

20 February 2013

Manager Announcements  
Company Announcements Office  
Australian Securities Exchange Limited  
Level 4, 20 Bridge Street  
Sydney NSW 2000

## Impact of Major Rainfall and Flooding Event on Duketon Operations

- **Open pit mining at Garden Well and Rosemont suspended for 4 – 6 weeks during which time the processing plants will be fed from run of mine stockpiles.**
- **Interim mining operations in available pit areas to then commence and run until full normal mining operations restart in May 2014 for Rosemont and July 2014 for Garden Well (estimated timing).**
- **Full normal operations continue uninterrupted at Moolart Well.**

The board of Regis advises that its Duketon Gold Project operations have been significantly impacted by a major rainfall event. The Duketon project area received rainfall of approximately 165mm between late Tuesday 11 February and early morning on Thursday 13 February and in excess of 130mm during a 14 hour period within these days. This rainfall has been estimated as a 1 in 150 year rainfall event and resulted in extensive flooding. Both Garden Well and Rosemont open pits have been seriously affected.

### Garden Well

At around 6.30am on Thursday 13 February, after 14 hours of unabated heavy rainfall, the mine's flood diversion bund on the south eastern side of the open pit was over topped by flood waters in the creek system flowing from the east-north east. Once the bund was over topped, the flood waters then eroded a section of approximately 30 metres of the bund length. This led to a major inrush of flood waters into the open pit which continued for approximately 26 hours until flows subsided to a level that permitted safe working conditions to close the breached area of the bund. It is estimated that approximately 4.7 million cubic metres of water has flowed in to the pit.

The water is located in the northern portion of the pit (stages 1 – 3) and has an average depth of 45 metres. The floor of the southern portion of the pit (stage 4) is approximately 75 metres higher than the northern part of the pit and as a result has minimal standing water from the flooding.

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## **Rosemont**

At a time between 6.00am on Thursday 13 February (when the last pit inspection was completed before all personnel were evacuated due to the weather conditions) and 9.00am (when personnel returned) flood waters breached a flood diversion bund north of the Rosemont North open pit. This resulted in the erosion of a section of approximately 30 metres of the bunding and the inflow of approximately 620,000 cubic metres of water in to the Rosemont North pit. The water has an average depth of 6.4 metres.

The Rosemont Main pit has only minor standing water from rain that fell directly in to the pit and minor water run off that penetrated emergency ramp bunding.

## **Moolart Well**

The rainfall event had no significant impact at the Moolart Well operation, which is continuing at full production.

## **Safety and Personnel**

All Regis and contractor personnel were safely evacuated from both the Garden Well and Rosemont open pits prior to the flooding. No significant equipment was damaged or lost as a result of the flooding.

## **Insurance**

The consequences of the flooding events at Garden Well and Rosemont are not insurable events under the Company's various insurance policies.

## **Damage to Open Pits and Surrounding Mine Infrastructure**

At Garden Well the flooding has caused damage to the access ramp to the stage 3 pit on the eastern side of the pit as it had running water down its length and the impact of the "waterfall" effect from water cascading over the wall terraces from the bund wall breach. The damage to this ramp is currently under water so the full extent of damage cannot be assessed until dewatering commences.

The flooding has caused only minor damage to the ramps accessing the stage 3 pit from the north and west as a result of water running down their length. These ramps will require repair by placement and sheeting of waste rock material. These repairs are simple and of insignificant cost and will allow access to the pit when it is dewatered. The western ramp is the main access to both the ROM pad and waste dumps. At this stage it appears that pit walls have not suffered any significant movement or cracking other than the further slumping of a small slip on the western wall and damage to the eastern wall from the cascading of water.

It is important to note that the current open pit at Garden Well is inside the ultimate final designed walls of the pit in all directions and as a result any damage to the current interim pit walls and ramps are not expected to have any impact on the long term mine plan. Accordingly if any minor cutback of walls or mining to reinstate ramps is required, it will be in areas already within the current life of mine pit and life of mine stripping ratio. Remediation work to make ramps and walls safe and to provide access for recommencement of mining will be undertaken as soon as practicable in conjunction with the dewatering programme.

Rosemont North pit sustained some damage to the access ramp as gullies were gouged in the ramp by flowing water. This damage has been repaired by placement and sheeting of waste rock materials. Other Rosemont North and Rosemont Main pit walls and ramps sustained only minor damage which will be remediated in the short term but are not expected to present any access issues.

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The Company operates two tailings storage facilities (TSF), at Moolart Well and Garden Well. Neither of these TSF's incurred any external wall damage from flood waters. The only water impact on the TSF's was the rainfall that fell directly in to the TSF footprints. This water has not resulted in any issue of leakage from or structural integrity of the TSF's. The additional water in the TSF's is well within the available freeboard capacity of the TSF's and will be drawn down through the pond decants and used preferentially for mill process water supply until it is drawn down to usual levels.

Minor damage to haul roads and other mine site roads has occurred at both sites but this has been repaired over the last several days. No damage has been sustained to any processing or other infrastructure at any Duketon mine site.

### **Remediation Work**

As an interim measure the flood bund on the eastern side of the Garden Well open pit has been re-established by dumping, dozing and compaction of waste rock across the breached area of the bund from the adjacent waste dump. The breached area has been reinforced and raised by an additional four metres above its previous height. This bund is expected to be adequate to deal with a similar magnitude rainfall event in the future. It is planned that this bund will be replaced in due course by a bunding system further to the east that will utilise the extension over time of the eastern waste dump as a major diversion structure integrated with diversion bunding.

The flood bund to the south of the open pit is also in the process of being raised and widened. This work will include the addition of a rock armoury to prevent washout at the base of the bund and the construction of a re-direction trench to assist with diversion of run-off water. The ground to the south of the wall will be cleared so as not to impede water flow.

At Rosemont the flood bund north of the open pits has been repaired in the breached area by the dumping, dozing and compaction of waste rock. The entire northern flood bund will be raised by a minimum of one metre above its current level using waste rock mined from the open pit when mining operations recommence. As a further strengthening of the flood protection system, the pit abandonment bund (which is located close to the pit edge and inside the flood bund) will be widened and increased in height by paddock dumping waste rock from mining and pushing this material up with a dozer.

The total cost of these remediation works at the two operations is expected to be in the order of \$1.5 million.

The Company will also continue to engage external civil engineering consultants to review the flood bunding strategy and advise any further improvements that should be made in due course.

### **Pump Out of Open Pits**

The Company will shortly let a contract to a specialist large volume pumping contractor to pump the water out of the Garden Well open pit. Inclusive of set up time it is expected that it will take in the order of 3 months to complete the pump out of the water. The total cost of this operation, inclusive of the capital required to be spent by Regis is expected to be in the order of \$3 - 3.5 million.

The Company has commenced pumping the water out of Rosemont North pit using hire pumps and its own piping. It is expected that it will take in the order of one month to complete the pump out of the water. The total cost of pumping out the Rosemont North pit is expected to be in the order of \$200,000.

The Company has the ability pursuant to the *Environmental Protection Act 1986* and its Operating Licence to conduct the emergency pumping of the flood waters at both Garden Well and Rosemont downstream of the project areas. Appropriate notifications have been given to, and accepted by, the Department of Environment and Regulation. As requested by the Department, the Company will conduct regular sampling of the water to be discharged to ensure the water quality remains within the appropriate limits.

### Status of Operations

The Company has temporarily suspended all open pit mining activities at both Garden Well and Rosemont operations other than emergency remedial earth works to flood bunds and ancillary works such as road repairs. Access roads to the sites are now open and supplies of milling and other consumables are being transported to the sites as normal.

Both mining and milling operations at Moolart Well have continued as normal throughout the period, other than the loss of two shifts of mining in the open pits during the worst of the rain. Processing is continuing at both Garden Well and Rosemont with ore being fed to the plants from ROM stockpiles. Estimates of stockpiles available for milling are as follows:

| Project     | Estimated Stockpiled Ore Available for Milling |                       |                | Throughput Rate (million tonnes per annum) | Months of Milling |
|-------------|--|-----------------------|----------------|--|-------------------|
|             | Tonnes (000's)                                 | Estimated Grade (g/t) | Ounces (000's) |  |                   |
| Garden Well | 1,300  | 0.5                   | 21             | 5.0  | 3                 |
| Rosemont    | 104  | 0.5                   | 2              | 1.6  | 1                 |

The months of milling is calculated on the basis of processing the stockpiled ore alone. However, as noted below, it is expected that an Interim Operations phase will be commenced at both operations in the near future.

### Plan for Recommencement of Full Operations

As noted above it is expected that the pump out of flood water will take approximately 3 months at Garden Well and one month at Rosemont. Once the flood water is pumped out of the open pits, the work required to reactivate full normal mining activities in the flooded pits will include:

- Safety assessments to ensure a safe work environment for personnel and equipment;
- Geotechnical assessment of pit walls and access ramps;
- Repair of damage to pit walls and ramps;
- Mining or pumping of sludge and sediment collected at the bottom of the pits.
- Dewatering of pit floors to the extent required to allow effective grade control and mining practices.

Whilst it is difficult at this time to make a precise estimate of the time required to complete these activities it is not expected that full normal mining activities will commence before July 2014 at Garden Well and before May 2014 at Rosemont.

### Interim Operations

As noted above, the southern portion of the Garden Well open pit and the Rosemont Main open pit were not significantly affected by the flooding. The Company has prepared mining schedules to operate these areas for the interim period until full reactivation of mining at the two operations is possible. Safe access to these areas for commencement of ancillary mining activities is expected to be possible within the next two weeks. However mining of ore and waste will not start at either operation for approximately four to six weeks as time will be required to complete enough grade control drilling and sampling to allow the efficient mining of ore and waste.

This will see the Company processing only ROM stockpiles until around late March 2014, then commencing mining on the interim mining schedules until commencement of full normal mining operations in the timeframes outlined above. Based on the mining schedules for the two projects for the period of interim mining operations from late March 2014 through to the end of June 2014, ore available for mining is expected to be:

| Interim Operation          | Ore available for mining |             |                          | Waste:Ore ratio (w:o) |
|----------------------------|--------------------------|-------------|--------------------------|-----------------------|
|                            | Tonnes (000's)           | Grade (g/t) | Contained Ounces (000's) |                       |
| Garden Well (southern end) | 916                      | 0.98        | 29                       | 5.6                   |
| Rosemont*                  | 403                      | 1.69        | 22                       | 14.9                  |

\* assumes Rosemont North available for mining in May and June 2014

It is planned to mine this ore and blend with the ROM stockpiles available for processing as described above. The blend of mining and stockpiles should provide sufficient mill feed to keep the processing plants operating at the annualised rates of up to 5 million tonnes per annum at Garden Well and 1.6 mtpa for Rosemont. This is expected to provide gold production in the months of April – June 2014 in the range of 9,000 – 11,000 ounces per month for Garden Well and in the range of 5,000 – 7,000 ounces per month for Rosemont.

### Earthmoving Contract

On Friday 14 February 2014, Regis issued a notice of force majeure to MACA Limited (the earthmoving contractor at both Garden Well and Rosemont) in relation to the mining contracts at both operations. MACA has stood down the majority of its workforce at both operations and in the short term will retain only the crews required to undertake the remedial works.

Since then the Company has come to an agreement with MACA to operate the mining activities through until reactivation of full normal mining operations on the following terms:

- MACA to bear its own costs during the period of force majeure, although it will be paid at normal rates for remedial bunding and other works conducted during this time;
- During the period of interim operations, MACA will charge Regis at normal contracted rates, notwithstanding material movement will be less than during full operations
- MACA will grant extended payment terms to Regis during the period of force majeure (an additional 90 days) and interim operations (an additional 30 days). Payments to return to normal 30 day terms once full normal mining operations have resumed at both Garden Well and Rosemont; and

These arrangements will assist with the management of cash-flows through the interim operations period.

Regis has also agreed to enter into a Memorandum of Understanding with MACA to award MACA the mandate to provide mining cost estimates for earthmoving at the McPhillamys Gold Project in NSW for feasibility study purposes, if and when the project moves to the feasibility study stage. In the event that, in due course, the project is developed as a mining operation, and based on the excellent working relationship between the parties, MACA would be Regis' preferred mining contractor (subject to competitive pricing and proven capability at the time).

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## Finance

For working capital purposes, the Company has arranged an extension to its corporate loan facility with Macquarie Bank Limited from a limit of \$20 million to \$70 million. The undrawn amount of the facility stands at \$55 million. The increased facility (\$50 million) has a maturity date of 30 June 2014, with the balance due 31 December 2014. The amount drawn at the maturity date will be rolled out to a longer term repayment schedule subject to Macquarie completing to its satisfaction its required due diligence before the maturity date.

## Rosemont Stage 2 Construction

The flooding event caused about a one week interruption to the construction activities for the Rosemont Stage 2 development. This plant expansion project is continuing and is still expected to reach practical completion in the June 2014 quarter. There is approximately \$12 million capital remaining to be spent on the completion of this project.

## 2015 Production Guidance

The Company has not provided gold production guidance for Garden Well and Rosemont beyond that included above through to the end of the 2014 financial year. It has not done so at this time because, as noted above, it cannot estimate with certainty the dates on which mining operations at these projects will be reactivated to full normal production levels. Further guidance will be provided as information becomes available. Moolart Well has been unaffected by flooding and gold production at that operation for 2015 is expected to be consistent with 2014 guidance of 95,000 – 105,000 ounces.

As the Company has reported to ASX a number of times over the past 12 months, the reconciliation of the mine production grade to the expected grade at Garden Well has been problematic since start-up of the project in the September 2012 quarter. It remained an issue in the period of the March 2014 quarter up until the flood event. The grade of the mining schedule at Garden Well for the 2015 financial year is 1.24g/t gold. The Company will continue with efforts aimed at optimising all aspects of geological interpretations, grade control and mining practices over the coming quarters to achieve the best possible mined and milled grade and will aim to achieve the scheduled grade. However if these optimisations don't result in the achievement of expected grade, gold production guidance in due course, may reflect the possibility that grades may be up to 10% lower than the schedule (ie 1.12g/t gold) for 2015. The long term model for the project at this grade remains very robust.

## Comment

Regis Managing Director Mark Clark commented "obviously this is a tough time for Regis and its people and a set-back for the Company in the short term. However, Regis is well placed both financially and operationally to manage its way through the interim operations period and get the entire Duketon Gold Project back to a strong steady state in the second half of this calendar year. I would like to thank all of our staff for their enormous efforts in the last week and thank both Macquarie Bank and MACA for their support in responding quickly to Regis' requirements during the interim operations phase."

Yours sincerely

**Regis Resources Limited**

Mark Clark  
Managing Director