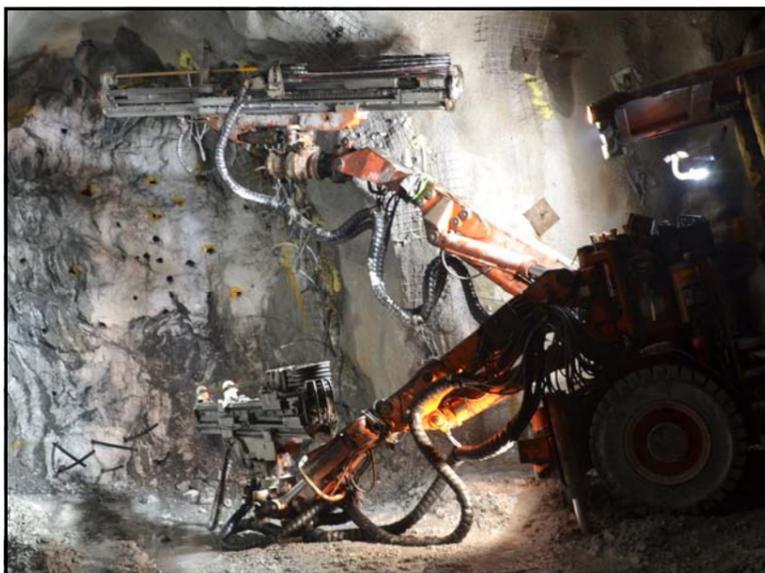


Stoping activities and vibration

Over the past 6 months, CGT has continued to develop the underground mine to further access ore bodies. The next stage involves a change of mining method to 'stopping'; stopping involves drilling holes into the rock and charging them with explosives, typically higher volumes than day to day develop mining, to break the rock so that it can be trucked to the surface for processing through the Mill. The initial section of a stope, referred to as the 'rise', is used to create the void for the remainder of the stope to be fired into. Due to the nature of the blast design required for the rise, there is the potential to generate slightly higher vibrations on the surface. Once the 'rise' is fired successfully the remaining sections of the stope can be fired, and typically there is a reduction in the vibrations felt on the surface. The duration of each blast is around 3.0 seconds.

CGT last undertook stopping in mid 2012. This series of stope firings were in the Woah Hawp 567 (567 vertical metres below the surface) and Sovereign 524 areas: maximum recorded surface vibration levels were 1.14 mm/sec and 3.26 mm/sec respectively. All results for the 2012 series of stope firing were well under the day time vibration limit of 10 mm/sec and the annual limit of 95% of all firings to be less than 5 mm/sec. For a comparison of impact, houses are built to withstand 50 mm/sec of movement.

During January 2013, CGT expects to commence 'stopping' activities in the Llanberris 638 area, below the Len T Frazer Reserve (Main Road/Eureka Street); this stope is a further 100 vertical metres deeper than the 2012 stope activities.



CGT uses blast monitors to collect data from strategically chosen surface locations during each stope firing. As CGT is committed to continual improvement, the impact, design and blast patterns of stopping are reviewed to improve each subsequent firing. CGT encourages all community members who 'feel' or 'hear' the effects of our 'stopping' activities to make contact with the Environment & Community team on 5327 2555: your feedback will assist CGT with future blast design, with a view to reducing our impact on the community.

Left: Twin Boom Jumbo drilling a development face in preparation for loading explosives.

Golden Point Shaft Update

The Golden Point Ventilation shaft provides fresh air to the underground workings, and if required can also be used as an emergency egress from the mine.

Over the last 12 months CGT has been working through final approvals for a reduction in height of the 6m shaft walls (grey box) with the Department of Primary Industries and the City of Ballarat. CGT expects to start work during February to remove the top 2.4m of paneling, and to paint the remaining walls in an approved heritage green color. Planting of low growing trees to soften the aesthetics will also be undertaken at this time.



Above: Current 6m compound



Below: Proposed 3.6m compound

24/7 — Contact

If you have any concerns or enquires relating to our mining operations we encourage you to contact us on **5327 2555**.

As this number is attended 24 hours per day, 7 days per week, you will always be able to talk to someone.

Message from the General Manager

2012 was a satisfying year for Castlemaine Goldfields Limited (CGT) on many fronts.

At the end of December 2012 we had completed nearly 27,000 metres of underground diamond drilling, completed over 2,700 metres of underground development, mined and processed over 145,000 tonnes of ore to recover nearly 30,000 ounces of gold.

The underground development initially concentrated on the Llanberris compartment accessing ore on multiple levels within the high grade Mako Fault and Tiger Fault zones. In the second half of the year increased development activity included extending the Woah Hawp decline to the north to access new ore zones in the Britannia compartment.

This new underground development, more than 600 metres below the surface, has entered the Victoria compartment which is further north than any previous mining activity in modern times. The footprint of modern underground development now extends from Woolshed Gully in the south to the northern side of Victoria Street.

The underground diamond drilling was part of our successful exploration programme to identify areas within the Britannia compartment to mine, enabling continuity of gold production through 2013. Extending the Woah Hawp decline in the Victoria compartment provides the next underground drilling platform which combined with drilling in other areas will form the underground exploration programme for 2013. Successful exploration drilling remains critical in providing longevity to the operation.

In April a Singapore based gold mining and exploration company LionGold announced a take-over offer to CGT shareholders and by the end of September LionGold had acquired 100% of the CGT shares. The Ballarat Gold Project and overall CGT exploration potential is a key part of the LionGold portfolio of projects; ranging from producing gold mines to development and exploration tenements.

LionGold shares the CGT vision and business strategy and will look to identify sources of ore to supplement the currently under utilised Ballarat gold processing facility by increasing exploration efforts at a prudent scale. LionGold believes it can provide the scale, financial resources and access to capital necessary to develop CGT's projects to their full potential in a timely manner. Members of the CGT Board and executive team have taken on key roles within LionGold and the Ballarat operations are continuing to be conducted in substantially the same way.

The support of LionGold for CGT can be seen in the approval of a number of major capital projects including expanding the regional exploration programme for both the Northern Area (Chewton and Tarnagulla) and the Southern Area (Berringa, Ballarat South and Ballarat West), the continuing underground development of the Woah Hawp decline into the Victoria compartment, the purchase of new mining equipment and the planned expansion of the Ballarat Tailings Storage Facility.

The increased Ballarat and regional activity in 2012 has been accompanied by an increase in the number of people directly employed by CGT and the contracting companies engaged by CGT. At the end of December a combined total of 170 people were employed which represents a 30% increase from the beginning of the year.

With a number of major projects occurring in 2013 including activity in areas that the mine has not operated previously, it is important that CGT continues to engage with the community. If you are receiving this newsletter for the first time and would like to be involved with the review of the operations environmental performance please consider joining the Environmental Review Committee, see page 2 for further details.



Lance Faulkner

Lance Faulkner

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Contact Us

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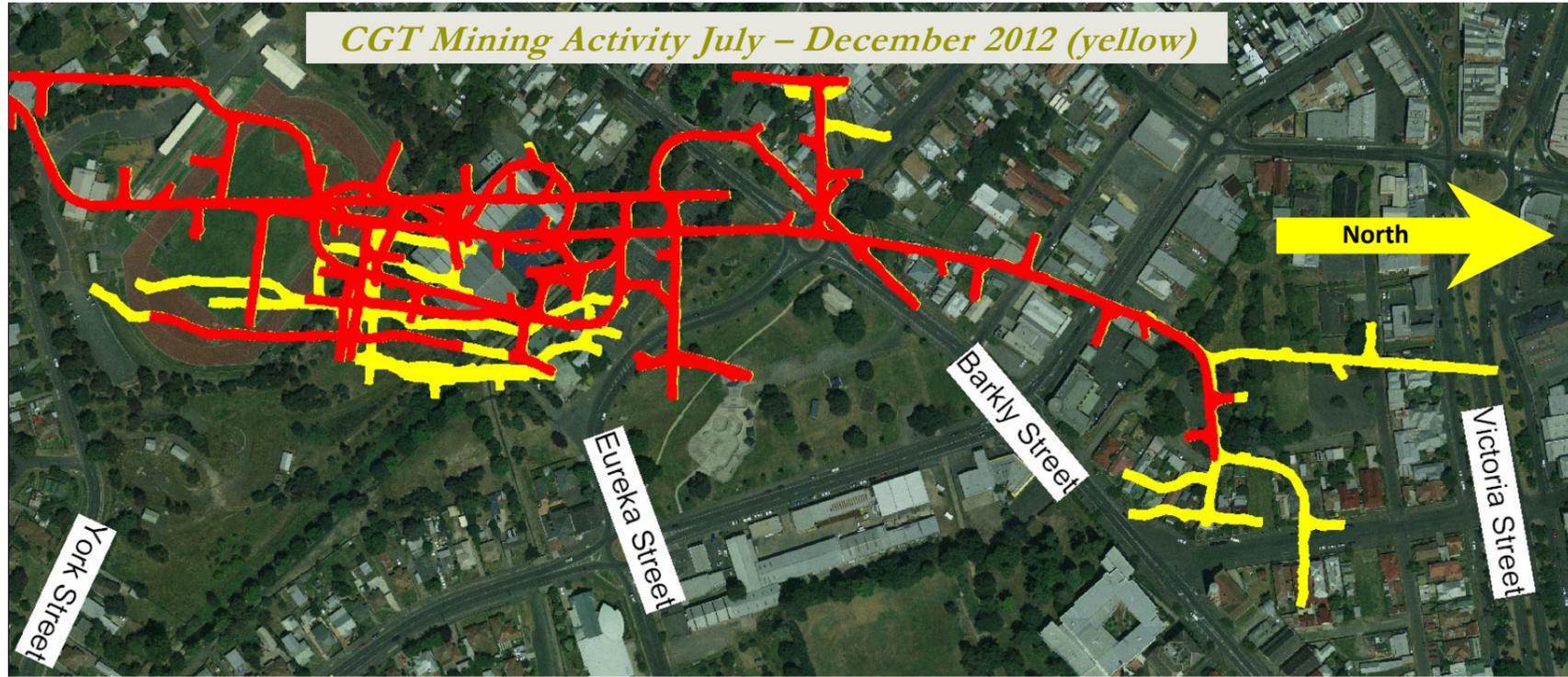
Southern Decline Facts:

The decline, known as the Woolshed Gully decline, is located 500m south of Sovereign Hill.

CGT utilize two main declines for access and ventilation to the ore bodies deep below Ballarat. The Sulieman (shallower) and Woah Hawp (deeper) declines run parallel to each other (approximately north/south) under the ridgeline of the Whitehorse Range. The Whitehorse range stretches parallel to Main Road from Buninyong in the south to Eureka St in the north.

The distance from the Woolshed Gully portal to the northern extent of the Woah Hawp decline is only 2.8km. The decline has a 1:6 gradient, so the actual distance from portal to the active face is over 4km.

Over the last 19 years nearly 25km of decline has been constructed, some of which is no longer in use and has been backfilled.



Northern Decline Facts:

The Woah Hawp decline crossed Victoria Street in December 2012 and is heading towards Black Hill.

The Woah Hawp decline will pass under the Redhill Mine where the Welcome Nugget was found 55m below the surface of Bakery Hill in 1858, the nugget weighed 2217oz and sold for 10,500 pounds(\$21,000) - at today's value it would be worth around \$3.6 Million.

CGT's Woah Hawp decline will pass the Redhill mine around 645m below and 20m to the east of the Welcome Nugget location.

Exploration using diamond drilling methods will explore into the Victoria Compartment during 2013. Historically the Victoria Compartment yielded 209,000 oz at an average grade of 10.7g/t.



Environmental Review Committee- Seeking New Members

Modern mining operations are heavily regulated to ensure compliance with many local, state and federal laws. One of the licence conditions of many mining companies, including CGT, is that they have an Environmental Review Committee (ERC). Due to three members retiring, the current CGT-ERC would like to invite members of the community to express their interest in becoming part of the CGT-ERC in 2013.



What is an ERC?

An ERC is a committee made up of representatives from regulatory authorities (DPI-Mining, EPA, City of Ballarat), special interest groups, the local community and the mining company: ideally in equal numbers.

The primary function of CGT's ERC is:

- review the environmental performance of the operation against various licence conditions.
- represent community views from within those sections of the community most likely to be effected by our operation.
- enhance communication between CGT and various key stakeholders within the community.

Application process for ERC membership

The selection process takes into account the need to achieve adequate representation of those most likely to be effected by CGT operations: members of the community who receive this newsletter are encouraged to apply, particularly if you have received this newsletter for the first time.

5 Reasons that make a good ERC member

- You are willing to represent your local community and have established networks within the local community.
- You have a commitment to a sustainable local environment.
- You have a general interest and want to gain further knowledge of modern mining practices.
- You can attend the 4:30pm quarterly meetings held at CGT's office in Mt Clear.
- Call and tell us the 5th reason.

Tailing Storage Facility

CGT will begin expansion of the Tailings Storage Facility (TSF) during February 2013. The next two stages of the TSF construction will consist of extending the wall into the adjoining gully to the north of the existing TSF wall. The first stage will provide CGT storage capacity for approximately two years. Based on current production rates the second stage should commence construction around 2015/16.

The TSF has been designed inline with the Australian National Committee on Large Dams and the International Cyanide Code and incorporates a number of engineering and safety elements to ensure the site complies with strict regulatory requirements for public safety and environmental considerations.

Construction of the TSF will take approximately 4 months (conditional to weather) and will incorporate the sites strict compliance for noise, dust, times of operation and traffic management to ensure minimal disturbance to the surrounding community.

Due to the size of some of the earthmoving equipment, access along Tinworth Avenue from Whitehorse Road will be required on occasion. Any vehicle that is required to access the site using the alternate (Tinworth) route will require Vic Roads permits and must abide by the CGT Mon-Fri 7:00am-6:00pm curfew times.

If you would like further information on this project please feel free to contact us on 5327 2555.

