

## ASX Announcement

20 March 2018

# CLASSIC SIGNS MOU TO FACILITATE FGP ORE PROCESSING AT MARVEL LOCH

### Highlights:

- Non-binding Memorandum of Understanding (“MOU”) executed with Tianye SXO Gold Mining Pty Ltd, the owner of the SXO project including the Marvel Loch Processing Plant
- Minjar Gold, a leading Australian mid-tier gold miner, manages the SXO and runs the Marvel Loch Processing Plant
- Profit sharing agreement to be negotiated
- Marvel Loch plant within 100km of FGP presenting economically viable processing solution
- Potential near-term sources of ore identified with initial focus to be on the Lady Ada and Kat Gap deposits
- Environmental, feasibility and permitting underway at Lady Ada and Kat Gap

### I. INTRODUCTION

WA-focused gold exploration and development company Classic Minerals Limited (ASX. CLZ) (“Classic”, or “the Company”) is pleased to announce that it has entered into a non-binding MOU with Tianye SXO Gold Mining Pty Ltd (Tianye SXO Gold Mining) concerning treatment of ore extracted from the Company’s Forrestania Gold Project (“FGP”) in Western Australia.

Tianye SXO Gold Mining is the owner of the Southern Cross Operations including the recently refurbished Marvel Loch Processing Plant (“Marvel Loch Plant”) located approximately 80km from the FGP. Minjar Gold operates the SXO and Marvel Loch Plant under an arms-length management agreement with Tianye SXO Gold Mining.

The FGP contains an existing Mineral Resource of 5.3 Mt at 1.39 g/t for 240,000 ounces of gold, classified and reported in accordance with the JORC Code (2012), with a recent Scoping Study (see ASX Announcement released 2<sup>nd</sup> May 2017) suggesting both the technical and financial viability of the project.

In addition to the aforementioned resources, Classic also holds significant exploration targets at Kat Gap deposit which had earlier Resources estimated for Kat Gap by Sons of Gwalia (SOG) in 2003 totalling 56,000oz grading 1.4g/t Au at zero grade cut-off and 36,000oz grading 3.9g/t Au at 1.5g/t Au grade cut-off.

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\*In accordance with clause 5.12 of the ASX Listing Rules, CLZ notes that the historic resource estimations for the “Kat Gap” deposit were not reported in compliance with the JORC Code (2012), or any earlier adaptations of the JORC Code. A Competent Person has not done sufficient work to classify the historical estimates as mineral resources in accordance with the JORC Code (2012). It is uncertain that following evaluation and/or further exploration work that the historical estimates will be able to be reported as mineral resources in accordance with

Due to the near-surface/easily accessible ore or exploration targets at Lady Ada and Kat Gap, these deposits are of keen interest to the company in efforts to potentially extract and treat at Marvel Loch Plant in the next 12 – 24 months.

### 2. [MOU SIGNED WITH TIANYE SXO GOLD MINING REGARDING PROCESSING OF FGP ORE AT MARVEL LOCH](#)

The MOU sets the framework for Classic and Tianye SXO Gold Mining to delineate, study and mine gold deposits at FGP and process at Tianye SXO Gold Mining’s 100% owned Marvel Loch Processing Plant.

The MOU is predicated on the assumption that the parties will agree to either a profit sharing or ore sales arrangement for gold-bearing ore produced from the FGP.

Under the MOU, Classic will be responsible for drilling deposits to a JORC 2012 level, carrying out initial metallurgical work, securing necessary approvals and completing economic analysis of the deposit of interest.

Once the aforementioned work is completed, the deposit will be submitted to Tianye SXO Gold Mining for review and the opportunity to carry out its own economic analysis. Following this, Tianye SXO Gold Mining will be entitled to make an offer to process the ore under either a profit share or ore purchase scenario.

Should Tianye SXO Gold Mining decline to make an offer, Classic may elect to wholly fund the mining, haulage and processing of the ore, with processing being undertaken under an ore-purchase agreement with commercial terms yet to be negotiated between parties.

If mining does occur, Tianye SXO Gold Mining will pay Classic either its profit share or ore purchase proceeds on a monthly basis.

Favourably the ore will not be blended with other parties’ ore, which is significant and will enable Classic to prove the quality of the ore reinforcing the quality of our deposits combined with certainty around processing the ore which will yield significant metallurgical and processing data to feed into Classic’s feasibility studies, combined with possible positive cashflow to support growth.

In addition, the MOU allows for monthly parcels of 20,000 – 30,000 for a period of 36 months.

Classic CEO, Mr Dean Goodwin said:

*Although the company’s primary focus remains growing the resource and mining inventory via systemic exploration, this MOU is a much-welcomed development. The close proximity of the Marvel Loch Plant means that the deposits are no longer “stranded” assets and we can start looking at near-term mining opportunities to bolster the cashflow of the company. Importantly, we are also very happy to be partnered with a reputable operator like Minjar Gold Mining which has had many instances of mining, development and commercial success in the gold mining industry in Australia.*

*In addition, when Lady Ada was mined by SOGs in the early 2000’s, it was processed at the Marvel Loch Plant then so there is already plenty of metallurgical and processing data/experience that both parties can draw upon to maximise recoveries when CLZ is ready to send ore to the plant. We are very excited.*

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### 3. HIGH GRADE SWITCHBACK POCKET AT LADY ADA

As part of the review of technical data that underpinned the Scoping Study completed by Classic and Auralia (see CLZ announcement 20th March 2017), a pocket of high grade (4 – 6.6g/t) ore was identified in an easily accessible area within the existing Lady Ada open pit mine.

Auralia has designed a trial mining “pocket” on the NW 373RI of the Lady Ada mine. This was originally the “switchback” area of the mine but, due to a wall slip that occurred during the 2003 mining campaign, the ore in the area of the mine was neglected in favour of the higher grade (~8g/t) sapphire shear ore which is located in the lower E/SE area of the pit.

The current trial mining pocket design at Lady Ada envisages removal of ~18,000 tonnes of ore at an average grade of 7.00 g/t Au for 4,100 oz Au extracted with a strip ratio of less than 1:1. This figure doesn't account for recovery factor at the processing plant.

Approval for the extraction of ore-bearing material at the Lady Ada mine under a POW has been granted by the DMP. Parties are in discussions with the DMP as to whether any further approvals are required. It may be determined that a mining proposal is required in due course.

Metallurgical test work indicates that the ore types are free milling with gold recovery in the 88 - 95 % range. Subject to dewatering and any outstanding regulatory approvals, mining and processing could commence as early as Q1, 2019.

Internal optimisation studies based on an Australian dollar gold price of \$1550 / ounce and using the accepted contracting rates for mining, haulage and processing show that the trial has the potential to produce an operating surplus which will allow the Company to progress with further planned development and feasibility studies at FGP.

The ore parcel is based upon existing indicated resources (see CLZ announcement 14th March 2017) and CLZ has also referred to Grade Control Block models generated by Sons of Gwalia in 2003 (who mined the Lady Ada pit producing 95,865 tonnes @ 8.81g/t for 27,146 oz Au) for validation.

Environmental permitting work for the HG trial mine pocket is largely complete (under a DMP POW for bulk sampling). Drilling results below the trial cut back design demonstrate that high grade mineralisation continues at depth and indicates that there is strong potential to unlock significant value through a larger development which requires follow up drilling. Information gathered through the trial mining stage will provide the management team valuable information in relation to the ultimate development for the balance of the deposit and funds that in part will be directed at further exploration and permitting work aimed at maximising the projects value.



Image 1 – Slip material covering the HG Pocket RL 373

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Figure 1 – View towards NNW at 30 dip showing current shape

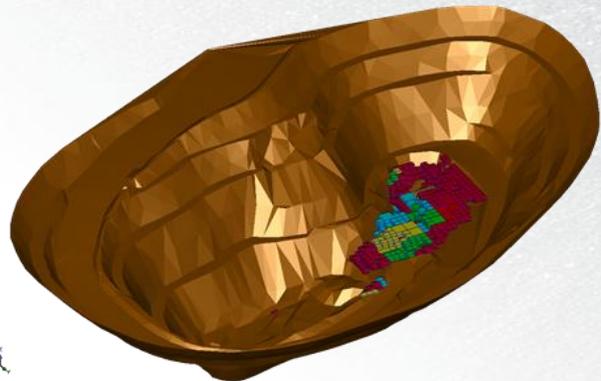


Figure 2 – View towards NNW at 30 dip showing optimised design to remove HG pocket

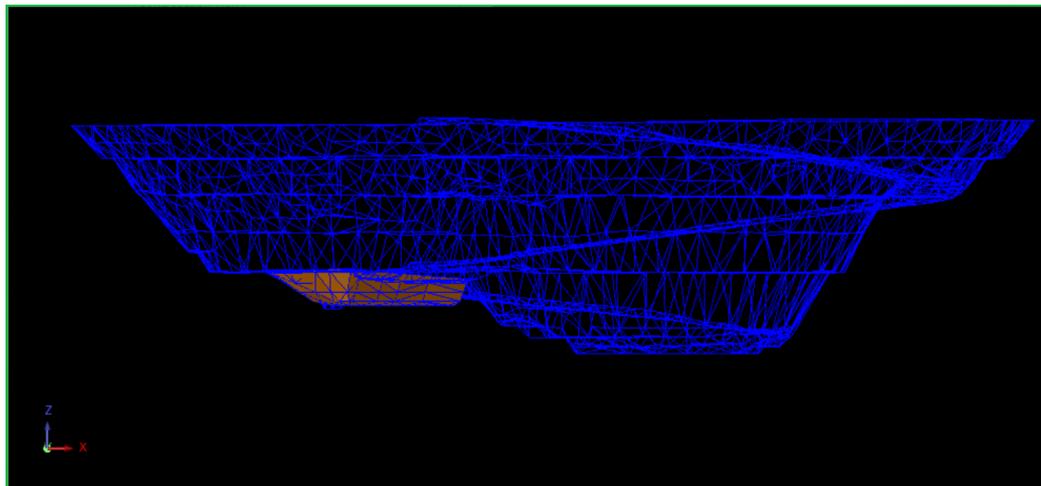


Figure 3 – Optimised Design of HG Pocket to be Removed – Bearing ~4,100 oz Au

## 4. NEAR SURFACE HIGH GRADE MINERALISATION AT KAT GAP

The Kat Gap Project is strategically located approximately 50km south-south east of the Company's FGP (see CLZ announcement 12th March 2017), and adjoins the Forresteria Nickel project currently operated by Western Areas Ltd.

It contains a shallow unmined gold deposit discovered in the 1990s, which was the subject of resource estimations and scoping study by Sons of Gwalia in 2003. High grade RC drill intercepts include 15 m @ 15.1 g/t Au from 39 m depth and 6 m @ 19.1 g/t from 17 m depth. The open-ended deposit lies within a 5 km long geochemical gold anomaly that has seen very little drill testing, and there is potential for the discovery of a substantial gold deposit within the project area. Previous exploration work includes airborne geophysical surveys; Aircore, RAB, RC and diamond drilling; and soil geochemical surveys.

Previous exploration work includes detailed and regional airborne geophysical data, MagLag geochemical surveys, drilling of ~1000 RAB holes, 74 RC holes, 3 diamond holes, 30 aircore holes, and an auger soil program.

Resources estimated for Kat Gap by Sons of Gwalia (SOG) in 2003 totalled 56,000oz grading 1.4g/t Au at zero grade cut-off and 36,000oz grading 3.9g/t Au at 1.5g/t Au grade cut-off.

The purpose of the study was to identify resources that could be trucked to SOG's treatment plant at Marvel Loch 150 km NNW of Kat Gap. SOG conducted a scoping level optimisation using various assumptions but, given the extreme

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trucking distance and the low (\$800/oz) gold price at the time, the pit optimisation study identified only modest resources above 50 m depth. Many higher-grade drill intercepts lay outside of the SOG pit shells. A revised resource estimate of 440,000t @ 2.9g/t Au (42,000 contained ounces) was reported in 2003, but no details of the estimation can be located.

It is believed that the old scoping study results do not reflect the prospect's potential, and that a new pit optimisation using the current gold price would deliver a much larger in-pit resource, with the potential to substantially increase the resource by drilling along strike and down dip.

In accordance with clause 5.12 of the ASX Listing Rules, CLZ notes that the historic resource estimations were not reported in compliance with the JORC Code (2012), or any earlier adaptations of the JORC Code. A Competent Person has not done sufficient work to classify the historical estimates as mineral resources in accordance with the JORC Code (2012). It is uncertain that following evaluation and/or further exploration work that the historical estimates will be able to be reported as mineral resources in accordance with the JORC Code (2012). Details that support the resource estimation are not known and therefore cannot be verified. More recent estimations are not known to have occurred.

Reviewing the 2000 SOG resource table at Kat Gap, the Company believes that there is potential for ~10,000 oz Au located in the upper 40 metres (~100kt) of the resource.

**Table 1. Total Geological Ore Resource (katmod0200.mdl)**

Bench RL	S.G.	HIGH (>1.5gpt)			LOW GRADE (0.5-1.5gpt)			TOTAL		
		Tonnes	Grade	oz	Tonnes	Grade	oz	Tonnes	Grade	oz
990-985	1.80	542	11.78	205	2,453	0.51	40	2,995	2.55	245
985-980	1.80	2,903	6.59	615	21,754	0.73	511	24,657	1.42	1,126
980-975	2.01	2,769	4.68	417	70,603	0.89	2,020	73,372	1.03	2,437
975-970	2.02	4,732	3.14	478	92,031	0.87	2,574	96,763	0.98	3,052
970-965	2.09	9,963	4.59	1,470	92,724	0.88	2,623	102,687	1.24	4,094
965-960	2.10	18,273	4.92	2,890	87,337	0.85	2,387	105,610	1.55	5,277
960-955	2.15	21,547	3.01	2,085	66,467	0.77	1,645	88,014	1.32	3,731
955-950	2.28	23,389	3.11	2,339	28,203	0.88	798	51,592	1.89	3,137
950-945	2.39	25,469	4.06	3,325	19,300	0.88	546	44,769	2.69	3,871
945-940	2.56	29,540	3.44	3,267	22,614	0.85	618	52,154	2.32	3,885
940-935	2.60	32,087	2.98	3,074	26,864	0.92	795	58,951	2.04	3,869
935-930	2.60	23,760	3.21	2,452	26,817	1.00	862	50,577	2.04	3,314
930-925	2.60	22,081	3.61	2,563	19,080	0.92	564	41,161	2.36	3,127
925-920	2.60	18,492	4.08	2,426	13,874	0.75	335	32,366	2.65	2,760
920-915	2.60	14,862	4.37	2,088	6,598	0.73	155	21,460	3.25	2,243
915-910	2.60	11,474	5.07	1,870	3,240	0.65	68	14,714	4.10	1,938
910-905	2.60	7,942	5.16	1,318	2,726	0.62	54	10,668	4.00	1,372
905-900	2.60	5,480	5.66	997	610	1.09	21	6,090	5.20	1,019
900-895	2.60	2,827	6.93	630	876	0.79	22	3,703	5.48	652
895-890	2.60	2,533	7.00	570	195	0.72	5	2,728	6.55	575
890-885	2.60	1,753	8.64	487	24	1.36	1	1,777	8.54	488
885-880	2.60	754	10.73	260	0	0.00	0	754	10.73	260
880-875	2.67	24	12.80	10	0	0.00	0	24	12.80	10
<b>TOTAL</b>		<b>283,196</b>	<b>3.94</b>	<b>35,836</b>	<b>604,390</b>	<b>0.86</b>	<b>16,645</b>	<b>887,586</b>	<b>1.84</b>	<b>52,480</b>

Classic will continue to review the Kat Gap data and is currently finalising a ecological survey to be undertaken in the area which will facilitate necessary drilling to bring resource up to JORC 2012 standard.

Classic will report further on development and economic studies at Kat Gap as the information becomes available.

### 5. ABOUT THE FORRESTANIA GOLD PROJECT

The FGP Tenements are registered in the name of Reed Exploration Pty Ltd, a wholly owned subsidiary of ASX listed Hannans Ltd (ASX:HNR). Classic has acquired 80% of the gold rights on the FGP Tenements from a third party, whilst

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Hannans has maintained its 20% interest in the gold rights. Hannans' 20% interest is free-carried, meaning Hannans is not required to fund any activities on the FGP until a decision to mine has been made. For the avoidance of doubt Hannans Ltd owns a 100% interest in non-gold rights on the FGP Tenements including but not limited to nickel, lithium and other metals.

The FGP contains an existing Mineral Resource of 5.3 Mt at 1.39 g/t for 240,000 ounces of gold, classified and reported in accordance with the JORC Code (2012), with a recent Scoping Study (see ASX Announcement released 2<sup>nd</sup> May 2017) suggesting both the technical and financial viability of the project. The current post-mining Mineral Resource for Lady Ada, Lady Magdalene and Lady Lila is tabulated below.

Additional technical detail on the Mineral Resource estimation is provided, further in the text below and in the JORC Table I as attached to ASX announcements dated 14<sup>th</sup> March 2017 and 21<sup>st</sup> March 2017.

Prospect	Indicated			Inferred			Total		
	Tonnes	Grade (Au g/t)	Ounces	Tonnes	Grade (Au g/t)	Ounces Au	Tonnes	Grade (au)	Ounces
Lady Ada	283,500	1.78	16,200	260,000	2.2	18,750	543,500	1.99	34,950
Lady Magdalene	1,828,500	1.08	63,700	2,450,000	1.5	118,000	4,278,500	1.32	181,700
Lady Lila				541,000	1.38	24,000	541,000	1.38	24,000
Sub-Total	2,112,000	1.17	79,900	3,251,000	1.53	160,750	5,363,000	1.39	240,650

*Notes:*

1. The Mineral Resource is classified in accordance with JORC, 2012 edition
2. The effective date of the mineral resource estimate is 31 December 2016.
3. The mineral resource is contained within FGP tenements
4. Estimates are rounded to reflect the level of confidence in these resources at the present time.
5. The mineral resource is reported at 0.5 g/t Au cut-off grade
6. Depletion of the resource from historic open pit mining has been taken into account



Image 2: Marvel Loch Processing Plant

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On behalf of the board,

Dean Goodwin  
CEO

## Classic Minerals Limited

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### Forward Looking Statements

*This announcement may contain certain "forward-looking statements" which may not have been based solely on historical facts, but rather may be based on the Company's current expectations about future events and results. Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have reasonable basis. However, forward looking statements are subjected to risks, uncertainties, assumptions and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to Resource risk, metals price volatility, currency fluctuations, increased production costs and variances in ore grade or recovery rates from those assumed in mining plans, as well as political and operational risks in the Countries and States in which we operate or sell product to, and governmental regulation and judicial outcomes. For a more detailed discussion of such risks and other factors, see the Company's annual reports, as well as the Company's other filings. Readers should not place undue reliance on forward looking information. The Company does not undertake any obligation to release publicly any revisions to any "forward-looking statements" to reflect events or circumstances after the date of this announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.*

### Competent Persons Statement

*The information contained in this report that relates to Mineral resources and Exploration Results is based on information compiled by Dean Goodwin, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Goodwin is a consultant exploration geologist with Reliant Resources Pty Ltd and consults to Classic Minerals Ltd. Mr. Goodwin has sufficient experience that is relevant to the style of mineralisation and the type of deposit under consideration, and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Goodwin consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*