

# ABM Resources NL Secures Coyote Plant for Treatment of Old Pirate Ore

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Perth, Australia (ABN Newswire) - [ABM Resources NL](#) (ASX:ABU) ("ABM" or "the Company") is pleased to announce that it has reached agreement with Tanami Exploration NL ("Tanami"), (a wholly owned subsidiary of Tanami Gold NL) to lease the Coyote Gold Plant ("Coyote") and associated infrastructure for processing of ores from the Old Pirate High-Grade Gold Deposit in the Northern Territory, a haulage distance of 77 kilometres. The agreement, which is subject to several conditions precedent, includes an option to purchase Coyote, infrastructure and the underlying mineral leases. The agreement also includes pre-emptive rights on Tanami's surrounding exploration licences.

The lease infrastructure includes:

- 240,000 tonnes per annum (tpa) capacity gravity and CIL (carbon-in-leach) gold plant at Coyote.
- All other related surface infrastructure including airstrip, mobile equipment, tailings storage, workshops, offices, and camp.

The terms of the lease agreement include:

- \$2M lease payment for the first 12 months of production.
- Option to extend the lease for a further 12 months for a payment of \$2M.
- Option to purchase the Coyote Mine, infrastructure and the underlying mining leases for \$3M.
- A pre-emptive right on all surrounding exploration licences held by Tanami in Western Australia.

The rationale of this agreement versus expanding ABM's own trial processing plant:

- Fast-tracks ABM's next stage open pit development at the Old Pirate High-Grade Gold Deposit.
- Reduces and stages capital expenditure requirements.
- Reduces construction and commissioning risk.
- Provides scalability (Coyote capacity is already at 240,000tpa and can be expanded).
- Higher projected metallurgical recoveries, with test-work indicating metallurgical recoveries up to 99% (versus 86% achieved using gravity gold methods during trial mining and processing).
- Reduces environmental footprint (not requiring either a new tailings storage facility or significantly expanded infrastructure / camp at Old Pirate).
- Increases upside and optionality with pre-emptive rights on surrounding exploration tenements.

## About the Coyote Gold Plant

Coyote is located in Western Australia, approximately 45 kilometres (direct), or 77 kilometres using existing roads / tracks, from the Old Pirate High-Grade Gold Deposit in the Northern Territory. Coyote was put on care and maintenance in May 2013. A review of the Coyote processing plant by an independent engineering firm indicates the plant is in good working order and can be successfully recommissioned with relatively minor engineering works. The satisfactory commissioning of Coyote with ABM's Old Pirate ore is a condition before the first annual lease payment falls due. Coyote consists of crushers, ball mill, Knelson concentrator, Acacia intensive leach unit, CIL tanks and gold room. The first part of the circuit is similar but

larger than, ABM's own trial processing plant and Coyote has the additional benefit of a carbon-in-leach circuit to recover fine gold. Based on test work conducted by ABM previously the Company can expect recovery up to 99% gold (refer release 04/04/2012). The Company assumes a more conservative 97% recovery as the base case in economic studies.

Coyote has a name plate capacity of 240,000tpa and capacity can potentially be increased to beyond 300,000tpa. The lease covers infrastructure at Coyote including the plant, tailings storage facilities, offices, workshops, laboratory, mobile equipment, clinic, fuel storage, accommodation units / camp and airstrip.

### **The Licence and Lease Agreement**

The Licence and Lease Agreement ("Agreement") with Tanami includes:

1. From signing, ABM is contributing up to \$150,000 per month to the care and maintenance costs until the lease commences.
2. The lease term commences once the conditions precedent have been met or waived, which both companies anticipate will take approximately 3 months but the Agreement allows for up to 12 months.
3. Once all the conditions precedent are met (or waived), ABM will take possession and commence management of Coyote and the infrastructure. The Company will conduct recommissioning including processing up to 10,000 tonnes of commissioning ore prior to making the first year's lease payment of \$2M.
4. The initial 12 month period commences on commercial processing of ore following successful completion of commissioning.
5. The lease is extendable for a second year for a further \$2M payment.
6. ABM has an option to purchase Coyote, the infrastructure and the underlying mining leases before the end of the lease for \$3M.
7. During the lease ABM has a pre-emptive right on all surrounding tenements held by Tanami in the area of Western Australia shown in Figure 1. The rights are extended if ABM exercises the option to purchase.

The agreement does not cover the mineral rights relating to the Coyote Gold Mine, which are retained by Tanami, until ABM exercises its purchase option. During the lease period the responsibility for past environmental disturbance and future mine closure costs remains with Tanami and ABM will be responsible for environmental disturbance occurring during the lease period. ABM is responsible for maintaining and operating Coyote and the infrastructure and, unless ABM exercises the purchase option, will return Coyote and the infrastructure to Tanami in the same operating condition in which ABM received it (fair wear and tear excepted).

### **Processing at Coyote versus processing on-site at Old Pirate**

As previously presented, the Company has been designing and planning to expand the small scale gravity gold plant used during trial mining and located on site at the Old Pirate Gold Project. The upgrade of this plant at Old Pirate remains a viable option, and will be reverted to if conditions precedent are not met (or waived) or the plant is not satisfactorily commissioned. Processing at Coyote has several advantages over expanding the gravity gold plant at Old Pirate including:

- Fast-tracks ABM's next stage open pit development at the Old Pirate High-Grade Gold Deposit.
- Reduces and stages capital expenditure requirements.
- Reduces construction and commissioning risk.
- Provides scalability (Coyote capacity is already at 240,000tpa and can be expanded).
- Higher projected metallurgical recoveries with test-work indicating recoveries up to 99% (versus 86% achieved using gravity gold methods during trial mining and processing).
- Reduces environmental footprint (not requiring either a tailings storage facility at Old Pirate or expanded infrastructure / camp at Old Pirate).
- Delivers greater flexibility for processing other ore-types other than those with high-gravity recoveries\*.

- Increases upside and optionality with pre-emptive rights on surrounding exploration tenements.

\*ABM is yet to assess economic viability of mining ore from other sources other than the high gravity recovery ores trialled at Old Pirate. The Company will be also conducting appropriate assessments of nearby deposits such as higher grade portions of the Buccaneer Porphyry Gold Deposit.

Initially the Company is intending to use existing tracks and roads for haulage. Given the high-grade and narrow vein system at Old Pirate, it is unlikely that ABM will require Coyote's full 240,000tpa capacity from the outset. As the Company continues to understand the Old Pirate system and potentially adds further extensional zones the processing rate may be increased. ABM anticipates that information on mine scheduling and production rates will be provided upon completion of the next stage of open pit designs, which are waiting on results from the current infill and extensional drilling campaign.

The Agreement includes several conditions precedent including ABM receiving all relevant consents and permits to mine and haul ores from Old Pirate to Coyote, determination from the Territory Revenue Office on trans-border treatment of costs and deductibility against Territory royalties. Given this agreement includes a potential sale, Tanami Gold shareholder approval may also be required.

### **Update on current activities**

ABM is currently conducting infill, extensional and sterilisation drilling at Old Pirate. Upon completion of this work and receipt of all assays ABM intends to finalise open pit designs. Subject to planning and permitting ABM anticipates commencing site-works and is targeting mining in the 4th quarter of this year.

### **About Old Pirate**

The Old Pirate high-grade gold project consists of a series of gold-bearing quartz veins over an overall strike-length of 1.8 kilometres. Veins range from a few centimetres to 6 metres in width with individual veins varying in grade and width along strike. In 2013 ABM completed trial mining from 13 test pits on the Old Pirate trend and processed 8122 tonnes of material at an average head grade of 15.4g/t gold and recovered 86% of gold using gravity only methods (refer release 30/04/2014). The trial mining confirmed the potential for a high-grade open pit. Gold is characterised as both fine and coarse and has a high statistical nugget effect whereby drilling alone cannot generally provide statistical information required to define a long term and detailed mine plan. As a result ABM is opting to apply a staged approach to development at Old Pirate whereby capital expenditure is deployed sequentially and each stage of development informs the next stage. Following the successful completion of Stage 1 trial mining in 2013 ABM is now undertaking design work for the next stage open pit. Concurrently ABM is working with the relevant authorities for final authorisation to mine in 2014.

To view figure 1 and figure 2, please visit:

<http://media.abnnewswire.net/media/en/docs/ASX-ABU-683196.pdf>

### **About ABM Resources NL:**

[ABM Resources](#) (ASX:ABU) is an exploration Company developing several gold discoveries in the Central Desert region of the Northern Territory of Australia. The Company has a multi-tiered approach to exploration and development with a combination of high-grade potentially short-term production scenarios such as the Old Pirate high-grade gold project, large scale discoveries such as Buccaneer, and regional exploration discoveries such as the Hyperion gold project.

In addition, ABM is committed to regional exploration programs throughout its extensive holdings including the alliance with [Independence Group NL](#) at the regional Lake Mackay Project, and the recently announced proposed divestment of the North Arunta projects to Clancy Exploration Ltd.

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