

# SHAREHOLDER UPDATE – Laverton Project Bankable Feasibility Study Findings

22nd November 2004

## By Electronic Lodgment

Company Announcements Office  
Australian Stock Exchange Limited  
2 The Esplanade  
PERTH WA 6000

ASX Code: CRE

Share Price: A\$0.135

Issued Shares: 103.0m

Market Cap: A\$13.5m

Options 20c CREO : 35.7m

Options 15c/18c unlisted: 17.4m

Resources : 1.0m ozs

Reserves : 0.2m ozs

Market Cap/oz Resource : A\$13

Market Cap/oz Reserve: A\$60

### Fully Diluted Basis:

Shares : 165.2m

Cash : A\$10.3m

Cash/Share : A\$0.06

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## POSITIVE OUTCOME FROM THE BFS

### Key Findings

- Re-starting the Laverton Gold Project is economically viable.
- Operational cash flow estimates exceeds the current company share market valuation.
- Exciting drill results at Sickle highlight the potential to add further, substantial value.
- Discovery costs at Sickle are currently only A\$4.50/oz.
- Gold recovery from current resources rises from 168,000 ozs (1mtpa) to 239,000 ozs by expanding the plant to 2mtpa.
- Operating cash flows rise from A\$21m (1mtpa, A\$625/oz) to A\$31m (2mtpa, A\$625/oz hedged).
- Capital costs are estimated at A\$5.1m (1mtpa) and A\$9.2m (2mtpa), excluding contingency.
- Of the 20mt of inferred resources, only 3 - 5mt are currently classified as reserves.
- The company is advancing the Mining Lease Application over Sickle which is expected to be granted in March 2005.

### BFS Objectives achieved

The scope of the BFS was defined early in 2004. The objectives were;

- Develop JORC compliant resources/reserve estimates.
- Develop operating and capital costs to BFS standard for a 1mtpa mill scenario.
- Evaluate value adding opportunities including mill expansion and hedging scenarios.



### Dramatic Value Enhancement from the 2mtpa Scenario

The expansion study confirms that unit costs per tonne will reduce, allowing greater gold production at similar cost/oz (approximately A\$430/oz). The margins are robust, with A\$145/oz margin at spot gold A\$575 and A\$195/oz margin at A\$625/oz as shown in Table 2.

Expanding the mill will also substantially enhance Crescent Gold's ability to offer competitive rates to neighbours and take advantage of other processing opportunities in the Laverton area.

Further studies undertaken during the year confirm that project economics are substantially enhanced by expanding the mill and by hedging at A\$625, the current flat forward price in 12 –24 months time.

*"operating cash-flow ranges between 12c and 30cents/ share. On existing resources Opportunities to increase this are now being pursued"*

### Table 1 - Financial Scenario Summary

Financial Summary		A\$575/oz (Spot)		A\$625/oz	
		1mtpa	2mtpa	1mtpa	2mtpa
Production Scenarios					
Revenue	A\$m	80.5	109.8	99.3	141.5
Operating costs					
Processing	A\$m	35.8	44.2	43.2	53.7
Mining	A\$m	28.3	37.9	30.6	48.7
all other	A\$m	4.2	6.6	4.9	7.8
Total Operating Costs	A\$m	68.3	88.6	78.7	110.3
<b>Operating Cashflow</b>	<b>A\$m</b>	<b>12.2</b>	<b>21.2</b>	<b>20.6</b>	<b>31.3</b>
Capital Cost	A\$m	5.5	11.4	5.5	11.4
Cashflow - Capital	A\$m	6.7	9.8	15.1	19.9
<b>Cash Cost/oz</b>	<b>A\$/oz</b>	<b>436</b>	<b>416</b>	<b>442</b>	<b>439</b>
<b>Op. Cashflow/Share</b>	<b>\$/share</b>	<b>\$0.12</b>	<b>\$0.21</b>	<b>\$0.20</b>	<b>\$0.30</b>
Unit Operating Costs / t ore					
Processing	A\$/t ore	13.3	10.3	13.4	10.3
Mining	A\$/t ore	10.5	8.8	9.5	9.4
all other	A\$/t ore	1.6	1.5	1.5	1.5
Total Operating Cost	A\$/t ore	25.3	20.7	24.5	21.2

### Two Milling Cost Scenarios at Spot Gold and Hedged Price

The results of the Bankable Feasibility Study are summarised in Table 1 and 2. By expanding the plant to 2mtpa and hedging at A\$625/oz, the reserve rises from 148,000ozs to 239,000ozs as shown in Table 2.

The Laverton Gold project is sensitive to a number of variables, particularly head grades, gold recoveries and unit operating costs. The current configuration of the plant presents many opportunities to improve the historical performance in terms of both operating costs and recovery rates.

These estimates are expected to improve further as the remaining resources are brought up to BFS standard and included in these estimates. Ongoing drill success at Sickle is expected to enhance the current reserve and cash flow forecasts.

The following Table 2 is based on both Inferred (10-15%) and Indicated (85-90%) Resources. Recent drilling has converted the Inferred component to Indicated, and will form part of a future resource and reserve upgrade.

*"The plant configuration presents many opportunities to improve both operating costs and recovery rates."*

**Table 2 - Ore Reserves — Key Parameters**

Production Scenarios		A\$575/oz (Spot)		A\$625/oz	
		1mtpa	2mtpa	1mtpa	2mtpa
Proven/Probable Ore	mt	2.4	3.8	2.7	4.7
	g/t	1.8	1.5	1.7	1.5
Inferred Resource	mt	0.3	0.5	0.5	0.5
	g/t	2.1	1.8	2.0	1.8
Waste	mt	18.9	25.0	20.9	33.1
Strip ratio	W:O	7.0	5.8	6.5	6.4
Gold - Contained	000 ozs	156.6	212.8	178.1	251.2
Mine Life	Years	2.7	2.1	3.2	2.6
Work Index		9.2	9.1	9.4	9.2
Gold Recovery		94.8%	95.1%	94.6%	95.1%
<b>Gold - Recovered</b>	<b>000 ozs</b>	<b>148</b>	<b>202</b>	<b>168</b>	<b>239</b>
Cutoff Grades	Au g/t	0.8 - 1.0	0.6 - 0.9	0.8 - 1.0	0.6 - 0.8

Inferred Resources within Pit Designs have been included in economic analysis  
Ore tonnes includes proven, probable and inferred ore

### BFS Objectives Met

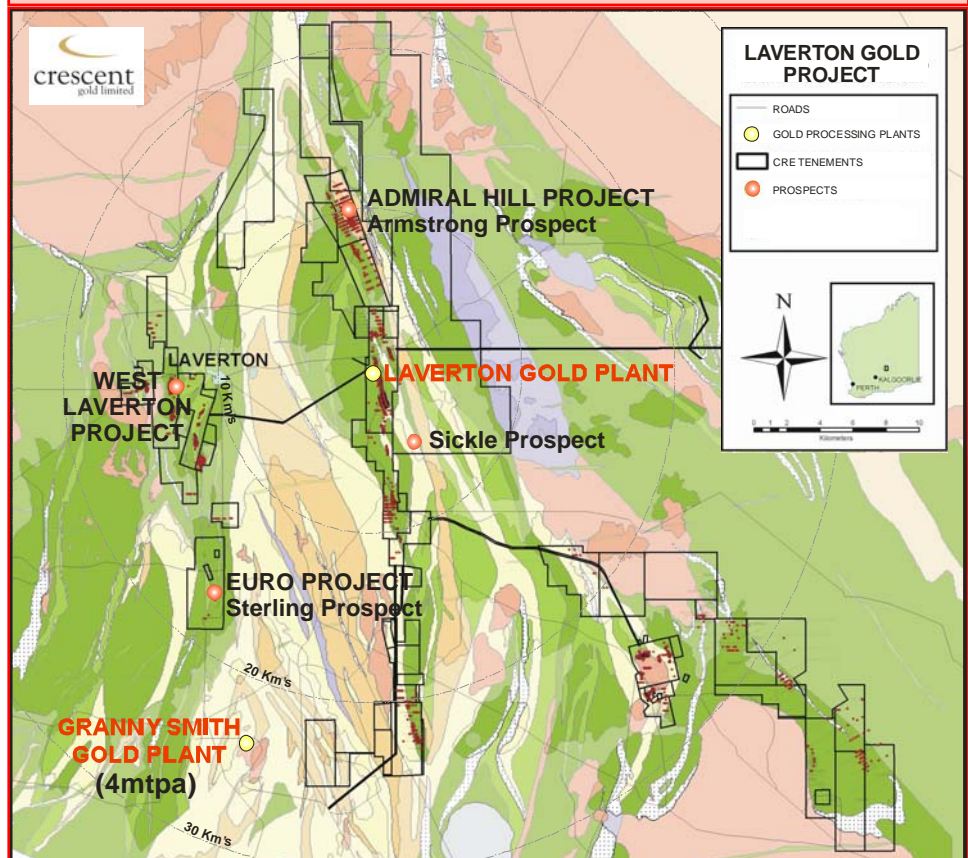
The company is pleased to announce the findings from its Bankable Feasibility Study on the 1mtpa mill scenario (costs +/- 15%) and the scoping study (costs +/- 30%) on expanding mill to 2mtpa throughput. Mineable reserves using both the spot gold price (A\$575/oz) and the 12-24 month flat forward (hedged) gold price of A\$625/oz have been estimated. Ongoing discussions with financiers indicate that hedging 75% of the reserves at the time of receiving credit committee approval for finance should be achievable.

The majority of the resources have been estimated to depth of oxidation (<100m) and focus mainly on oxide ore.

The study has included 4 of the 10 projects which are considered to have potential to be economically mined. A number of those excluded from the study will undergo further study in 2005.

*"The study has included 4 of the 10 projects...the others will be subject to the Feasibility process in 2005"*

**Figure 1 - Tenement Location - Laverton Project**



### Capital Costs - \$5.1m refurbish to 1mtpa, \$9.2m to 2mtpa

The plant has undergone extensive review as part of the cost estimations to re-start the mill during 2004.

Table 3 summarises these results. Contingencies are set at 15% for the 1mtpa and 30% for additional capital at 2mtpa which reflects the preliminary estimate to date.

#### Table 3 - Capital Cost Estimate

Capital Costs - A\$m	1.0 mtpa			2.0 mtpa		
	Refurbishment	Additional	Total	Refurbishment	Additional	Total
Crushing Plant	0.6		0.6	0.2	0.8	1.0
Milling and Classification	1.0		1.0	0.9	2.7	3.6
Leach and Absorption	0.5	0.9	1.4	0.5	1.4	1.9
Elution and Gold Room	0.2		0.2	0.2	0.1	0.4
Water & Services	0.5		0.5	0.5	0.2	0.7
<b><i>SUBTOTAL</i></b>	<b><i>2.9</i></b>	<b><i>0.9</i></b>	<b><i>3.8</i></b>	<b><i>2.3</i></b>	<b><i>5.2</i></b>	<b><i>7.5</i></b>
EPCM	0.8		0.8		1.1	1.1
First Fill	0.3		0.3		0.4	0.4
Commissioning	0.2		0.2		0.2	0.2
<b><i>SUBTOTAL</i></b>	<b><i>1.3</i></b>		<b><i>1.3</i></b>		<b><i>1.7</i></b>	<b><i>1.7</i></b>
<b><i>TOTAL exc. Contingency</i></b>	<b><i>4.2</i></b>	<b><i>0.9</i></b>	<b><i>5.1</i></b>	<b><i>2.3</i></b>	<b><i>6.9</i></b>	<b><i>9.2</i></b>
Contingency	0.4		0.4	0.4	1.7	2.2
<b><i>TOTAL inc. Contingency</i></b>	<b><i>4.6</i></b>	<b><i>0.9</i></b>	<b><i>5.5</i></b>	<b><i>2.7</i></b>	<b><i>8.6</i></b>	<b><i>11.4</i></b>

### Extensive Independent and Peer Review

The plant study and capital and operating cost estimates has been lead by BeMeX Corporation Pty Ltd and overseen by Alan Senior and Crescent Gold staff. As operators of the Challenger Gold Project mill for Dominion Mining, BeMeX are ideally positioned to provide realistic costings based on existing consumables and suppliers pricings.

BeMeX have also overseen the metallurgical test work program conducted (primarily) at Ammtec. This work has been integrated into the cost estimates.

4 Resources including Sickie, Admiral Hill, Euro and West Laverton were estimated by RSG Global, SRK and Ravensgate Pty Ltd and are highlighted in Figure 1.

Pit optimisations and designs have been conducted by Steve Craig, Mine Planning Solutions and parameters and methodologies reviewed by Ken Moloney of Moloney Mining Services and Tony Cameron of AJ Cameron and Associates.

Because of the large amount of low grade (0.5-1.0g/t) material observed between ore blocks in the preliminary pit designs, two milling capacities and two gold price scenarios have been investigated. To restart the mill to a nominal 1mtpa throughput rate, capital costs are essentially confined to refurbishment of the existing plant. The second scenario incorporates substantial upgrading of the plant to double throughput to 2mtpa, reduce operating costs and improve gold recoveries and expand gold production dramatically.

In order to complete the BFS largely within time and budget, the 1mtpa scenario was costed to Bankable standards of +/- 15%, whereas additional elements for the 2mtpa scenario has been costed to a +/- 30% accuracy.

### **Further Work—Excellent opportunity to add reserve value**

- Exploration - Sickle - Main Focus

The recent geophysical survey has highlighted numerous anomalies similar to that which clearly identify the gold mineralisation at Sickle (see Figure 2).

These new targets extend well beyond the previous 1.5 kilometer radius announced and it is the view of the company that these targets remain untested. Where past scout drilling has co-incided with these previously unrecognised anomalies, elevated gold has been observed. These targets warrant immediate follow-up and RAB drilling is planned to commence immediately.

- Metallurgical Test Work

Additional work will commence on obtaining further information to fully optimise the process flow sheet at the 2mtpa throughput rate. Metallurgical test work will also look at the primary mineralisation in order to assess the economic potential to produce gold concentrate from the disseminated ore zones.

- Additional Resource and Reserves

Once the above studies are completed, resource and reserve work will commence.

- Additional projects.

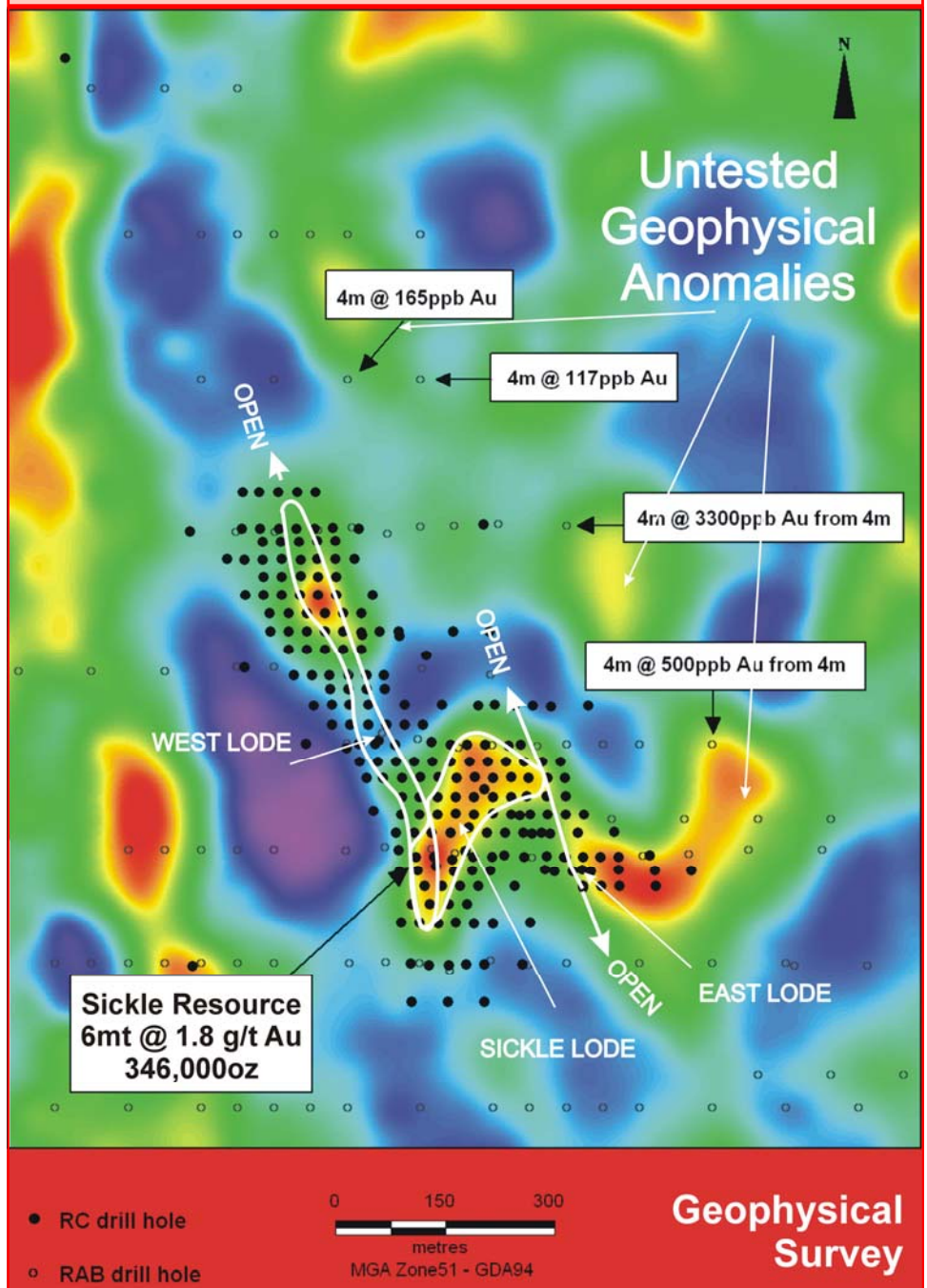
Six projects will be evaluated in the first and second quarter of next year and will be factored into the production schedule.

### Project Life to Increase

Current drilling at Sickle is extending the project life beyond the ranges indicated in this study.

Of the 20mt of inferred resources, only between 3 and 5mt are currently classified as reserves. The company is committed to increasing both the total resource inventory and reserve estimate.

### Geophysical Survey - Sickle



### Further Work—Focused on adding reserve value

The following Tables breakdown the contributions of each of the deposits under the 4 scenarios considered in the BFS.

Sickle is by far the largest deposit studied in terms of recoverable gold and cash flow. Admiral Hill is also large, however, the large volume of low grade (0.5—1.0g/t) material between the higher grade zones becomes economically significant at the lower operating cost (expanded mill) and higher (hedged) gold price scenarios. Admiral Hill ore is also very soft. Further work is underway to investigate a blending approach to milling the very soft Admiral Hill ore and the less soft Sickle ore.

Euro is least sensitive to the milling and gold price scenarios as it is drill limited and therefore variance in total recoverable ounces. Additional drilling should lead to further improvements in reserves and cash flow forecasts.

**Table 4- Project Breakdown A\$625, 2mtpa**

Project Breakdown A\$625, 2 mtpa		Admiral Hill	Sickle	Euro	West Laverton	Total
Ore	mt	2.0	2.3	0.5	0.4	<b>5.2</b>
	g/t	1.2	1.7	1.6	1.8	<b>1.5</b>
Waste	mt	10.1	15.1	3.4	4.5	<b>33.1</b>
Strip ratio	W:O	-	7	6	12	<b>6.4</b>
Gold - Contained	000 ozs	73	129	28	21	<b>251.2</b>
Bond Work Index		8	12	6	6	<b>9.2</b>
Gold Recovery		97%	93%	97%	97%	<b>95.1%</b>
<b>Gold - Recovered</b>	<b>000 ozs</b>	<b>71.2</b>	<b>119.7</b>	<b>26.8</b>	<b>21.1</b>	<b>238.8</b>
<b>Project Economics</b>						
Cutoff Grade	Au g/t	0.8	0.8	0.6	0.8	
Net Gold Price *	A\$/oz	608	578	608	608	
Revenue	A\$m	43.3	69.1	16.3	12.8	<b>141.5</b>
Operating costs						
Processing	A\$m	18.4	27.5	4.6	3.2	<b>53.7</b>
Mining	A\$m	15.9	19.5	5.4	7.9	<b>48.7</b>
all other	A\$m	2.9	2.9	1.1	0.8	<b>7.8</b>
Total Operating Costs	A\$m	37.2	50.0	11.1	12.0	<b>110.3</b>
<b>Cash Profit</b>	<b>A\$m</b>	<b>13.1</b>	<b>29.3</b>	<b>7.6</b>	<b>3.6</b>	<b>31.3</b>
Cash Cost/oz	A\$/oz	507	387	399	568	<b>439</b>

Notes Net Gold Price - state and lease royalties deducted  
Ore tonnes includes proven, probable and inferred ore  
A\$625/oz scenario assumes 100% gold sold at A\$625/oz

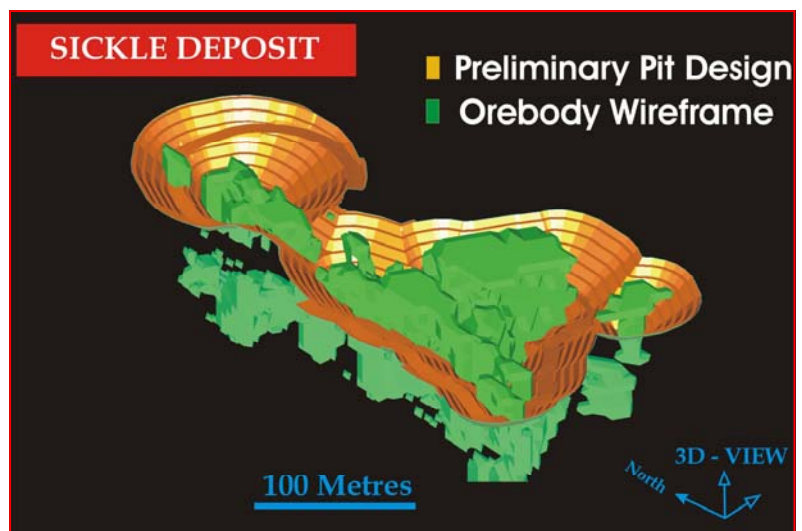
**Table 5 - Project Breakdown A\$625, 1mtpa**

Project Breakdown A\$625, 1 mtpa		Admiral Hill	Sickle	Euro	West Laverton	Total
Ore	mt	0.7	1.8	0.5	0.3	<b>3.2</b>
	g/t	1.4	1.8	1.6	2.2	<b>1.7</b>
Waste	mt	2.7	11.2	3.4	3.6	<b>20.9</b>
Strip ratio	W:O	4.1	6.3	6.4	14.4	<b>6.5</b>
Gold - Contained	000 ozs	28.4	105.0	27.4	17.3	<b>178.1</b>
Bond Work Index		8.2	11.5	5.7	5.7	<b>9.4</b>
Gold Recovery		97.0%	92.7%	97.0%	97.0%	<b>94.6%</b>
<b>Gold - Recovered</b>	<b>000 ozs</b>	<b>27.5</b>	<b>97.3</b>	<b>26.5</b>	<b>16.8</b>	<b>168.2</b>
<b>Project Economics</b>						
Cutoff Grade	Au g/t	1.0	1.0	0.8	1.0	
Net Gold Price *	A\$/oz	608	578	608	608	
Revenue	A\$m	16.7	56.2	16.1	10.2	<b>99.3</b>
Operating costs						
Processing	A\$m	8.9	26.4	5.3	2.7	<b>43.2</b>
Mining	A\$m	4.3	14.7	5.3	6.3	<b>30.6</b>
all other	A\$m	1.0	2.3	1.1	0.5	<b>4.9</b>
Total Operating Costs	A\$m	14.2	43.3	11.7	9.5	<b>78.7</b>
<b>Cash Profit</b>	<b>A\$m</b>	<b>4.5</b>	<b>20.7</b>	<b>6.8</b>	<b>3.0</b>	<b>20.6</b>
Cash Cost/oz	A\$/oz	500	413	428	547	<b>442</b>

Notes

Net Gold Price - state and lease royalties deducted

Ore tonnes includes proven, probable and inferred ore



**Table 6 - Project Breakdown A\$575, 2mtpa**

Project Breakdown A\$575, 2 mtpa		Admiral Hill	Sickle	Euro	West Laverton	Total
Ore	mt	1.5	1.9	0.5	0.4	<b>4.3</b>
	g/t	1.2	1.8	1.6	1.8	<b>1.5</b>
Waste	mt	6.0	11.1	3.4	4.5	<b>25.0</b>
Strip ratio	W:O	4.1	5.9	6.3	12.0	<b>5.8</b>
Gold - Contained	000 ozs	55.5	107.9	27.5	21.8	<b>212.8</b>
Bond Work Index		8.2	11.5	5.7	5.7	<b>9.1</b>
Gold Recovery		97%	92.7%	97%	97%	<b>95.1%</b>
<b>Gold - Recovered</b>	<b>000 ozs</b>	<b>53.9</b>	<b>100.1</b>	<b>26.7</b>	<b>21.1</b>	<b>201.7</b>
<b>Project Economics</b>						
Cutoff Grade	Au g/t	0.6	0.8	0.6	0.9	
Net Gold Price *	A\$/oz	559	529	559	559	
Revenue	A\$m	30.1	52.9	14.9	11.8	<b>109.8</b>
Operating costs						
Processing	A\$m	13.8	22.7	4.5	3.2	<b>44.2</b>
Mining	A\$m	10.8	16.2	5.7	5.1	<b>37.9</b>
all other	A\$m	2.2	2.4	1.1	0.8	<b>6.6</b>
Total Operating Costs	A\$m	26.8	41.2	11.4	9.2	<b>88.6</b>
<b>Cash Profit</b>	<b>A\$m</b>	<b>3.3</b>	<b>11.7</b>	<b>3.5</b>	<b>2.6</b>	<b>21.2</b>
Cash Cost/oz	A\$/oz	483	382	414	421	<b>416</b>
Notes	Net Gold Price - state and lease royalties deducted Ore tonnes includes proven, probable and inferred ore					

*The information on Ore Reserves contained within this report is based on, and accurately reflect, information compiled by Mr Steve Craig, Independent Consultant, who is a competent person (as defined by the 1999 Australasian Code for Reporting of Mineral Resources And Ore Reserves), a corporate member of the Australasian Institute of Mining and Metallurgy and has the necessary experience which is relevant to the style of mineralisation under consideration."*

*The information on mineralisation contained within this report is based on, and accurately reflect, information compiled by Mr Andrew Spinks, Manager – Geology, who is a competent person (as defined by the 1999 Australasian Code for Reporting of Mineral Resources And Ore Reserves), a corporate member of the Australasian Institute of Mining and Metallurgy and has the necessary experience which is relevant to the style of mineralisation under consideration."*

**Table 7 - Project Breakdown A\$575, 1mtpa**

Project Breakdown A\$575, 1 mtpa		Admiral Hill	Sickle	Euro	West Laverton	Total
Ore	mt	0.6	1.4	0.5	0.2	<b>2.7</b>
	g/t	1.4	2.0	1.6	2.0	<b>1.8</b>
Waste	mt	2.8	9.8	3.2	3.1	<b>18.9</b>
Strip ratio	W:O	4.9	7.0	6.4	13.6	<b>7.0</b>
Gold - Contained	000 ozs	26.0	90.1	26.2	14.3	<b>156.6</b>
Work Index		8.2	11.5	5.7	5.7	<b>9.2</b>
Gold Recovery		97.0%	92.7%	97.0%	97.0%	<b>94.8%</b>
<b>Gold - Recovered</b>	<b>000 ozs</b>	<b>25.3</b>	<b>83.5</b>	<b>25.4</b>	<b>14.3</b>	<b>148.5</b>
<b>Project Economics</b>						
Cutoff Grade	Au g/t	1.0	1.0	0.8	1.0	
Net Gold Price *	A\$/oz	559	529	559	559	
Revenue	A\$m	14.1	44.2	14.2	8.0	<b>80.5</b>
Operating costs						
Processing	A\$m	7.6	20.6	5.1	2.4	<b>35.8</b>
Mining	A\$m	4.8	14.3	5.7	3.5	<b>28.3</b>
all other	A\$m	0.8	1.8	1.1	0.5	<b>4.2</b>
Total Operating Costs	A\$m	13.3	36.8	11.8	6.4	<b>68.3</b>
<b>Cash Profit</b>	<b>A\$m</b>	<b>3.3</b>	<b>15.8</b>	<b>5.2</b>	<b>1.6</b>	<b>12.2</b>
Cash Cost/oz	A\$/oz	511	408	451	448	<b>436</b>
Notes	Net Gold Price - state and lease royalties deducted Ore tonnes includes proven, probable and inferred ore					

Regards

**Crescent Gold Limited**

**Andrew Haythorpe**  
**Executive Director**