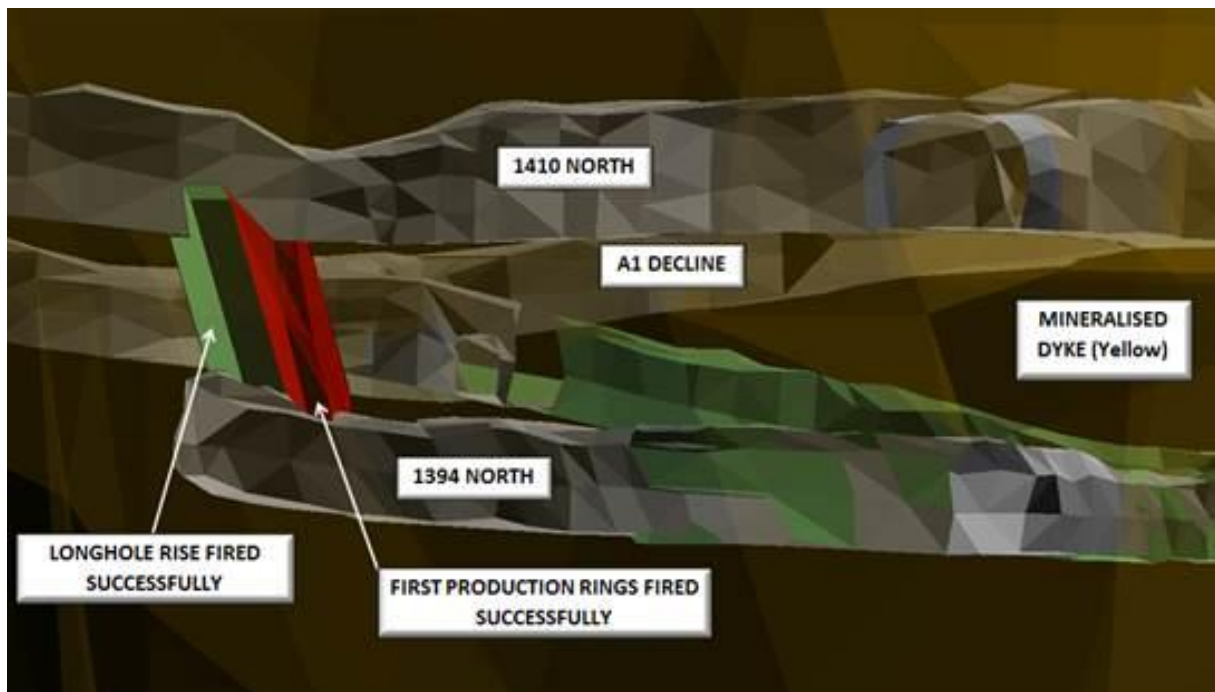
The mill continued to run on day shift only throughout the Quarter. Most of the tonnes milled (later in the Quarter) were from the 1394 level mechanised development material (4,267 tonne at 7.9g/t). The air leg ore milled early in the Quarter was from the 840, 850 and 890 stopes above the northern end of the 1410 ore drive (2,509 tonne at 13.7g/t).

Mill availability and utilisation met expectations as did the mill throughput. Unit costs for reagents, labour and power were in line with forecast as production increased throughout the Quarter.

### Significant Events after the end of Quarter

Early in the second week of October, 2016 the firing of the first long hole stope blast at A1 Gold Mine was completed. This followed the first long hole rise ever blasted at the A1 Gold Mine between the 1410 and 1394 Ore drives.

From what management understands, this is possibly a first for the region as there are no records of any previous bulk mechanised mining in the area.



**Figure 9. View of the slot rise and first rings fired in the 1410 – 1394 Stope at the A1 Gold Mine.**

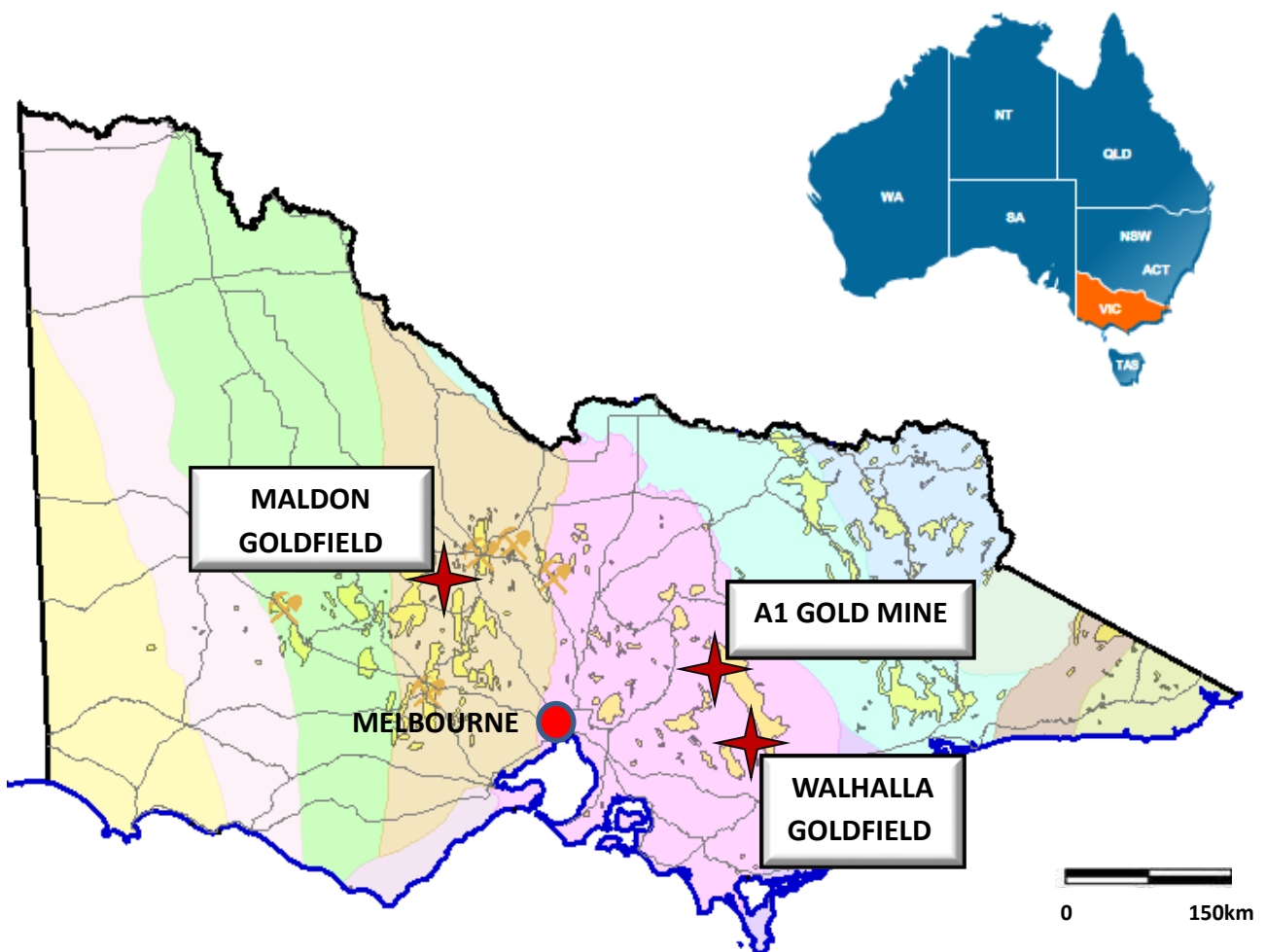
As a result of the commencement of mining from this long Hole stope the mill at Porcupine Flat moved from day shift only to a 24 hour roster 4 days a week in the second week of October.

## About the Company

A1 Consolidated Gold Limited is an emerging junior Victorian gold producer that is developing and producing from the A1 Gold Mine near Woods Point, Victoria. Ore mined from the A1 Gold Mine is trucked to the Company's fully permitted and operations processing facility at Porcupine Flat, near Maldon.

The Company also owns the Union Hill Mine at Maldon and the Eureka and Tubal Cain deposits near Walhalla. Both of these locations are being assessed with the aim of adding to the expected production profile from the A1 Gold Mine in the medium term.

## Location of Projects





### **Caution Regarding Forward Looking Information**

This document contains forward looking statements concerning A1 Consolidated Gold Limited. Forward looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties, and other factors. Forward looking statements are inherently subject to business, economic, competitive, political, and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, exploration, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes. Forward looking statements in this document are based on A1 Consolidated Gold's beliefs, opinions and estimates of A1 Consolidated Gold's as of the dates the forward looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future development.

### **Compliance Statements**

The information in this presentation that relates to the Phase 1 Resource at the A1 Gold Mine is extracted from the Company's ASX announcement dated 8 July 2016 and is available to view on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcement and that all material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed.

The information in this presentation that relates to exploration results is extracted from the Company's ASX announcement dated 4 July 2016 and is available to view on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcement.