Kingsgate
Consolidated Limited

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Company Announcements Office
Australian Securities Exchange

**Nueva Esperanza Mineral Resource Update**

Experienced Pacific Rim gold producer, Kingsgate Consolidated Limited (ASX:KCN) is pleased to provide an update on its 100% owned Nueva Esperanza Gold-Silver Project in the Chilean Atacama Region. Mineral Resource estimates have been updated, although they have not materially changed from the previous release, "Chimberos Gold Discovery Adds Significantly to Mineral Resources in Chile" dated 15 July 2015.

The current Mineral Resources adopts a common estimation methodology for the three currently defined gold and silver deposits at Nueva Esperanza, and incorporates stockpiles from previous open pit mining at Chimberos that have not formerly been reported in resource estimates.

**Mineral Resources** – Combined Measured, Indicated and Inferred Mineral Resources at Nueva Esperanza stand at 39.4 million tonnes at 0.39g/t gold, 66g/t silver for 0.49 million ounces gold and 83.4 million ounces of silver or 1.88 million ounces of gold on a metal equivalence basis (AuEq60)[1].

**Greg Foulis**
**Chief Executive Officer**
**Kingsgate Consolidated Limited**

1. Gold Equivalent: AuEq (g/t) = Au (g/t) + Ag (g/t) ÷ 60. Calculated from long term historical prices of US$1,200/oz for gold and US$19.00 for silver and combined life of mine average metallurgical recoveries of 80% Au and 84% Ag estimated from test work by Kingsgate. It is Kingsgate's opinion that all elements included in the metal equivalents calculation have a reasonable potential to be recovered and sold. Although gold is not the dominant metal, gold equivalent values are reported to allow comparison with Kingsgate's other projects. Nueva Esperanza silver equivalent: AgEq (g/t) = Ag (g/t) + Au (g/t) x 60.

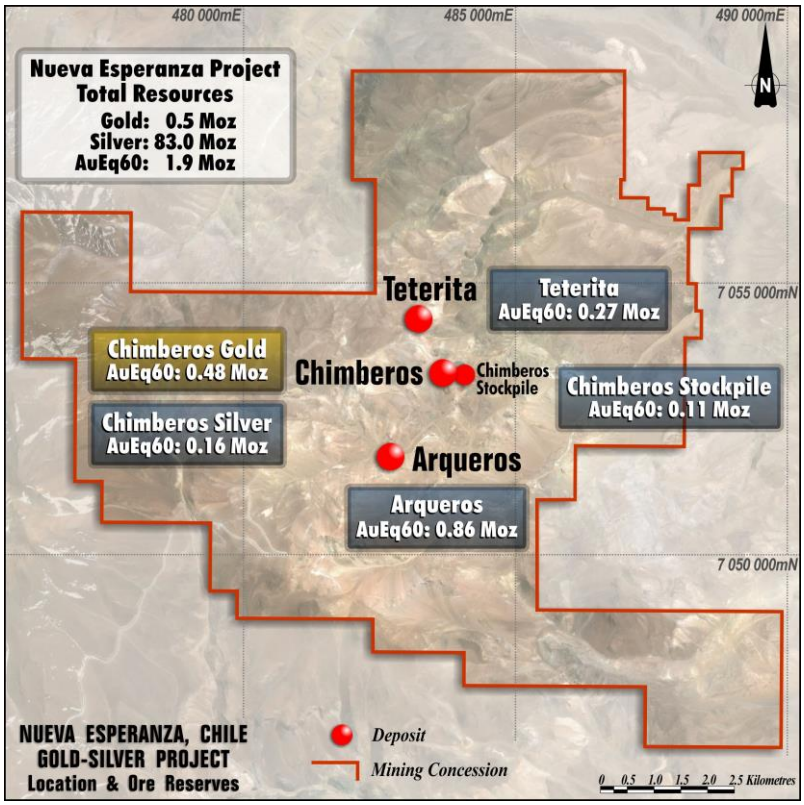
# Nueva Esperanza Mineral Resource Update

Mineral Resources at Kingsgate's Nueva Esperanza Project in the Chilean Atacama Region have been updated. The last update (See ASX:KCN "Chimberos Gold Discovery Adds Significantly to Mineral Resources in Chile" dated 15 July 2015) incorporated Mineral Resources from the recently discovered Chimberos Gold deposit. This update incorporates Mineral Resources from the Chimberos stockpiles generated by previous owners during open pit mining of the Chimberos deposit.

The current update adopts a common estimation methodology for all three currently defined deposits at Nueva Esperanza, and incorporates stockpiles from previous mining at Chimberos that have not formerly been reported in resource estimates. Minera Mantos de Oro generated these stockpiles from open pit mining during 1998-99 that produced 4.2 million tonnes at 294g/t silver including then marginal mineralisation currently estimated at 4.6 million tonnes at 44g/t silver. This material was below the cut-off grade at the time of mining when the silver price fluctuated between US$5.00 and US$5.50 per ounce.

At 0.5g/t AuEq60 cut-off grade the updated resource estimates represent a global increase of 4.8 million tonnes from 34.6 million tonnes to 39.4 million tonnes, a small decrease in contained gold from 0.50 million ounces to 0.49 million ounces and an increase in contained silver from 83.2 to 83.4 million ounces. The combined gold and silver endowment has changed from 1.89 million ounces AuEq60 to 1.88 million ounces AuEq60.

Estimates for Chimberos stockpiles, which are entirely in the Inferred Category contribute most of the increase in Mineral Resource tonnes. A change in estimation methodology for Arqueros and Teterita resulted in a more conservative estimate at Arqueros that more closely conforms to the geology of the deposits and is consistent with the estimation approach at Chimberos.



| Nueva Esperanza Updated Mineral Resources | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Deposit | Category | Tonnes (Million) | Au g/t | Ag g/t | Au Eq60. g/t | Ounces (moz) | | | |
| | | | | | | Au | Ag | Au Eq60 | Ag Eq60 |
| **Arqueros** | Indicated | 14.7 | 0.32 | 76 | 1.59 | 0.15 | 35.9 | 0.75 | 45.0 |
| | Inferred | 3.3 | 0.3 | 42 | 1.0 | 0.03 | 4.5 | 0.11 | 6.4 |
| | **Subtotal** | **18.0** | **0.32** | **70** | **1.48** | **0.18** | **40.4** | **0.86** | **51.4** |
| **Teterita** | Measured | 1.6 | 0.01 | 93 | 1.56 | 0.0005 | 4.8 | 0.08 | 4.8 |
| | Indicated | 3.3 | 0.0 | 98 | 1.64 | 0.001 | 10.4 | 0.17 | 10.5 |
| | Inferred | 0.4 | 0.0 | 65 | 1.1 | 0.0001 | 0.8 | 0.01 | 0.8 |
| | **Subtotal** | **5.3** | **0.01** | **94** | **1.58** | **0.002** | **16.0** | **0.27** | **16.1** |
| **Chimberos Silver** | Indicated | 3.0 | 0.16 | 76 | 1.43 | 0.02 | 7.3 | 0.14 | 8.3 |
| | Inferred | 0.6 | 0.1 | 66 | 1.2 | 0.00 | 1.3 | 0.02 | 1.4 |
| | **Subtotal** | **3.6** | **0.15** | **74** | **1.39** | **0.02** | **8.6** | **0.16** | **9.6** |
| **Chimberos Gold** | Measured | - | - | - | - | - | - | - | - |
| | Indicated | 6.2 | 1.17 | 51 | 2.02 | 0.23 | 10.2 | 0.40 | 24.2 |
| | Inferred | 1.7 | 0.9 | 31 | 1.4 | 0.05 | 1.7 | 0.08 | 4.6 |
| | **Subtotal** | **7.9** | **1.11** | **47** | **1.89** | **0.28** | **11.9** | **0.48** | **28.8** |
| **Chimberos Total** | Measured | - | - | - | - | - | - | - | - |
| | Indicated | 9.2 | 0.84 | 59 | 1.83 | 0.25 | 17.5 | 0.54 | 32.4 |
| | Inferred | 2.3 | 0.7 | 40 | 1.4 | 0.05 | 3.0 | 0.10 | 6.0 |
| | **Subtotal** | **11.5** | **0.81** | **55** | **1.73** | **0.30** | **20.5** | **0.64** | **38.5** |
| **Chimberos Stockpile** | Measured | - | - | - | - | - | - | - | - |
| | Indicated | - | - | - | - | - | - | - | - |
| | Inferred | 4.6 | 0.03 | 44 | 0.8 | 0.004 | 6.5 | 0.11 | 6.8 |
| | **Subtotal** | **4.6** | **0.03** | **44** | **0.8** | **0.004** | **6.5** | **0.11** | **6.8** |
| **Total** | Measured | 1.6 | 0.01 | 93 | 1.56 | 0.0005 | 4.8 | 0.08 | 4.8 |
| | Indicated | 27.2 | 0.46 | 73 | 1.67 | 0.40 | 63.8 | 1.46 | 87.9 |
| | Inferred | 10.6 | 0.3 | 43 | 1.0 | 0.09 | 14.8 | 0.33 | 20.0 |
| | **Total** | **39.4** | **0.39** | **66** | **1.48** | **0.49** | **83.4** | **1.88** | **112.7** |

## 1. Chimberos Stockpile

Sampling data for the Chimberos stockpile include 19 trenches excavated in February 2011 and 3 reverse circulation (RC) drill holes drilled in April 2013. The geologic rock description of this area included hydrothermal breccia with jarosite and hematite and the grade indicated that all stockpiled material came from the Chimberos open pit. This material was stockpiled to the south east of the pit, and waste rock was separately dumped to the north.

The current resource estimate includes the generation of wireframe in the Mineralized Dump between the current surface and the original surface with a total volume of 4.3 million cubic meters of material. The parameters used are as follows:

- Nineteen trenches composited from surface excavations measuring 15m x 1.85m x 3m each;
- Three single-hole RC drilling fences with a separation of 100m and 150m;
- Resource estimation using Ordinary Kriging (OK). However there were not enough data points available to generate appropriate variogram models and the variograms adopted correspond to the silver mineralization in the Chimberos deposit;
- The maximum search radius is 150m horizontally with 15 samples as maximum and 3 samples as minimum; and
- Bulk density adopted was 1.645 tonnes per bank cubic metre (LCM), which corresponds to 70% of the density estimate for insitu oxide mineralisation.

Inferred category Mineral Resources for the volume estimated and bulk density adopted was 4.6 million tonnes at 44g/t silver and 0.03g/t gold at 0.5g/t AuEq60 cut-off grade.

Not all the volume was estimated due of the clustered nature of the holes and/or trenches, a 150m search radius, and the slope of the wireframe. Approximately 9% of the total volume was not estimated.

Further drilling is required in order to provide Indicated Resources.

Tables 1 and 2 summarise the data available and adopted for the current estimate, and Figure 1 shows the location of the trenches and holes.

**Table 1: Mean grade of Holes and Trenches in Chimberos Mineralized Dump**

| | Source data | Au g/t | Ag g/t |
|---|---|---|---|
| Mean - Trenches | 19 trenches of 15m x 1.85m x 3m | 0.07 | 48 |
| Mean - Holes | 3 RC holes | 0.03 | 33 |
| Arithmetic Mean | | 0.05 | 41 |

**Table 2: Summary of data available in Chimberos Mineralized Dump**

| Hole / Trench | From | To | Au g/t | Ag g/t | Sample Type |
|---|---|---|---|---|---|
| BCH-01 | 0 | 60 | 0.03 | 28 | Hole |
| BCH-02 | 0 | 42 | 0.04 | 41 | Hole |
| BCH-03 | 0 | 58 | 0.01 | 31 | Hole |
| *Mean grade of RC drill holes* | | | 0.03 | 33 | |
| COMP-01 | 0 | 15 | 0.04 | 52 | Trench |
| COMP-02 | 0 | 15 | 0.10 | 49 | Trench |
| COMP-03 | 0 | 15 | 0.13 | 57 | Trench |
| COMP-04 | 0 | 15 | 0.01 | 24 | Trench |
| COMP-05 | 0 | 15 | 0.15 | 53 | Trench |
| COMP-06 | 0 | 15 | 0.14 | 59 | Trench |
| COMP-07 | 0 | 15 | 0.06 | 55 | Trench |
| COMP-08 | 0 | 15 | 0.35 | 75 | Trench |
| COMP-09 | 0 | 15 | 0.04 | 35 | Trench |
| COMP-10 | 0 | 15 | 0.02 | 23 | Trench |
| COMP-11 | 0 | 15 | 0.01 | 27 | Trench |
| COMP-12 | 0 | 15 | 0.02 | 52 | Trench |
| COMP-13 | 0 | 15 | 0.02 | 29 | Trench |
| COMP-14 | 0 | 15 | 0.07 | 74 | Trench |
| COMP-15 | 0 | 15 | 0.04 | 33 | Trench |
| COMP-16 | 0 | 15 | 0.02 | 84 | Trench |
| COMP-17 | 0 | 15 | 0.04 | 48 | Trench |
| COMP-18 | 0 | 15 | 0.02 | 63 | Trench |
| COMP-19 | 0 | 15 | 0.01 | 17 | Trench |
| *Mean grade of RC drill holes* | | | 0.07 | 48 | |

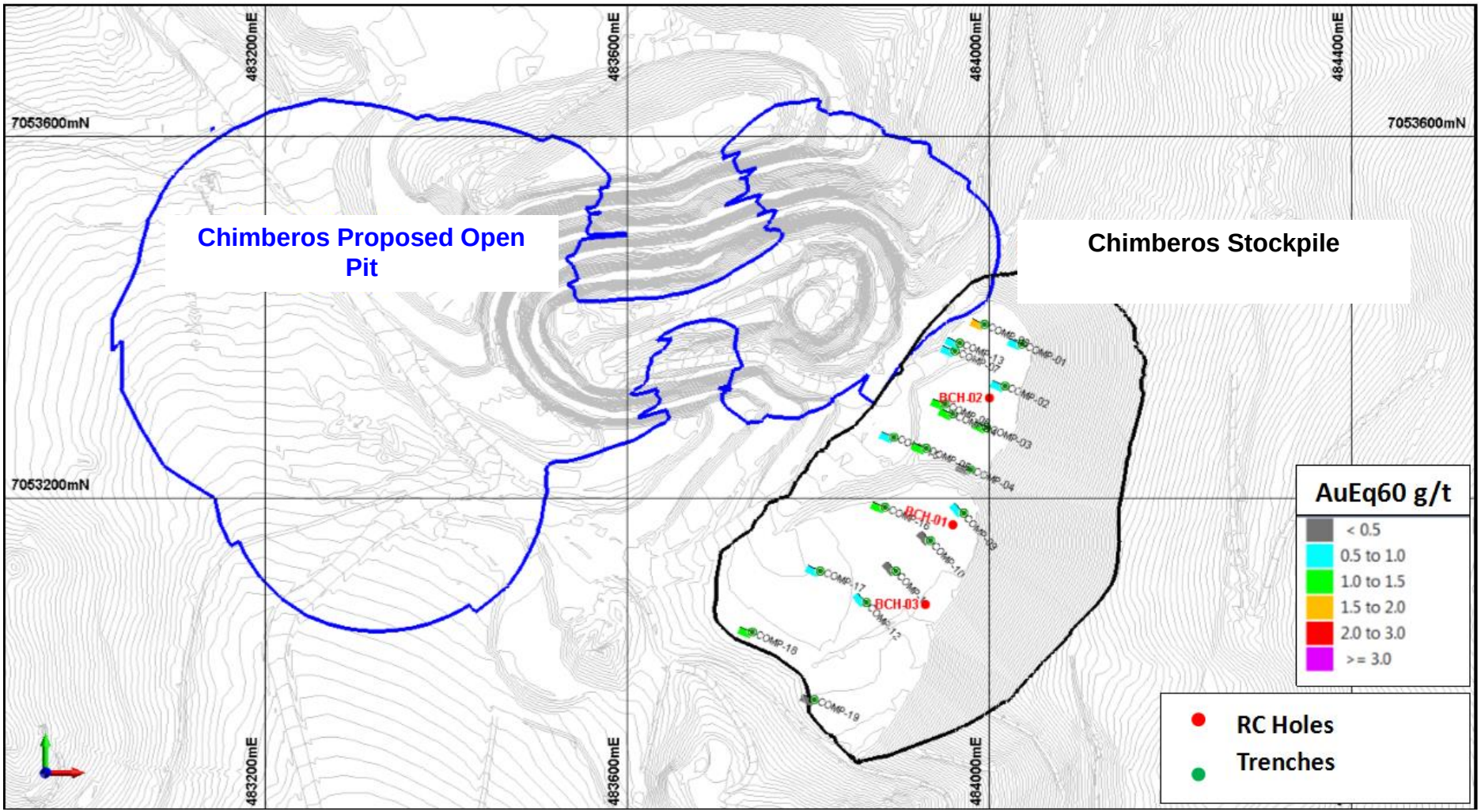



**Figure 1: Plan view showing Chimberos Open Pit, stockpile, trenches and drill hole locations.**

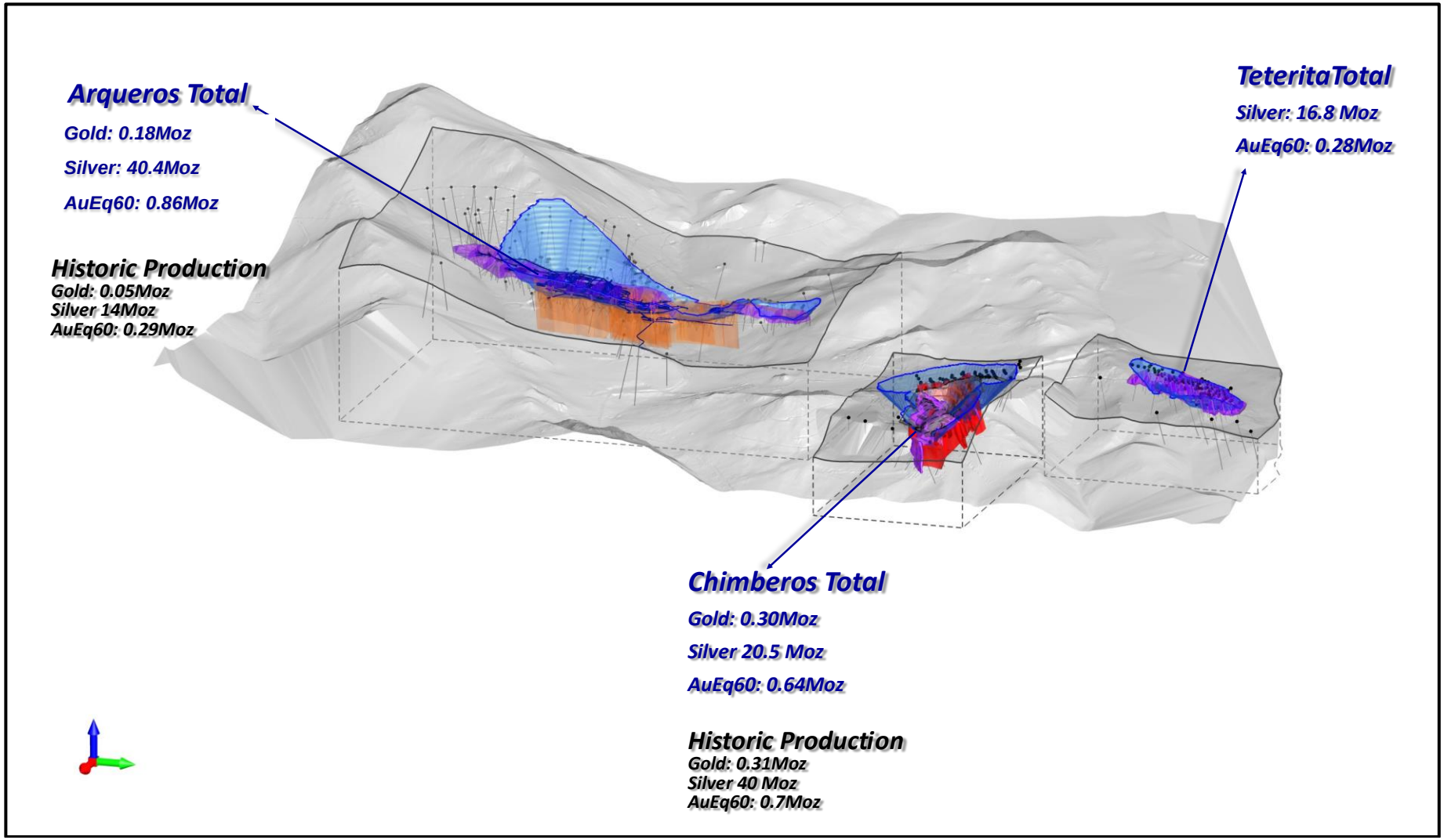



**Figure 2: A 3D view of the Nueva Esperanza Project, Mineral Resources, and historical production (looking west).**

## 2. Nueva Esperanza Mineral Resources Update

### Deposit Geology:

The Nueva Esperanza district is centered on a dacitic dome complex that overlies a volcanic tuff sequence of broadly similar composition and age. Non-welded ignimbrite appears to be a major component of the tuff sequence. These early Miocene (~23-22 Ma) volcanic rocks unconformably overlie Triassic and Carboniferous strata in the eastern part of the district, where they crop out in the Chimberos sector and underlie the Teterita deposit at depth. The Carboniferous rocks comprise siltstone, sandstone and conglomerate, which might have been deposited under lacustrine conditions.

The Nueva Esperanza district hosts a typical high sulphidation epithermal system associated with an extensive (~45 $km^2$) advanced argillic alteration zone of the type that constitutes the lithocaps above porphyry-type mineralization. Two main styles of epithermal precious-metal mineralization are present at Nueva Esperanza: subhorizontal, strata-bound bodies (mantos) in permeable tuff horizons and steep feeder veins and ledges in both the Carboniferous basement and overlying tuff sequence. The close relationship between the gold-rich feeders and silver-dominated mantos is particularly well represented by the Arqueros sector, where both have been exploited by underground mining methods. The east-northeast to north-northeast faults and fractures appear to control the Chimberos and Chimberos Gold precious-metal mineralization, which occur in hydrothermal breccia bodies.

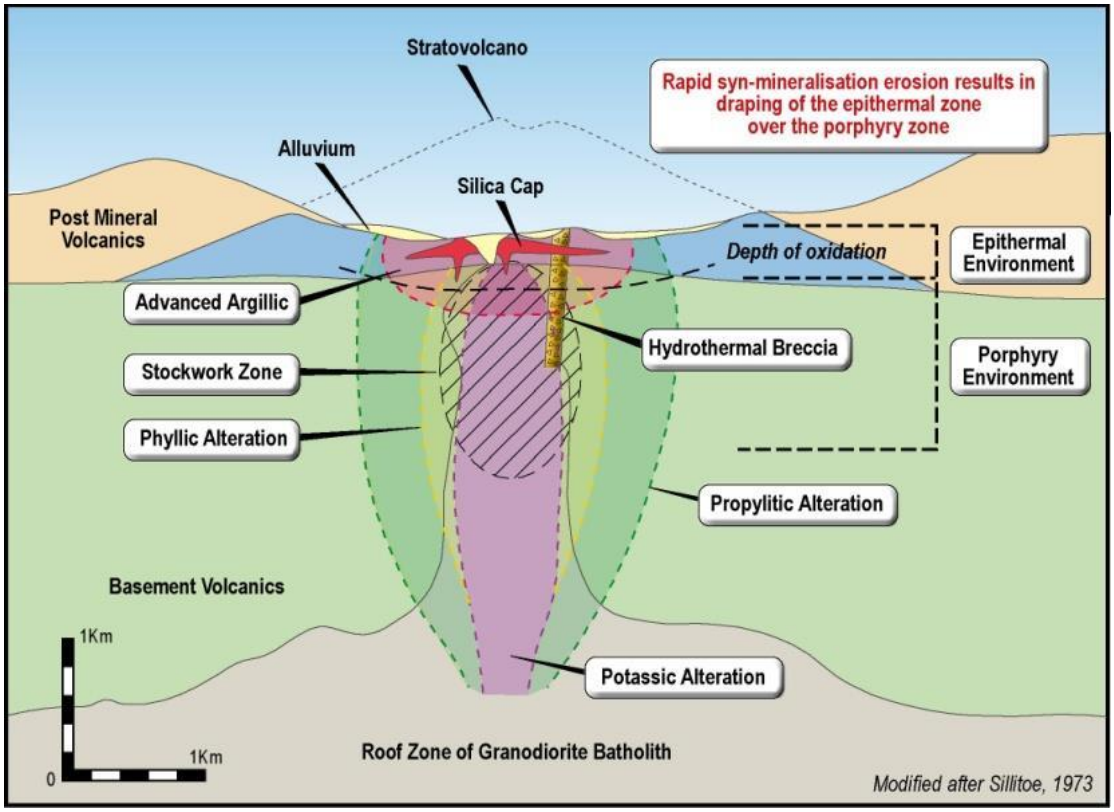



**Figure 3: Schematic of the Maricunga hydrothermal model.**

**Mineral Resources:**

Following the discovery of Chimberos Gold, previously reported Mineral Resources at Nueva Esperanza incorporated the new gold and silver mineralisation in a revised estimate ("Chimberos Gold Discovery Adds Significantly to Mineral Resources in Chile", 15 July 2015). Resource estimation for Chimberos was carried out by Ordinary Kriging (OK), which was considered more appropriate than the former methodology of Multiple Indicator Kriging (MIK) for the narrower, brecciated nature of the gold mineralisation. The revised estimate at that time utilised OK for the whole of Chimberos, and added over 20% gold equivalent AuEQ60 to combined Nueva Esperanza Mineral Resources. The current update retains the July 2015 Mineral Resource estimate for Chimberos.

At the time of reporting the Chimberos Gold discovery on 15 July 2015, Mineral Resources for Arqueros and Teterita remained unchanged from previously reported estimates that utilised MIK estimation methodology. In order to maintain a consistent approach to estimation throughout Nueva Esperanza, the current Mineral Resource estimates utilise new OK models with updated parameters appropriate for the styles and types of mineralisation encountered in Arqueros and Teterita.

At 0.5g/t cut-off grade AuEQ60, current Mineral Resources at Teterita by OK estimation remain essentially unchanged from the previous MIK estimate. The original MIK estimate reported Measured, Indicated and Inferred Resources of 5.7 million tonnes at 0.01g/t gold and 92g/t silver for 0.28 million ounces AuEQ60. The new OK estimate reports mineralisation in the same three categories with 5.3 million tonnes at 0.01g/t gold and 94g/t silver for 0.27 million ounces AuEQ60, a 2% decrease in metal and well within expected estimation discrepancies.

At the same 0.5g/t cut-off grade AuEQ60, current Mineral Resources at Arqueros by OK estimation decreased from the original MIK estimate. The previous MIK estimate reported Indicated and Inferred Resources of 17.4 million tonnes at 0.36g/t gold and 82g/t silver for 0.97 million ounces AuEQ60. The new OK estimate reports Measured and Indicated Resources of 18.0 million tonnes at 0.32g/t gold and 70g/t silver for 0.86 million ounces AuEQ60, an 11% decrease in metal equivalent (AuEq60).

**Table 3: Resource estimation comparison, Arqueros deposit.**

| Resource Model | Resource Category | Resource Comparison | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | mt | Grade (g/t) | | | Metal (moz) | | |
| | | | Au | Ag | AuEq60 | Au | Ag | AuEq60 |
| Previous MIK | Indicated | 14.1 | 0.35 | 88 | 1.82 | 0.16 | 39.9 | 0.82 |
| | Inferred | 3.3 | 0.37 | 57 | 1.31 | 0.04 | 6.0 | 0.14 |
| | **Total** | **17.4** | **0.35** | **82** | **1.72** | **0.20** | **45.9** | **0.97** |
| April 2016 OK | Indicated | 14.7 | 0.32 | 76 | 1.59 | 0.15 | 35.9 | 0.75 |
| | Inferred | 3.3 | 0.32 | 42 | 1.01 | 0.03 | 4.5 | 0.11 |
| | **Total** | **18.0** | **0.32** | **70** | **1.48** | **0.18** | **40.4** | **0.86** |
| Difference | Indicated | ***4%*** | ***-9%*** | ***-14%*** | ***-13%*** | ***-6%*** | ***-10%*** | ***-9%*** |
| | Inferred | ***0%*** | ***-14%*** | ***-14%*** | ***-23%*** | ***-25%*** | ***-25%*** | ***-21%*** |
| | **Total** | ***3%*** | ***-9%*** | ***-14%*** | ***-14%*** | ***-10%*** | ***-12%*** | ***-11%*** |

**Competent Persons Statement:**

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 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 her information in the form and context in which it appears.

**Notes for Mineral Resource Tables:**

1. Rounding of figures may cause numbers to not add correctly.
2. Gold Equivalent: AuEq (g/t) = Au (g/t) + Ag (g/t) ÷ 60. Calculated from long term historical prices of US$1,200/oz for gold and US$19.00 for silver and combined life of mine average metallurgical recoveries of 80% Au and 84% Ag estimated from test work by Kingsgate. It is the Company's opinion that all elements included in the metal equivalents calculation have a reasonable potential to be recovered and sold. Although gold is not the dominant metal, gold equivalent values are reported to allow comparison with Kingsgate's other projects. Nueva Esperanza silver equivalent: AgEq (g/t) = Ag (g/t) + Au (g/t) x 60.
3. It is Kingsgate's opinion that all elements included in the metal equivalents calculation have a reasonable potential to be recovered and sold.
4. Although gold is not the dominant metal, gold equivalent values are reported to allow comparison with Kingsgate's other projects.

# Nueva Esperanza

## Table 1 Report Template

### Check List of Assessment and Reporting Criteria

| *Section 1 - Sample Techniques and Data*<br>*(Criteria in this group apply to all succeeding groups)* | |
|---|---|
| **Criteria** | **Commentary** |
| **Sampling techniques** | • Mineral Resource estimates for Nueva Esperanza include the Arqueros, Teterita, Chimberos deposits and Chimberos Mineralised dumps. 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 2009-2015 drilling by Laguna Resources, a wholly owned division of Kingsgate Consolidated Ltd (25% of the drill meters) and previous explorers including Anglo American Chile (18%), Can Can Mining (44%) and Kinross (14%). Chimberos Dumps Mineral Resources were estimated using RC drilling data and assays from excavated trenches.<br>• The current estimation includes the new drilling executed between September 2014 and April 2015 in Chimberos deposit, with a total of 14,121 metres of reverse circulation and 3,067 metres in diamond drilling in 74 holes. This drilling contributes 43% of total metres of drilling in Chimberos and has had a positive impact on the 2015 Mineral Resource Estimate.<br><br>• The combined resource database totals 3,379 holes for 181,672 m of drilling as follows:<br><br>Pre-Laguna Drilling:<br>- Arqueros: 2,698 DTH Holes (99,792m), 56 RC Holes (10,941m), 3 DDH Holes (1,250m).<br>- Teterita: 66 RC Holes (8,488m).<br>- Chimberos: 99 RC Holes (9,670m), 167 DDH Holes (8,734m).<br><br>Laguna Drilling:<br>- Arqueros: 76 RC Holes (11,417m), 64 DDH Holes (6,484m).<br>- Teterita: 23 RC Holes (2,364m), 36 DDH Holes (2,933m).<br>- Chimberos: 75 RC Holes (14,378m), 11 DDH Holes (1,888m) and 16 RD (2,870m in RC and 2,643 DDH).<br>- Chimberos Dumps: 3 RC Holes (171mm), 19 surface trenches (15m x 1.85m x 3m each for 19 composited samples). |
| | • 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 16% of assayed samples.<br>• 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.<br>• 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.<br>• 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.<br>• Diamond core was reconstructed and depths checked and measured against those marked by the drilling contractors on core blocks.<br>• 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. Moist and wet samples were air dried and homogenised before rifle splitting.<br>• Most RC samples (around 97%) were logged as dry in Arqueros and Teteritas.<br>• In Chimberos, 77% of the RC samples were record as dry. The wet samples were compared against the grade values which suggested that there is no introduced bias in the resource sampling due to moisture. The sample recoveries were compared by depth and grade value, showing that sample recoveries decrease with depth, but there is no evidence of a relationship between grade and depth. The style of mineralization in Chimberos does not have a high nugget and course gold was rarely detected. This is well supported by the QA/QC in the duplicated data that show a strong correlation between duplicates. |
| | • The available sample recovery data generally shows 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.<br>• Average estimated recoveries for Laguna's drilling within mineralised zones is:<br>- Arqueros: 86% in RC and 79% in DDH<br>- Teterita: 72% in RC and 86% in DDH<br>- Chimberos: 79% in RC and 92% in DDH<br>- Chimberos Mineralized dumps: 70% in RC |
| **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.<br>• 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.<br>• 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.<br>• 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 interval is mostly 1m and 2m on RC samples that contribute 55% of assay sample, and 32% is diamond drilling with an interval of 1m, another interval length represents a small proportion.<br>• 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, vuggy and oxides nature of the mineralisation.<br>• 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.<br>• 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 rifle 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:<br>• 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.<br>• 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.<br>• 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.<br>• 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. |
| | • No geophysical methods or hand-held XRF devices were used for any sampling phases. |

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| **Quality of assay data and laboratory tests** | • 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.<br>• 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 16% of assay samples.<br>• 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.<br>• 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. |
| **Verification of sampling and assaying** | • Reported significant intersections were reviewed and checked by senior geological management including the exploration manager. |
| | • Laguna Resource's drilling included 11 twin holes for investigation of older drilling results.<br>• 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.<br>• 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%.<br>• 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. |

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| **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.<br>• 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 used by Reflex Maxibor II, Reflex Gyro and gyroscope tools and DDH holes were surveyed by used EZ TRAC, Maxibor II and Reflex Gyro tools. Intervals with excessive deviations were not considered.<br>• 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:<br>- Arqueros 16 holes with variations of east: ± 1.60m, north: ±0.70 m, elevation: ±1.95m.<br>- Teterita 50 holes with variations of east: ± 3.98m, north: ±3.19 m, elevation: ±2.53m.<br>- 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 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.<br>• Drilling at Teterita shows a nominal drill spacing of 25m by 25m in central portions of the deposit and broader in peripheral areas.<br>• Chimberos drill holes present a nominally 15m by 15m grid drilled close to the pit, new drilling in the western in on a nominal drill spacing of 50m by 25m; with broader spacing in peripheral areas. |
| | • 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 includes numerous intercepts at different orientations mainly flat holes in DTH in underground. The nearest neighbour comparison of flat and angled/steep DTH composites within Mantos suggests that the flat DTH sampling has not introduced a systematic bias.<br>• Drilling orientation at Teterita is perpendicular to the structure.<br>• The Chimberos drilling includes vertical holes drilled from surface and horizontal diamond holes drilled from underground workings within the as-mined pit. Composites from these holes show higher average silver grades than nearby RC holes. During the current resource modelling the impact of these differences were investigated by including and then excluding the holes. With an appropriate top cut the investigation concluded that there was no material impact on the resource. The majority of the new drilling in Chimberos west is perpendicular to the ore bearing structure. |
| | • The available information does not show any significant bias associated with the relationship between drilling orientation and the orientation of key mineralised structures. |

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| **Sample security** | • Laguna geological staff supervised all field sampling of Laguna drilling.<br>• 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.<br>• The remaining core or RC samples kept for reference are stored in safe place inside the project.<br>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.<br>• As part of our improvement, in April 2015, Agustin M. Bejerman from Kingsgate conducted a review of the database of Chimberos during the drilling campaign, detected some inconsistencies during the process of updating, some recommendations were made for improve the database management during the drilling. |

## *Section 2 - Reporting of Exploration Results*

• *(Criteria listed in the first group, and where relevant, 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** | |

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| | • 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.<br>• Mineralisation comprises two main components: a silver-rich horizontal unit called "mantos" in Arqueros and Teteritas and called "Silver breccia" in Chimberos, 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 mainly but not restricted in 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.<br>• The vertical, gold-rich mineralisation, also characterised by vuggy silica, is well developed at Arqueros, the recent drilling at Chimberos in the western part show similar characteristic as Arqueros by the gold-rich mineralisation is hosted on hydrothermal breccia. It has been interpreted as feeders for mineralising fluids. Nonetheless, this style of mineralisation has not yet been observed at Teterita. |
| **Exploration by other parties** | • The resource dataset includes drilling by Laguna Resources (25% of the drill meters) and Anglo American Chile (18%), Can Can Mining (44%) and Kinross (14%). |
| **Geology** | • The geology of the project is characterised by hydrothermally altered Tertiary acid (dacite) volcanics associated with the Miocene-aged Cerro Bravos stratavolcano, overlying Paleozoic metasedimets. It contains a number of mineralised sectors, including Arqueros, Teterita, Huantajaya and Chimberos within the Esperanza alteration system. Arqueros, Huantajaya and Chimberos have been mined previously.<br>• Arqueros comprises oxidised silver and gold mineralisation dominated by silver halides and electrum respectively, hosted in high sulphidation epithermal alteration of Tertiary dacitic lapilli tuffs and breccias. The mineralisation is dominated by silver, and defines two domains: a horizontal stratabound mineralisation ('mantos'), and intersecting vertical silicified mineralised ledges (veins).<br>• The Teterita deposit is a similar albeit a much smaller deposit than Arqueros, comprising oxidised mantos-style mineralisation comprising silver halides also hosted in high sulphidation epithermal alteration of stratified Tertiary dacitic lapilli tuffs and breccias.<br>• The Chimberos deposit is located in an up-thrown block of folded Paleozoic conglomerates, sandstone and shale. Mineralisation is dominated by silver halides in the eastern with some gold as electrum, in the western part show similar characteristic as Arqueros by the gold-rich mineralisation with less silver contain, both styles of mineralisation is hosted by silicified hydrothermal breccia bodies of high sulphidation epithermal affinities like that of Arqueros and Teterita. |
| **Data Aggregation Methods** | • There are no exploration results being reported in this release, therefore this information does not apply to this heading. |
| **Relationship between mineralization widths and intercept lengths** | • There are no exploration results being reported in this release, therefore this information does not apply to this heading. |
| **Diagrams** | • There are no exploration results being reported in this release, therefore this information does not apply to this heading. |
| **Balanced reporting** | • There are no exploration results being reported in this release, therefore this information does not apply to this heading. |
| **Other substantive exploration data** | • There are no exploration results being reported in this release, therefore this information does not apply to this heading. |
| **Further work** | • There are no exploration results being reported in this release, therefore this information does not apply to this heading. |

| Section 3 - Estimation and Reporting of Mineral Resources<br>*(Criteria listed in the first group, and where relevant in the second group, apply also to this group)* | |
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| **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.<br>• 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 the 25th-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 Akara Resource Public Company Limited 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 modelled and considered during the estimation stage. |

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| **Dimensions** | • Resource estimates extend over four 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.<br>• Chimberos extends around 350m north-south by approximately 1Km east-west and 300m below original surface. In the deposit exist two main mineralized bodies associated mostly with hydrothermal breccias, the first body mineralized by Silver has a trending E-W with cylindrical shape and was previously mined by open pit, a second body is associated with Gold-Silver mineralisation presents a E-W trending dipping at 70°NE.<br>• Chimberos Mineralized Dumps extend over approximately 550m long by 300m wide and 50m thickness. |
| **Estimation and modeling techniques** | • The last published Nueva Esperanza Resource was calculated using the Multiple Indicator Kriging (MIK) method. In this resource update the resource has been calculated using Ordinary Kriging (OK). The OK estimation method is seen as more appropriate for estimating this type of mineral resource and providing an output that is more appropriate for mine planning. Unlike the MIK, the OK block model provides an un-diluted model and does not use a block support adjustment as is the case with the previous MIK. Dilution is added to the OK model as part of the reserve generation process. The two techniques are not directly comparable however the differences found are within acceptable limits. |

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| **Estimation and modeling techniques (cont)** | • These differences were mainly in Arqueros where the OK model reported on gold equivalent (AuEq60) values in contrast with the previous MIK resource estimate that was reporting on ore definition primarily based on contained gold or silver grades (dominant metal).<br>• Overall the new technique adopted does not introduce material of change in the current resource estimate, with minor difference for Indicated less than 10% for tonnes and grades and for Inferred resources the relative differences are greater, but the absolute differences are small.<br>• The current estimates are reported above gold equivalent cut-off grades using silver to gold equivalence ratio of 60:1. |
| | • Micromine and Surpac software were used for data compilation, domain wireframing, coding of composite values and for resource estimation.<br>• 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.<br>• 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.<br>• The current estimates include mineralised domains, variogram models based on resource composite grades within mineralised domains defined by wireframes and top cut selected on a case-by-case basis to reduce the effect of outliers.<br>• For Arqueros and Chimberos, independent OK models were created for gold and silver with similar range of searching and combined in only one model. 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.<br>• The models are coded with mineralised domain codes. No by-product or deleterious elements were included. |
| | • The OK models developed for each deposit include three or four pass sector based search strategies selected on the basis of sampling distribution and mineralisation style. The estimates are constrained to the mineralised domain wireframes.<br>• The Arqueros modelling includes four search passes. Search ellipsoid radii (east, north, vertical) and minimum data requirements for these searches are: Search 1: 20 by 6 by 6 m (4 data), Search 2: 33 by 10 by 10 m (4 data), Search 3: 40 by 12 by 12 (4 data) and Search 4: 50 by 15 by 15 (3 data). These search passes give (Inferred) estimates extrapolated to a maximum of 50 m from composite locations.<br>• The Teterita modelling includes three search passes. Search ellipsoid radii (east, north, vertical) and minimum data requirements for these searches are: Search 1: 30 by 18 by 6 m (4data), Search 2: 37.5 by 22.5 by 7.5 m (14 data), Search 3: 85 by 51 by 17 (3 data). These search passes give (Inferred) estimates extrapolated to a maximum of 85 m from composite locations.<br>• Chimberos modelling includes three search passes. Search ellipsoid radii (east, north, vertical) and minimum data requirements for these searches are: Search 1: 25 by 25 by 5 m (4 data), Search 2: 35 by 35 by 7 m (4 data), and Search 3: 90 by 90 by 18 (3 data). These search passes give (Inferred) estimates extrapolated to a maximum of 90 m from composite locations.<br>• Chimberos Mineralized Dumps modelling is by Ordinary Kriging. However there were not enough data points available to generate appropriate variogram models and the variograms adopted correspond to the silver mineralization in the Chimberos deposit. The maximum search radius is 150m horizontally with 15 samples as maximum and 3 samples as minimum. |
| | • For the three deposits the block size are: 5m east-west by 5m north-south by 5 m vertical, using sub-block 2.5x2.5x2.5. This model is not a diluted block model. |
| | • 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.<br>• 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. |

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| **Cut-off parameters** | • The estimates are reported at 0.5g/t gold equivalent (Aueq60) 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, agitated leach treatment a rate of 2Mtpa. |
| **Mining factors or assumptions** | • No mining factor or assumptions were considering in the current resource estimate and during the reserve an appropriated mining dilution would be considered. |
| **Metallurgical factors or assumptions** | • Metallurgical recoveries are based on testwork carried out for each deposited. The testwork has been reviewed by Ausenco (Perth) and is incorporated into the treatment plant design and mine planning. Recoveries for each deposit can be found in the reserve section. |
| **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 1,500 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.<br>• The densities adopted for each deposit have been determined on 1521 DDH sampling and 263 rock samples, and are:<br>– Ore: 2.0 t/BCM for Arqueros, 2.1 t/BCM for Teterita and 2.35 t/BCM in oxides and 2.45 t/BCM Sulphides for Chimberos.<br>– Waste: 2.0 t/BCM for Arqueros, 2.0 t/BCM for Teterita and 2.35 t/BCM in oxides and 2.50 t/BCM Sulphides for Chimberos.<br>• Chimberos Mineralized Dumps bulk density adopted was 1.645 tonnes per bank cubic meter (BCM), which corresponds to 70% of the in-pit oxidised mineralization in the Chimberos Pit. |
| **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.<br>• 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.<br>• The resource classifications appropriately reflect the Competent Persons views of the deposit. |
| **Audits or reviews.** | • Additional reviewing and comparison with alternative updated MIK were made by Jon Abbott of MPR Geological Consultants Pty, 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 stopes mining compiled represents around 1.07 Mt, approximately 2% lower than reported production in the stopes.<br>• For both silver and gold, the average grade of resource composites within the as-mined triangulations (Stopes and development) is 50% and 20% lower for gold and silver respectively than the reported production grade. |

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| **Discussion of relative accuracy/ confidence (cont)** | • The current model gives estimates for this production of 1.24 Mt at 0.48 g/t gold and 293 g/t, which represents around 26% lower gold equivalent (AuEq60) 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.<br>• Open Pit mining of Chimberos during 1998-1999 gave reported production of 4,23 Mt at 0.23 g/t gold and 294 g/t silver, comparison of resource model estimates and production at operating mines shows a difference of 1 % on Tonnes, underestimate in 20% on gold grade and slightly overestimated in 9% on silver grade at 2 g/t AuEq70 cut-off grade, considering that there are not much detail of production as ore outline, dilution detail, cut-off applied, etc, the global reconciliation between OK Models show closer result considering that in overall the mining production present some dilution, however the gold in the current model is underestimate, reasons for these difference is associated at the top cut of outlier, that suggest that in the case of the gold the current set of top cut is high conservative, however their contribution of remaining resource in areas close to the pit production represent a small proportion and is not a matter of concern.<br>• The Chimberos Mineralized Dumps Mineral Resource estimate is based on only 3 RC holes and 19 surface trenches. While the RC holes are evenly distributed and the assay results indicate relatively homogenous grades, the drill density needs to be higher in order to generate more confidence in the estimate. In addition, the 19 trench composites are on average higher in grade than the drill holes (48g/t Ag v/s 33g/t Ag), which has an impact on the Mineral Resource. Further RC drilling is required on the Mineralized Dump; a pattern of approximately 50m x 50m is recommended. |