

Regulatory Announcement

[Go to market news section](#)



Company [Norseman Gold PLC](#)
TIDM NGL
Headline Quarterly Report
Released 07:00 25-Apr-08
Number 0945T

Norseman Gold plc / Epic: NGL / Index: AIM / Sector: Mining & Exploration
25th April 2008

NORSEMAN GOLD PLC **(“Norseman Gold” or the “Company”)**

Three Month Report On Activities For The Period Ended 31 March 2008

Norseman Gold, the AIM listed Australian gold production company, is pleased to announce a three month progress report on its activities for the period to 31 March 2008. Also included is information related to the last 11 months of results since the company took control of the operations of the Norseman Gold Mine in Western Australia, the country’s longest continuously producing gold mine. *Reader’s should note that this report covers the operating period from 1st January 2008 to the 31st March 2008, reported as a full financial quarter to bring the Company reporting in line with financial year reporting.*

Overview

- Total production of 19,088 ounces from 92,573 tonnes treated. This quarter’s production resulted in a 15% increase in recovered ounces when compared to the previous quarter and has produced an operating profit and positive cash flow for the Company.
- On the bases and assumptions set out below, forecast production for the full financial year to the end of June 2008 year remains in the range of 75,000 to 80,000 ounces. Production for the 11 months since the Company took control of the operations now stands at 71,106 recovered ounces and production for the 9 months to 31 March 2008 was 56,112 recovered ounces.
- Operations remain un-hedged with a gold price of A\$953 per ounce at date hereof.

- Capital expenditure for the quarter totalled A\$2.3 million including exploration expenditure of A\$0.7 million and mine development of A\$1.4 million.
- Preparation for the delivery and commissioning of new equipment, including three underground trucks, an underground loader and an underground two boom jumbo commenced during the quarter. The first four items directly replace four units of hire equipment that have been in use for a number of years.
- Regional exploration drilling continued on schedule with the two major drill programmes being completed at Lady Miller and on the Mararoa Reef. Assay results are pending.

Operating Review

Production

		<u>3 months to</u> <u>31 September '07</u>	<u>3 months to</u> <u>31 December '07</u>	<u>3 months to</u> <u>31 March '08</u>	<u>11 months to 31</u> <u>March '08</u>
Capital Development	madv	348	505	321	1,456
Ore Development	madv	1,175	1,038	1,114	4,077
Development	t	36,765	33,461	27,855	121,254
Grade	gAu/t	5.00	4.13	4.60	4.68
Mechanised Stopping	t	2,570	3,446	5,922	15,301
Grade	gAu/t	6.75	5.37	6.48	5.68
Airleg Stopping	t	48,324	40,961	43,576	166,009
Grade	gAu/t	8.00	8.34	9.41	8.79
U/G Production	t	87,659	77,868	77,353	302,564
Treated Tonnes	t	114,705	115,698	92,573	405,950
Grade	gAu/t	5.75	5.84	6.67	5.72
Recovery	%	96.6%	92.0%	96.2%	95.2%
Recovered Ounces	ozs	20,472	16,552	19,088	71,106

Gold production from the Norseman mine during the three month period to 31 March 2008 totalled 19,088 ounces. For the eleven month period to 31 March 2008, total recovered ounces were 71,106. Of this, the Bullen Mine contributed 46,500 ounces, while the Harlequin mine contributed 19,560 ounces and oxide treatment provided 5,046 ounces. The gold price received during the three month period to 31 March 2008 ranged between A\$997 and A\$1,050 per ounce, with an average price achieved of A\$1,023 per ounce. The current gold price is A\$953 per ounce.

The main progress during the quarter was the improved performance at Harlequin, brought about by the management changes and the accesses to the high grade Redfin Reef being opened up.

The Bullen development continued through the low grade section of the Norseman Reef and the programme of developing alternative headings to compensate for the low grade zone continue to provide improved production results.

On the basis of:

1. 9 months production reported above; and
2. the Company forecast of production for the remaining 3 months of the financial year; which forecast assumes an improvement in recovery rates from:
 - a. production of higher grade reef at Norseman once reached; where the higher grade reef is apparent from forward test drilling results; and
 - b. operational improvements in place at both mines;

the Company forecasts production for the financial year to 30 June 2008 will total between 75,000 and 80,000 ounces.

It remains the Company's objective to increase production to 120,000 ounces per annum in the near term and 150,000 ounces per annum in the medium term through continued operational improvements and the identification and development of a third mine. To achieve this level of production will require resources to be converted into reserves through continued exploration drilling and capital development.

Operating Costs

The Company continued to experience cost pressures during the quarter, particularly from increases in the costs of diesel fuel, which impacts directly on power generation costs.

However, as a result of costs saving initiatives instigated at the mine over the past six months, and ongoing negotiations with major suppliers that are achieving cost reductions, total operating costs overall remained relatively stable.

As a result, when combined with the improvement in production, direct operating cash costs per ounce for the quarter reduced to A\$763 per ounce, which is a 20% improvement on the same measure in the December quarter.

With operational improvements and costs savings already in place, and on the bases and assumptions set out above, the Company forecasts that direct operating cash costs for the full year ending 30 June 2008 will be between A\$730 and A\$760 per ounce.

With operational improvements now in place, costs continuing to be well controlled and at higher levels of production relative to fixed costs, cash operating costs should fall. The Company estimates that if a consistent production level of 8,500 ounces per month can be reached, the equivalent cash cost to that forecast above would fall to between A\$550 and A\$600 per ounce.

From an accounting profit and loss point of view, in each of the three months in the quarter, the Norseman Project generated a positive operating result, and over the full quarter, the project was cash flow positive to the extent of A\$2.63 million.

Equipment deliveries, training and commissioning commenced in the last week of March 2008 and will continue through April 2008 as the first 5 units of new mobile equipment are delivered to the underground mines. The last week of the quarter was spent commissioning the first of the new units and training the operating and maintenance personnel in the proper care and use of the units. It is anticipated that the new equipment will begin to have a positive effect on productivity during the June quarter. The intensive training that the Company has provided with the delivery of the new equipment represented a substantial investment in our personnel and the Company believes this will also assist the operations with staff retention.

The refurbishment of the pachuca tanks (high, narrow tanks with a central cylinder for the introduction of compressed air into pulp during the cyanide process) in the treatment plant was also completed during the quarter. The treatment of the tanks is anticipated to extend their life for +5 years and completes this part of the refurbishment programme that the Company commenced on acquisition 11 months ago.

The Company will continue to negotiate with suppliers to improve the price of the products and services supplied.

Development

The underground capital development programme continued at Bullen for the quarter with the next stage of the Norseman Incline completed to the 235m Reduced Level ("RL"). The capital development programme will now focus on the development below the 18 Level on the Bullen Reef and the Norseman Decline below the 330m RL. The Company expects that the rate of development will increase with the delivery of the new Two Boom Jumbo in mid April 2008.

Bullen ore development maintained its focus away from the upper levels of the Norseman Reef with the major development areas in the St Patrick's Reef 319 Decline and the 342 m RL levels and the recommencement of the 18 Level at the Bullen Reef.

Norseman Reef ore development continued to drive through the lower grade section of the upper levels. The 283m RL level was driven to the expected high grade position during the quarter and was driven through to the Mt Barker Fault. Stoping will commence in this area during the June quarter. Norseman Reef ore development will now recommence on the 265m RL to drive to the same high grade position up dip on the reef.

Harlequin ore development focussed on the driving of the lower levels of the high grade Redfin Reef. The advance on these levels has been slowed by the requirement to upgrade the power and ventilation to enable the practical mining of these areas but it is anticipated that these upgrades will be completed in the June quarter. To supplement the advance, ore headings were commenced in the higher levels of the Redfin Reef in areas where re-interpretation of the geology has shown that sections of the reef have been left un-mined.

Development Exploration

At Harlequin, underground diamond drilling continued the testing of the Redfin Reef. The current Redfin Reef drilling has continued to be successful with a number of drill holes being logged with visible gold present. The results from these holes include;

- 0.15m @ 57.48 g/t gold from 112.85m in drill-hole HD1676
- 1.64m @ 37.91 g/t gold from 129.95m in drill-hole HD1680
- 1.60m @ 37.04 g/t gold from 111.10m in drill-hole HD1681
- 0.85m @ 61.63 g/t gold from 131.55m in drill-hole HD1685
- 1.84m @ 31.00 g/t gold from 128.20m in drill-hole HD1686
- 2.76m @ 10.43 g/t gold from 129.00m in drill-hole HD1687-2
- 1.86m @ 400.83 g/t gold from 150.70m in drill-hole HD1691

The Company is waiting on assay results for further completed drill holes. The drilling into the Redfin Reef, as part of this programme, is expected to continue through the June quarter.

Bullen diamond drilling focussed on the Norseman Footwall Reef below the 308 m RL and the northern side of the Mt Barker Fault. No other significant results have been reported although assays are pending on a number of completed holes. The drilling in the June quarter will continue to focus on the northern side of the Mt Barker Fault.

Regional Exploration

The regional exploration focus was based around the previously described drilling programmes conducted at the Lady Miller area and the on the Mararoa Reef to the north of the Regent Shaft. Over 7,000 metres in 60+ holes of Reverse Circulation (“RC”) drilling was completed in these two programmes, which continued into April 2008. The exploration team

is now waiting to receive all the assays from these programmes to complete the analysis of the results.

The Company's exploration team also has been working methodically through the large number of prospects identified on the leases and validating data related to the prospects so that they can be ranked in order of priority for further investigation in upcoming drill programmes. Whilst the task is ongoing, there already appears to be a number of prospects that will require drill testing to add to the resource inventory over the next 12 months. This progress is clearly vindicating the Company's belief in the potential substantial endowment of the Norseman field that remains to be exploited.

Tailings Storage

Construction has commenced on the new valley tailings dam facility. The construction is scheduled to take 12 weeks to complete at a total cost of A\$2.5 million. The facility has been designed to have the capacity to provide +5 years tailings storage for the operations.

Tailings Retreatment

The Company has continued to review a previous feasibility study into the retreatment of the large tailings dumps located next to the processing plant. The search for a suitable site to dispose of the 5 million tonnes of retreated tailings has commenced, with a number of potentially suitable locations being identified. Community consultation has also commenced due to the historic significance of the tailings dumps to the Norseman town's history.

Cash Balances

The cash balance (excluding bullion) at the end of the period was A\$11.2 million (A\$16.4 million including bullion) with significant capital expenditures during the period on exploration (A\$0.7million), capitalized mine development (A\$1.4 million) and equipment and other capital items (A\$0.2 million).

Corporate Review

The Company is working through the process for a dual listing for the Company's shares on the Australian Stock Exchange in order to facilitate an increased shareholder base and to raise Norseman Gold's profile with Australian investors and gold companies alike. It is also continuing to monitor the region for corporate opportunities to add to shareholder value.

Outlook / Conclusion

The operations have continued to improve during the quarter and are on track to maintain this trend to the end of the financial year. Cash costs per ounce are predicted to fall as previously stated as recent cost saving initiatives return positive results and production levels return to close to expected levels.

The Company continues to advance and expand its drill programmes to increase the reserve and resource base at Norseman and hence its production potential.

Competent Persons – Consent for Release

The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on data generated by employees of Central Norseman Gold Corporation who have the relevant experience and qualifications to qualify as competent persons.

The parts of this report that relate to Exploration Results, Mineral Resources and Ore Reserves were compiled by Barry Cahill using that data. He is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking 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”. He has consented to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Forward-Looking Statements.

This regulatory news release contains certain forward looking statements, which include assumptions with respect to future plans, results and capital expenditures. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. All such forward looking statements involve substantial known and unknown risks and uncertainties, certain of which are beyond the Company's control. Please refer to the Company's Admission Document available from the Company's web site for a list of risk factors. The Company's actual results could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits the Company will derive therefrom. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release.

**** ENDS ****

For further information visit www.norsemangoldplc.com or contact:

David Steinepreis	Norseman Gold Plc	Tel: 44 7913 402 727
Guy Wilkes	Ocean Equities Ltd	Tel: 020 7786 4370
Olly Cairns	Blue Oar Securities Plc	Tel: +61 (0) 8 6430 1631
Romil Patel	Blue Oar Securities Plc	Tel: 020 7448 4400
Hugo de Salis	St Brides Media & Finance Ltd	Tel: 020 7236 1177
Victoria Thomas	St Brides Media & Finance Ltd	Tel: 020 7236 1177

Note to editors:

Norseman Gold plc is an AIM listed Australian gold production company, which acquired the Norseman Gold Project in May 2007, Australia's longest continually running gold operation. The Norseman Gold Project is located in the Eastern Goldfields of Western Australia in the highly prospective Norseman-Wiluna greenstone belt, 725km east of Perth and 186km from Kalgoorlie.

Gold was first found on the Norseman field in 1894 and over the last 65 years it has produced over 5.5 million ounces of gold. The mine is currently producing from two high-grade narrow-vein underground mines - the Bullen and the Harlequin. Currently, it has a total resource inventory of 1.9 million ounces of gold at an average grade of 4.1 g/t.

The tenements cover a 687 sq km area centred on the Norseman Township. The landholding comprises 146 contiguous tenements consisting of 10 Exploration Licences, 102 Mining Licences, 20 Prospecting Licences, 14 Miscellaneous Licences and 29 Mining Lease Applications.

The Company's strategy is focused on extending the mine life through the conversion of resources into reserves and identifying additional resources and obtaining additional ore for the operating mill through re-treatment of tailings or acquisitions of alternative sources of ore.

END

Close

London Stock Exchange plc is not responsible for and does not check content on this Website. Website users are responsible for checking content. Any news item (including any prospectus) which is addressed solely to the persons and countries specified therein should not be relied upon other than by such persons and/or outside the specified countries. [Terms and conditions](#), including restrictions on use and distribution apply.
