



Kingsgate

Consolidated Limited

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NUEVA ESPERANZA PRE-FEASIBILITY STUDY CONFIRMS KINGSGATE GROWTH STRATEGY

Highlights

- **Economics** - The Pre-Feasibility Study (PFS) delivers positive economics, with a pre-tax NPV_{5%}¹ of US\$168 million and an IRR of 25% based on a US\$1,200 per ounce gold price and US\$19 per ounce silver price.
- **Production** - The Project delivers an average 91,000 ounces per annum AuEq60² for 11.6 years at a life of mine average cash cost (including royalties) of US\$706 per ounce AuEq60 and an average All-in cost of US\$913 per ounce.
- **First Five Years** - Mine plan optimisation delivers a three-year payback period and a strong first five years production with an average 135,000oz pa AuEQ60 at an average cash cost (including royalties) of US\$633 per ounce.
- **Reduced costs** - The study confirms the potential for reductions in the order of 25% lower capital and processing costs versus 2012 estimates (from an unpublished Feasibility Study) are achievable.
- **Capital Costs**³ - Capital cost estimate of US\$206 million based on a fit-for-purpose approach.
- **Operating costs** - Operating cost estimates have seen significant reductions, with processing costs down 38% to ~US\$16 per tonne compared to the previous study (October 2012). Substantial savings have been realised in power costs and consumables.
- **Ore Reserve** - has increased and now stands at 1.1 million ounces AuEq60, at a grade of 2.0 grams per tonne AuEq60 of oxidised mineralisation contained in three open pits.
- **Resources** - the total Mineral Resource base stands at 1.9 million ounces AuEq60, at a grade of 1.5 grams per tonne AuEq60 (See ASX:KCN release dated 13 April 2016, "Nueva Esperanza Mineral Resource Update").

Notes:

1. NPV_{5%} = Net Present Value.
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 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.
3. Capital cost estimate as at September Quarter 2015, accuracy level is -25% to +25%.

Experienced Pacific Rim gold producer, Kingsgate Consolidated Limited (Kingsgate or the Company) (ASX:KCN) is pleased to announce the completion of the Pre-Feasibility Study for the development of the 1.9 million ounce (Moz) gold equivalent (AuEq60) Mineral Resource in the Nueva Esperanza Project (the Project), located in the Atacama Region of Chile.

The PFS was developed as an optimisation of previous feasibility studies completed on the Project, incorporating an updated Ore Reserve, revised plant layout, and updated economic analysis.

Updated flowsheets, capital and operating costs completed in conjunction with engineering company Ausenco confirm the viability of an open pit operation with a 2 million tonne per annum agitated leach process plant, which for the first 5 years, can deliver an average 135,000oz AuEq60 per annum production at an average cash cost (including royalty) of US\$633/oz.

Based on these encouraging PFS results, the company is progressing feasibility studies and permitting in calendar 2016. This will allow the consideration of development options in 2017. Kingsgate will be concurrently undertaking significant exploration drilling programs with the aim of increasing the mineral resource and improving the mill feed after year 6 in the mine plan.

Table 1 : Key PFS Outcomes

Macro Assumptions		First 5 Years	Life of Mine
Gold Price	US\$/oz	1,200	1,200
Silver Price	US\$/oz	19	19
Project and Operating parameters			
Investment capital (initial)	US\$M		206
Life of Project	Year		11.6
Gold Produced	Moz	0.206	0.275
Silver Produced	Moz	28	47
Gold Equivalent Produced	AuEq60 Koz	676	1,100
Annual Process rate	Mtpa		2.0
Mining stripping ratio	(Waste to Ore)	7.7	6.6
Gold recovery	Average %		80
Silver recovery	Average %		84
Annual production average	AuEq60 koz	135	91
Cash costs incl. royalties	AuEq60 US\$/oz	633	706
All-in-costs (AIC)	AuEq60 US\$/oz	840	913
Financial Outcomes			
Free Cash flow - Pre Tax	US\$M		249
Free Cash flow - Post Tax	US\$M		190
NPV @ 5% real	Pre-tax basis US\$M		168
Internal Rate of Return %	Pre-tax basis %		25
Investment payback period	Years		3

Commentary

“We are delighted with the study outcomes which confirms Nueva Esperanza as one of the exciting emerging precious metals projects in South America.

“The Pre-Feasibility Study reinforces the growth strategy for Kingsgate following the divestment of Challenger and Bowdens.

“The proposed development of Nueva Esperanza, subject to financing and approvals, provides Kingsgate with a solid platform for growth in Chile and other areas of South America.

“We are confident that further exploration success will continue to build the metals inventory of the Project, leading to a long life operation.

“Following these positive results, we are aiming to complete permitting and a Feasibility Study in 2017, which will allow us to make an investment decision thereafter.”

Greg Foulis
Chief Executive Officer, Kingsgate Consolidated

PRE-FEASIBILITY STUDY PARAMETERS – CAUTIONARY STATEMENT

The PFS referred to in this announcement is based on a Probable Ore Reserve derived from Measured and Indicated Resources respectively. No Inferred Resource material has been included in the estimation of Ore Reserves.

The Company advises that Proved and Probable Ore Reserves provides more than 75% of the total tonnage and more than 85% of the total metal underpinning the forecast production target and financial projections.

The additional life-of-mine plan material derived from non-Ore Reserve material comprises less than 25% of the total tonnage and less than 15% of the total metal and is material classified as Inferred Resource.

Inferred Category Mineral Resources that have been derived from the open pit mining is placed on a stockpile and processed towards the end of the mine life. Existing low grade stockpiles from previous mining at Chimberos open pit are classified as Inferred Resources and are processed at the end of the mine life.

Unless otherwise stated, all cash flows are in United States dollars, are undiscounted, and are not subject to inflation/escalation factors, and all years are calendar years. The PFS has been prepared to an overall level of accuracy of approximately -25% to +25%.

The Nueva Esperanza Project is a silver and gold deposit with 73% of the revenue generated from silver. Although gold is not the dominant metal, gold equivalent values are reported to allow comparison with Kingsgate's other projects. Gold equivalent calculations are based on the following: $AuEq (g/t) = Au (g/t) + Ag (g/t) \div 60$, calculated from long term historical prices of US\$1,200 per ounce for gold and US\$19 per ounce for silver and combined life of average metallurgical recoveries of 80% gold and 84% silver. It is Kingsgate's opinion that all elements included in the metal equivalence calculations have a reasonable potential to be recovered and sold.

During the planning and modelling process the only place where gold equivalents are used is in the selection of the next best grade stockpile to be processed. No gold equivalents are used in calculating revenue.

The Company has concluded that it has a reasonable basis for providing forward looking statements included in this announcement. The detailed reasons for this conclusion are outlined throughout this announcement and in particular in Appendix 1: "*Forward Looking and Cautionary Statements.*"

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1 INTRODUCTION

Kingsgate Consolidated Limited (Kingsgate) has prepared this Technical Report for the wholly owned Nueva Esperanza Project located in the Domeyko Cordillera of the Atacama Region of Chile. The property comprises contiguous Mining Concessions with a total area of 9,326 hectares. Kingsgate also owns and thus has the surface rights to an area of 4,020 hectares. The mining concession and surface rights cover the areas where mining and processing activities are planned.

Kingsgate’s Nueva Esperanza property includes three orebodies - Arqueros, Chimberos and Teterita. Chimberos was previously mined as an open pit producing 4.2 million tonnes (Mt) at a grade of 0.23 grams per tonne (g/t) Au and 294g/t Ag. Arqueros was previously mined as an underground mine producing 1.2Mt at a grade of 1.34g/t Au and 364g/t Ag.

Figure 1: Location Map of Nueva Esperanza



The Nueva Esperanza Project has been the subject of two previous feasibility studies during Kingsgate's ownership. The first (un-published) was carried out in 2012 for a 2 Million tonne per annum (Mtpa) agitated leach process with Merrill Crow extraction and wet tailings for the Arqueros deposit alone prior to acquisition of the other two deposits.

The second was completed in 2014, and was for a 3Mtpa heap leach operation for all three deposits after the acquisition of the Esperanza and Chimberos mining leases from Kinross' wholly owned Minera Mantos de Oro subsidiary that included Teterita and Chimberos deposits respectively. (See ASX:KCN release "Nueva Esperanza, Chile – Definitive Feasibility Study Delivers Strong Results" dated 17 March 2014).

During the 2012 Study, the project completed the environmental permitting process and was granted approvals for its Environmental Impact Assessment (EIA) and environmental management plan.

The original project proposed in 2012 differs from the one proposed in this Pre-Feasibility Study (PFS), with the main areas of difference being:

- Addition of Chimberos and Teterita pits and associated waste dumps; and
- Consideration of dry stack tailings rather than wet tailings disposal.

As a result of these previous studies, much of the work, especially the environment and the community consultation, are well advanced for the project modifications.

2 STUDY PARAMETERS

The Pre-Feasibility Study was based on the following parameters:

- An April 2016 JORC-2012 compliant Mineral Resource of 39Mt at 0.39g/t Au and 66g/t Ag, which equates to 1.9Moz gold equivalent (60:1 silver to gold ratio) at a cut-off grade of 0.5g/t AuEq60;
- Open pit mining utilising a Chilean mining contractor;
- A 2Mtpa process flowsheet, with a traditional crush, grind, leach and Merrill Crow extraction process with dry stacked tailings;
- Process plant and infrastructure built under an engineer, procure and construction management (EPCM) arrangement with the plant being owner managed; and
- Power supplied from the local grid.

The key assumptions shown in Table 2: Study Assumptions, were used in this Pre-Feasibility Study.

Table 2: Study Assumptions

Parameter	Units (US\$)	Assumption
Gold Price	\$/oz	1,200
Silver Price	\$/oz	19
Exchange Rate - Australian dollar		0.70
Chilean peso		704
Euro		1.124
Corporate Income Tax	%	25
Electricity price	\$/KWhr	0.11
Diesel Price	\$/L	0.53

3 STUDY TEAM

The PFS started in October 2014, and has been completed by a combination of Kingsgate's in-house technical experts and external consultants. Table 3 lists the Kingsgate members involved in the study. Table 4 (overleaf) lists the specific responsibilities of Kingsgate and external contractors.

A list of the competent persons statements for the resource statement can be found in the ASX:KCN release "Nueva Esperanza Mineral Resource Update" dated 13 April 2016. A list of the competent persons for the reserve preparation can be found at the back of this document (Appendix 2) along with the Reserve Statement (Appendix 3).

Table 3: Kingsgate Study Team Members

Name	Position	Qualification	Employer	Section of Report
Tim Benfield	Kingsgate COO	Mine Engineer - Dip (CSM) Mining, MBA FAusIMM (CP)	Kingsgate	Overall carriage of the study
Ron James	Group Geologist	BSc (Geology), MAusIMM, MAIG	Kingsgate	Geology, drilling and supervision of mineral resource estimation
Maria Muñoz	Resource Geologist	Geologist Engineer of the National University of San Augustin (UNSA) - Perú, MAusIMM, MSIEG,	Akara / Kingsgate	Resource estimation
Jennifer McNee	Principal Mine Engineer	BSc, MSc, MAusIMM, MIoD	Akara / Kingsgate	Mine planning
Nick Lindsay	Country Manager - Chile	PhD MBA MSc BSc (hons) MAusIMM AIG	Kingsgate / Laguna Resources	CSR, Regulatory affairs Environmental
Ross Coyle	CFO	BA, FCPA, FGIA	Kingsgate	Financial model review

Table 4: Project Responsibility

Participant	Area of Responsibility
Kingsgate	Geology and Resource Assessment.
Kingsgate	Land tenure and permitting.
Kingsgate	Resource modeling and estimation
Kingsgate	Pit optimisation, mine planning and costs
Ausenco	Ore Reserve
Ausenco	Review of metallurgy and geo metallurgy
Golder	Infrastructure design, site infrastructure and process plant capital expenditure estimation and process plant operating cost estimation.
Geoinvestments	Geotechnical investigations (Arqueros)
CPH Asociados	Geotechnical investigations (Teterita & Chimberos)
MyMA	Hydrology
Systep (Chile)	Environmental baseline studies, co-ordination of environmental approvals and sectoral permitting process
Kingsgate	Power study
Kingsgate	Financial modelling
Kingsgate	Overall report compilation

4 KEY OUTCOMES OF THE PRE-FEASIBILITY STUDY

The Project Ore Reserve is based on a JORC-2012 Mineral Resource and has been published concurrently with this study in April 2016. The mine plan used to calculate the financial return on the project contains 1.3Mt of Inferred material sourced from within the pit designs, and 4.6Mt of existing low grade stockpiles which are classified as Inferred Resource (Table 5).

**Table 5: Mineral Inventory for Financial Modelling
(Probable Ore Reserves and Inferred Resources)**

Mill Feed	Tonnes (Mt)	Au		Ag		Au Eq60 (g/t)	AuEq60 (Moz)
		(g/t)	(Moz)	(g/t)	(Moz)		
Reserves	17.1	0.5	0.30	87	47.8	2.0	1.1
Inferred Resources in model	1.3	0.6	0.02	60	2.5	1.5	0.1
Inferred Resources in stockpiles	4.6	0.0	0.01	44	6.5	0.8	0.1
Total	23.1	0.4	0.33	185	60.0	1.7	1.3

Note: Rounding of figures may cause numbers to not add correctly.

The Inferred material and the low grade stockpiles have a higher risk associated with eventual conversion to an Ore Reserve and as a result inferred material is placed on stockpiles as it is mined and treated in year 7, low grade stockpiles are treated at the end of the mine life.

With the inclusion of the Inferred material the project has a life of 11.6 years and recovers 275Koz of gold and 47Moz of silver or 1Moz of gold equivalent ounces (AuEq60). The average life of mine production rate is 91Koz/annum (AuEq60) and the all-in production cost is \$913/oz.

The capital required for the project is \$206M with the maximum cash drawdown in the year of construction.

The project has a NPV @ 5% real of US\$168M before tax and an IRR of 25% with payback in year 3 of the 11.6 year life.

Table 6: Key Project Outcomes

Life of Mine Summary	Unit	First 5 Years	LOM
Bullion recovered & sold	Koz Au	206	275
Life of mine	Moz Ag	28	47
	Koz AuEq60	676	1,100
Annual average	Koz AuEq60	135	91
Cash cost (including royalty)	US\$/oz oz AuEq60	633	706
	US\$/oz oz AgEq60	10.6	11.8
All-in Cost pre-tax (AIC)*	US\$/oz oz AuEq60	840	913
	US\$/oz oz AgEq60	14.0	15.2
Free Cash Flow (Life of Mine)	US\$M	89	249
NPV @ 5.0% real	Pre-tax basis		163
Internal Rate of Return	Pre-tax basis		25%
Payback	Year		3.0
Life of Project	Year		11.6
Investment capital (initial)	US\$M		206
Sustaining capital	US\$M		3
Peak spending	US\$M		215

* First 5 years - Includes all operating costs, sustaining capital, and amortised plant costs

* Life of mine - Includes all operating costs, sustaining capital, plant costs and closure costs

Over the first 5 years of production the project operates at an average annualised rate of 135koz (AuEq60). All-in costs for this period are \$840/oz AuEq60 or \$14/oz Ag.

5 MINERAL RESOURCE

Mineral Resources for the Nueva Esperanza estimate were reported prior to this release. See ASX:KCN release "Nueva Esperanza Mineral Resource Update" dated 13 April 2016. Approximately 74% of the Mineral Resource is in the Measured and Indicated category and the mine plan extracts 17.1Mt of Measured and Indicated ore and 1.3Mt of Inferred mineralization.

Combined Measured, Indicated and Inferred Mineral Resources at Nueva Esperanza stand at 39.4 million tonnes at 0.39 g/t gold, 66 g/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).

The Mineral Resource was estimated by Ordinary Kriging (OK) generated at a 0.5g/t AuEq60 cut-off grade and consists of material that has a reasonable chance of economic extraction at appropriate metal prices. This Pre-Feasibility Study focuses on only that portion of the Mineral Resource that can be extracted by open pit mining techniques.

6 MINING

Kingsgate will manage all activities at Nueva Esperanza. This will include full responsibility for safety, environmental and social performance, management of the open pit mine contractor, mine optimisation, mine planning, scheduling, grade control supervision, ore control and reconciliation, ore treatment and smelting.

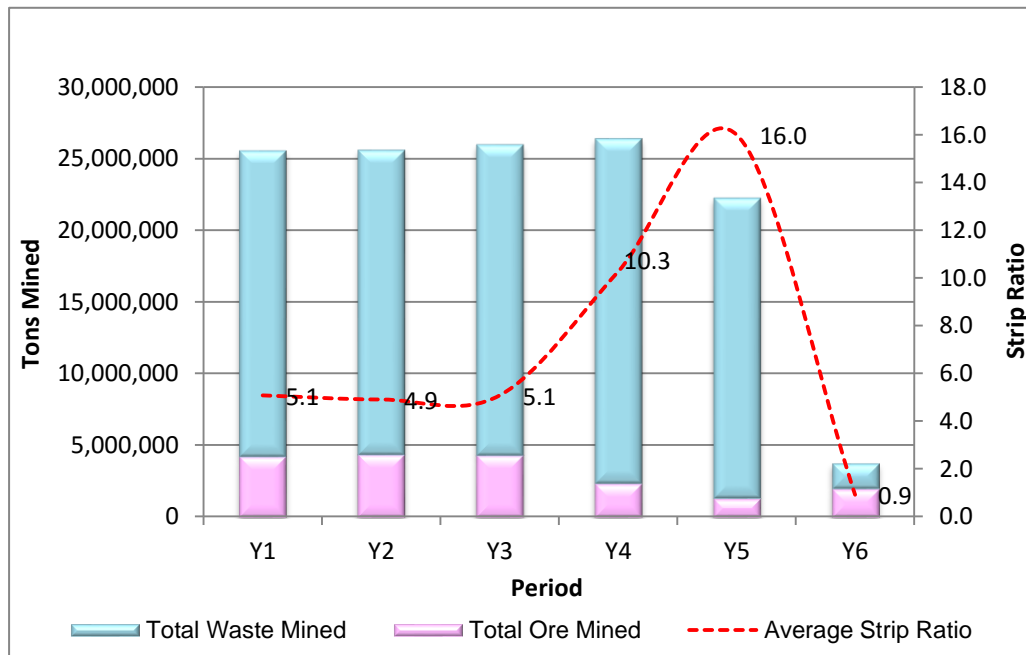
Open pit mining will be carried out by a suitably skilled open pit mining contractor with specialist skills in operating at the project altitude of 4,000 to 4,200m above sea level. The contractors' duties will include grade control drilling, blast-hole drilling, blasting, excavation and ore & waste haulage.

The Nueva Esperanza Project consists of three separate open pits; Arqueros, Chimberos and Teterita. All three are located within a two kilometres of each other. Mining will be sequenced to maximise cashflow by extracting the highest value ore blocks as early as possible.

Each pit has been staged with a number of push-backs to assist in maximising cashflow. Lower grade material will be stockpiled and will be treated towards the end of the project. The selection of ore blocks for mining is based on the highest revenue generated by the gold and silver metal. No gold equivalents are used in the selection of mining blocks.

Mining rates are reasonably consistent at 26Mtpa, and utilise a fleet of two excavators, up to two front end loaders, and a fleet of 100 tonne trucks. Approximately 1Mt of ore and waste will be mined prior to the mill being commissioned.

Mining will be completed in six years in order to bring forward high grade material for early processing. The Teterita pit is mined early in the plan due to its higher grade and lower strip ratio. The Arqueros pit also starts early in the mine plan to provide a balance of mill feed and a second work area.

Figure 2: Total tonnes mined per period and strip ratio


The early start at Arqueros is also necessary to provide waste for building site roads and the base of the dry stack tailings facility. Chimberos is mined once Teterita is completed.

Table 7 shows the relative tonnages, grades and strip ratios of the three pits. It should be noted that Teterita does not have any gold mineralisation but has a high average grade in terms of gold equivalent ounces. Chimberos contains silver and gold and has the highest gold equivalent grade, however the west-end of the pit, which contains most of the gold (known as Chimberos Gold), has a significant pre-strip.

Table 7: Mining Material

	Waste (t)	Ore (t)	S:R (W:O)	Au (g/t)	Ag (g/t)	Au Eq60 (g/t)
Arqueros	57	8	7.4	0.4	89	1.9
Chimberos	62	7	9.1	0.9	66	2.0
Teterita	12	3	4.5	0.0	135	2.3

Note: Strip Ratio includes the Inferred Resource category within the open pits.

Pit slope recommendations including bench heights, bench angles, berm widths, and inter-ramp angles were generated for each pit. Arqueros recommendations were developed by Golder, and Teterita recommendations were developed by Geoinvestment SPA.

As yet, Chimberos has not been subjected to geotechnical drilling by Kingsgate and design wall angles have been based on the existing open pit that has stood with no failures for more than 10 years. Further geotechnical drilling on all three pits will be carried out for the Feasibility Study.

Ore Reserve

The Ore Reserves for the Project are reported in accordance with the Australasian Code of Reporting Ore Reserves (JORC-2012). Details of the modifying factors can be found throughout the PFS and in Appendix 3 at the end of this document. The competent persons statements can be found at the end of the report.

Previous Ore Reserves for Nueva Esperanza (See ASX:KCN Release, “Nueva Esperanza, Chile – Definitive Feasibility Study Delivers Strong Results” dated 17 March 2014) reported results for a silver and gold heap leach operation. The study proposed a 3 million tonne per annum operation at a fixed cut-off grade of 0.5g/t AuEq60 incorporating different metallurgical recovery factors and other assumptions.

While the current Ore Reserves are not directly comparable with the March 2014 study, the overall results are very close. The current Ore Reserves contain 17.1Mt of ore and 1.1 million ounces AUEq60, with the 17 March 2014 Ore Reserves numbering the same tonnage and slightly less metal at 1.0 million ounces AuEq60.

The most significant difference is the precious metal composition with the current ore reserves containing twice as much gold - 300Koz versus 148Koz Au.

The current Ore Reserves adopt a floating cut-off grade method. In this method each Resource block is subjected to a series of calculations to generate revenue and cost fields that are used to determine a breakeven cut-off grade.

The costs are in the form of fixed and variable components. The variable costs take into account the distance and depth, recovery, and processing cost for different rock types for each deposit.

Mine design and planning are based on the net value per block that is further broken down into sub-groups for scheduling to maximise NPV by increasing cut-off grade in initial years and stockpiling the lower grade ore for use later in mine life.

Dilution factors which consider the geometric characteristics of the ore body, the geologic contacts and the mining equipment selection have been applied to the Mineral Resource to generate the Ore Reserve.

Based on these parameters mining dilution and mining recovery were assumed to be 1.05 and 0.95 respectively.

The Mineral Resource was converted to an Ore Reserve with due consideration for the level of confidence in the Mineral Resource and the modifying factors.

The Probable Ore Reserve was based on the Mineral Resource classified as Indicated. Approximately 1.6 Mt of the Teterita Mineral Resource is categorised as Measured, however this ore was converted to a Probable Ore Reserve.

There is no Inferred Resource Category in the Ore Reserve.

Table 8: Ore Reserves

Ore Reserve	Tonnes (Mt)	Au		Ag		Au Eq60 (g/t)	Gold Equivalent (Moz)
		(g/t)	(Moz)	(g/t)	(Moz)		
Probable							
Arqueros	7.7	0.4	0.09	89	22.1	1.9	0.46
Chimberos	6.8	0.9	0.21	66	14.4	2.0	0.45
Teterita	2.6	-	-	135	11.3	2.3	0.19
Total	17.1	0.5	0.30	87	47.8	2.0	1.10

Note: Rounding of figures may cause numbers to not add correctly.

7 ORE PROCESSING AND PRODUCTION

The process plant does not utilise any new or unproven technology and consists of a primary crusher, SAG and ball mill, leaching and metal extraction by Merrill Crow.

Tailings are dewatered in a filter press and stacked as dry in a valley fill.

The design process rate is 2Mtpa, which the mine can easily support. Throughput rates have been designed using the 75% percentile for hardness and abrasiveness.

Grind size will be P80 120micrometers (μm) and the leach time will be 48hours (Table). The plant will operate 24 hours a day throughout the year and is located at 3,900m above sea level.

The plant will treat a total of 23Mt over the 11.6 year mine life.

Life of mine metal production will be 275koz of gold and 47Moz of silver.

Production over the first 5 years will be an average of 135koz per annum AuEq60.

Table 9: Treatment Plant Design Criteria and Performance

Treatment	Units	Value
Plant Design Criteria		
Grind Size P80	(μ m)	120
Leach time (hr)	(hr)	48
Tailings		Dry Stacked
Water	(m ³)	Supply contract in place
Electricity	(\$/KWhr)	0.11
Life of Mine Production		
Reserve	(Mt)	17
Inferred from pits	(Mt)	1
Existing Stockpiles	(Mt)	5
Total Milled tonnes	(Mt)	23
Gold (recovered)	(Koz)	275
Silver (recovered)	(Koz)	47,000
Gold Eq 60	(Koz)	1,100
Annualised Production (For first 5 years)		
Milled tonnes	(Mt)	10
Gold	(Koz)	41
Silver	(Koz)	5,600
Gold (Eq 60)	(Koz)	135

Recoveries were based on metallurgical test work carried out by Kingsgate and reviewed by Ausenco (Perth). In the PFS, single point recoveries were used because insufficient variability test work was available to develop meaningful recovery curves. Recoveries were, however, applied based on rock type (Table 10 overleaf).

Table 10: Recovery Table

Ore Type	Ag avg. extract at 48 hrs %	Au avg. extract at 48 hrs %	Grind size, P80 µm
Arqueros Mantos	80.4 ¹	85.1	120
Arqueros Vein	75.5 ¹	90.2	120
Teterita Massive Silica	74.9 ²	n/a	120
Teterita Stockwork	71.0 ²	n/a	120
Chimberos Gold	88.1	82.1	75 ³
Chimberos Silver	No test work has been carried out on Chimberos Silver.		
Existing Chimberos mineralised dumps	No test work has been carried out but recoveries from Chimberos Silver pit were used.		
Notes:			
	1: using 3 acid assay method		
	2: at 36 hours leach residence time		
	3: no test work carried out at 120 µm		

It should be noted that there is no gold in the Teterita orebody and that Chimberos gold recovery test work was carried out at a grind size of 75 micron. A review of test work indicated that the ore is relatively insensitive to grind size between 75 microns and 120 microns, and as a result grinding costs for 120 micron have been applied to Chimberos Gold.

Recoveries for Teterita were established at a 36hr leach time. Costs for a 48hr leach time have been applied to the Teterita ore in the model.

Historically, Chimberos Silver (Chimberos East) was treated at the La Coipa Mine. Recoveries from actual treatment of this ore were used in the PFS.

Existing low grade dumps resulted from the historic mining of the Chimberos pit. Recoveries for this ore were derived from processing of the ore at the La Coipa Mine. This ore is already oxidised and at this stage the stockpiling of this ore is not expected to result in a significant impact on recoveries.

Ore from the mine will be blended via stockpiles to facilitate the processing of highest value material first. Figure 3 (overleaf) shows the proportion of feed from each pit that will be fed to the plant.

A three-month ramp up in mill throughput has been incorporated into the milling schedule to allow any commissioning issues to be ironed out.

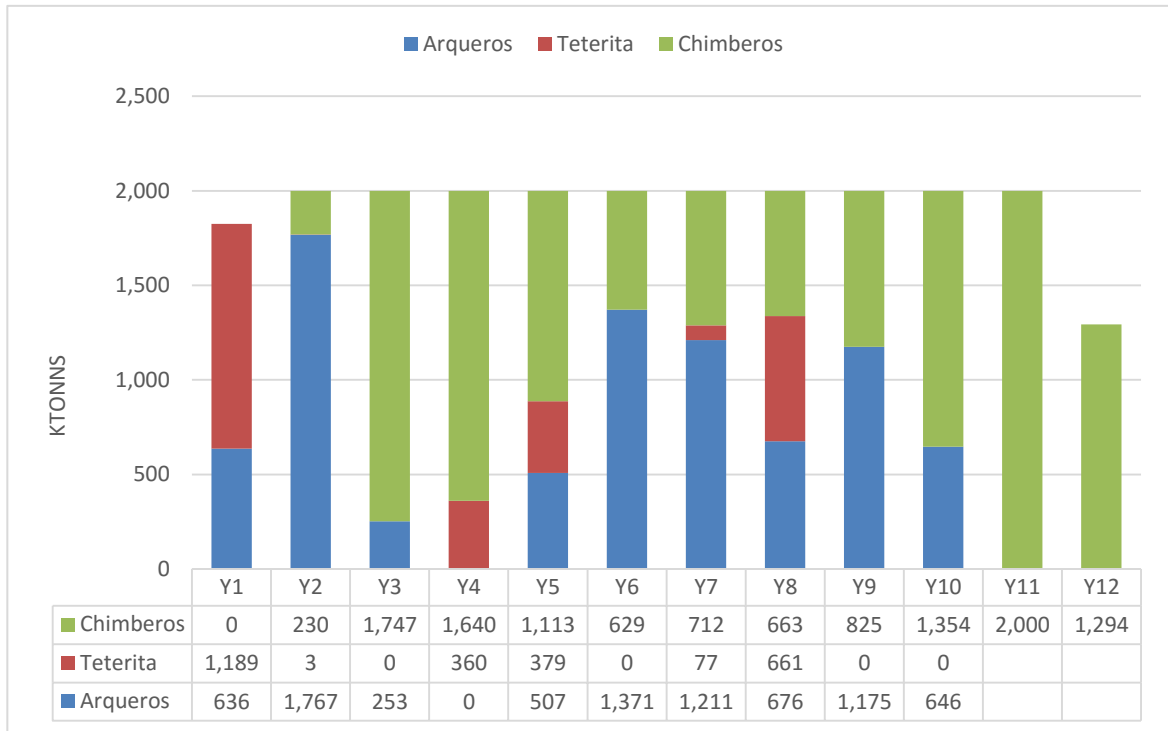


Figure 3: Annual Process Plant Throughput (above)

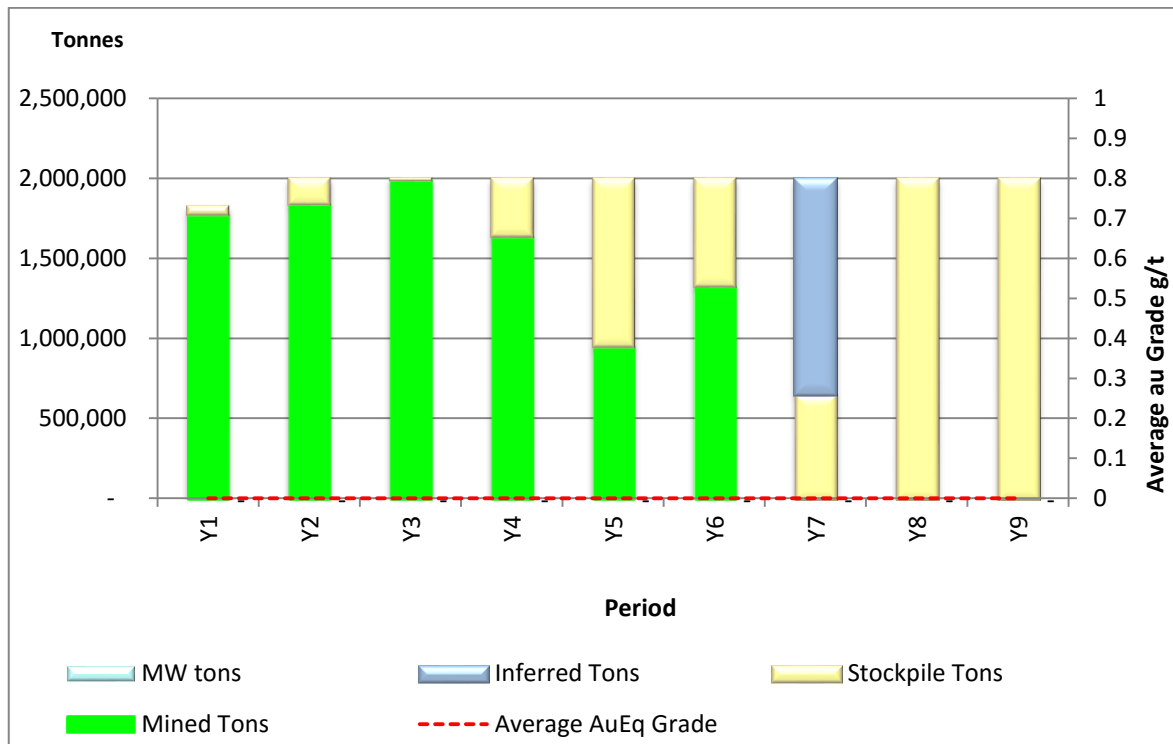


Figure 4: Tonnes and Grade Processed per Period - (above) shows the mix of material being fed to the plant with the best value and lowest risk material first.

As a result of the ore blending strategy, site stockpiles reach a maximum of 12Mt during the mine life with a drawdown towards the end of the mine life.

Inferred Category mineralisation from each pit totalling 1.3Mt is mined and stockpiled for processing towards the end of the mine life (Figure 5). Existing mineralised dumps categorised as inferred mineralisation containing 4.6 Mt are processed in the last 3 years of the mine life.

Figure 5: Processing of Inferred Category Mineralisation

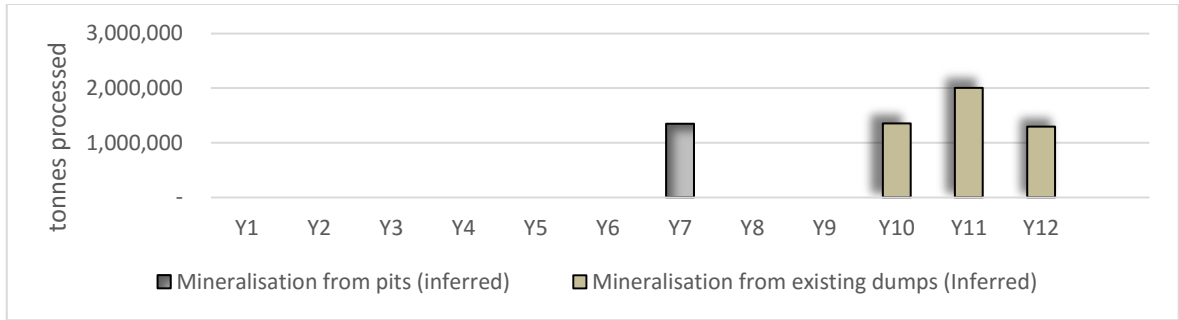


Figure 6: Metal grades processed by year

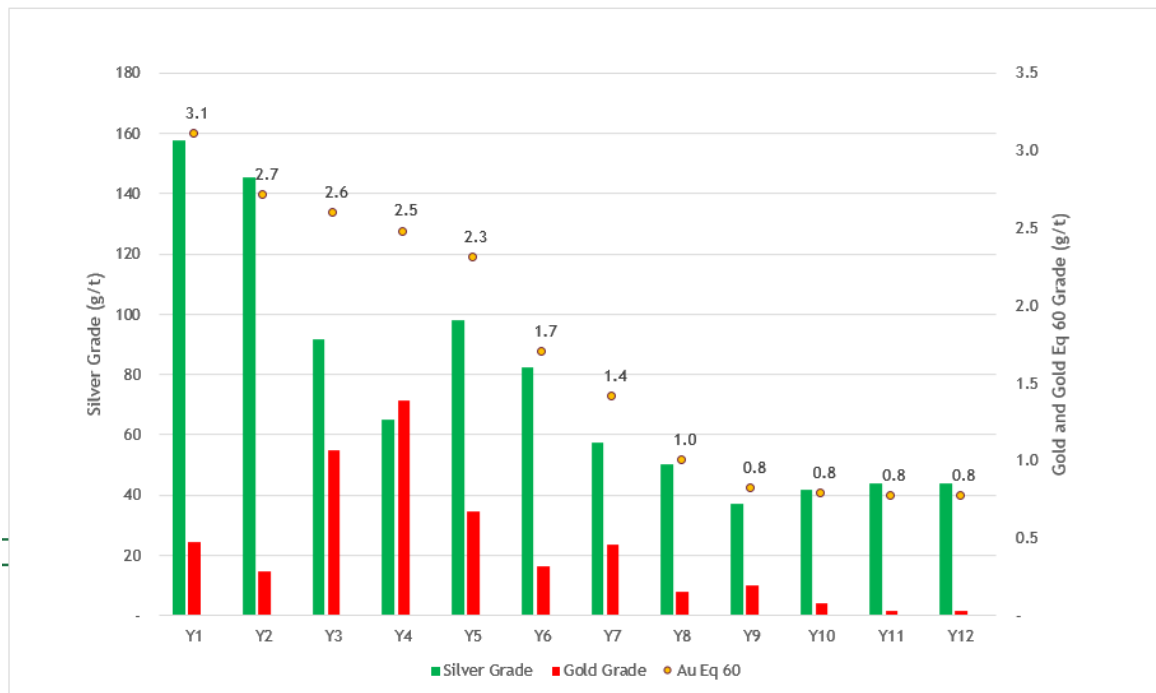
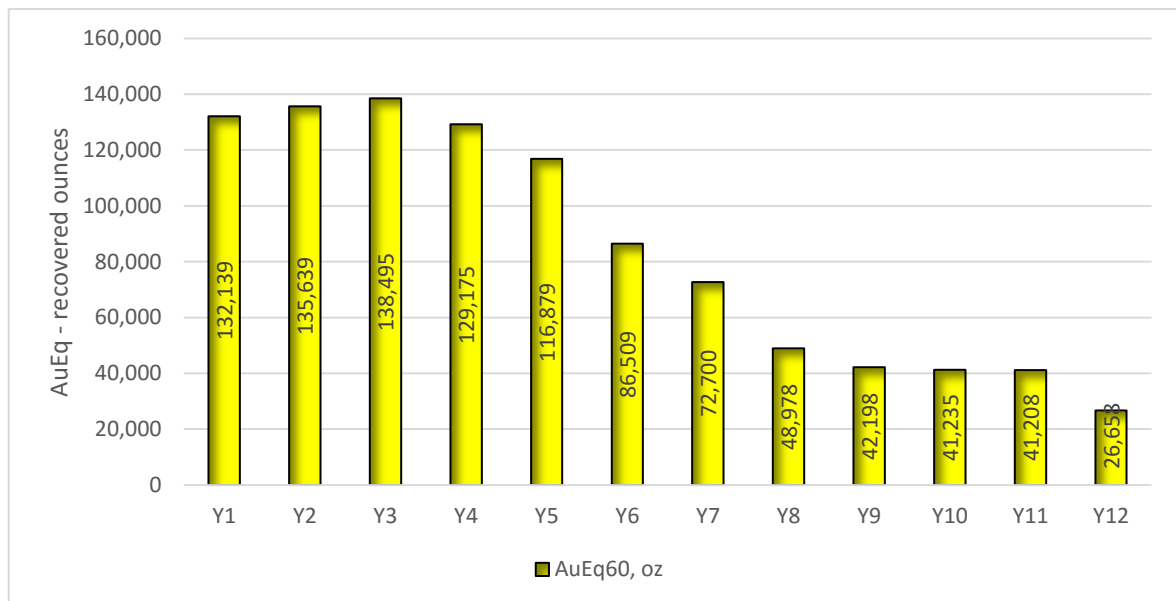


Figure 6 shows the grade processed each year. Accelerated mining and stockpiling has been used to bring forward as much of the high value ore as possible. This results in a model that has a payback in year 3 and produces at an average rate of 135Koz per year for the first 5 years.

Figure 7: Annual Gold Production for Life of Mine


The process design is based on well proven technology that replicates the following process route:

- Primary jaw crush to P80 of 100mm;
- Two stage grinding through a SAG mill followed by a Ball Mill;
- Leaching for 48 hours;
- Thickening;
- Extraction by Merrill Crow;
- Dry tailings via filter presses and stacking on a lined pad; and
- Smelting or doré.

The plant will be cyanide code compliant and dry tailings were adopted to cut costs, reduce water usage and provide a far more stable product for storage in a seismically active area.

7.1 Plant Location

The chosen location for the treatment plant has sufficient flat ground and is as close to the centroid of current and envisaged future mineralisation as possible. Due to the steep terrain the primary crusher is located closer to the elevation where mining is carried out and is connected to the plant by an overland conveyor.

Dry tailings are to be stacked in the valley directly below the plant. The tailings are stacked on a plastic liner to prevent seepage of contaminants into the ground below.

The camp is located at the slightly lower elevation of 3,800m and away from mining and process generated noise.

A schematic layout of the process flowsheet can be seen in Figure 8 (overleaf).

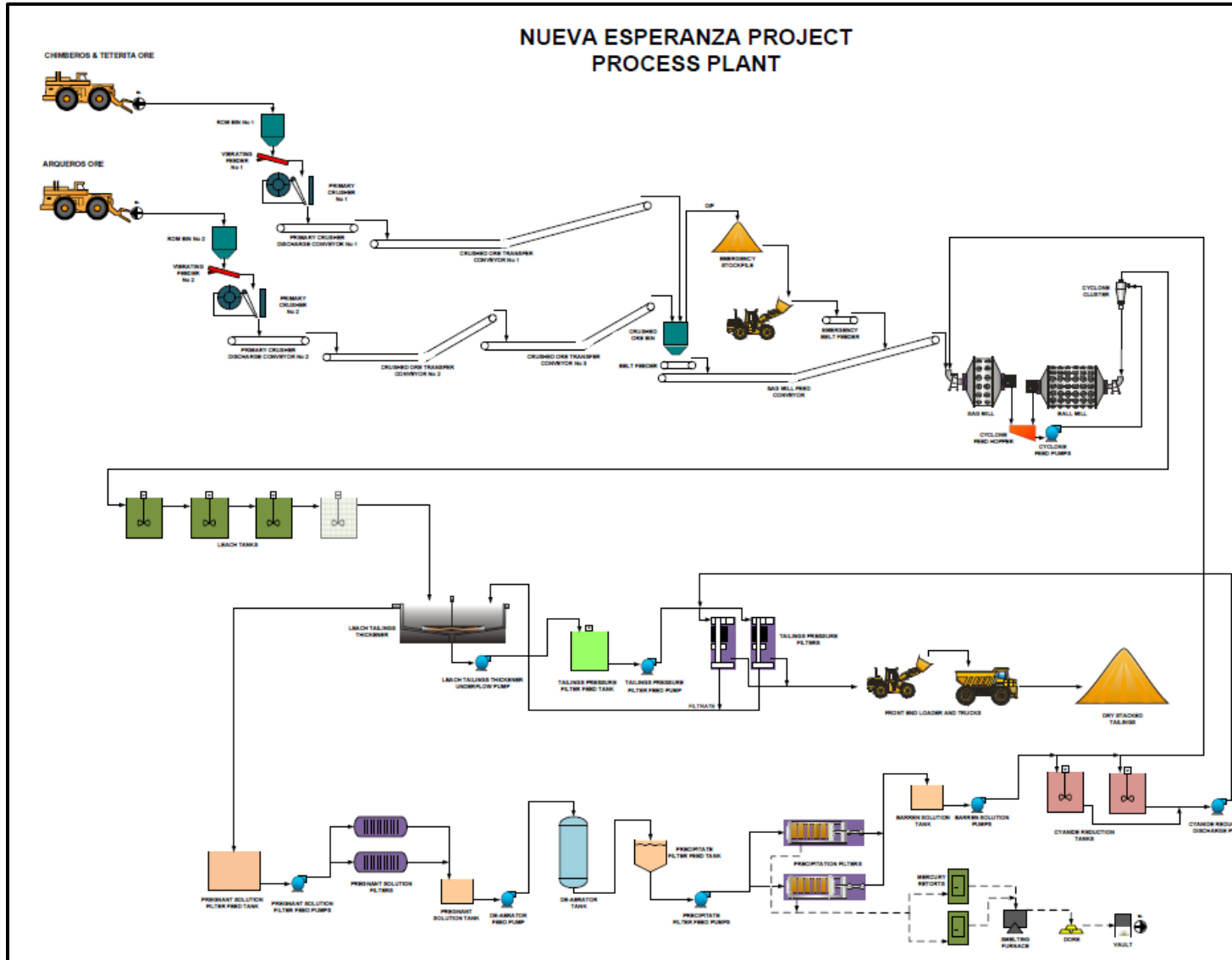


Figure 8:

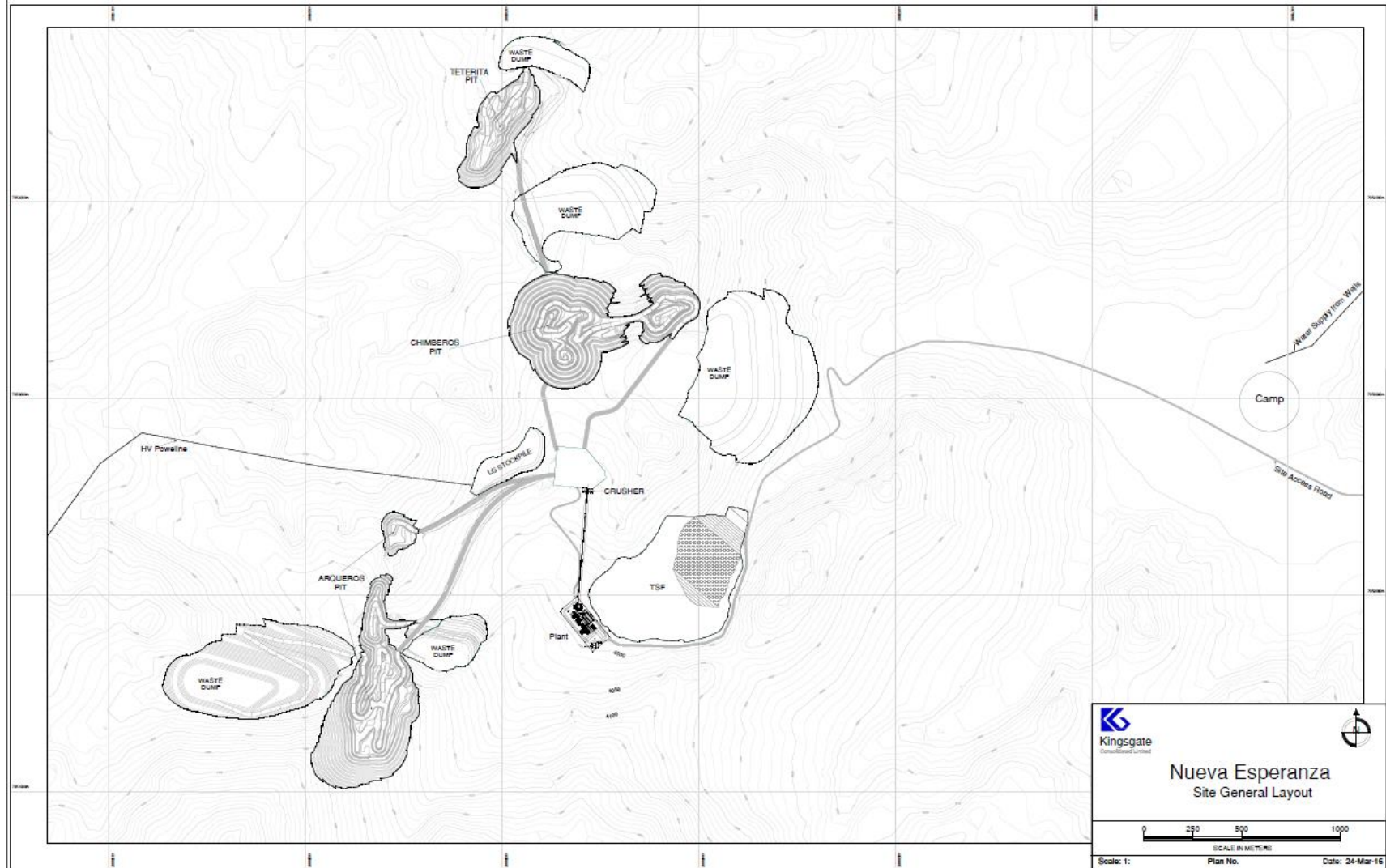


Figure 9: Site Layout

8 INFRASTRUCTURE, TRANSPORT AND SERVICES

8.1 Power Supply

Power will be supplied from the grid, which requires 27km of overhead lines. The last 300m passes through the mining area and will be buried. Power costs have been based on a power study carried out by Systep in 2015. In order to make use of the 27km power connection an agreement to use a section of privately owned power line will be required. At this stage this has not been formalised.

8.2 Water Supply

Water is supplied from a bore located 10km to the north east of the operation. There are two bores that have a combined flow rate of 3,900m³/day. Plant water consumption is estimated at 1,300m³/day. These bores are owned by Anglo American and a contract to supply water to Kingsgate on a \$/m³ basis is in place.

The project area is accessed by a well-maintained unsealed road, which extends 11km from an all-weather international road (Chile-Argentina), connecting to their major urban centres such as El Salvador (70km), Diego de Almagro (90km) and Copiapó (150km). Roads can be affected by snow in winter although they are usually kept open.

Copiapó and El Salvador have airports with regular flight schedules. Copiapó is located 80km to the west of the industrial port town of Caldera, and Diego de Almagro is 58km from the port of Chañaral. There is a landing strip 20km north-east of Nueva Esperanza at La Ola but this is not currently operational.

The principal light vehicle route from Copiapó takes 3 hours via the Codoceo pass and the northern end of the Salar de Maricunga, close to the Chilean border post. Heavy vehicles take the northern route through Diego de Almagro, which connects with Copiapó to the south and to the ports of Antofagasta and Chañaral to the north and west respectively.

8.3 Buildings

The cost estimate includes the following buildings:

- Administration of 500m²;
- Plant workshop and warehouse;
- Canteen and ablutions;
- Security gatehouse;
- Laboratory;
- Mine Workshop; and
- 500 person camp.

8.4 Tailings Storage

Tailings will be stored in the valley directly below and within close proximity to the treatment plant. Tailings will be dried to approximately 15% moisture by use of a filter presses. The dry product will be transported to the storage area in 40 tonne trucks, where it will be dumped and spread.

The storage facility has been designed with a plastic liner, which will be placed on a fine screened material or clay and covered by the same material. The ultimate dump height will be 70 metres and the dump will be approximately 400 metres long.

Dry stacked tailings have a number of benefits that justified the change from a traditional wet tailing. The key benefits were that there is less cyanide discharged to the tailings, far less water is consumed, that it is far more seismically stable than a wet tailing and has a smaller environmental footprint. Overall, it is a lower cost option than a wet tailings storage facility.

9 CAPITAL COST ESTIMATE

9.1 Summary of Estimate

The capital cost estimate was developed to cover the construction of a new 2.0Mtpa processing plant along with associated infrastructure. The base date of the estimate is the September quarter of 2015. No allowance has been included in the estimate for escalation from this date.

The estimate has been prepared at a Pre-Feasibility level of accuracy with a nominal accuracy range of $\pm 25\%$.

New mechanical equipment costs were based on Ausenco database values (escalated where necessary to the estimate base date) and vendor budget quotations.

The capital cost estimate presented in the study is a Total Cost estimate and includes estimating design allowances.

Table 11: Capital Cost Estimate (US\$M)

CAPEX - AREA	\$M	Estimated by
Mine Development and Infrastructure	4.5	Ausenco
Process Plant	114	Ausenco
Site Preparation and Infrastructure	35	Ausenco
EPCM Temporary Facilities	7	Ausenco
EPCM Services and Owner's Cost	23	Ausenco
Contingency	24	Ausenco
Subtotal Capex	206	

Sustaining spares for the process plant are included in the plant maintenance costs. Future capital consists of \$705k in year 1 for a mill liner rehandle machine and \$2.4M to be spent on successive tailings storage plastic liner extensions.

Mining contractor equipment will be used to construct the foundations for future tailings storage area extensions and as such costs associated with future tailings dam earth works are captured in the mining costs. Owners costs of \$2.95M associated with early employment of staff have been included as operating costs.

9.2 Currency and Exchange Rate

The estimate is expressed in United States dollars, unless noted otherwise.

The estimate has been prepared in US\$. Where base costs were not available in US\$, they were converted using the exchange rates shown in 12.

Table 12: Exchange Rates Used in the Estimate

Currency	Convert To US\$
US dollar (estimate base)	1.0000
Australian dollars	0.70
Euro	1.12
Thai baht	0.0274
Chilean peso	0.0014

No allowance for any variation from the above rates was included in the estimate. The Thai Baht exchange rate was included in the currency mix because group cyanide and grinding media prices were sourced from Kingsgate's Chatree Gold Mine in Thailand.

GST, VAT or any other goods or services tax is not included in the estimate.

Import duty is not included in the estimate, as it is assumed that Kingsgate would be successful in applying for import duty exemption for the Project. Costs associated with Kingsgate obtaining import duty exemption have not been included in the estimate. No allowances for the recovery of duty have been included in the EPCM estimate should Kingsgate obtain import duty exemption after any import duties have been paid.

9.3 Contingency

A nominal project contingency allowance of 15% is included in the estimate, which is within the range that Ausenco would typically recommend for a study of this type.

10 OPERATING COSTS

10.1 Introduction

The operating cost estimate is presented in US dollars and uses prices obtained in the September quarter of 2015, with currency exchange rates as at 30 September 2015, unless otherwise noted. The estimate has an accuracy of $\pm 25\%$.

The estimate is based on the operating costs incurred for the following departments:

- Process Plant;
- Administration; and
- Mining Technical Services.

The Process Plant cost estimate includes all operating costs directly associated with the processing of Teterita, Chimberos and Arqueros ores from primary crushing to the production of doré, tailings treatment, dry tailings stacking and water supply.

The Administration cost estimate covers the general and administration costs associated with community relations, camp hire costs, communications, insurances, health, safety, environment, IT, accounting, human resources etc.

The Mining Technical Services costs cover labour associated with the Mining Technical Services department, running costs for light vehicles and assay cost of exploration and grade control samples. All other mining costs (e.g. mining contractor) are excluded from this estimate and are covered separately in the mining section of the Pre-Feasibility Study.

10.2 Summary

Operating costs for the process plant vary depending on the ore type being processed. Table 13 summarises the operating costs for the overall process plant.

Table 13: Processing, Administration, Mining Tech Services Operating Cost Summary

Cost Centre	Teterita		Arqueros		Chimberos	
	\$M pa	\$/t	\$M pa	\$/t	\$Mpa	\$/t
Process Plant						
Labour	3.92	1.96	3.92	1.96	3.92	1.96
Power	11.11	5.56	9.54	4.77	10.88	5.44
Maintenance materials	2.11	1.06	2.11	1.06	2.11	1.06
Reagents and consumables	17.25	8.62	12.57	6.29	11.86	5.93
Miscellaneous	1.31	0.65	1.31	0.65	1.31	0.65
SUBTOTAL	35.70	17.85	29.46	14.73	30.08	15.04
Administration						
Labour	2.87	1.44	2.87	1.44	2.87	1.44
Power	0.18	0.09	0.18	0.09	0.18	0.09
Miscellaneous	3.51	1.76	3.51	1.76	3.51	1.76
SUBTOTAL	6.57	3.28	6.57	3.28	6.57	3.28
Mining Technical Services						
Labour	0.82	0.41	0.82	0.41	0.82	0.41
Miscellaneous	0.43	0.21	0.43	0.21	0.43	0.21
SUBTOTAL	1.25	0.63	1.25	0.63	1.25	0.63
GRAND TOTAL	43.52	21.76	37.28	18.64	37.90	18.95

Note: differences in summation are caused by rounding of values in the table.

Mine operating costs are calculated from quotes prepared by three Chilean mining contractors. The quote selected was compiled in February 2014 and the rise and fall formula was used to adjust fuel, exchange rate and inflation to represent the rates at Q3 2015. During the Feasibility Study it will be necessary to refresh the mining contract rates.

The unit operating costs can be seen in Table 14 (overleaf).

Table 14: Unit Operating Costs (US\$/t)

OPEX	Unit	LOM Cost
Mining Cost (\$/tonne mined)	(US\$/tonne mined)	1.8
Mining Cost	(per tonne milled)	10.0
Process cost	(per tonne milled)	15.8
Admin Cost	(per tonne milled)	3.4
Royalties	(per tonne milled)	2.9
Total	(per tonne milled)	32.0

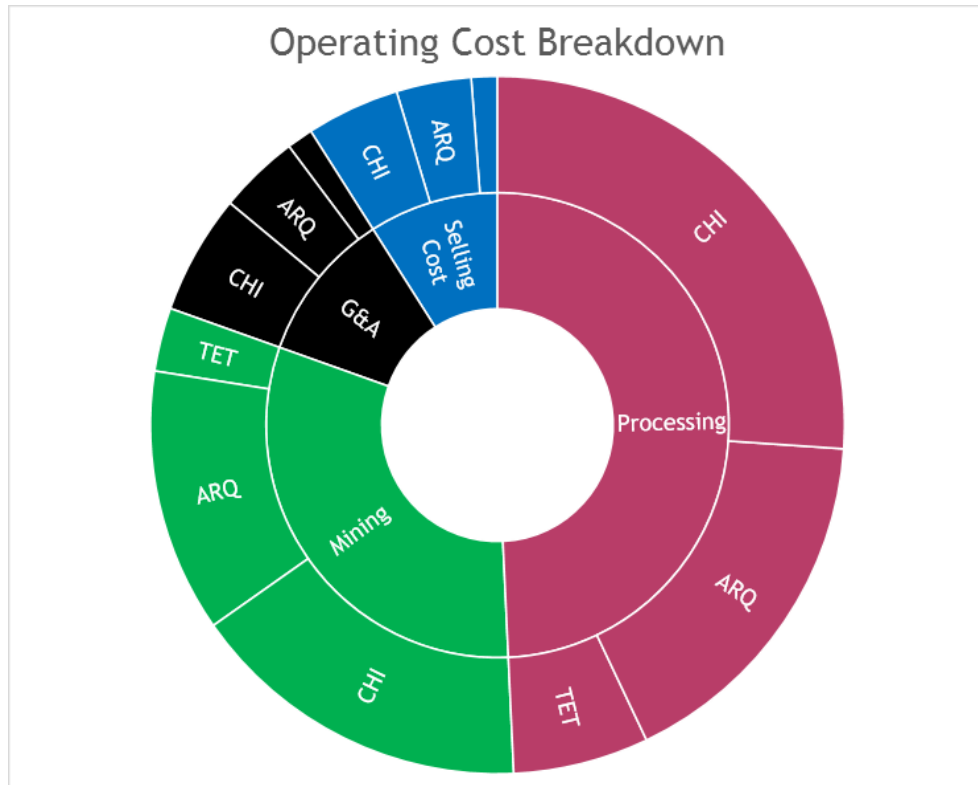
Table 15: Unit Operating Costs (\$/oz AuEq60)

OPEX	LOM Cost (\$/oz)
Mining Costs (Ore and Waste)	220
Processing Costs	347
Administration	74
CSR	2
Total Site Cash Costs	642
Royalties	64
Total Cash Cost	706
Capital and non-operating cost items	207
All-In [Sustaining] Cost (excl Tax, Corporate Office Cost)	913

Note: differences in summation are caused by rounding of values in the table.

Figure 10 (overleaf) shows the breakdown of site operating costs split between the different functions. Segment proportions for mining are a function of total ore and waste mined and for processing are a function of ore tonnes as well as ore hardness, abrasiveness and reagent consumption.

Figure 10: Operating Cost Breakdown/Split



11 COMMUNITY AND EMPLOYMENT

The Project requires the consent of indigenous community stakeholder groups through fair and open consultation. Although there are no permanent human habitations within 60km of the Project, five stakeholder groups were identified for consultation as having an interest in the Project and claims over areas affected by the Project.

Consultation has been ongoing with the five groups for a number of years. Their requests are for work, education, microbusiness support, medical assistance and help with providing medicine and fodder for their animals.

At the time of preparing this Pre-Feasibility Study, Kingsgate is not aware of anything that would stop an agreement being reached with all five groups.

The Neuva Esperanza region of Chile is home to many mining operations and it is expected that a suitably skilled workforce of mine operators, electricians, mechanical fitters and professionals will be drawn from the local region. There are several large mining contractors located in Copiapó.

12 TENURE AND APPROVALS

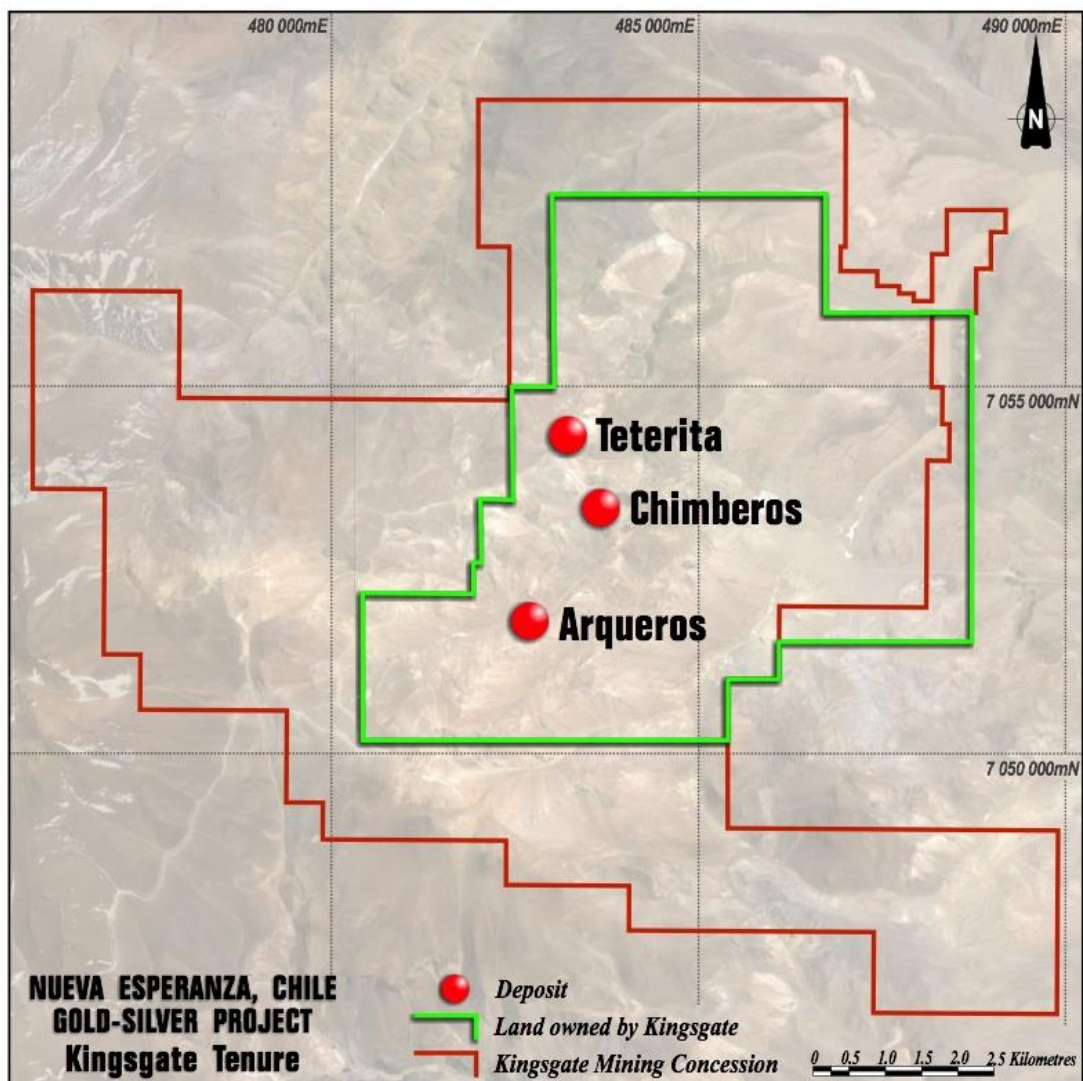
Kingsgate has mining concessions covering the whole area of the proposed mine and treatment plant totaling 9,326ha. It also owns all of the land on which the three pits, treatment plant and all other infrastructure will be built.

Kingsgate has a current environmental permit for the Arqueros pit and the 2012 agitation leach plant. The plant considered in 2012 is in almost the same location as the one proposed in this Pre-Feasibility Study. Kingsgate plans to submit an application to vary the existing environmental permit in the second half of 2016. The process is expected to take 12 months from the lodgment of the application.

The main areas of modification are the replacement of wet tailings with dry stack tailings, some minor modifications to the original treatment plant design and location, the addition of the Chimberos and Teterita open pits and associated waste dumps.

Figure 11 shows the land owned by Kingsgate (red line) and mining concession (green line). This concession is in good standing and is fully paid until 2017. Once granted, maintaining the concession requires the payment of annual fees. There is no imposed development timeframe and no requirement to relinquish any part of the concession.

Figure 11: Nueva Esperanza Tenure Map



13 ECONOMIC OUTCOMES

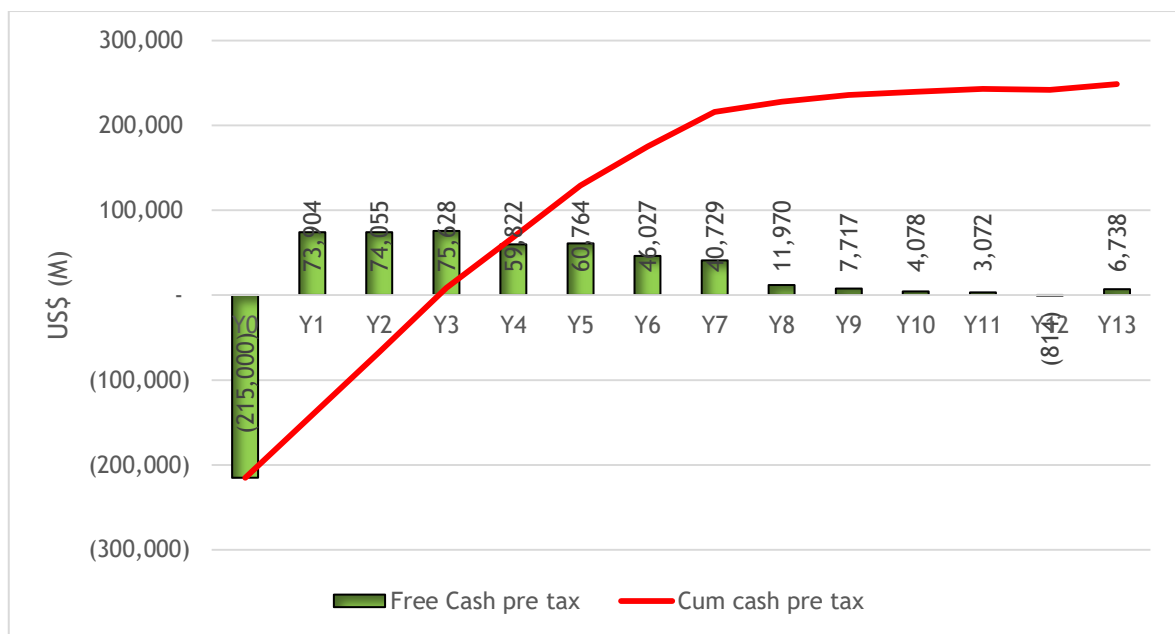
13.1 Conclusions

The key conclusions are that the Project is technically and financially viable at a silver price of US\$19/oz and a gold price of US\$1200/oz. The Project has a life of 11.6 years with an average AuEq60 production rate of 91Koz. The Project has an All-in-Sustaining-Cost (AISC) of US\$913/oz AuEq60. The first 5 years of the project have an annual production rate of 135Koz/yr.

The operation makes free cashflow of \$249M before \$58M of income tax. The Project plan takes advantage of \$10M of accrued tax liability and assumes that the environmental bond is returned the year after operations cease and the mine closure plan has been implemented.

The financial model includes \$8M of closure and rehabilitation costs with \$2M being incurred in year 12 and the remaining \$6 M being incurred in year 13.

Figure 12: Project pre-tax Cashflow (undiscounted)



Royalties and mining taxes are levied on the project by the government and by previous owners. Total royalties charged to the project can be seen in Table 16 (overleaf).

Table 16: Project Financial Outcomes

	Output (\$M)
Revenue	1,208
Operating Costs	669
Start-up Capital	206
Sustaining Capital Costs	3
Pre-construction operating costs	6
Rehabilitation	8
Subtotal	892
Refining and transport	26
Royalty	41
Subtotal	959
Income Tax	58
Free Cash	191

The project has a pre-tax NPV@5% of \$168M and has an IRR of 25% (Table 17 overleaf).

The NPV was calculated from the point at which Kingsgate decide to build the project which is assumed to be at the end of the Feasibility Study. Approximately 12 months have been assumed to construct the site, and 3 months have been assumed for commissioning, and a ramp up in production.

Table 17: Key Financial Metrics

Life of Mine Summary	Unit	First 5 Years	LOM
Bullion recovered & sold	Koz Au	206	275
Life of mine	Moz Ag	28	47
	Koz Au Eq60	676	1,100
Annual average	Koz Au Eq60	135	91
Cash cost (including royalties)	US\$/oz AuEq60	633	706
	US\$/oz Ag Eq60	10.5	14.2
All-in Cost pre-tax (AIC)*	US\$/oz Au Eq60	840	913
	US\$/oz Ag Eq60	14.0	15.2
Free Cash Flow (Life of Mine)	US\$M	89	249
NPV @ 5.0%	Pre-tax basis		168
Internal Rate of Return	Pre-tax basis		25%
Payback	Year		3.0
Life of Project	Year		11.6
Investment capital (initial)	US\$M		206
Sustaining capital	US\$M		3
Peak spending	US\$M		215

* First 5 years - Includes all operating costs, sustaining capital, and amortised plant costs

* Life of mine - Includes all operating costs, sustaining capital, plant costs and closure costs

The Project is particularly sensitive to the silver price (Table 18). A \$1 movement in the silver price represents a \$33M sensitivity to the life of mine cashflow. The project is break even at prices below US\$1,200/oz gold price and a US\$15/oz silver price.

Table 18: Sensitivity to silver prices post tax

Gold (US\$/oz)	Silver (US\$/oz)	Scenario Name	Pre tax Cashflow (US\$ M)	NPV@5.0% (US\$ M)	IRR
1,200	21	+ silver price	256	236	32%
1,200	20	+ silver price	223	202	28%
1,200	19	Base Case	190	168	25%
1,200	18	- silver price	157	134	21%
1,200	17	- silver price	123	99	17%
1,200	16	- silver price	87	65	13%
1,200	15	- silver price	52	31	9%

Based on a Au \$1,200/oz and Ag \$19/oz mine plan

The project is sensitive to metal recovery (Table 19 overleaf) with a 2% move in recovery representing \$18M in free cashflow.

Table 19: Sensitivity to Recovery

Gold (US\$/oz)	Silver (US\$/oz)		Post tax Cashflow (US\$M)	NPV@5.0% (US\$M)	IRR
1,200	19	-4% Recovery	157	133	21%
1,200	19	-2% Recovery	174	151	23%
1,200	19	Base Case	190	168	25%
1,200	19	+2% Recovery	207	186	27%
1,200	19	+4% Recovery	224	203	28%

13.2 Next Steps

In October 2016, following the winter, site feasibility work will commence and include drilling for metallurgical variability test work, further geotechnical definition and sterilization of the plant site, waste dump, and tailings storage foot prints.

Exploration activities in the past few months included geochemical drilling comprising 485 drill holes in 3,332m.

The objective of this basement drilling program was to produce a geochemical map for areas under scree and colluvium cover in order to complete the vectors for gold, silver and pathfinder elements in conjunction with rock chip geochemistry already performed as well as structural and lithological maps and spectral mineralogy. The aim is to generate drill targets for a later reverse circulation drill program.

Kingsgate is aiming to complete permitting and a Feasibility Study in 2017, which will facilitate an investment decision thereafter.

Investor Relations Contact:
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General Manager Corporate and External Relations
 Ph: +61 2 8256 4800 or jgibson@kingsgate.com.au

APPENDIX 1: FORWARD LOOKING AND CAUTIONARY STATEMENTS

Some statements in this report regarding estimates or future events are forward-looking statements. They include indications of, and guidance on, future earnings, cash flow, costs and financial performance. Forward-looking statements include, but are not limited to, statements preceded by words such as “planned”, “expected”, “projected”, “estimated”, “may”, “scheduled”, “intends”, “anticipates”, “believes”, “potential”, “could”, “nominal”, “conceptual” and similar expressions. Forward-looking statements, opinions and estimates included in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements are provided as a general guide only and should not be relied on as a guarantee of future performance. Forward-looking statements may be affected by a range of variables that could cause actual results to differ from estimated results, and may cause the Company’s actual performance and financial results in future periods to materially differ from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include but are not limited to liabilities inherent in mine development and production, geological, mining and processing technical problems, the inability to obtain mine licenses, permits and other regulatory approvals required in connection with mining and processing operations, competition for among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel, incorrect assessments of the value of acquisitions, changes in commodity prices and exchange rate, currency and interest rate fluctuations, various events which could disrupt operations and/or the transportation of mineral products, including labour stoppages and severe weather conditions, the demand for and availability of transportation services, the ability to secure adequate financing and management’s ability to anticipate and manage the foregoing factors and risks. There can be no assurance that forward-looking statements will prove to be correct.

Statements regarding plans with respect to the Company’s mineral properties may contain forward-looking statements in relation to future matters that can only be made where the Company has a reasonable basis for making those statements.

This announcement has been prepared in compliance with the JORC Code (2012) and the current ASX Listing Rules.

The Company believes that it has a reasonable basis for making the forward-looking statements in this announcement, including with respect to any production targets and financial estimates, based on the information contained in this announcement and in particular:

- a) The treatment plant, camp and administration; capital and operating costs contained in this PFS were completed by independent engineering firm, Ausenco, who are considered to be Australian experts, together with Kingsgate’s Project Development Team under the direction of Tim Benfield, Kingsgate’s Chief Operating Officer. As is normal for this type of study, the PFS has been prepared to an overall level of accuracy of approximately -25% to +25%.
- b) The Company has a Mineral Resource Estimate for the Nueva Esperanza Resource of 39.4Mt at 0.39g/t Au and 66g/t Ag for 1.88Moz AuEq60 (at a 0.5 g/t AuEq60 cut-off grade).

- c) Ms Maria Muñoz, a full-time employee of Kingsgate in September 2015, estimated the Nueva Esperanza Mineral Resource.
- d) Independent consultants Ausenco in Perth, Western Australia, completed metallurgical test work, consistent with that required for this level of study, which forms the basis for estimates of metallurgical recoveries. The test work resulted in average gold recoveries ranging from 82% at a P80 grind size of 150 µm to 93% at a P80 grind size of 106 µm. This range of data was used in the analysis for the study.
- e) The mine planning and scheduling for the 2.0Mtpa production plan was supervised by Mr Timothy Benfield and Ms Jennifer McNee of Kingsgate (mining engineers with considerable mine planning and operations experience and Members of the Australasian Institute of Mining and Metallurgy) utilising the Whittle Optimisation software (for open pit mine optimisation) and Studio 3 (for open pit mine planning).
- f) More than 75% of mining inventory is in Probable Ore Reserve categories, accounting for the entire six years of mine life.
- g) Ausenco prepared the detailed process flowsheet based on metallurgical test work.
- h) Geotechnical Engineering for Arqueros and Teterita was completed by Geoinvestment SPA using modern geotechnical techniques and methods, and based on test work consistent with this level of study. Geoinvestment SPA is an industry recognised expert in the field of mining geotechnical engineering. Geotechnical investigations for Chimberos are planned for
- i) The Company believes that the investigations and studies carried out on the process flowsheet and the mine planning for this Study meet or exceed what would normally be expected for a PFS.
- j) Kingsgate has had a very successful track record of adding mineral resources through greenfields and brownfields exploration across its tenements within the Atacama Region. Kingsgate is confident that there is a reasonable probability that it will continue to increase the mineral resources at the Nueva Esperanza Project through exploration to extend the mine life past what is currently assumed in the PFS.
- k) The Nueva Esperanza Project's positive technical and economic fundamentals provide a platform for Kingsgate to advance discussions with potential strategic partners and traditional financiers. Continued support from key institutional shareholders and strategic partners, current market conditions and an encouraging outlook for the global gold and silver market enhance the Company's view of the fundability of the Nueva Esperanza Project. The Board is confident the Company will be able to finance the Nueva Esperanza Project through a combination of debt and equity or strategic partnerships.
- l) Kingsgate's Board and Management team includes Chief Executive Officer, Mr Greg Foulis, a mining industry professional with more than 30 years international corporate and mining experience, Chief Operating Officer Mr Tim Benfield, a mining engineer with more than 22 years mining, development and corporate experience, Non-Executive Director Mr Peter Alexander who has 41 years' mining operational, project development and business development experience, General Manager - Exploration and Resource Development Mr Ronald James, a geologist, who has more than 31 years' experience in the mining industry,

The Board and Management are well qualified and experienced to deal with any funding and project development challenges as they occur. In addition, the current state of the mining professional labour market is such that expert specialist input, when required, is available in Australia and Chile and can be sourced by Kingsgate on a part-time or full-time basis.

PREVIOUSLY REPORTED INFORMATION

This announcement includes information that relates to Mineral Resources and exploration results that were prepared and first disclosed under the JORC Code (2012). This information was included in the Company's previous announcements as follows:

- ASX announcement dated 19 October 2011, "Mineral Resources and Ore Reserves."
- ASX announcement dated 15 July 2015, Chimberos Gold Discovery adds Significantly to Mineral Resources in Chile."
- ASX announcement dated 13 April 2016. "Nueva Esperanza Mineral Resource Update."

These announcements are available at the Company's website 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 announcements and, in the case of estimates of Mineral Resources that 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 Persons' findings are presented have not materially changed from the original market announcement.

APPENDIX 2: COMPETENT PERSONS

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 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 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, Arqueros and Teterita deposits and Chimberos Stockpiles 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 Ms. Jennifer McNee who is a full-time employee of Akara Resources / Kingsgate Consolidated Limited and a member of the Australasian Institute of Mining and Metallurgy. Ms. McNee is an employee of Akara Resources a 100% controlled entity of Kingsgate Consolidated Limited and has sufficient experience relevant to the type of mining 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. McNee 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 supervised by Mr. Timothy Benfield who is a full-time employee of Kingsgate Consolidated Limited, a Fellow and a Chartered Professional (mining) of the Australasian Institute of Mining and Metallurgy. Timothy Benfield 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. Benfield consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

APPENDIX 3:

Ore Reserves

Ore Reserves	Tonnes (Mt)	Au		Ag		Au Eq60 (g/t)	Gold Equivalent (Moz)
		(g/t)	(Moz)	(g/t)	(Moz)		
Probable Category							
Arqueros	7.7	0.4	0.09	89	22.1	1.9	0.46
Chimberos	6.8	0.9	0.21	66	14.4	2.0	0.45
Teterita	2.6	-	-	135	11.3	2.3	0.19
Total	17.1	0.5	0.30	87	47.8	2.0	1.10

Note: rounding of values in table causes differences in summation.

APPENDIX 4: JORC CODE 2012 TABLE 1

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	<ul style="list-style-type: none"> • 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. • 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. • The combined resource database totals 3,379 holes for 181,672 m of drilling as follows: <p style="margin-left: 20px;">Pre-Laguna Drilling:</p> <ul style="list-style-type: none"> - Arqueros: 2,698 DTH Holes (99,792m), 56 RC Holes (10,941m), 3 DDH Holes (1,250m). - Teterita: 66 RC Holes (8,488m). - Chimberos: 99 RC Holes (9,670m), 167 DDH Holes (8,734m).

	<p>Laguna Drilling:</p> <ul style="list-style-type: none"> - Arqueros: 76 RC Holes (11,417m), 64 DDH Holes (6,484m). - Teterita: 23 RC Holes (2,364m), 36 DDH Holes (2,933m). - Chimberos: 75 RC Holes (14,378m), 11 DDH Holes (1,888m) and 16 RD (2,870m in RC and 2,643 DDH). - Chimberos Dumps: 3 RC Holes (171mm), 19 surface trenches (15m x 1.85m x 3m each for 19 composited samples). <ul style="list-style-type: none"> • 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. • 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.
<p style="text-align: center;">Drilling techniques</p>	<ul style="list-style-type: none"> • 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 ¼ 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.
<p style="text-align: center;">Drill sample recovery</p>	<ul style="list-style-type: none"> • 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. Moist and wet samples were air dried and homogenised before rifle splitting. • Most RC samples (around 97%) were logged as dry in Arqueros and Teteritas. • In Chimberos, 77% of the RC samples were record as dry.

	<ul style="list-style-type: none"> • The wet samples were compared against the grade values that 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 coarse 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. • Average estimated recoveries for Laguna’s drilling within mineralised zones is: <ul style="list-style-type: none"> - Arqueros: 86% in RC and 79% in DDH - Teterita: 72% in RC and 86% in DDH - Chimberos: 79% in RC and 92% in DDH - Chimberos Mineralized dumps: 70% in RC
Logging	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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. • 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. • 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.

	<ul style="list-style-type: none"> • 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 rifle splitter to obtain a 250g sub-sample that was pulverised to 85% passing 75microns.
	<ul style="list-style-type: none"> • 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.
	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 16% 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.
Verification of sampling and assaying	<ul style="list-style-type: none"> • 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. • 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.

	<ul style="list-style-type: none"> • 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.
	<ul style="list-style-type: none"> • 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.
	<ul style="list-style-type: none"> • 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, 1.2 to compensate for this understatement multiplied the pre-Laguna silver assay results. No other assay values were modified.
Location of data points	<ul style="list-style-type: none"> • 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 used by Reflex Maxibor II, Reflex Gyro and gyroscope tools and used EZ TRAC, Maxibor II and Reflex Gyro tools surveyed DDH holes. 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. <p>• 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:</p> <ul style="list-style-type: none"> - Arqueros 16 holes with variations of east: $\pm 1.60\text{m}$, north: $\pm 0.70\text{ m}$, elevation: $\pm 1.95\text{m}$. - Teterita 50 holes with variations of east: $\pm 3.98\text{m}$, north: $\pm 3.19\text{ m}$, elevation: $\pm 2.53\text{m}$. - Chimberos 7 holes with variations of east: $\pm 0.15\text{m}$, north: $\pm 0.17\text{m}$, elevation: $\pm 0.88\text{m}$. <p>• The location of the sample points, topographic surfaces and previous mining has been established with sufficient accuracy for the current estimates.</p>

Data spacing and distribution	<ul style="list-style-type: none"> • 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. • Drilling at Teterita shows a nominal drill spacing of 25m by 25m in central portions of the deposit and broader in peripheral areas. • 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.
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> • 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.
Sample security	<ul style="list-style-type: none"> • 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. • Drilling orientation at Teterita is perpendicular to the structure. • 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.
Audits or reviews	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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. • 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				
<i>• (Criteria listed in the first group, and where relevant, apply also to this group)</i>				
Tenement status and geological setting	<ul style="list-style-type: none"> 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

	<table border="1"> <tr> <td>Flor 1/20</td> <td>Mining Concession</td> <td>100</td> <td>Approved</td> </tr> <tr> <td>Canarias 1/414</td> <td>Mining Concession</td> <td>1065</td> <td>Approved</td> </tr> <tr> <td colspan="2" style="text-align: center;">Total</td> <td>9789</td> <td></td> </tr> </table>	Flor 1/20	Mining Concession	100	Approved	Canarias 1/414	Mining Concession	1065	Approved	Total		9789		
Flor 1/20	Mining Concession	100	Approved											
Canarias 1/414	Mining Concession	1065	Approved											
Total		9789												
	<ul style="list-style-type: none"> 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” 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. 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> The geology of the project is characterised by hydrothermally altered Tertiary acid (dacite) volcanics associated with the Miocene-aged Cerro Bravos stratovolcano, overlying Paleozoic metasediments. 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. 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). 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. 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> • There are no exploration results being reported in this release, therefore this information does not apply to this heading.
Diagrams	<ul style="list-style-type: none"> • There are no exploration results being reported in this release, therefore this information does not apply to this heading.
Balanced reporting	<ul style="list-style-type: none"> • There are no exploration results being reported in this release, therefore this information does not apply to this heading.
Other substantive exploration data	<ul style="list-style-type: none"> • There are no exploration results being reported in this release, therefore this information does not apply to this heading.
Further work	<ul style="list-style-type: none"> • 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

(Criteria listed in the first group, and where relevant in the second group, apply also to this group)

Criteria	Commentary
Database integrity	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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.
Dimensions	<ul style="list-style-type: none"> 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. 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. Chimberos Mineralized Dumps extend over approximately 550m long by 300m wide and 50m thickness.
Estimation and modeling techniques	<ul style="list-style-type: none"> 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. 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). 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. 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. 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.

	<ul style="list-style-type: none"> • 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. • 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. • The models are coded with mineralised domain codes. No by-product or deleterious elements were included. <hr/> <ul style="list-style-type: none"> • 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. • 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. • 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. • 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. • 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. <hr/> <ul style="list-style-type: none"> • 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. <hr/> <ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • The resource tonnage is reported using a dry bulk density and therefore represents dry tonnage excluding moisture content.
Cut-off parameters	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> Metallurgical recoveries are based on test work carried out for each deposit. The test work 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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. The densities adopted for each deposit have been determined on 1521 DDH sampling and 263 rock samples, and are: <ul style="list-style-type: none"> 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. 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. 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	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> • 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. 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. 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. • 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. • 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.

Criteria	Section 4 - Estimation and Reporting of Ore Reserves
Mineral Resources Estimate for conversion to Ore Reserves	<ul style="list-style-type: none"> • The Ore Reserve estimate is based on the current Mineral Resource estimate as described in Section 3. The Mineral Resources was modified to produce the Ore Reserve estimate.
Site visits	<ul style="list-style-type: none"> • The Competent Person for ore reserve reporting is Ms Jennifer McNee a member of the AusIMM Ms. McNee did not visit site but her work was supervised by Mr Tim Benfield who is a fellow of the AusIMM (CP) visited the Nueva Esperanza project.

Criteria	Section 4 - Estimation and Reporting of Ore Reserves
Study Status	<ul style="list-style-type: none"> • A Pre-feasibility study for the Nueva Esperanza Project was completed in March 2016. This study was for a conventional truck and shovel open pit mining operation with treatment by primary crush, SAG / ball milling, agitated leaching, Merrill Crow metal extraction and dry stacked tailings. • The Nueva Esperanza project has been successfully mined and processed in the past and has been the subject of two previous feasibility studies. As a result the amount of data, and level of analysis and understanding of the ore characteristics is well within the levels acceptable for a Pre- Feasibility study. • Test work has been carried out for comminution, metal extraction, leach residence times and grind size. These factors were used to design the plant, estimate the operating and capital cost and as inputs to the mine plan optimization process. • The metallurgical test work analysis, plant design, dry stacked tailings design, operating and capital costs were undertaken by Ausenco (Perth). These cost estimates are within an accuracy of $\pm 25\%$ and were current in Q3 2015 • Chilean mining contractors provided mining costs with experience in open pit mining in the region and at the altitude of the project.
Cut-off Grade	<ul style="list-style-type: none"> • The cut-off grade used to report reserves is calculated based on the operating costs that utilizes a floating cut-off grade derived from the incremental cost of processing ore, mining costs, metallurgical recovery very and metal prices that were used in the Whittle optimisations for each of the pits. • A floating cut off grade was used to calculate the reserves, however a minimum grade of: 0.62g/t AuEq60 for Arqueros, 0.71g/t AuEq60 for Chimberos, and 55.5g/t Ag for Teterita was also applied.
Mining Factors	<ul style="list-style-type: none"> • The methodology used to convert the Mineral Resource to Ore Reserve is based on mine planning process steps of pit optimization with Whittle, mine design, mine schedule and financial modelling. Factors and assumptions have been formed from the most recent PFS. • Ore dilution and recovery loss are both assumed at 5% due to the nature of the deposit. • External Geotechnical studies have been carried out to evaluate the operational designs. Ore Reserves are based on the most recent recommendations of pit slope, berm, and batter configuration. These parameters vary depending on the alteration and lithology of each deposit.
Metallurgical Factors/Recovery Model	<ul style="list-style-type: none"> • Plant design was for 2Mtpa with a 120μm grind size and a 48hr leach time. • Ausenco, Perth, produced recoveries for each pit and each lithological domain. Recoveries used in the mine optimization and financial model were an average for each lithology • The average combined recovery for the life of the mine is 80% for silver and 84% for gold.
Environmental	<ul style="list-style-type: none"> • Environmental studies for this project are well advanced. • The project has an existing and approved environmental impact assessment (EIA) in place for the project as it was in 2012. This approval needs to be modified to take into account the change from wet tailings to dry stacked tailings as well as the addition Teterita and Chimberos pits and dumps and some minor modifications to the treatment plant and its location. • The modifying document called a DIA, which is expected to be submitted to the regulator in the third quarter of 2016.
Infrastructure	<ul style="list-style-type: none"> • Well-made and maintained gravel roads allow access to the site. It is most likely that the workforce will access the site from Copiapó via a southern route and that heavy equipment will be bought in from the north via Diego de Almagro. • All land within the mining area is owned by Kingsgate's Chilean subsidiary, Laguna Resources Chile Limitada • Labour will sourced from local communities, predominantly the Municipalities of Copiapó, Tierra de Amarillo and Diego de Almagro. • Staff employed on site will be nationals with on-site accommodation provided.

Criteria	Section 4 - Estimation and Reporting of Ore Reserves
	<ul style="list-style-type: none"> • Power is available from the grid and the cost of building a spur line to the mine site is allowed for in the capital costs. • Water for 100% of the processing for the entire mine life is available from a borefield owned by Anglo American. A contract for the purchase of this water from Anglo American is in place.
Costs	<ul style="list-style-type: none"> • Capital costs include the process plant infrastructure, dry stacked tailings, site services, offices, accommodation, and mining workshop. These were calculated by Ausenco (Perth). • The mine operating costs used in the Whittle optimisations, to determine the cut-off grade, are based on contract mining unit rates and budget quotations for major consumables. • 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 US\$7000/t copper and US\$1200/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% (NSR) for Nueva Esperanza • Royalties are paid to vendors of Arqueros, Teterita and Chimberos as follows: <ul style="list-style-type: none"> ○ Arqueros: 3% NSR ○ Teterita: 7% NSR comprising two separate agreements of 5% and 2% respectively. ○ Chimberos: 3% NSR
Revenue Factors	<ul style="list-style-type: none"> • A gold price of US\$1200/troy oz and a silver price of US\$19/troy oz were used to calculate the reserves.
Market Assessment	<ul style="list-style-type: none"> • 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 recover 47 million ounces of silver and 275,000 ounces of gold; or 1M ounces of gold equivalent (Eq60) for a mine life of 11.6 years. The mine plan contains 1.3Mt of inferred mineralization at the end of the mine life. The inferred material are not included in the reserve statement. The plan also contains 4.6Mt of existing low grade stockpiles that are defined as Inferred Resource and are processed in the last 3 years of the mine plan.
Economic	<ul style="list-style-type: none"> • The project NPV was calculated using Pre-feasibility level operating and capital costs, silver prices of US\$19/oz and gold price US\$1200/oz. • The project NPV was positive.
Social	<ul style="list-style-type: none"> • Laguna Resources Chile has a close working relationship with the community in the nearest towns and rural communities. • There is no community habitation within 60Km of the project. • The operation needs local community support and Kingsgate are not aware of any reasons why an agreement cannot be reached with the local community.
Other Risks	<ul style="list-style-type: none"> • The project is located in a seismic active region and all codes pertaining to seismic structural stability have been applied. • Output from the Nueva Esperanza mine will be sold at spot market prices with no hedging agreements unless required by financing. • 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	<ul style="list-style-type: none"> • Measured Category Mineral 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	<ul style="list-style-type: none"> • There have been no formal external audits of the Ore Reserve estimate. The Ore Reserve estimate was peer reviewed internally within Kingsgate.
Accuracy / Confidence	<ul style="list-style-type: none"> • QAQC has been applied to sampling of materials for resource and reserve estimates. • Estimates for the plant and infrastructure capital and operating costs are within an accuracy of $\pm 25\%$ • Mining costs were by budget quote from 3 local mining contractors with experience in open pit mining. These budget costs were collected in 2014 and have been adjusted to Q3 2015 by a rise and fall formula imbedded in the quotes.