

ASX ANNOUNCEMENT / MEDIA RELEASE**ASX:ABU**

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Old Pirate Gold Mine Operational Review

ABM Resources NL (“ABM” or “the Company”) has undertaken a thorough review of operational performance at the Old Pirate Gold Mine, primarily focusing on the discrepancy being experienced between mine estimated head grade and mill reconciled grade (the mine call factor), which was reported on in the last Quarterly Report of 19 October 2015. It was announced then that mill reconciliation only accounted for approximately 70 percent of mine estimated gold production up to that time. This trend is continuing.

Potential Causes

Potential causes of this unacceptably low mine call factor have been examined.

- Mining Inventory Model

It has become evident that production from the areas mined to date has fallen short of the mining inventory model forecast by a greater amount than initially thought. Performance varies markedly between different mining areas, with some sections outperforming forecast and others significantly below.

- Mining

Whilst difficult to accurately quantify, it is considered highly probable that the levels of mining inventory loss and dilution experienced during mining are greater than provided for. Key underlying causes are likely to be the inability to assign an appropriate representative grade to individual mining blocks, due to the highly variable grade distribution and coarse gold effect and difficulty in cleanly excavating relatively narrow mineralised quartz veins from within fresh, blasted rock.

- Processing

Gold lock-up in the processing plant, in particular the ball mill, was earlier proposed as a significant contributing factor. In an effort to assess the level of gold lock-up in the mill, a section of the mill lining was removed to recover material lodged behind. Although analysis of this material is incomplete, preliminary estimates indicate that several hundred ounces of gold are potentially lodged behind the mill liners. However, this quantity of gold only represents less than 10 percent of the apparent shortfall between the mine and the mill.

Other sections of the plant have been closely examined, but only relatively small amounts of trapped gold have been identified and recovered. At the same time, an independent review of overall plant security has also been conducted, which did not identify any weaknesses in the company’s security management and systems.

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The net result of all contributing factors is that for the total project to the end of October, the plant has recovered approximately half the quantity of gold that was forecast for this period.

Proposed Action

Detailed bench by bench analysis for each of the four pits is continuing in order to help establish the parameters needed to adjust the mining inventory model.

The mining inventory model will be updated and, together with operational data acquired since mining commenced at Old Pirate, be used to re-optimize open pit designs, revise mine plans and update production forecasts. The objective will be to excise underperforming areas from the mine plan and, where possible, expand mining in areas of the deposits that are performing well.

Preparation of the revised mine plans is expected to take three to four weeks. In the meantime, mining and processing operations will continue and will be rigorously reviewed to maximise performance. It is expected that the continuing operations will be cash flow positive.

Recent Operational Performance

Safety, productivity and cost performance at the Old Pirate mine and Coyote plant have been on target. 2,472 ounces of gold were recovered during October despite the secondary crusher being out of service for much of the month, necessitating the processing of a higher proportion of softer, but lower grade material than would have otherwise occurred. The secondary crusher has now been returned to service and the treatment of accumulated higher grade material has seen the average mill feed grade for November to date, based on provisional estimates, exceed the grade achieved in all prior months since operations commenced.

Further project updates will be provided as the mine re-optimisation work progresses. Full operational and financial performance figures will be detailed in the December quarterly report.

Signed



Brett Lambert – Chief Executive Officer