



# Kingsgate

Consolidated Limited

ABN 42 000 837 472

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The Manager, Announcements  
Company Announcements Office  
Australian Securities Exchange

**FOR PUBLIC RELEASE**  
**Via ASX Online (7 pages)**

Dear Sir/Madam,

## **Strong Drilling Results From Teterita Have Upgraded The Nueva Esperanza Project in Chile**

Kingsgate Consolidated Ltd (KCN) is pleased to announce an update of the Nueva Esperanza project in Chile following the completion of resource drilling at the Teterita deposit. The drilling has consistently returned higher grades than achieved by previous exploration with bonanza grade intercepts including 15 metres @ 2,248g/t silver from a depth of 65 meters in drillhole ETED-06. The higher assays have the capacity to lift the overall grade of the Teterita resource and are believed to be in part due to differences in analytical method.

Selected high grade intersections in holes recently drilled include the following:

- 40m at 868 g/t silver from 48m depth, including 15m at 2,248 g/t silver (ETED-06);
- 17m at 339 g/t silver from 46m depth, including 1m at 1160 g/t silver (ETED-04);
- 45m at 179 g/t silver from 53m depth, including 32m at 225 g/t silver (ETED-08);
- 29m at 317 g/t silver from 64m depth, including 19m at 407 g/t silver (ETER-09);
- 32 m at 155 g/t silver from 32m depth, including 21m at 213 g/t silver (ETER-19A);
- 26m at 340 g/t silver from 24m depth, including 14m at 592 g/t silver (ETER-20);
- 62m at 177 g/t silver from 10m depth, including 20m at 452 g/t silver (ETER-21);

An upgraded resource for Teterita is expected by the end of the March quarter 2012 and, following preliminary mine optimisation studies of the three deposits at Nueva Esperanza, Teterita is likely to be the first deposit mined due to its high silver grade and low strip ratio.

The revised mine plan incorporating all three deposits will be integrated into the technical feasibility study that will then undergo a peer review due for completion by the end of the June quarter. The Teterita drilling results are anticipated to improve the overall project analysis.

Outside of the three deposits, the lease area is considered highly prospective where sporadic historical exploration has identified a number of prospects that require further exploration.

"These exciting new assay results are expected to lead to an overall enhancement of the Nueva Esperanza project", Managing Director, Gavin Thomas said, "The low strip ratio and an expected upgrade to the Teterita resource will allow a fast track to mining at Nueva Esperanza".

"The progress of the feasibility study and the environmental impact assessment remain on schedule to support first production in the December quarter of 2013", he said.

Yours sincerely,

**Gavin Thomas**  
**Managing Director & CEO**  
**Kingsgate Consolidated Limited**

## NUEVA ESPERANZA PROJECT UPDATE

### Highlights

- Drilling at Teterita has returned consistently high grades including a bonanza intercept of 40 metres at 868g/t silver, including 15 metres at 2,248 g/t silver (ETED-06).
- The updated mineral resource for Teterita is due for completion by the end of March 2012.
- Technical feasibility study is scheduled for completion in the June quarter following integration of Teterita and Chimberos deposits into the current mine plan and peer review.
- Preliminary mine optimisations for the three Nueva Esperanza deposits indicate that Teterita is likely to be the first resource mined due to its high grade and low strip ratio.
- Opportunities exist to accelerate exploration work on highly prospective areas of mineralisation outside the three deposits within the Nueva Esperanza leases.

### Background

The Nueva Esperanza Project comprises three high sulphidation epithermal gold-silver and silver mineral resources (Figure 1) associated with the Esperanza alteration system, located in the northern Maricunga Gold Belt, near Copiapó in northern Chile. The project is in feasibility study currently based only on the Indicated Resource of the Arqueros sector. The Teterita and Chimberos sectors will be brought into this study as soon as their resources have been upgraded to Indicated category.

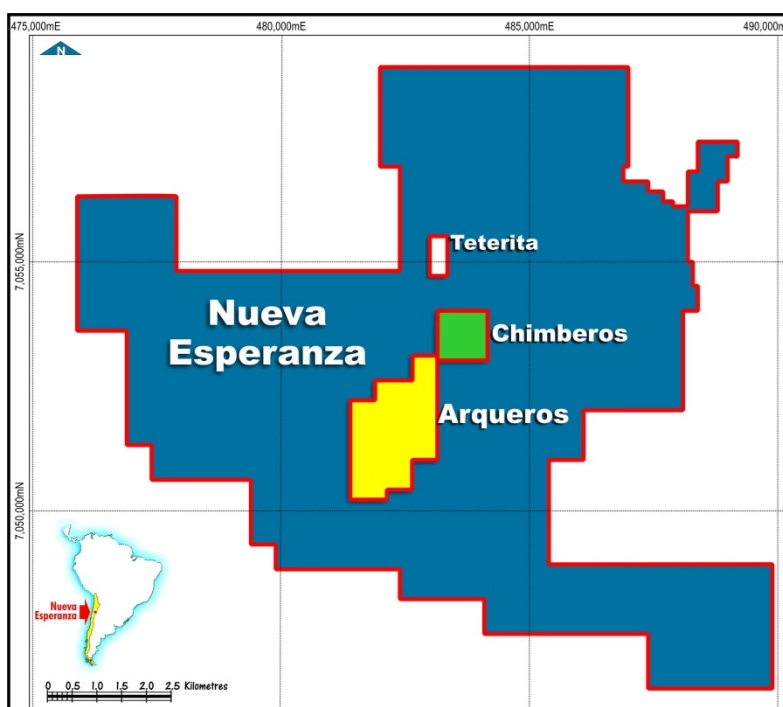


Figure 1. Esperanza Mining Lease showing Arqueros, Chimberos and Teterita sectors

### Teterita Resource Drilling

Teterita is located about two kilometres north of Arqueros and was acquired in mid-2011 along with Chimberos. It is a silver deposit hosted in flat-lying Tertiary dacite lapilli tuffs. The mineralisation forms a horizontal lens, or mantos, similar in disposition to that at Arqueros. Previous owners drilled it with 8,888 metres drilling in 68 holes. Assay data from that drilling was used to estimate a maiden Inferred Resource of 4.8 million tonnes at 85 g/t silver containing 13.2 million ounces of silver, released to ASX on 31 August 2011 (see attached).

Current resource drilling on the deposit has now been completed with 5,986 metres in 65 RC and diamond drill holes planned to validate the historical data and upgrade the resource. About 88% of assay results have been received with intersections at greater than 22.5 g/t silver reported in Appendix 1. Drill collar locations are shown in Figure 3, with an interpreted cross-section on Figure 4 of Appendix 1. Specific gravity tests are being carried out for Teterita to confirm previous estimates used in the resource calculation.

Most of the recent intersections, including 5 ‘twinned’ drill holes designed to closely parallel pre-existing holes, returned higher grades than earlier drilling. This is believed to be in part due to differences in analytical methods; the current approach adopting a stronger multi-acid digestion (HF-HNO<sub>3</sub>-HClO<sub>4</sub>-HCl) for a more complete dissolution of the silver minerals compared to the previous single acid Aqua Regia digestion.

### Feasibility Study

The feasibility study for Nueva Esperanza continues to advance with the final bankable document on schedule to be delivered at the end of the June quarter. The feasibility study will include a detailed independent review of engineering and costs by a third party engineering group.

Mine planning for Nueva Esperanza is being advanced by Kingsgate technical services and will be incorporated into the process design and scoping of costs. The purpose of the plan is to optimise the development of the three deposits and determine the impact of commencing production with the low strip Teterita and Arqueros North deposits. This has the potential to deliver three to four years production before mining the larger and higher strip Arqueros South orebody, with distinct economic benefit to the project.

### Environmental Impact Assessment

The application for environmental mining license was submitted to the authorities in Chile on 29 December 2011. The environmental impact assessment documentation was approved by the Department of the Environment for entry into the system, and has subsequently been dispatched to several government departments.

The process is advancing in line with expectations and we expect the environmental permitting to be granted between nine and twelve months of submission.

### Exploration

The results at Teterita confirm the prospectivity of the Esperanza mining lease, where sporadic historical exploration has identified a number of prospects, many of which show evidence of high grade mineralisation that justify further exploration work (Figure 2).

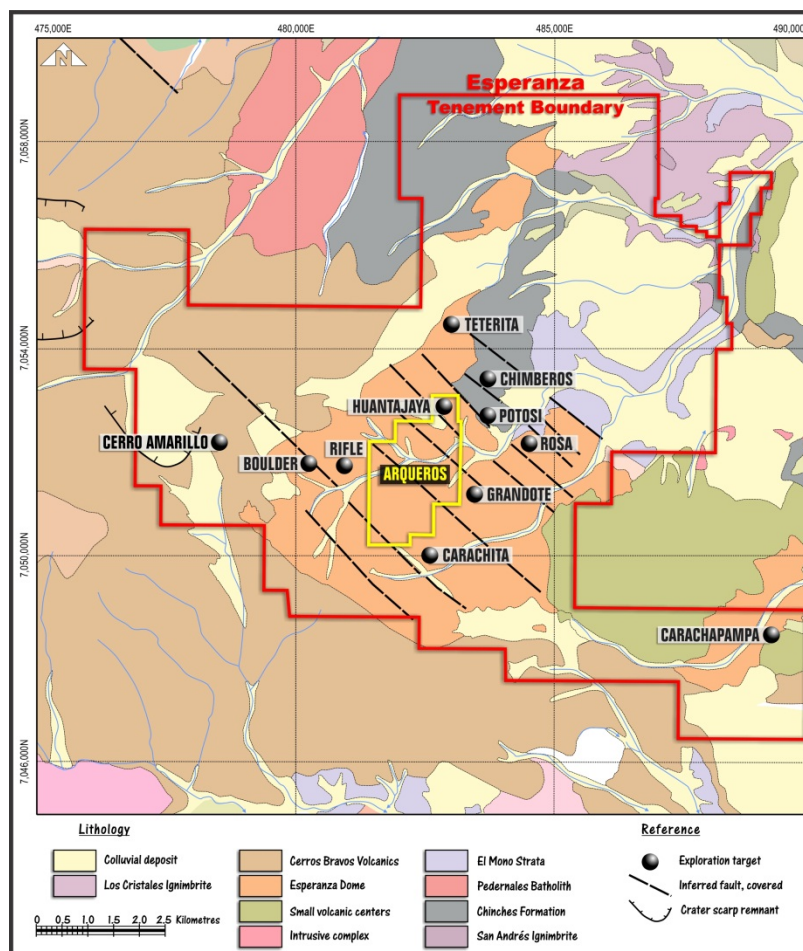


Figure 2. The location of mineralised prospects on the Esperanza alteration system

In addition, the Huantajaya occurrence which lies between Arqueros, Teterita and Chimberos is also unexplored although 3,425 tonnes of mineralised material was extracted by a previous operator at an average grade of 4.54 g/t gold and 344 g/t silver.

Kingsgate is in the process of planning and resourcing a campaign to assess the potential of the broader Esperanza alteration system, which underpins the basis of the Nueva Esperanza mining complex.

The current Mineral Resources at Nueva Esperanza are 28.5 million tonnes of 0.28g/t gold and 78g/t silver. The updated resource estimate that will incorporate all recent drilling is scheduled for completion by the end of the March quarter and an update will be released soon after.

Nueva Esperanza Mineral Resources >0.5g/t Gold Equivalent ("AuEq")											
	Indicated			Inferred			Total				
	Tonnes (M)	Gold (g/t)	Silver (g/t)	Tonnes (M)	Gold (g/t)	Silver (g/t)	Tonnes (M)	Gold (g/t)	Silver (g/t)	Gold (Moz)	Silver (Moz)
Arqueros	16.0	0.32	81	4.0	0.3	50	20.0	0.32	75	0.20	48.1
Chimberos				3.7	0.2	85	3.7	0.20	85	0.02	10.1
Teterita				4.8	0.0	85	4.8	0.01	85	-	13.1
<b>Total</b>	<b>16.0</b>	<b>0.32</b>	<b>81</b>	<b>12.5</b>	<b>0.2</b>	<b>74</b>	<b>28.5</b>	<b>0.25</b>	<b>78</b>	<b>0.23</b>	<b>71.3</b>

Notes: Moz = million ounces.

1. In situ density 2.0 t/bcm, based on 350 measurements at Arqueros. This is lower than previously used 2.2 t/bcm
2. Gold equivalent on basis of gold/silver revenue ratio of 45; calculated as Au + Ag/EQ (gold plus [silver divided by 45])
3. EQ = (Price Gold \* Recovery Gold) / (Price Silver \* Recovery Silver)
4. Price basis US\$1250/oz Au and US\$30/oz Ag
5. Metallurgical recovery basis 85% Au and 78% silver.
6. Rounding of numbers may generate rounding errors

## CONSENT

*Dr Nicholas Lindsay is the author of this document. He is a Member of the Australian 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 he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Lindsay is the Managing Director of Laguna Resources NL and consents to the inclusion in this release of the matters based on his information and information presented to him in the form and context in which it appears.*

## COMPETENT PERSON

*Information in this report relates to Mineral Resources based on information compiled by Ron James, employee of the Kingsgate Group and member of The Australasian Institute of Mining and Metallurgy. This person qualifies as Competent Persons as defined in the Australasian code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2004 edition) and possesses relevant experience in relation to the mineralisation being reported herein as Mineral Resources. The Competent Person has consented to the Public Reporting of these statements and the inclusion of the material in the form and context in which it appears.*

## CAUTION REGARDING FORWARD LOOKING STATEMENTS

*This release contains forward-looking statements, which can usually be identified by the use of words such as such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or words of similar effect. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual outcomes to differ materially from those expressed in the statements contained in this release. You should not place undue reliance on these forward-looking statements. These forward-looking statements are based on information available to us as of the date of this release. Except as required by law or regulation (including the ASX Listing Rules) we undertake no obligation to update these forward-looking statements.*

## APPENDIX 1

### Nueva Esperanza Project

#### Teterita Diamond Drilling Results

Diamond Drilling with intersections greater than 22.5g/t silver *						
Drill hole	Drilled metres	Intercept from-to (m)	Interval (m)	Silver g/t	Section	Observation
ETED-01	89.10	73.00-74.00	1.00	52	N4125	
ETED-02	80.15	38.00-56.15	18.15	106	N4175	9.35m @ 172 g/t Ag
ETED-03	83.15	73.60-75.50	1.90	36	N4175	Assays pending
ETED-04	80.00	37.00-46.00	9.00	50	N4225	
		46.00-62.70	16.70	339		1 m @ 1160 g/t Ag
ETED-05	56.15	25.05-29.15	7.10	63	N4275	2.15 m @ 95 g/t Ag
ETED-06	90.00	48.00-88.30	40.30	868	N4275	15 m @ 2248 g/t Ag,
ETED-07	48.00	14.45-44.00	29.55	78	N4325	
ETED-08	110.15	45.00-46.00	1.00	25	N4325	
		53.15-98.20	45.05	179		32 m @ 225 g/t Ag
ETED-09	100.00	50.00-90.00	40.00	92	N4375	12 m @ 189 g/t Ag
ETED-10	83.2	42.00-47.00	5.00	41	N4425	
		51.00-83.20	33.20	47		4 m @ 93 g/t Ag
ETED-11	105.85	65.00-104.00	39.00	94	N4425	19 m @ 135 g/t Ag
ETED-12	100.00	63.10-93.00	29.90	42	N4450	8.60 m @ 65 g/t Ag
ETED-13	88.85	35.00-88.85	53.85	58	N4450	15 m @ 103 g/t Ag
ETED-14	88.85	35.15-47.00	11.85	31	N4475	
		65.00-66.00	1.00	36		
		71.00-86.75	15.75	69		
ETED-16	49.05	7.00-11.15	4.15	47	N4525	1.15 m @ 94 g/t Ag
		30.00-49.05	19.05	72		3 m @ 164 g/t Ag
ETED-18	75.15	15.00-26.80	11.80	59	N4575	0.80 m @ 103 g/t Ag
		41.00-66.00	25.00	52		9.10 m @ 79 g/t Ag
ETED-20	104.90	10.90-25.60	14.70	78	N4600	3 m @ 141 g/t Ag
		49.00-68.00	19.00	26		

Note \*: Gold was not detected in assays.

## Nueva Esperanza Project

### Teterita RC Drilling Results

Reverse Circulation Drilling with intersections greater than 22.5g/t silver						
Drill hole	Drilled metres	Intercept from-to (m)	Interval (m)	Silver g/t	Section	Observation
ETER-01	100	53.00-78.00	25.00	307	N4175	15 m @ 473 g/t Ag
		80.00-84.00	4.00	33		
ETER-02	100	39.00-81.00	42.00	129	N4200	14 m @ 303 g/t Ag
ETER-03	60	27.00-37.00	10.00	58	N4225	
ETER-04	140	63.00-97.00	34.00	90	N4225	
		97.00-103.00	6.00			
		103.00-106.00	3.00	31		
ETER-05	65	19.00-45.00	26.00	287	N4275	19 m @ 374 g/t Ag
ETER-06	110	60.00-94.00	34.00	74	N4275	12 m @ 125 g/t Ag
ETER-07	60	12.00-35.00	23.00	105	N4325	6 m @ 219 g/t Ag
ETER-08	110	50.00-93.00	43.00	80	N4325	11 m @ 98 g/t Ag and 6 m @ 212 g/t Ag
ETER-09	120	46.00-56.00	10.00	34	N4350	
		64.00-93.00	29.00	317		19 m @ 407 g/t Ag
ETER-10	60	6.00-10.00	4.00	86	N4375	
		15.00-40.00	25.00	38		2 m @ 137 g/t Ag
ETER-11	107	46.00-62.00	16.00	56	N4375	2 m @ 119 g/t Ag
		72.00-107.00	35.00	90		9 m @ 199 g/t Ag
ETER-12	150	55.00-65.00	10.00	27	N4425	
		72.00-100.00	30.00	98		13 m @ 163 g/t Ag
ETER-13	130	47.00-109.00	62.00	64	N4425	21 mm @ 109 g/t Ag
ETER-14A	130	40.00-45.00	5.00	30	N4450	
		51.00-61.00	10.00	27		
		65.00-109.00	44.00	134		15 m @ 294 g/t Ag
ETER-15	50	2.00-5.00	3.00	30	N4475	
		14.00-19.00	5.00	233		3 m @ 366 g/t Ag
ETER-16	130	27.00-75.00	48.00	117	N4475	21 m @ 184 g/t Ag
		78.00-117.00	39.00	56		8 m @ 99 g/t Ag
ETER-17	130	32.00-42.00	10.00	26	N4500	
		49.00-55.00	6.00	25		
		60.00-110.00	50.00	58		18 m @ 79 g/t Ag
ETER-18	120	48.00-59.00	11.00	46	N4524	3 m @ 97 g/t Ag
		63.00-73.00	10.00	44		1 m @ 106 g/t Ag
		77.00-97.00	20.00	56		
		101.00-110.00	9.00	26		
ETER-19	56	18.00-55.00	37.00	126	N4525	12 m @ 262 g/t Ag
ETER-19A	150	21.00-53.00	32.00	155	N4525	21 m @ 213 g/t Ag
		60.00-62.00	2.00	34		
ETER-20	80	24.00-50.00	26.00	340	N4575	14 m @ 592 g/t Ag
		52.00-80.00	28.00	77		13 m @ 95 g/t Ag
ETER-21	90	10.00-72.00	62.00	177	N4600	20 m @ 452 g/t Ag

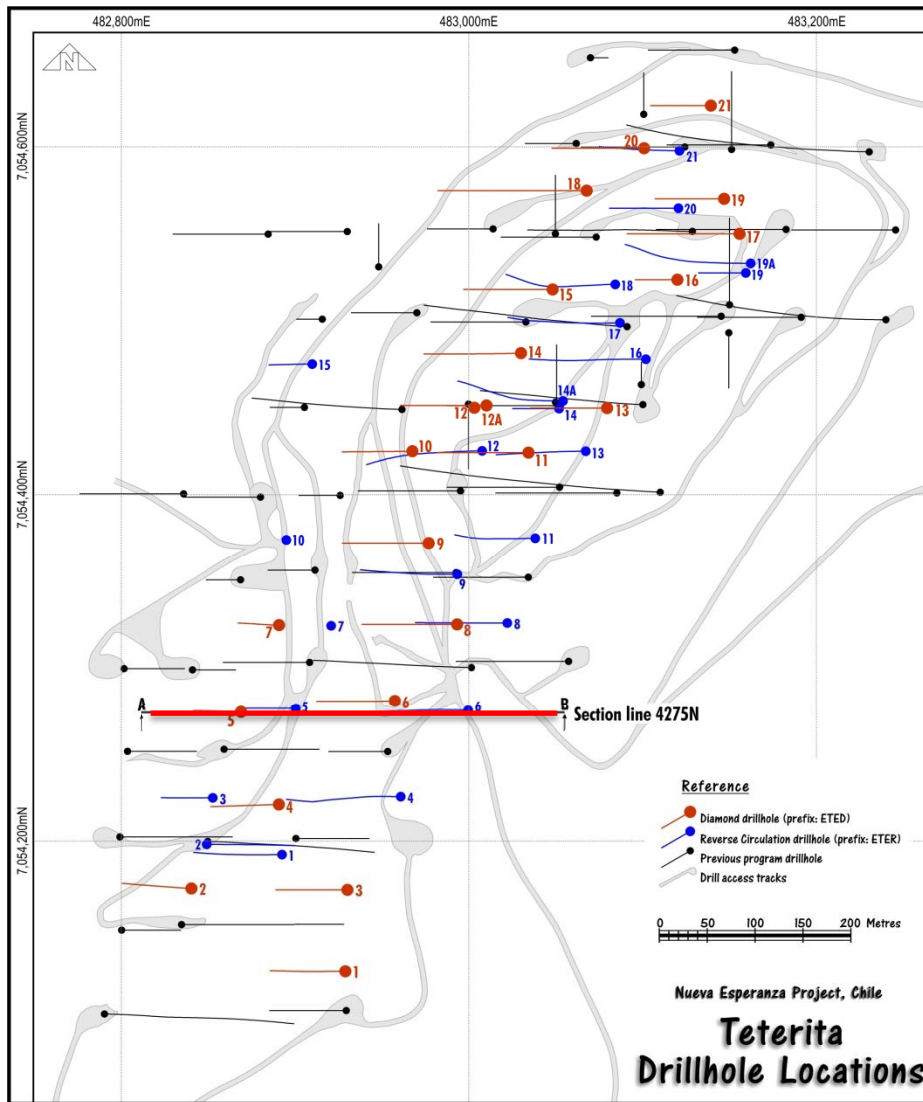


Figure 3. Drill collar locations for drilling by Laguna Resources showing Section N4275

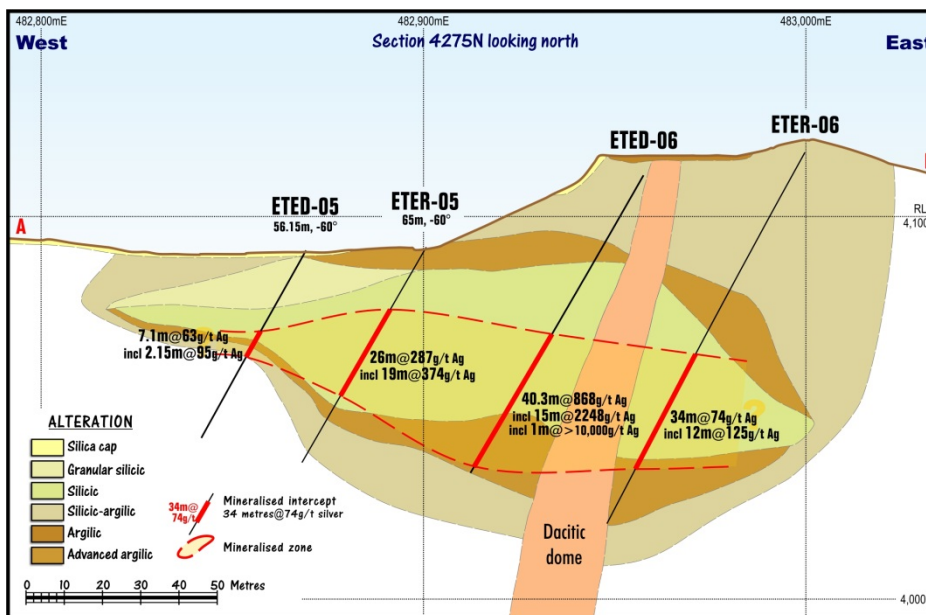


Figure 4. Cross-section through mineralisation on Section N4275