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Manager
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Nueva Esperanza, Chile – Definitive Feasibility Study Delivers Strong Results

Kingsgate Consolidated Limited (ASX: KCN) is pleased to provide a summary of the results of the Definitive Feasibility Study ("DFS") of the Nueva Esperanza silver and gold heap leach project in Chile. The study supports the technical viability and financial robustness of the project as well as identifying further upside potential within the existing resource base and the already identified exploration targets within the Mining Lease.

Highlights

- **Proved and Probable ore reserves total 17.1 million tonnes at 97 g/t silver and 0.27 g/t gold (113 g/t silver equivalent (AgEq) or 1.89 g/t gold equivalent (AuEq))**

- **Average annual production of 7,500,000 oz of AgEq (approximately 125,000 oz AuEq)**

- **Initial +6 year mine life with significant potential for extensions**

- **Capital costs of US$140 million including a US$10 million contingency**

- **Average cash operating costs of US$11.44/oz AgEq or US$687/oz AuEq (incl. royalties)**

- **First production is targeted in first half of 2016 calendar year**

Kingsgate is currently working with its consultants to finalise environmental approvals. This process is well advanced and final approvals are expected within six months.

The DFS also provides the basis to assess the optimum financing strategy for the project. Discussions are underway with potential debt financiers with several financing options being considered.

Gavin Thomas, Kingsgate's Managing Director and CEO said, "We are delighted by the results of the feasibility study, which support our long held belief in the underlying quality and inherent value of the Nueva Esperanza project.

The final Nueva Esperanza Definitive Feasibility Study is a result of over three years continuous evaluation and several iterations to determine the optimal process route delivering the most financially robust outcome."

"We remain optimistic in the mineral endowment of the immediate vicinity, which has the potential to provide Kingsgate with a long, sustainable operating presence in this region."

"The decision to begin construction is anticipated in the second half of this year and will put Kingsgate back on a growth path and validate the underlying value of the project acquisition", he said.

Gavin Thomas
Managing Director & CEO
Kingsgate Consolidated Limited

Introduction

The Nueva Esperanza Project (NE) comprises three deposits in close proximity to one another. These are Arqueros, Teterita and Chimberos that are located in northern Chile approximately 900 kilometres north of Santiago in the La Coipa segment of the Maricunga Gold Belt near the regional centre of Copiapo. The DFS is based on a 3 million tonnes per annum heap leach operation with on-site power generation and an initial plus six year mine life.

Kingsgate's strategic plan is to bring the project into production and also provide an operating base to explore and identify additional areas of mineralisation within the current exploration license areas. There is potential upside to the project's economic viability and mine life through:

- Conversion of Inferred Resources within the global resource base
- Definition of resources at already identified exploration targets within the Mining Lease

Key conclusions and economic parameters are summarized in Table 1 below.

Table 1: Key Conclusions and Economic Parameters

Annual Throughput	3,000,000 tonnes	
Initial Mine Life	+6 years	
Annualised Production		
Silver (average)	6,430,000 oz	7,500,000 oz AgEq or 125,000 oz AuEq
Gold (average)	17,500 oz	
Life of Mine Strip Ratio	5.1:1	
Initial Capital Cost	US$140m	Includes US$10m contingency
Silver Recovery	70%	Average across three orebodies
Gold Recovery	75%	Arqueros & Chimberos
Average Cash Operating Cost		
Silver	US$11.44/oz AgEq	Includes all royalties
Gold	US$687/oz AuEq	Includes all royalties
Assumptions	Silver (Ag) US$20/oz	Gold (Au) US$1,300/oz A$/US$ 0.90

Kingsgate prepared the DFS with input from a number of consultants that are outlined in Appendix A.

The Nueva Esperanza Mineral Resource and Mining Inventory

The Mineral Resource was released to the Australian Securities Exchange ("ASX") on 9th October 2013 and is reported in accordance with the JORC Code (2012).

The resource estimate is based on 43,122 metres of reverse circulation drilling in 324 holes; 99,791 metres of open-hole percussion drilling in 2,698 holes; and 20,872 metres of diamond drilling in 279 holes completed by Kingsgate and previous explorers. Kingsgate's drilling over the past two years amounts to 17% of the total drill metres for the three deposits.

The use of historical drilling data in the Nueva Esperanza Mineral Resource estimate has been validated with parallel confirmation drilling and statistical analyses.

Table 2:   Nueva Esperanza Mineral Resources
(0.5 g/t AuEq60 cut-off grade)

Deposit	Category	Tonnes	Grade			Contained Metal			
		(million)	Gold (g/t)	Silver (g/t)	Gold Equiv. (g/t)	Gold ('000 oz)	Silver (million oz)	Gold Equiv. (million oz)	Silver Equiv. (million oz)
Arqueros	Measured	-	-	-	-	-	-	-	-
	Indicated	14.1	0.35	88	1.82	160	39.9	0.82	49.4
	Inferred	3.3	0.4	57	1.4	40	6.0	0.14	8.6
	Subtotal	**17.4**	**0.36**	**82**	**1.73**	**200**	**45.9**	**0.97**	**58.0**
Teterita	Measured	1.5	0.01	101	1.69	1	4.87	0.08	4.90
	Indicated	3.5	0.01	92	1.54	1	10.4	0.17	10.4
	Inferred	0.7	0.01	71	1.2	0	1.6	0.03	1.6
	Subtotal	**5.7**	**0.01**	**92**	**1.54**	**2**	**16.8**	**0.28**	**16.9**
Chimberos	Measured	-	-	-	-	-	-	-	-
	Indicated	3.7	0.25	84	1.65	30	10.0	0.20	11.8
	Inferred	2.1	0.3	80	1.6	20	5.4	0.11	6.6
	Subtotal	**5.8**	**0.27**	**83**	**1.64**	**50**	**15.4**	**0.31**	**18.4**
Total	Measured	1.5	0.01	101	1.69	1	4.9	0.08	4.9
	Indicated	21.3	0.28	88	1.74	190	60.2	1.19	71.6
	Inferred	6.1	0.3	67	1.4	60	13.0	0.28	16.8
	Total	**28.9**	**0.27**	**84**	**1.67**	**251**	**78.2**	**1.56**	**93.3**

1. Rounding of figures may cause numbers to not add correctly.
2. Silver equivalent: AgEq (g/t) = Ag (g/t) + Au(g/t) x 60.
3. Gold Equivalent: AuEq (g/t) = Au (g/t) + Ag (g/t)/60.
    Calculated from prices of US$1,380/oz Au and US$21.50/oz Ag, and metallurgical recoveries of 75% silver and 70% gold estimated from test work by Kingsgate.
4. It is the company's opinion that all elements included in the metal equivalents calculation have a reasonable potential to be recovered and sold.
5. Although gold is not the dominant metal, gold equivalent values are reported to allow comparison with Kingsgate's other projects.

This information relating to Mineral Resource estimates is extracted from the report entitled "Nueva Esperanza, Chile - Project and Mineral Resource Statement Update" created on the 9th of October 2013 and is available to view on www.kingsgate.com.au. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources, all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Consultants from Coffey, Chile produced the Ore Reserves that were derived from previously reported Mineral Resources. Open pits for each of the three deposits were optimized based on a US$20/oz silver and US$1,300/oz gold price as summarised in Table 3 below.

Table 3:   Nueva Esperanza Ore Reserves
(0.5 g/t AuEq60 cut-off grade)

Deposit	Category	Tonnes	Grade			Contained Metal			
		(million)	Gold (g/t)	Silver (g/t)	Gold Equiv. (g/t)	Gold ('000 oz)	Silver (million oz)	Gold Equiv. ('000 oz)	Silver Equiv. (million oz)
Arqueros	Proved	-	-	-	-	-	-	-	-
	Probable	10.0	0.40	97	2.01	128	31.3	649	38.9
	Subtotal	10.0	0.40	97	2.01	128	31.3	649	38.9
Teterita	Proved [1]								
	Probable	4.1	-	106	1.77	-	13.9	232	13.9
	Subtotal	4.1	-	106	1.77	-	13.9	232	13.9
Chimberos	Proved	-	-	-	-	-	-	-	-
	Probable	3.0	0.21	87	1.65	20	8.4	160	9.6
	Subtotal	3.0	0.21	87	1.65	20	8.4	160	9.6
Total	Proved	-	-	-	-	-	-	-	-
	Probable	**17.1**	**0.27**	**97**	**1.89**	**148**	**53.5**	**1,041**	**62.5**
	Subtotal	**17.1**	**0.27**	**97**	**1.89**	**148**	**53.5**	**1,041**	**62.5**

Note: 1)   Measured resources at Teterita are included in Probable Ore Reserves

The Ore Reserves within the optimum pits are based only on Measured and Indicated Mineral Resources. There are additional Inferred Mineral Resources of 1.1 Mt at 79 g/t Ag and 0.23 g/t Au within these pit shells that are considered as waste for Ore Reserve classification purposes. Based on the geological assessment of these deposits, there is a reasonable assumption that the majority of this mineralisation could be upgraded to Indicated category with infill drilling. The potential global mining inventory could therefore increase to 18.2 Mt at 96 g/t Ag and 0.27 g/t Au for 66 M oz AgEq.

The proportion of in-pit Inferred resources on life of mine production is 5% in terms of recovered AgEq ounces.

Note that Inferred resources are of a low level of geological confidence and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realized.
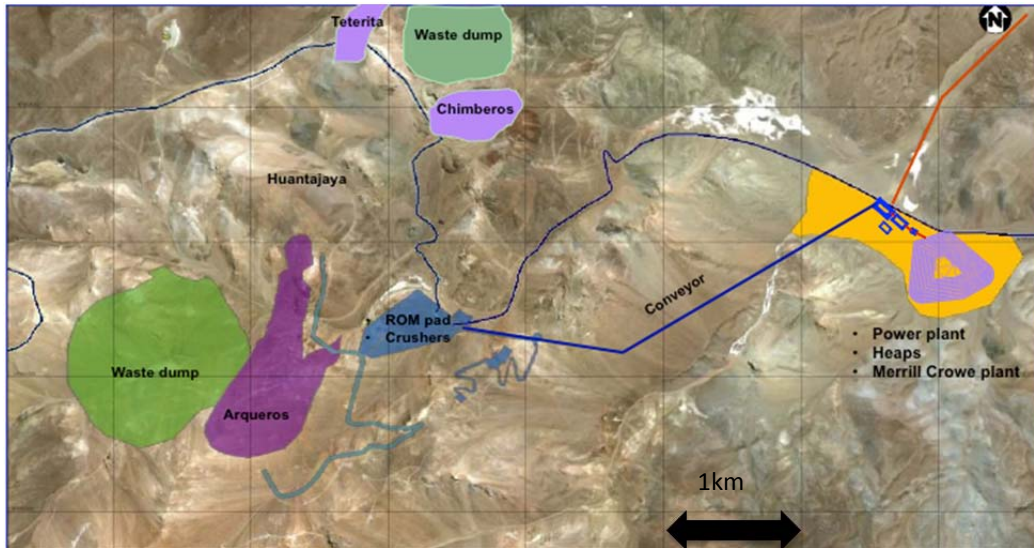
Mining

An integrated mine plan has been completed by Coffey as part of the DFS incorporating the three deposits of Arqueros, Chimberos and Teterita. Pit optimisation is based on the latest Multiple Indicated Kriged (MIK) block model for each deposit and incorporates staged cutbacks of the Arqueros deposit in order to maximise cash flows in the early stages of the project.

The mining schedule outlines an annual rate of ore extraction of approximately 3 million tonnes. The low strip ratio Teterita deposit is planned to provide the majority of the initial ore feed with material progressively becoming available from Arqueros, which has a higher strip ratio and will be mined in a series of cut backs. Chimberos is currently planned to be mined towards the end of the project life.

The current competitive environment in the Chilean mining contracting sector results in estimated project returns being enhanced by the use of a mining contractor as opposed to owner mining. Use of contractor mining will also facilitate the management of peak periods of material movement during the project life related to the phased cut-backs at Arqueros.

Work is continuing with both Coffey and potential mining contractors with the intent to further optimise the mine plans and improve financial returns (refer section on Project Upside).

Figure 1:   Nueva Esperanza Site Layout and Infrastructure

Based on the expected metallurgical recovery factors from test work to date, planned production is 40 million ounces of silver and 112,500 oz of gold over an initial six year mine life (47.0 million ounces of AgEq or 780,000 ounces of AuEq).
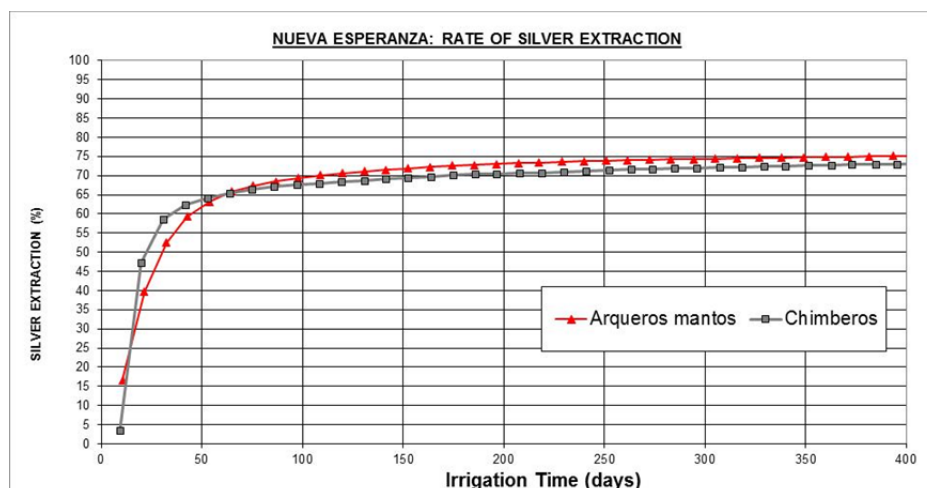
Metallurgy

Kingsgate has undertaken metallurgical test work on the various types of mineralisation within the project. The test work has been conducted by ALS Laboratories in Perth. Tests completed include intermittent bottle-roll tests, laboratory column leach tests as well as assessing alternative crushing technologies and in particular the use of High Pressure Grinding Rolls (HPGR) in the comminution circuit.

The mineralogy of the ore renders it particularly amenable to heap leaching. It is a readily cyanide-soluble non-metallic form of silver, cerargyrite (AgCl) that provides fast leaching kinetics.

This test work and the resulting grade recovery curves provide the following inputs to the DFS:

- Optimum crush size of 4mm
- Average silver metallurgical recoveries of 70% over the life of mine based on imposition of appropriate metallurgical algorithms
- Average gold metallurgical recoveries of 75% over the life of mine based on imposition of appropriate metallurgical algorithms
- Ore is fast leaching with 80% of the recoverable metal extracted in the first 45 days of leaching and the planned leaching cycle of 250 days to get approximately 100% of the recoverable silver.
- Micro-fracturing of the material through the use of HPGR significantly improves the overall metallurgical recovery. It should be noted that clay is not present in any of the NE deposits which will prevent any clogging issues that may otherwise occur when HPGR is used.

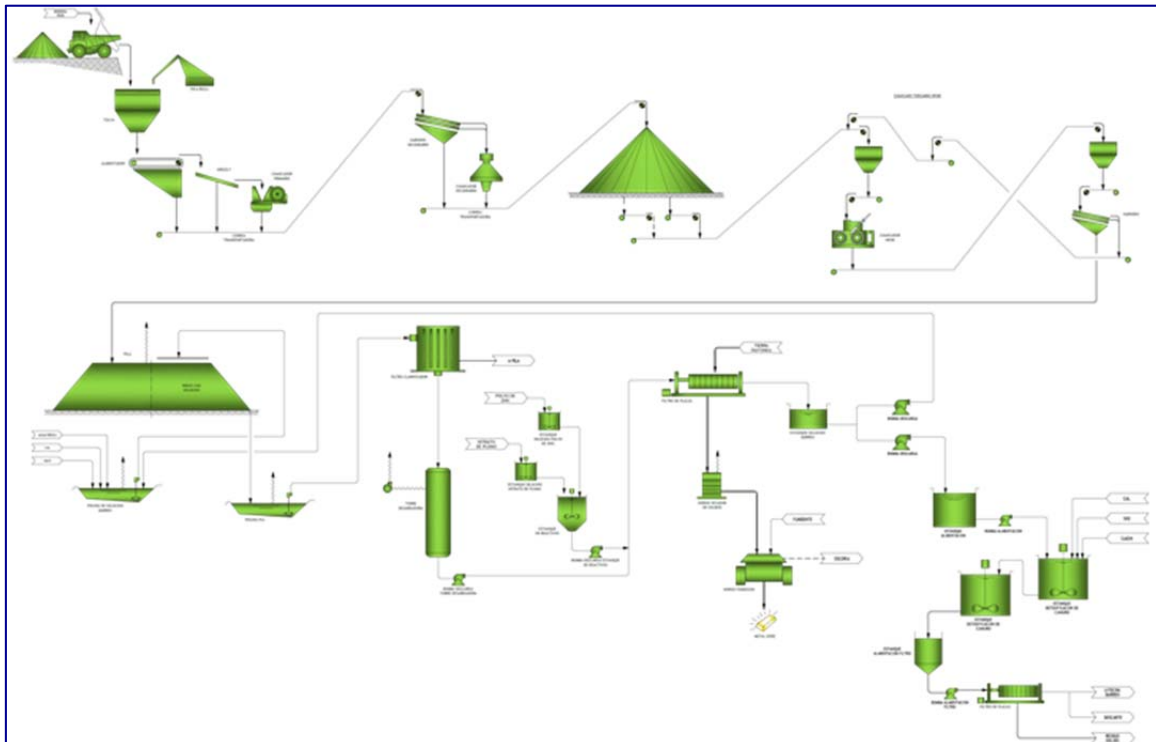**Figure 2:   Arqueros & Chimberos Silver Extraction Rates (utilising HPGR)**

Processing

The processing flow sheet for the heap leach operation will comprise crushing, agglomeration, leaching and production of a silver/gold doré with the following design parameters:

- Three-stage crushing circuit with the final product 100% passing 4 mm
- HPGR as the third crushing stage that produces micro fracturing of the ore to achieve the targeted metallurgical recovery rates
- Overland conveyer of approximately 4.7kms to transport the crushed material from the crushers near the open pits to the leach pads at approximately 400 m lower altitude
- Agglomeration of the crushed product using cement
- Heap leach pad with an ultimate 20 mt pa capacity (10mt initially)
- Merrill Crowe circuit to recover a silver/gold doré

Figure 3:   Process Flow sheet

Infrastructure

The key elements of the project infrastructure are as follows:

- A third party will provide power under contract by installing on-site power generating units using LNG and diesel. Installed capacity will be 14 MW with average demand expected to be 5.2 MW. At current energy prices, all-in power costs are anticipated to be approximately US$0.24/kWh, which is largely in line with current spot rates. This has eliminated the need for the previously planned 45 km electricity transmission line from the nearest access point to the power grid.
- Water usage rights have been secured from two water bores approximately 10kms from the project that will provide sufficient water to meet all planned requirements.
- Site accommodation for both construction and operation is planned from a combination of re-furbishing and expanding the current 80-man camp near the planned crushing plant and construction of a new camp near the heap leach pads. There are other accommodation alternatives available in the surrounding areas that are currently being investigated and have the potential to reduce the estimated accommodation costs.

Capital Costs

Capital costs have been prepared in US$ and are considered to have an accuracy of +-15%. The Chilean consulting group Alquimia has compiled these estimates with detailed estimated worksheets and quotes. In addition to the initial capital costs outlined in Table 4, sustaining capital expenditure is estimated at $17 million over the life of the project, largely relating to the staged construction of the heap leach pad.

Table 4:   Initial Capital Cost Summary

Direct Costs	US$m
• Crushing circuit	34.2
• Overland conveyor & agglomeration	21.8
• Heap leach pads (initial)	22.4
• Merrill Crowe	7.6
• INCO plant	1.2
• Support facilities (offices, camp, etc.)	23.2
Total Direct Costs	**110.4**
Indirect Costs	
• EPCM allocation	11.6
• Owners costs	4.0
• Other	4.3
Total Indirect Costs	**19.9**
Total Direct & Indirect Costs	**130.3**
• Contingency (8%)	10.0
Total Capital Cost	**140.3**

Work is underway to optimise these cost estimates with several opportunities already identified that have the potential to reduce total costs.

Operating Costs

Operating costs have been developed from first principles and quotations from suppliers, and reflect local market conditions. As previously noted, the competitive environment in Chile has positively impacted mining quotes received from contractors and it is the current intention to proceed under a contracting arrangement rather than owner mining. The operating cost assumptions also include an allowance for Kingsgate's in-country corporate costs.

Table 5 summarises the estimated life of mine operating costs. The variability of ore grades treated and stripping requirements during the project's life will result in variable costs on a year-by-year basis.

Table 5: Operating Costs

	US$/oz AgEq	US$/oz AuEq	US$/t ore treated
Mining Cost	5.78	347	13.98
Processing Cost	4.37	262	10.56
Administration & Other Costs	0.60	36	1.45
Royalty	0.69	42	1.66
Total Cash Cost	**11.44**	**687**	**26.00**
Sustaining Capital Cost	0.36	22	0.87
All-in-Sustaining Cash Cost	**11.80**	**708**	**28.55**

Royalties and Taxes

The three projects are subject to various royalty commitments as outlined below. It should be noted that the royalties applicable to Chimberos and Teterita include part of the consideration payable by Kingsgate on acquisition of the projects from Kinross.

Arqueros project Net Smelter Return (NSR) of 3% payable to Anglo American.

Teterita project:

- NSR of 5% payable to Anglo American
- NSR of 2% payable to Kinross's subsidiary, Mantos de Oro
- $5 million has been prepaid in relation to this royalty and will be rebated once the deposit is in production

Chimberos project NSR of 3% payable to Mantos de Oro.

The corporate tax rate in Chile is 20%. In addition there is a mining tax applicable to mining companies, which for smaller and medium sized operations applies on a sliding scale from 0% to 5% for operations with less than 50,000 tonnes of copper equivalent production or 270,000 oz gold at a gold price of US$1300/oz and a copper price of US$7000/t. The life of mine rate applied to Nueva Esperanza is 0.5%.

Development Schedule

The existing Environmental Impact Assessment (EIA) will need to be modified via a DIA (Declaracion de Impacto Ambiental, or Declaration of Environmental Impact) to incorporate heap leaching, on-site power generation and an updated mine plan for the Chimberos and Teterita deposits that were not included in the original EIA for Arqueros. Work on this submission is largely complete and lodgment with the regulatory authorities is scheduled to occur in March 2014. Approvals are expected within six months.

The following work programs are planned during the period prior to receiving DIA approval:

- Order long lead time capital items; principally the HPGR crusher (deposit ~US$2 million)
- Value engineering of the current capital and operating cost quotes
- Twin hole drilling program on the Arqueros deposit which is anticipated to be required by potential debt providers (budgeted cost of ~US$0.4 million)
- On-going metallurgical test work to refine operational parameters
- Preliminary engineering and design (cost estimated at ~US$1 million)
- Analysis of the optimum construction approach and the requirement for an EPCM contractor

Site works are expected to commence following the winter season in 2014 and after DIA approval has been received and financing is in place. A construction period of 15 months is envisaged with first production in the first half of the 2016 calendar year.

Financing

An optimum financing package should be identified during the period required to obtain the DIA approval.

Discussions have occurred with several banks following their initial review on the financial viability of the project. Indications are that they may be able to provide a debt facility to support the project development. Completion of the DFS will provide the basis to undertake more detailed analyses by potential financiers.

Kingsgate's equity portion of the financing could come from a number of sources including operational cash flow, potential asset sales, mezzanine financing and new equity.

Kingsgate is also considering the introduction of a strategic or minority partner into the project. Whilst the outcome of this strategy is uncertain, there is sufficient time prior to a formal development decision to review the option.

Potential Project Upside

There are four key areas of project upside that should be taken into account when assessing the longer term value of the Nueva Esperanza Project.

1) Conversion of Inferred resources:

- There is additional Inferred mineralisation that has been identified immediately below the current planned pits and some of this may be accessed with minimal cutbacks if converted to Indicated category. This is particularly evident at Arqueros where the pit bottoms out on wide dimensions due to the broad 'mantos' style silver mineralisation, commonly leaving the gold-rich Inferred veins easily accessible by deepening the pit.

2) Exploration potential:

- An extensive hydrothermal alteration footprint hosting a system of structurally coherent precious metal deposits characterises Nueva Esperanza mineralisation. Most of the exploration to date has focused on the open cut potential of the three outcropping deposits with only sporadic attention to deeper mineralisation or targets under cover. Kingsgate has an opportunity, based on bringing Arqueros, Chimberos and Teterita into production, to explore and develop the remainder of this extensive hydrothermal system.
- Outside the current resource areas, previous owners have completed only limited and shallow exploration with no deep exploration drilling programs conducted to date. Key prospective targets with significant gold intersections include Rifle, Boulder and Huantajaya.
- In the longer term, the potential of a bulk tonnage, large scale Carachitas porphyry gold prospect located south of Arqueros, warrants exploration and development if found to be economic.
- The current intention is to undertake an exploration program on these near surface targets once on-site infrastructure is fully available. Geophysical work is proposed to explore for deeper and lateral targets.

3) Capital and Operating cost estimates:

- The current competitive cost environment in Chile has the potential to positively impact project returns.
- Already several areas of cost reductions have been identified (both operating and capital) which will be the subject of detailed review over the next several months.
- The recent reduction in mine construction activity in Chile is expected to positively impact the overall project costs.

4) Project expansion potential:

- Heap leach operations are flexible with regards to annual treatment capacity and the infrastructure proposed for Nueva Esperanza has been designed to accommodate possible future expansion opportunities.
- The location of the leach pads provides sufficient areas to increase the amount of ore treated and the related infrastructure has capacity to be upgraded with modest additional expenditure.

APPENDIX A – DFS Consultants

Alquimia	Chile	Process plant and infrastructure design, capital and operating costs
ALS Global	Australia & Chile	Metallurgical test-work, analysis and assays
MPR Geological Consultants	Australia	Mineral resource estimation
Coffey	Australia & Chile	Pit optimisations, waste dump, haul road designs, mining costs & scheduling
CPH & Asociados	Chile	Hydrogeology and associated water work
Geoinvestments	Chile	Geotechnical
Golder Associates	Chile	Geotechnical (Arqueros)
MyMA	Chile	Environmental, EIS management
SysStep	Chile	Power
Koppern	Chile & Germany	HPGR testwork
Weir Minerals	Chile	HPGR pilot plant tests
Quinzio y Cia	Chile	Legal

Appendix B - Price Assumptions

Silver Price	US$20/oz
Gold Price	US$1,300/oz
CHP/US$ Exchange Rate	540
A$/US$ Exchange Rate	$0.90

Competent Persons Statements:

The information in this report that relates to exploration results and data quality is based on and fairly represents information compiled by Mr Ron James who is a member of the Australasian Institute of Mining and Metallurgy and a full time employee of Kingsgate Consolidated Limited. Mr James has sufficient experience that 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr James consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to mineral resource estimation for Arqueros and Teterita is based on and fairly represents work compiled by Mr Jonathon Abbott who is a full-time employee of MPR Geological Consultants Pty Ltd and a member of the Australian Institute of Geoscientists. Mr Abbott is an independent consultant to Kingsgate Consolidated Limited 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Abbott consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to mineral resource estimation for Chimberos is based on and fairly represents work compiled by Ms Maria Muñoz who is a member of the Australasian Institute of Mining and Metallurgy and a full time employee of Kingsgate Consolidated Limited. Ms Muñoz has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that she is undertaking 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'. Ms Muñoz consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to ore reserves for Arqueros Chimberos and Teterita is based on and fairly represents work compiled by Mr Manuel A. Hernández who is a full-time employee of Coffey Chile and a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Hernández is an independent consultant to Kingsgate Consolidated Limited and has sufficient experience relevant to the type of mining under consideration and to the activity that he is undertaking 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 Hernández consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Forward Looking Statements

This announcement includes forward-looking statements. Forward looking statements inherently involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside of the control of, and may be unknown to, the Company.

Actual results and developments may vary materially from that expressed in this announcement. The types of uncertainties that are relevant to the company may include, but are not limited to, commodity prices, political uncertainty and changes to the regulatory framework that applies to the business of the company & general economic conditions. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Forward-looking statements in this announcement speak only at the date of issue. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, the company undertakes any obligation to publicly update or revise any of the forward looking statements, changes in events, conditions or circumstances on which any such statement is based.

Some statements in this announcement regarding estimates or future events are forward looking statements. They involve risk and uncertainties that could cause actual results to differ from estimated results. Forward looking statements include estimates of future production, cash and total costs per ounce of production, reserve, resource and mineralized material estimates, capital costs, and other estimates or prediction of future activities. They include statements preceded by words such as "believe," "estimate," "expect," "intend," "will," and similar expressions. Actual results could differ materially depending on such things as political events, labour relations, currency fluctuations and other general economic conditions, market prices for Kingsgate Consolidated Limited products, timing of permits and other government approvals and requirements, changes in operating conditions, lower than expected ore grades, unexpected ground and mining conditions, availability and cost of materials and equipment, and risks generally inherent in the ownership and operation of mining properties and investment in foreign countries.

Cautionary Statement:

The parameters outlined in this project update are based on results received to date only and are insufficient to provide assurance as to the economic development of the project at this stage and may also change following completion of further analysis. There can be no guarantees provided that the project will proceed on the basis outlined in this announcement.

Key risks associated with the Nueva Esperanza project include:

- Receiving government and environmental approvals
- Capital and operating cost escalation
- Achieving forecast ore grade
- Metallurgical recovery
- Availability of finance to fund development

As in many parts of the world, the regulatory environment in Chile is becoming less favourable for mining development, which has the potential to impact target timelines. Capital and operating costs are time dependent and difficult to predict without having firm contracts in place. The impact of cost variations will only be known with greater certainty closer to the time of tendering contracts and placing orders. Simulating the metallurgical behavior of ore in a large-scale heap leach is complex at a laboratory scale and cannot take into account actual variability in the nature and property of source material, environmental conditions and fluid dynamics. The metallurgical algorithms imposed on the various deposits are based on test work results from laboratory and small-scale field test that can only approximate actual conditions.

Nueva Esperanza
Table 1 report template
Check List of Assessment and Reporting Criteria

Section 1 - Sample Techniques and Data	
(Criteria in this group apply to all succeeding groups)	
Criteria	**Commentary**
Sampling techniques	• Mineral Resource estimates for Nueva Esperanza include the Arqueros, Teterita and Chimberos deposits. The estimates are based on reverse circulation (RC), diamond (DDH) and open hole percussion (DTH) drilling from surface and underground mine workings completed by several companies since 1980. The sampling includes 2009-2013 drilling by Laguna Resources, a wholly owned division of Kingsgate Consolidated Ltd (17% of the drill meters) and previous explorers including Anglo American Chile (20%), Can Can Mining (48%) and Kinross (15%). • The combined resource database totals 3,302 holes for 162,535 m of drilling as follows: Pre-Laguna Drilling: - Arqueros: 2698 DTH Holes (99791m), 56 RC Holes (10941m), 3 DDH Holes (1250m). - Teterita: 57 RC Holes (6518m). - Chimberos: 94 RC Holes (8750m), 167 DDH Holes (8734m). Laguna Drilling: - Arqueros: 76 RC Holes (11417m), 64 DDH Holes (6491m). - Teterita: 23 RC Holes (2364m), 36 DDH Holes (2933m). - Chimberos: 19 RC Holes (3132m), 9 DDH Holes (1464m).
	• Laguna Resource sampling was guided by industry standard protocols and QAQC procedures. Standards, field duplicates and blank samples were inserted into assay batches with each set of 22 assayed samples routinely containing these three control samples and comprising 19 primary samples, 1 standard, 1 duplicate and 1 blank. After completion of routine assaying, selected pulp rejects were re-assayed by a second laboratory. The combined control samples represent approximately 14% of assayed samples. • Written descriptions of drilling and sampling procedures are available for only a small proportion of the pre-Laguna drilling. Most of the historical assay results were derived from digital databases.
	• Laguna RC holes were sampled over 1 m intervals with approximately 15 kg sub-samples collected by rifle splitting. Laguna diamond core was generally sampled over 1 m intervals with sample intervals honouring lithological and alteration contacts and sample lengths of 0.5 to 1.5 m and a minimum weight of 0.5 Kg. Intervals of up to 3 m were rarely used for low-core recovery zones. The RC and diamond sub-samples were crushed, split and pulverised to produce 30 g charges for gold and silver assaying by fire assay and multi-acid digestion respectively.

Drilling techniques	• The older drilling includes open hole drilling percussion (DTH), RC and Diamond DDH drilling and is dominated by DTH sampling at Arqueros, which provides 61% of the combined drill meters for Nueva Esperanza. The Teterita and Chimberos estimates are based on only RC and DDH sampling. • Laguna's RC drilling was performed using a Drill Master Ingersoll Rand T4WC rig with face sampling bits of 5 ⅛ inch diameter. The DDH drilling was executed with a Sandvik- DE 710 rig, mostly by triple tube HQ3 diameter (61.1 mm core) and rarely NQ3 diameter (45.0 mm core). Drill core was oriented wherever possible.
Drill sample recovery	• Details of sample recoveries for pre-Laguna drilling are unavailable. • RC and DDH samples recoveries were monitored in all phases of Laguna's drilling. RC sample recovery was calculated from recovered sample weights divided by theoretical calculated weights. Theoretical RC sample weights were calculated using the entire cylindrical volume of the sample interval at the specified bit size, multiplied by the average rock bulk density assigned to each deposit. Core recovery was calculated from recovered core lengths divided by the length drilled for each run.
	• Laguna's drilling contract and geological supervision of drilling and sampling required the operators to do their best to provide good quality, uncontaminated samples with high recovery. • Diamond core was reconstructed and depths checked and measured against those marked by the drilling contractors on core blocks. • In addition to weighing total recovered samples, RC samples were visually checked for recovery, moisture and contamination. The cyclone and rifle splitter were routinely cleaned at the end of each rod. Most RC samples (around 97%) were logged as dry. Moist and wet samples were air dried and homogenised before riffle splitting.

	• The available sample recovery data shows generally good average sample recoveries of approximately 80% in the mineralised zones and no relationship between recovery and assay grade or indication of significant biases due to selective sample loss.
	• Average estimated recoveries for Laguna's drilling within mineralised zones is:
	   - Arqueros: 81% in RC and 76% in DDH
	   - Teterita: 69% in RC and 86% in DDH
	   - Chimberos: 81% in RC and 97% in DDH

Logging	• Laguna RC samples and diamond core were logged in detail for lithology, alteration, structure, and mineralisation with diamond core also geotechnically logged. The logging included qualitative and quantitative fields and employed conventional logging methods such as the use of dilute acid (HCl), magnetic pencil, percentage estimation charts for mineral content and type, mineralisation style, colours, texture, etc. • RC and drill core were logged on paper and the logging transferred directly into the central database using standard logging codes following validation by cross-checking with interpretations.
	• All of Laguna's resource holes were logged and provide representative coverage of the mineralisation at each deposit. Chip trays of sieved chips from every RC hole, and remnant core were stored for future reference. Whole core was routinely photographed. • Laguna's drilling was logged in full (100%). No logging is available for pre-Laguna drilling and no sample material is available for re-logging. • Combined with field mapping of surface and underground exposures, the geological logging of Laguna's holes provides sufficient detail to support the current Mineral Resource estimates.

Sub-sampling techniques and sample preparation	• Arqueros sampling is dominated by 1.5m DTH samples that contribute 73% of assayed drill intervals for this deposit with RC sample intervals of 1m and 2m contributing 9% and 6% of the assayed drilling respectively. Drilling at Teterita was predominantly RC with sample intervals of mostly 2m. Chimberos sampling is on 2m RC samples, which provide 42% of the assayed drilling and the other 58% is diamond drilling. • For the combined deposits, diamond core samples range in length from 0.1 to 3.1m and the majority (93%) of these samples are 2m in length or less.
	• Laguna diamond core was generally sampled over 1 m intervals, with sample intervals determined by geologists and honouring lithological and alteration contacts and sample lengths of 0.5 to 1.5 m and a minimum weight of 0.5 Kg. Sample lengths of up to 3 m were rarely used for low-core recovery intervals. Core was halved using a dry chisel actuated by a hydraulic ram in order to reduce the likelihood of losing fines given the high porosity and vuggy nature of the mineralisation. • Laguna RC samples were collected over 1 m intervals and sub-sampled using a single tier riffle splitter to generate two representative sub-samples. One sample was routinely submitted for analysis (sample A) and the other (sample B) used as a backup or duplicate. Each sub-sample was routinely weighed.
	• Laguna's samples were submitted to the main laboratory of ALS Global in La Serena- Chile, where sample preparation and analyses were carried out in accordance with agreed procedures and protocols. All samples received at ALS were digitally logged into their inventory using a bar-code system and weighed. • After oven drying, sample material was crushed in a jaw and/or roll crusher to 70% passing 2mm. The crushed material was split with a riffle splitter to obtain a 250g sub-sample that was pulverised to 85% passing 75microns.
	• Duplicate samples were included for each sub-sampling stage of Laguna's sampling, comprising: • Field Duplicates representing second (B Sample) splits of RC samples and half core collected during initial field splitting at an average frequency of around 1 duplicate per 19 primary samples. • Coarse reject Duplicates taken by the assay laboratory of the material crushed to 70% passing 2mm at an average rate of around 1 in 20, with a higher frequency for mineralised samples than for samples from barren zones. • Pulp Duplicates of pulverised material at an average of around 1 in 20, with a higher frequency for mineralised samples than for samples from barren zones. • Results of these duplicates do not show any issues or bias in any of the sub-sampling stages, demonstrating the representativeness of samples.
	• The sub-sample sizes, sub-sample methods and sample preparation techniques are appropriate for the style of mineralisation.
Quality of assay data and laboratory tests	• No geophysical methods or hand-held XRF devices were used for any sampling phases.
	• ALS GLOBAL ("ALS") laboratory in La Serena, Chile (ISO 17025 certified) routinely conducted quality assurance/quality control protocols (QA/QC) that include standard, duplicate and blank samples as well monitoring of crushing and pulverisation. • Laguna implemented a QA/QC protocol consisting of the systematic insertion of reference standard samples, and barren blanks as well as inserting field duplicates with the samples shipped to ALS. Each set of 22 samples routinely contained the three control samples (19 primary samples, 1 standard, 1 duplicate, 1 blank). The company also submitted rejects for a re-analysis by ALS and pulps for repeat assaying by an independent laboratory. Control samples represent approximately 14% of assay samples. • Results for the analytical standards, blanks and duplicates did not highlight any analytical issues or bias. The external laboratory repeat analyses show no evidence of bias in the ALS assays. • The quality control measures adopted for Laguna's drilling have established that the sampling and assaying is of appropriate precision and accuracy for the current estimates.

	• Reported significant intersections were reviewed and checked by senior geological management including the exploration manager.
Verification of sampling and assaying	• Laguna Resource's drilling included 11 twin holes for investigation of older drilling results. • For Arqueros, nearest neighbour paired comparisons (including twin holes) between grades from recent and historical drilling showed no significant differences in average gold and silver values. Paired comparisons between grades from Arqueros DTH sampling and the combined RC and diamond drilling showed no significant difference in average grades providing confidence in the general reliability of the DTH data. • Laguna's RC drilling at Teterita includes five holes twinning Kinross holes. In conjunction with a set of aqua regia repeat assays of Laguna samples, results of these twins indicate that aqua regia assays, including Kinross data understate silver grades by around 20%. • Twinned holes at Chimberos show fair to good correlation between the Laguna's drill holes and the historical drill holes. Comparisons between gold and silver grades shown by Laguna and historical drilling shows no significant differences between the datasets except for some inconsistent Gold grade and Silver Grade that is unclear about the reasons for the lack of correlation.
	• Laguna has in place formal database validation procedures with data being validated as close to the source as possible to ensure reliability and accuracy. All geological and field data is transferred from paper logs into Excel and Access database tables. The database administrator validates the data during all stages of filling and storage. Data entry errors are identified by data validation software and geological data entry errors are identified by cross checks by project geologists
	• Check assaying and twin hole drilling results at Teterita indicate that the aqua regia assay method used for older drilling at this deposit understates silver grades by around 20%. For Teterita, the pre-Laguna silver assay results were multiplied by 1.2 to compensate for this understatement. No other assay values were modified.

Location of data points	• Qualified and experienced Laguna personnel using a Leica Flex Line TS06 with validation from a government cadastral datum surveyed all Laguna drill collars using total station survey equipment. • Laguna diamond and RC holes were down-hole surveyed at 3m intervals unless the ground was considered likely to collapse and cause damage to or loss of the survey instrument. The RC holes were down-hole survey surveyed used by Reflex Maxibor II and Reflex Gyro tools and DDH holes were surveyed by used EZ TRAC, Maxibor II and Reflex Gyro tools. Intervals with excessive deviations were not considered. • Triangulations representing underground mining at Arqueros were compiled from available surveys, and for areas where no digital information is available plans and sections of the old workings were digitised with outlines modified with reference to drill hole intersections.

	• The coordinate system used for the Laguna drilling, surface topography, open pit and accessible underground workings is PSAD 56, Huso 19. Elevations of older survey information such as pre-Laguna drilling, and inaccessible underground workings were adjusted by a constant offset determined by Laguna re-surveying. Older surface drill collars that could be located and identified were re-surveyed by Laguna and found to be within 5 m of reported locations suggesting that the historical collar information has no significant location errors. The re-surveying comprised:
	   - Arqueros 16 holes with variations of east: ± 1.60m, north: ±0.70 m, elevation: ±1.95m.
	   - Teterita 50 holes with variations of east: ± 3.98m, north: ±3.19 m, elevation: ±2.53m.
	   - Chimberos 7 holes with variations of east: ± 0.15m, north: ± 0.17m, elevation: ±0.88m

	• The location of the sample points, topographic surfaces and previous mining has been established with sufficient accuracy for the current estimates.

Data spacing and distribution	• Arqueros sampling is irregularly distributed with includes a high proportion of irregularly spaced underground drilling, nominally at approximately 15 x 10m and locally closer in central portions of the deposit, and broader in peripheral portions. • Drilling at Teterita has a spacing of 25 x 25m in central portions of the deposit, and broader in peripheral portions • Chimberos drill holes represent a nominally 15 x 15m grid in central portions of the deposit, and broader in peripheral portions.
	• The data spacing and distribution are sufficient to establish the necessary degree of geological and grade continuity appropriate for the mineralisation characteristics for the current Mineral Resource estimates.
	• The Arqueros estimates are based on 3m down-hole composited assay grades from DTH, RC and diamond sampling. The Teterita and Chimberos estimates are based on 2m composited grades from RC and diamond sampling.
Orientation of data in relation to geological structure	• Drilling at Arqueros is predominantly perpendicular, particularly in the manto, however there are numerous intercepts at different orientations. • Drilling at Teterita is perpendicular to the structure. • Chimberos drill holes present approximately perpendicular to mineralised structures.
	• The available information does not show any significant bias associated with the relationship between drilling orientation and the orientation of key mineralised structures.

Sample security	• Laguna geological staff supervised all field sampling of Laguna drilling. • Laguna's samples were securely sealed and stored onsite until transported directly to the ALS in Serena-Chile by Laguna employees or subcontractors of ALS. At the ALS laboratory sample shipments were verified by reference to sample submission forms lodged by Laguna and confirmation emailed to the Laguna database manager. • The remaining core or RC samples kept for reference are stored in safe place inside the project. • Validity of assay results has been established by use of field duplicates, standards and comparison with results from metallurgical test work and comparison results from different sampling phases.
Audits or reviews	• In 2011, Hellman & Schofield Pty Ltd conducted a review of the database provided for the study of estimation, finding no inconsistencies. Nueva Esperanza has been visited by external competent persons that reviewed and discussed all procedures regarding collection of data, geology, sampling, QA/QC, etc. and recommendations are made where necessary.

	### Section 2 - Estimation and Reporting of Mineral Resources • *(Criteria listed in the first group, and where relevant in the second group, apply also to this group)*
Tenement status and geological setting	• Nueva Esperanza project is 100% owned by Kingsgate Consolidated Limited and incorporates the Arqueros. Teterita and Chimberos prospects and mine previously owned by Minera Anglo American Chile (now Anglo American Norte) and Minera Mantos de Oro. The property is approximately 9,789 hectares in area. The Nueva Esperanza property is a Mining Concession and consists of 14 sub-areas of which 12 are constituted and 2 are pending under Laguna Resources. The tenement details are as follows:

Tenements	Property Type	Area (Has)	Status
Reemplazo A 1/10	Mining Concession	10	In process
Reemplazo B 1/5	Mining Concession	5	In process
Negra 1/1003	Mining Concession	374	Approved
Pascua I 1/20	Mining Concession	200	Approved
Pascua II 1/30	Mining Concession	300	Approved
Pascua III 1/30	Mining Concession	300	Approved
Pascua IV 1/20	Mining Concession	200	Approved
Pascua 1/328	Mining Concession	1123	Approved
Robinson 1/14	Mining Concession	94	Approved
Pena 1/81	Mining Concession	905	Approved
Negra 1/1003	Mining Concession	100	Approved
Negra 1/1003	Mining Concession	5012	Approved
Flor 1/20	Mining Concession	100	Approved
Canarias 1/414	Mining Concession	1065	Approved
Total		**9789**	

• The mineralised deposits are hosted within Tertiary-aged volcanic units in the case of Arqueros and Teterita, and Paleozoic sediments for Chimberos. However, the alteration and mineralisation for the three main deposits are contemporaneous, being Miocene in age and associated with the Cerro Bravo paleovolcano.
• Mineralisation comprises two main components: a silver-rich horizontal unit called "mantos" and a series of cross-cutting gold-rich vertical units. The mantos silver

	mineralisation is hosted by vuggy silica within dacitic lapilli tuffs. It occurs at Arqueros and Teterita where the mineralising process has replaced horizontal porous tuffs. At Chimberos, silver mineralisation is hosted in vuggy silica hydrothermal breccias superimposed on folded Palaeozoic sediments comprising conglomerates, sandstone and shale. The Grandote Fault terminates mineralisation in the south of the Arqueros deposit and the north is intruded by a dacite porphyry intrusion. • The vertical, gold-rich mineralisation, also characterised by vuggy silica, is well developed at Arqueros. It has been interpreted as feeders for mineralising fluids. Nonetheless, this style of mineralisation has not yet been observed at Teterita and is poorly preserved at Chimberos.
Exploration by other parties	• The resource dataset includes drilling by Laguna Resources (17% of the drill meters) and Anglo American Chile (20%), Can Can Mining (48%) and Kinross (15%).
The balance of Section 2 is not applicable for the purposes of this report.	

Section 3 - Estimation and Reporting of Mineral Resources
(Criteria listed in the first group, and where relevant in the second group, apply also to this group)

Criteria	Commentary
Database integrity	• Laguna has in place formal database validation procedures with data being validated as close to the source as possible to ensure reliability and accuracy. All geological and field data is transferred from paper logs into Excel and Access database tables. The database administrator validates the data during all stages of filling and storage. Data entry errors are identified by data validation software and geological data entry errors are identified by cross checks by the project geologists • The main validation procedures used were verification of collar, azimuth and dip, overlapping samples, sample length, comparison of assay results with laboratory reports, verification geological data correspond to the logging. All data is stored in physical hard copy and digital format including core photography, log sheets, recovery measurements, laboratory certificates, etc. • A Geology Database Manager is responsible for all aspect of data entry, validation, development, and quality control.
Site visits	• Regular site visits were undertaken in Nueva Esperanza by competent persons, Mr. R. James, who has visited the project on a number of occasions since 2010 as part of routine supervision and management of field activities; Mr. J. Abbott visited Nueva Esperanza on the25th-27th of January 2011 as a technical representative of independent consultants to review the geology, data collection protocols and training as part of resource estimation studies being completed at the time by Hellman & Schofield; Ms. M. Muñoz worked as full-time employee of Laguna Resource from April 2010 until March 2013 and actively participated in the different stages of data collection, validation and independent estimation of resources.
Geological interpretation	• Confidence in the geological interpretation of each of the deposits is high. The interpretations are based on geological knowledge acquired from field mapping (surface, open pit and underground workings), and detailed geological core and chip logging, including development of robust three-dimensional models of the major rock types and structures. Alternative interpretations are considered unnecessary. • The mineralised domains used for the estimates capture zones of continuous mineralisation and are consistent with geological interpretations. • Overall the geology and mineralisation of the three deposits show good spatial continuity, and geological factors such as faults and dykes, which limit the mineralisation, have been modeled and considered during the estimation stage.

Dimensions	• Resource estimates extend over three areas. Arqueros extends around 1.9km north-south overall by approximately 800m east-west and 350m below surface. The mineralized manto at Arqueros trends N15°E and dips 15°NW and is approximately 1500m long, 270m wide and 40m thick on average. Teterita extends around 700m north-south by approximately 550m east-west and 140m below surface. The mineralized manto is sub-horizontal with azimuth of N15°E and dips 3 °NW with approximate dimensions of 650m in length, 180m wide and 60m thick on average. Chimberos extends around 1Km north-south by approximately 900m east-west and 250m below surface. The main mineralized body is associated with hydrothermal breccias trending N80°E, dipping at 60°NW and was previously mined by open pit.
Estimation and modeling techniques	• Resources were estimated by Multiple Indicator Kriging. MIK models were created for gold and silver with block support adjustment to reflect open pit mining selectivity. The estimates are reported above gold equivalent cut-off grades using silver to gold equivalence ratio of 60:1 reflecting prices of US$1,380/oz Au and US$21.50/oz Ag, and metallurgical recoveries of 70% Au and 75% Ag estimated from test work by Kingsgate. These estimates are based on three-year average commodity prices and results of metallurgical test work.
	• Micromine and Surpac software were used for data compilation, domain wireframing, and coding of composite values, and GS3M was used for resource estimation.
	• The Arqueros estimates are based on 3m down-hole composited assay grades from DTH, RC and diamond sampling. The Teterita and Chimberos estimates are based on 2m composited grades from RC and diamond sampling.
	• Available sampling shows there is no significant correlation between silver and gold grades and elevated gold grades are rarely associated with elevated silver grades. This demonstrates that ore selection for any potential mining will be dominantly based on either gold or silver grades, and only rarely will the economic contribution by both metals be significant in distinguishing ore and waste.
	• For Aqueros and Chimberos, independent MIK models were created for gold and silver. No direct assumptions were made about the correlation between grades for these metals. Teterita sampling shows no significant gold grades, and only silver estimates were produced for this deposit. In each case the silver modeling is based on gold equivalent values (60:1).
	• For Aqueros and Chimberos the models were combined with the recoverable estimates assigned to each panel selected from either the gold or silver model on the basis of the estimate with the highest estimated metal content inclusive of the gold equivalence ratio. For gold dominant panels the recoverable proportion and the estimated gold grade above each cut off grade was assigned from the gold MIK model and the silver grade at each cut off grade was assigned from the E-type silver estimate. For silver dominant panels the recoverable proportion and the estimated silver grade above each cut off grade was assigned from the silver MIK model and the gold grade at each cut off grade was assigned from the E-type gold estimate.
	• The MIK models used indicator variography based on resource composite grades within mineralised domains defined by wireframes. Grade continuity of each domain was characterised by indicator variograms modelled at 14 indicator thresholds.
	• For each modeling domain, the value adopted for the upper bin grade in the MIK modeling was selected on a case-by-case basis on the basis of the tenor and distribution of high grade composites. In most cases, either the upper bin mean, or bin mean excluding a handful of clustered outliers was used.
	• The models are coded mineralised domain codes. No by-product or deleterious elements were included.
	• The MIK models developed for each deposit include three or four pass octant based search strategies selected on the basis of sampling distribution and mineralisation style. The estimates are constrained to the mineralised domain wireframes.
	• The Arqueros modeling includes three search passes. Search ellipsoid radii (east, north, vertical) and minimum data requirements for these searches are: Search 1: 22.5 by 22.5 by 4.5 m (16 data), Search 2: 45 by 45 by 9 m (16 data), Search 3: 45 by 45 by 9 (8 data). These search passes give (Inferred) estimates extrapolated to a maximum of 45 m from composite locations.
	• The Teterita modeling includes four search passes. Search ellipsoid radii (east, north, vertical) and minimum data requirements for these searches are: Search 1: 35 by 35 by 5 m (16 data), Search 2: 50 by 50 by 7.2 m (16 data), Search 3: 50 by 50 by 7.2 (8 data), Search 4: 80 by 80 by 10 m (8 data). These search passes give (Inferred) estimates extrapolated to a maximum of 80 m from composite locations.
	• Chimberos modeling includes four search passes. Search ellipsoid radii (east, north, vertical) and minimum data requirements for these searches are: Search 1: 25 by 25 by 10 m (16 data), Search 2: 37.5 by 37.5 by 15 m (16 data), Search 3: 37.5 by 37.5 by 15 (8 data), Search 4: 50 by 50 by 20 m (8 data). These search

	passes give (Inferred) estimates extrapolated to a maximum of 50 m from composite locations.

	• Panel sizes used for the MIK modeling were selected on the basis of sample spacing and mineralisation style and comprise:
	  - Arqueros panel size: 20m east-west by 20m north-south by 5m vertical.
	  - Teterita panel size: 25m east-west by 20m north-south by 5 m vertical.
	  - Chimberos panel size: 20m east-west by 10m north-south by 5 m vertical.

	• Model estimates were checked against the input composite data visually in section and in plan. Model estimates were also checked for consistency with mineralisation interpretations. • Constant volume comparisons with previous estimates and independent estimates using alternative techniques and software, show reasonably close agreement with the current estimates.
Moisture	• The resource tonnage is reported using a dry bulk density and therefore represents dry tonnage excluding moisture content.
Cut-off parameters	• The estimates are reported at 0.5g/t gold equivalent cut off. This cut-off used in the resource report reflects results of Laguna's Pre-feasibility study, which included potential metal prices, metallurgy recovery and potential operating costs including power, mining, three-stage comminution including High Pressure Grinding Rolls (HPGR) and processing by heap leaching at a rate of 3Mtpa.
Mining factors or assumptions	• The estimates reflect open pit mining and include a block support adjustment to reflect ore selection based on gold or silver cut-off grades with 4 by 6 by 2.5 m mining selectivity and 6 by 9 by 1 m grade control sampling. These criteria are based on the Competent Persons experience with comparable mineralisation and mining operations of comparable scale to that envisaged for Nueva Esperanza.
Metallurgical factors or assumptions	• The different metallurgical test work on the various types of ore within the project in the pre-feasibility study and late stages of the project development gave as result the following assumptions anticipated metallurgical recoveries in the range of 75% for silver and 70% for gold. Metallurgical test work includes on site column leaching, laboratory column leaching and intermittent bottle roll test for each of the three deposits and mineralisation types.
Environmental factors or assumptions	• The Environmental Impact Study (EIA) developed for the Nueva Esperanza pre-feasibility study indicates that for the potential operation there are no environmental considerations regarding waste and tailings disposal that would prevent eventual economic extraction of mineralisation.
Bulk density	• Tonnages are estimated on a dry basis. Regular and systematic dry bulk density measurements were taken on rock and diamond core samples. Density measurements were made by on site personnel using the wax coating method that takes into account the vuggy nature of the mineralised rocks. Rock and core samples of 150 to 1500 g were oven dried for 6 hours, then cooled to room temperature and weighed in air. The samples were then coated in paraffin wax and weighed and then weighed while suspended in a bucket of distilled water. Densities were calculated by the standard immersion (Archimedes) method including allowance for the wax coating. • Densities adopted for the current estimates are based on density measurements of 893 core samples and 115 rock samples, and are 2.0 t/bcm for Arqueros, 2.1 t/bcm for Teterita and 2.35 t/bcm for Chimberos.
Classification	• Mineral Resources have been classified into Measured, Indicated and Inferred categories on the basis of search pass and a set of polygons outlining areas of reasonably consistent drill hole intercept spacing, geological confidence, grade continuity. All panels estimated by search passes 3 or 4 are classified as Inferred, and only search pass 1 and 2 estimates are assigned to Indicated category. • Measured resources are restricted to search pass 1 estimates for Teterita reflecting the higher proportion of recent drilling (50%), understanding of assay types for older drilling and the mineralisation continuity for this deposit. Arqueros and Chimberos have been categorised as a combination of Indicated and Inferred resources reflecting minor uncertainty over the reliability of the DTH sampling and details of the older drilling information. • The resource classifications account for all relevant factors including relative confidence in the estimates, reliability of the input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data. • The resource classifications appropriately reflect the Competent Persons views of the deposit.

Audits or reviews.	• Laguna Resources personnel carried out independent resource estimation by MIK, Ordinary Kriging, polygonal and other estimation techniques and software, showing close agreement with the current mineral resource estimates.
Discussion of relative accuracy/ confidence	• The relative accuracy of the Mineral Resource estimate is reflected in the reporting of Measured, Indicated and Inferred estimates with the Measured and Indicated Resource of sufficient confidence to allow optimisation studies, pit designs and mine scheduling. • Underground mining of the Arqueros Mantos mineralisation during the mid 2000s gave reported production of 1.21 Mt at 1.34 g/t gold and 364 g/t silver. The wire-frame representing underground mining compiled by Laguna represents around 1.06 Mt, approximately 13% lower than reported production. For both silver and gold, the average grade of resource composites within the as-mined triangulations is around 30% lower than the reported production grade. The current model gives estimates for this production of 1.0 Mt at 0.43 g/t gold and 288 g/t silver, which represents around 18% less tonnes and 29% lower gold equivalent grade than reported production. These differences reflect the differences between reported production and the wireframe volume and composite grades. Reasons for these inconsistencies are unclear and warrant additional investigation as development of the project continues.

Criteria	*Section 4 - Estimation and Reporting of Ore Reserves*
Mineral Resources Estimate for conversion to Ore Reserves	• Resources were estimated by Multiple Indicator Kriging. MIK models were created for gold and silver with block support adjustment to reflect open pit mining selectivity. The estimates are reported above gold equivalent cut-off grades using silver to gold equivalence ratio of 60:1 reflecting prices of US$1,300/oz Au and US$20.00/oz Ag, and metallurgical recoveries of 70% Au and 75% Ag estimated from test work by Kingsgate. These estimates are based on three-year average commodity prices and results of metallurgical test work. The Mineral Resource estimate is inclusive of the April 2013 Ore Reserves.
Site visits	• The Competent Person for ore reserve reporting is Mr. Manuel A. Hernández, Business Development Manager South America - Andean Region, Coffey Chile who if a Fellow of the AusIMM based in Santiago, Chile. Mr. Hernández has visited the Nueva Esperanza project on numerous occasions and is in close communication with Laguna Resources site personnel, management staff as well as senior executives of Kingsgate Consolidated Ltd.
Study Status	• A feasibility study for SAG milling and agitated leaching of Arqueros and Teterita was completed in 2012. • Testwork for heap leach amenability of Arqueros, Teterita and Chimberos was completed in 2013,which is basis of the current mine plan. • Capital and operating cost estimates were prepared in February 2014 on the basis of feasibility level design engineering and quotations • The mining designs and plans are reviewed and financial evaluations applied whenever the resource model is updated with additional drilling or additional testwork results become available.
Cut-off Grade	• The cut-off grade used to report reserves is derived from the incremental cost of processing ore, mining costs, metallurgical recovery algorithms and metal prices that are used in the Whittle optimisations for each of the pits. • A grade of 0.5g/t AuEq has been used for Ore Reserve Estimate.
Mining Factors	• Ore Reserves are reported within Whittle pits shells based on average pit wall slopes that are derived from geotechnical factors, ramp and berm widths and batter angles. Whittle pit shells have been optimised for all three deposits based on the current and independently audited MIK Resource Model from Laguna Resources using Measured and Indicated Mineral Resources alone. • The models are MIK recoverable mineral resource estimates and additional mining dilution and recovery factors are not required. • Inferred Mineral Resources contained within the Whittle optimum shells are included in the Definitive Feasibility Study but are not included in Ore Reserves. The optimum pits have been designed following pit slope recommendations of Golder Associates (Chile) for Arqueros (47°) and Geoinvestments SpA (Chile) for Teterita (40°) and Chimberos (45°)
Metallurgical Factors/Recovery Model	• It is planned to utilise three stage crushing, including HPGR, and agglomeration to produce agglomerated ore for heap leaching. • Test work has been completed using intermittent bottle rolls of conventionally crushed samples for variability tests and column leaching of HPGR crushed average mine grade samples. • The recovery models for gold and silver used in the estimation of the mine reserves are variable recovery algorithms applied to head grade.

Criteria	Section 4 - Estimation and Reporting of Ore Reserves
	• The average recovery for the life of mine reserves is 70% for silver and 75% for gold.
Environmental	• The Nueva Esperanza mine will operate under an approved Environmental Impact Assessment, which is regularly audited by Chilean government officials. The EIA covers the heap leach pads and waste rock dumps. • The process design includes HDPE lining of the heap leach pads, process ponds, water storage dams and emergency overflow pond. • Characterisation of waste is planned into potentially acid forming and non-acid forming materials and placed onto dumps in accordance with the EIA. • No water will be discharged from the mining lease according to the process design and EIA.
Infrastructure	• Nueva Esperanza mine is supplied with electricity from generators on-site. • All land within the mining lease is owned by Kingsgate's Chilean subsidiary, Laguna Resources Chile Limitada • Labour will sourced from local communities, predominantly the Municipalities of Copiapo, Tierra de Amarillo and Diego de Almagro. • Staff employed on site will be nationals with on-site accommodation provided.

Costs	• Capital costs include the process plant infrastructure, site services, offices, accommodation, mining and contingencies.
	• The operating costs used in the Whittle optimizations, to determine the cut-off grade, are based on the current contract mining unit rates and budget quotations for major consumables.
	• An exchange rate of 540 Chilean Pesos / USD was assumed for the capex and opex.
	• The opex includes all reagents, power, consumables, maintenance, labour, administration, mining and accommodation charges.
	• The mining tax paid to the Chilean government for production less than 50,000 tonnes of copper equivalent, approximately 270,000 ounces of gold equivalent at USD7000/t copper and US$1300/oz gold, is based on a sliding scale of zero to 5% on operating profit based on output.
	• The life of mine mining tax is approximately 0.5% for Nueva Esperanza
	• Royalties are paid to vendors of Arqueros, Teterita and Chimberos as follows:
	    o Arqueros: 3% NSR to Anglo American Norte
	    o Teterita: 5% NSR to Anglo American Norte and 2% NSR to Mantos de Oro, with prepayment of US$5 million in credit
	    o Chimberos: 3% NSR to Mantos de Oro

Revenue Factors	• A gold price of USD1300/troy oz and a silver price of USD20/troy oz were used to calculate the reserves.
Market Assessment	• Production from the Nueva Esperanza Mine will be sold at spot market prices, with no hedging agreements currently in place although this may change as a requirement of project financing • The current life of mine plan indicates that the mine will produce about 40 million ounces of silver and 112,000 ounces of gold; or 47.4 million ounces of silver equivalent, which is 730,000 ounces of gold equivalent. The life of mine is over 6 years.
Economic	• The project NPV was calculated using feasibility level operating and capital costs, silver prices of USD20/oz and gold price USD1300/oz, and a mine plan based on the pit optimised reserve • The project NPV was positive and calculated using a discount rate of 7.5%.
Social	• Laguna Resources Chile has a close working relationship with the community in the nearest towns and rural communities. • There is no community habitation in the vicinity of the project.
Other Risks	• The project is located in a seismic active region and all codes pertaining to seismic structural stability have been applied. **Material Legal and Marketing Agreements:** • Output from the Nueva Esperanza mine will be sold at spot market prices with no hedging agreements unless required by financing. **Government agreements and approvals:** • At this point in time there appears to be no reason for approvals not to be granted.

Criteria	Section 4 - Estimation and Reporting of Ore Reserves
Classification	• Measured category resources in Teterita that fall within the optimum pit are classified as Probable Ore Reserves. • Indicated resources are classified as Probable Ore Reserves as per usual convention for all three deposits.
Audits or Reviews	• There have been no formal external audits of the Ore Reserve estimate. The Ore Reserve estimate was peer reviewed internally within Kingsgate.
Accuracy / Confidence	• QAQC has been applied to sampling of materials for resource and reserve estimates. • Feasibility costs are expected to be accurate to + / 15%