



# Kingsgate

Consolidated Limited

9 October 2013

**Via ASX Online  
(20 pages)**

**FOR PUBLIC RELEASE**

Manager  
Company Announcements Office  
Australian Securities Exchange

## **Nueva Esperanza, Chile - Project and Mineral Resource Statement Update**

Kingsgate Consolidated Limited (ASX: KCN) is pleased to provide an update on the Nueva Esperanza silver and gold project in Chile following completion of the initial review of a heap leach processing route alternative and an updated Mineral Resource estimate in line with JORC 2012 guidelines.

Following this review, the project development plan is now focused on a 3 million tonne per annum heap leach operation with an initial mine life of 6+ years. Annualised production levels (post ramp-up) are estimated at 6.0-8.0 million ozs of silver and 18,000-22,000 ozs of gold, at an indicative start-up capital cost of between US\$130-150 million (inclusive of 25% contingency).

The parameters outlined in this project update are based on preliminary results only and are insufficient to provide assurance as to the economic development of the project at this stage and these parameters may also change following completion of the Definitive Feasibility Study.

The project will now move into the final feasibility and design stage with results expected to be available during the March 2014 quarter. This work is building upon the engineering work previously undertaken for the agitated leach (milling) option and can be completed with only modest additional expenditure.

Gavin Thomas, Kingsgate's Managing Director and CEO said, "We are delighted by the results of the work completed on the project to date, which confirm our long held belief in the underlying quality and flexibility of Nueva Esperanza."

"The decision to change focus to a heap leach option has been vindicated and based on the indicative results shows the potential for a higher return than previously expected."

"While there is considerable work still to be done before any development decision can be made, we intend to complete the feasibility study in a cost efficient manner with the project well positioned in the current silver price environment", he said.

Attached to this release is the Project Resource Estimates completed in-line with JORC 2012 guidelines.

For personal use only

## Nueva Esperanza Definitive Feasibility Study Update

Kingsgate has been changing the focus of its feasibility work from an agitated leach (milling) option to a lower energy consumption and lower capital cost heap leach option. The preliminary, and interim, phase of this work has been completed and these preliminary estimates provide confidence in the technical and financial robustness of the project, at current spot silver and gold prices.

The proportion of the indicative tonnes processed over the estimated life of the project consist of 14.8% measured resource and 85.2% indicated resource. No inferred resources have been included in the preliminary estimates.

The preliminary estimates from this work are summarised as follows.

Throughput <sup>(1)</sup>	3,000,000 tonnes per annum
Initial mine life	6 years
Annualised production <sup>(1)</sup>	
- Silver	6,000,000 – 8,000,000 ozs
- Gold	18,000 – 22,000 ozs
Start-up capital cost	US\$130-150 million
Average metallurgical recovery	
- Silver	70-75%
- Gold	65-70%
Average strip ratio	5.5:1
Average operating cost (after gold credits)	US\$11-13/oz silver

Note: These parameters are based on preliminary results only and may change following completion of the Definitive Feasibility Study.

(1) Following completion of the ramp up to full capacity expected to take between 18-24 months.

### Mining

The Definitive Feasibility Study (“DFS”) is planned to incorporate the three deposits of Arqueros, Chimberos and Teterita. Initial mine planning has been completed based on the Measured and Indicated resource categories, although detailed analysis necessary for ore reserve reporting has not yet been undertaken. The planning incorporates indicative mining quotes from a local contractor, initial pit wall angles based on existing geotechnical information and metallurgical results to date.

Production levels are expected to vary on a yearly basis depending on the ramp up to full capacity (expected to take between 18-24 months) and the final sequencing of the deposits. The initial mine planning has identified the optimum phasing of the deposits, maximising grade in the early years and managing waste removal across all deposits. Further work over the next two quarters will focus on detailed mine planning and design.

## Project Design

The current plant and infrastructure design comprises the following:

- Three-stage crushing circuit with a design crush of between 4 and 8mm. The circuit will include High Pressure Grinding Rolls (“HPGR”) as the third crushing stage to generate the necessary micro fracturing of the mineralisation to achieve the targeted metallurgical recovery rates. Agglomeration of the product will be required following the final crushing stage.
- A third party power supplier will provide on-site power generation using LNG. Current indications are that all-in power costs will be largely in line with current spot rates of approximately US\$0.25/kWh. This will eliminate the need for the previously planned 45 kms electricity transmission line from the nearest access point to the power grid.
- An overland conveyor of approximately 4.7 kms to transport the agglomerated product from the crushing plant to the leach pads.
- Initial leach pad design of 10 million tonnes.
- Merrill Crowe circuit to recover a silver/gold doré.
- Water usage rights have been secured from two water bores approximately 10 kms from the project that will provide sufficient water to meet all planned requirements.

## Metallurgical Test Work

Kingsgate has undertaken metallurgical test work on the various types of mineralisation within the project. This has included intermittent bottle-roll tests, laboratory column leach tests and on-site column leach tests as well as assessing alternative crushing technologies. Given the results of these tests, the following assumptions will be incorporated into the DFS:

- Metallurgical recoveries in the range of 70-75% for silver and 65-70% for gold.
- A fast leaching profile of the mineralisation with 80% of the recoverable metal extracted in the first 30 days of leaching.
- Micro-fracturing of the material through the use of HPGR significantly improves the overall metallurgical recovery.

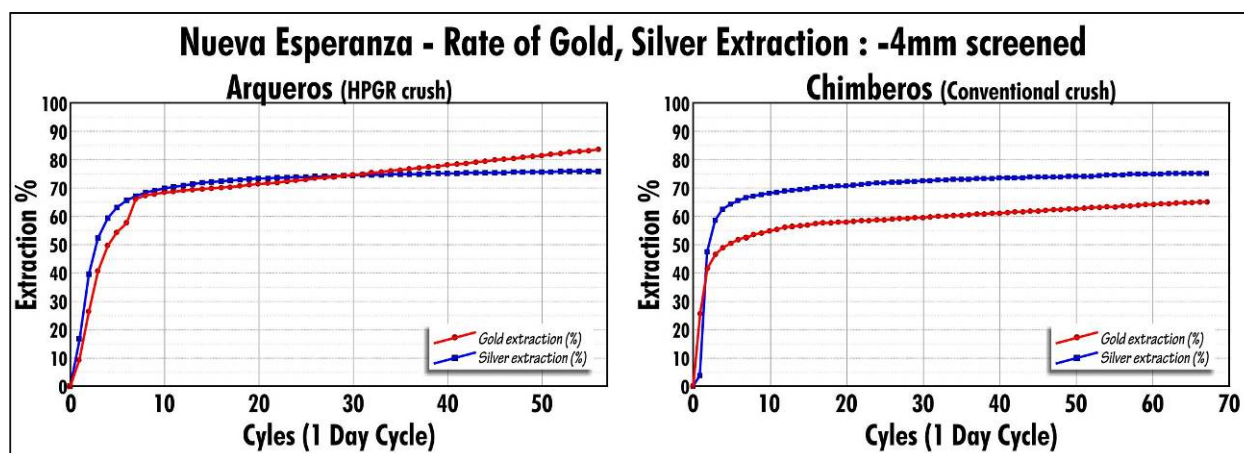


Figure 1: Leach Cycle Testwork for Arqueros and Chimberos deposits

It is anticipated that there will be ongoing metallurgical testing of the mineralisation over the next six months to provide additional technical information as part of the overall project design. However, conclusions from the test work completed to date provide the confidence to proceed with detailed design of the project.

## Indicative Capital Cost Estimate

An indicative capital cost for a 3 Mtpa heap leach option has been calculated building upon the information from the engineering work completed by external engineering consultants undertaken for the agitated leach (milling) option and internal estimates. The capital cost is anticipated to be much lower than previous estimates and is likely to have a positive impact on both project returns and the financing of any development.

Category	Low (US\$ million)	High (US\$ million)
Direct Costs	73	81
Indirect Costs	25	31
EPCM	7	8
Sub Total	105	120
Contingency	25	30
<b>Total</b>	<b>130</b>	<b>150</b>

Note: These parameters are based on preliminary results only and may change following completion of the Definitive Feasibility Study.

Despite the recent metal price volatility, Chile continues to experience significant tightness in capital and project development costs. Whilst these trends have been incorporated in the estimates, upward pressure on capital costs remain a feature throughout the country and completion of the DFS is required to enhance the overall level of confidence in the estimates.

## Forward Work Plan

The key areas of focus are as follows:

1. Feasibility work - The DFS for a heap leach operation is now underway with results expected to be available during the March quarter 2014.
2. Additional Regulatory Approvals – The Environmental Impact Assessment (EIA) will need to be modified via a DIA (Declaracion de Impacto Ambiental, which translates into Declaration of Environmental Impact) to incorporate heap leaching, on-site power generation and an updated mine plan for the Chimberos and Teterita deposits which were not included in the original EIA. Work on this is expected to begin shortly with approvals expected to take between 3-6 months from submission.

The work plan can be undertaken in a low cost manner and, when completed, will provide maximum flexibility regarding project development. It is anticipated that following completion of the DFS and the DIA that all key aspects of the Company's feasibility work will be completed in the June quarter 2014 in order to facilitate a determination of the optimum development route and timing for the project.

## Exploration and Other Prospects

The Nueva Esperanza system is a structurally coherent network of precious metal deposits, which has been intermittently explored. Kingsgate has an opportunity, based on bringing Arqueros, Chimberos and Teterita into production, to explore and develop the remainder of the system. The exploration strategy in the medium term will be to review these near surface targets with open pit potential and conduct geophysical work to explore for deeper and lateral targets.

Previous owners have completed only limited and shallow exploration with no deep exploration drilling programs conducted to date. Key prospective targets with significant gold intersections include Rifle, Boulder and Huantajaya.



Figure 2: Panorama of Nueva Esperanza (looking west) – Proposed heap leach pads will be located at the base of the hill.

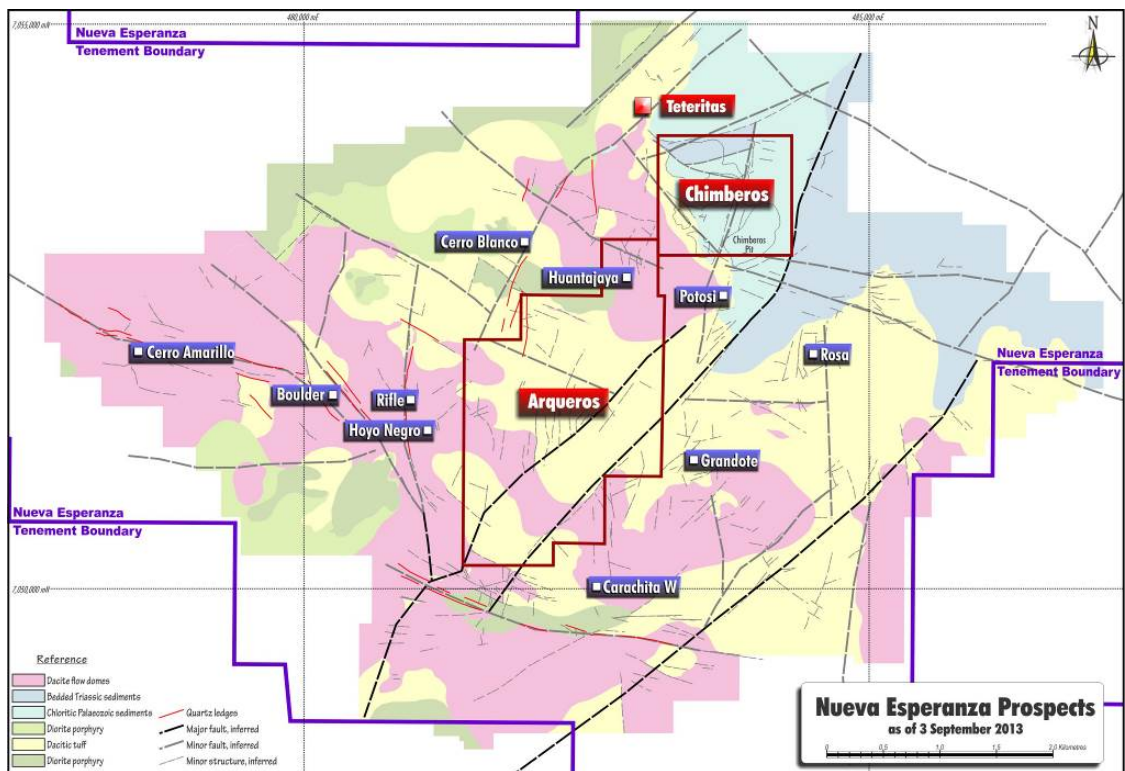


Figure 3: Nueva Esperanza Project Area – Geology and Prospect Locations

For personal use only

## Updated Nueva Esperanza Project Mineral Resources Summary

Kingsgate has updated the Mineral Resources for the Nueva Esperanza project, which comprises three virtually adjacent deposits Arqueros, Teterita and Chimberos that are located in northern Chile approximately 900 kilometres north of Santiago in the La Copia segment of the Maricunga gold belt, near the regional centre of Copiapo. The Mineral Resource and this project incorporates recent drilling of the Chimberos project and a gold/silver ratio of 60 (previously 45) for gold equivalent (AuEq60) and silver equivalent (AgEq60) calculations.

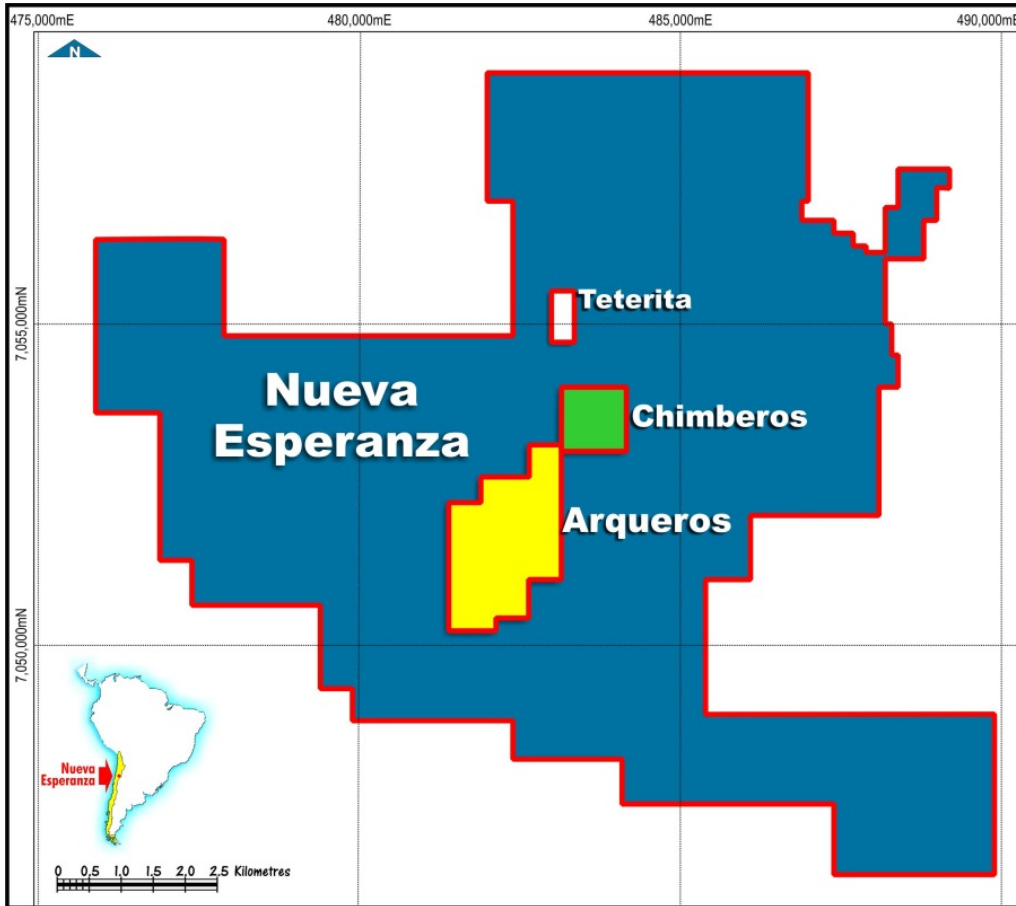


Figure 4: Nueva Esperanza Mining Lease showing Arqueros, Chimberos and Teterita Projects

### The Nueva Esperanza Mineral Resource

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

The use of historical drilling data in the Nueva Esperanza Mineral Resource estimation has been validated in this resource estimate with parallel confirmation drilling and statistical analysis. Statistical analysis of the percussion and diamond drill assays show good agreement for extent of the mineralized intervals, albeit with systematically higher grades for the more recent drilling. Mineral Resources based on the earlier drilling alone were categorized entirely as Inferred. The current Mineral Resource estimate adopts the new drilling results as well as the original assay results, which are now considered biased low. Therefore the average grade of the deposit is considered to be conservative.

There is an expectation that a high proportion of the current Mineral Resource will convert to Ore Reserves.

**Nueva Esperanza Project Mineral Resource Summary**  
(at 0.5 g/t AuEq60 cut off)

Deposit	Category	Tonnes (million)	Grade			Contained Metal			
			Gold (g/t)	Silver (g/t)	Gold Equiv. (g/t)	Gold (‘000 oz)	Silver (million oz)	Gold Equiv. (million oz)	Silver Equiv. (million oz)
Arqueros	Measured	-	-	-	-	-	-	-	-
	Indicated	14.1	0.35	88	1.82	160	39.9	0.82	49.4
	Inferred	3.3	0.4	57	1.4	40	6.0	0.14	8.6
	<b>Subtotal</b>	<b>17.4</b>	<b>0.36</b>	<b>82</b>	<b>1.73</b>	<b>200</b>	<b>45.9</b>	<b>0.97</b>	<b>58.0</b>
Teterita	Measured	1.5	0.01	101	1.69	1	4.87	0.08	4.90
	Indicated	3.5	0.01	92	1.54	1	10.4	0.17	10.4
	Inferred	0.7	0.01	71	1.2	0	1.6	0.03	1.6
	<b>Subtotal</b>	<b>5.7</b>	<b>0.01</b>	<b>92</b>	<b>1.54</b>	<b>2</b>	<b>16.8</b>	<b>0.28</b>	<b>16.9</b>
Chimberos	Measured	-	-	-	-	-	-	-	-
	Indicated	3.7	0.25	84	1.65	30	10.0	0.20	11.8
	Inferred	2.1	0.3	80	1.6	20	5.4	0.11	6.6
	<b>Subtotal</b>	<b>5.8</b>	<b>0.27</b>	<b>83</b>	<b>1.64</b>	<b>50</b>	<b>15.4</b>	<b>0.31</b>	<b>18.4</b>
Total	Measured	1.5	0.01	101	1.69	1	4.9	0.08	4.9
	Indicated	21.3	0.28	88	1.74	190	60.2	1.19	71.6
	Inferred	6.1	0.3	67	1.4	60	13.0	0.28	16.8
	<b>Total</b>	<b>28.9</b>	<b>0.27</b>	<b>84</b>	<b>1.67</b>	<b>251</b>	<b>78.2</b>	<b>1.56</b>	<b>93.3</b>

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

## Summary of Resource Estimate and Reporting Criteria

(Full details included in the attached Table 1)

### *Geology and geological interpretation*

The project consists of three well defined mineralised deposits and a number of undeveloped exploration targets all owned 100% by Kingsgate Consolidated Limited. The main deposits are Arqueros, Chimberos and Teterita. Arqueros has been previously mined on a limited scale by underground methods and Chimberos was exploited as an open pit. Previous production from Arqueros was approximately 1.21 million tonnes of 1.34g/t gold and 364g/t silver and Chimberos produced approximately 4 million tonnes of ~300g/t silver.

Nueva Esperanza is a high-level epithermal system; predominantly silver rich with gold and vein deposits along with possible porphyry gold targets deeper in the system. The project is characterised by a broad, strong argillic alteration system on a scale of about 8 km x 8 km. The mineralisation lies within a volcanic complex with intermediate to acidic composition of Miocene age. At Nueva Esperanza the main volcanic episode was formed by coalescing stratovolcanoes Cerros Bravos and Barros Negros and associated peripheral domes. The mineralisation comprises two main styles. The first is a silver-rich near horizontal unit called a "mantos" and a second style of cross-cutting gold rich near vertical units which are fault related. The gold rich mineralisation is well developed at Arqueros but this style of mineralisation has not yet been observed at Teterita and is poorly preserved at Chimberos.

### *Sampling and sub-sampling techniques*

The resource 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 combined resource database totals 3,302 holes for 162,535 metres.

RC holes were sampled over 1 metre intervals and diamond core was generally sampled over 1 metre intervals with sample intervals honouring lithological and alteration contacts and sample lengths of 0.5 to 1.5 metre and a minimum weight of 0.5 kg. Intervals of up to 3 metre were rarely used for low-core recovery zones. The RC and diamond sub-samples were crushed, split and pulverised to produce 30 gram charges for gold and silver assaying by fire assay and multi-acid digestion respectively.

### *Drilling techniques*

The 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. The diamond drill core was oriented whenever possible.

### *Classification criteria*

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 and 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.

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 Person's views of the deposit.

For personal use only



### *Sample analysis method*

Resource sampling and analysis were guided by industry standard protocols and QAQC procedures. The RC and diamond sub-samples were crushed, split and pulverised to produce 30 gram charges for gold and silver assaying by fire assay and multi-acid digestion respectively.

### *Estimation methodology*

Resources were estimated by Multiple Indicator Kriging (MIK). MIK models were created for gold and silver with block support adjustment to reflect open pit mining selectivity. The estimates are reported above gold equivalent cut-off grades using silver to gold equivalence ratio of 60:1 to reflecting prices of US\$1,380/oz Au and US\$21.50/oz Ag, and metallurgical recoveries of 70% Au and 75% Ag estimated from test work by Kingsgate. These estimates are based on three year average commodity prices and results of metallurgical test work.

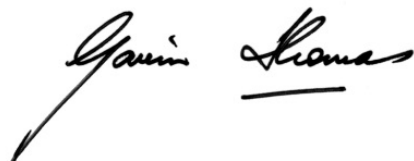
### *Cut-off grades*

The estimates are reported at 0.5g/t gold equivalent cut off. This cut-off used in the resource report reflects results of Laguna's Pre-feasibility study, which included potential metal prices, metallurgical recovery and potential operating costs. The operating costs include power, mining, three-stage comminution including High Pressure Grinding Rolls (HPGR) and processing by heap leaching at a rate of 3Mtpa.

### *Mining and metallurgical methods and parameters*

The estimates reflect open pit mining and include a block support adjustment to reflect mineralisation selection based on gold or silver cut-off grades with 4 by 6 by 2.5 m mining selectivity and 6 by 9 by 1 m grade control sampling. These criteria are based on the Competent Persons experience with comparable mineralisation and mining operations of comparable scale to that envisaged for Nueva Esperanza.

Metallurgical test work on the various types of mineralisation included on site column leaching, laboratory column leaching and intermittent bottle roll test for each of the three deposits and mineralisation types. The anticipated metallurgical recoveries were in the range of 75% for silver and 70% for gold.



**Gavin Thomas**

Managing Director & CEO  
Kingsgate Consolidated Limited

For personal use only

### **Competent Persons Statements:**

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

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

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

### **Forward Looking Statements**

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

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

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

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

### **Cautionary Statement:**

The parameters outlined in this project update are based on preliminary results only and are insufficient to provide assurance as to the economic development of the project at this stage and may also change following completion of the Definitive Feasibility Study. Work completed to date is based on lower-level technical and economic assessments and are insufficient to support Ore Reserves or to provide assurance of an economic development case at this time, or to provide certainty that the assessments made will be realised.

For personal use only

# Nueva Esperanza

## Table 1

<b>Section 1 - Sample Techniques and Data</b>	
<i>(Criteria in this group apply to all succeeding groups)</i>	
<b>Criteria</b>	<b>Commentary</b>
<b>Sampling techniques</b>	<ul style="list-style-type: none"> <li>• Mineral Resource estimates for Nueva Esperanza include the Arqueros, Teterita and Chimberos deposits. The estimates are based on reverse circulation (RC), diamond (DDH) and open hole percussion (DTH) drilling from surface and underground mine workings completed by several companies since 1980. The sampling includes 2009-2013 drilling by Laguna Resources, a wholly owned division of Kingsgate Consolidated Ltd (17% of the drill meters) and previous explorers including Anglo American Chile (20%), Can Can Mining (48%) and Kinross (15%).</li> <li>• The combined resource database totals 3,302 holes for 162,535 m of drilling as follows:               <ul style="list-style-type: none"> <li>Pre-Laguna Drilling:                   <ul style="list-style-type: none"> <li>- Arqueros: 2698 DTH Holes (99791m), 56 RC Holes (10941m), 3 DDH Holes (1250m).</li> <li>- Teterita: 57 RC Holes (6518m).</li> <li>- Chimberos: 94 RC Holes (8750m), 167 DDH Holes (8734m).</li> </ul> </li> <li>Laguna Drilling:                   <ul style="list-style-type: none"> <li>- Arqueros: 76 RC Holes (11417m), 64 DDH Holes (6491m).</li> <li>- Teterita: 23 RC Holes (2364m), 36 DDH Holes (2933m).</li> <li>- Chimberos: 19 RC Holes (3132m), 9 DDH Holes (1464m).</li> </ul> </li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>• Laguna resource sampling was guided by industry standard protocols and QAQC procedures. Standards, field duplicates and blank samples were inserted into assay batches with each set of 22 assayed samples routinely containing these three control samples and comprising 19 primary samples, 1 standard, 1 duplicate and 1 blank. After completion of routine assaying, selected pulp rejects were re-assayed by a second laboratory. The combined control samples represent approximately 14% of assayed samples.</li> <li>• 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.</li> </ul>
	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<b>Drilling techniques</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>

<p><b>Drill sample recovery</b></p>	<ul style="list-style-type: none"> <li>• Details of simple recoveries for pre-Laguna drilling are unavailable.</li> <li>• 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.</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Diamond core was reconstructed and depths checked and measured against those marked by the drilling contractors on core blocks.</li> <li>• In addition to weighing total recovered samples, RC samples were visually checked for recovery, moisture and contamination. The cyclone and rifle splitter were routinely cleaned at the end of each rod. Most RC samples (around 97%) were logged as dry. Moist and wet samples were air dried and homogenised before rifle splitting.</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• The available sample recovery data shows generally good average sample recoveries of approximately 80% in the mineralised zones and no relationship between recovery and assay grade or indication of significant biases due to selective sample loss.</li> </ul> <ul style="list-style-type: none"> <li>• Average estimated recoveries for Laguna’s drilling within mineralised zones is: <ul style="list-style-type: none"> <li>- Arqueros: 81% in RC and 76% in DDH</li> <li>- Teterita: 69% in RC and 86% in DDH</li> <li>- Chimberos: 81% in RC and 97% in DDH</li> </ul> </li> </ul>
<p><b>Logging</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>
	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>
<p><b>Sub-sampling techniques and sample preparation</b></p>	<ul style="list-style-type: none"> <li>• Arqueros sampling is dominated by 1.5m DTH samples that contribute 73% of assayed drill intervals for this deposit with RC sample intervals of 1m and 2m contributing 9% and 6% of the assayed drilling respectively. Drilling at Teterita was predominantly RC with sample intervals of mostly 2m. Chimberos sampling is on 2m RC samples, which provide 42% of the assayed drilling and the other 58% is diamond drilling.</li> <li>• 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.</li> </ul>

	<ul style="list-style-type: none"> <li>• Laguna diamond core was generally sampled over 1 m intervals, with sample intervals determined by geologists and honouring lithological and alteration contacts and sample lengths of 0.5 to 1.5 m and a minimum weight of 0.5 kg. Sample lengths of up to 3 m were rarely used for low-core recovery intervals. Core was halved using a dry chisel actuated by a hydraulic ram in order to reduce the likelihood of losing fines given the high porosity and vuggy nature of the mineralisation.</li> <li>• 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.</li> </ul>
	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>
	<ul style="list-style-type: none"> <li>• Duplicate samples were included for each sub-sampling stage of Laguna’s sampling, comprising: <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• Results of these duplicates do not show any issues or bias in any of the sub-sampling stages, demonstrating the representativeness of samples.</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>• The sub-sample sizes, sub-sample methods and sample preparation techniques are appropriate for the style of mineralisation.</li> </ul>
<p><b>Quality of assay data and laboratory tests</b></p>	<ul style="list-style-type: none"> <li>• No geophysical methods or hand-held XRF devices were used for any sampling phases.</li> <li>• ALS laboratory routinely conducted quality assurance/quality control protocols (QA/QC) which include standard, duplicate and blank samples as well monitoring of crushing and pulverisation.</li> <li>• Laguna implemented a QA/QC protocol consisting of the systematic insertion of reference standard samples, and barren blanks as well as inserting field duplicates with the samples shipped to ALS. Each set of 22 samples routinely contained the three control samples (19 primary samples, 1 standard, 1 duplicate, 1 blank). The company also submitted rejects for a re-analysis by ALS and pulps for repeat assaying by an independent laboratory. Control samples represent approximately 14% of assay samples.</li> <li>• 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.</li> <li>• 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.</li> </ul>
<p><b>Verification of sampling and assaying</b></p>	<ul style="list-style-type: none"> <li>• Reported significant intersections were reviewed and checked by senior geological management including the exploration manager.</li> <li>• Laguna Resource’s drilling included 11 twin holes for investigation of older drilling results.</li> <li>• 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</li> </ul>

	<p>showed no significant difference in average grades providing confidence in the general reliability of the DTH data.</p> <ul style="list-style-type: none"> <li>• 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%.</li> <li>• 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.</li> </ul>
	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
	<ul style="list-style-type: none"> <li>• Check assaying and twin hole drilling results at Teterita indicate that the aqua regia assay method used for older drilling at this deposit understates silver grades by around 20%. For Teterita, the pre-Laguna silver assay results were multiplied by 1.2 to compensate for this understatement. No other assay values were modified.</li> </ul>
<p><b>Location of data points</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Laguna diamond and RC holes were down-hole surveyed at 3m intervals unless the ground was considered likely to collapse and cause damage to or loss of the survey instrument. The RC holes were down-hole survey surveyed used by Reflex Maxibor II and Reflex Gyro tools and DDH holes were surveyed by used EZ TRAC, Maxibor II and Reflex Gyro tools. Intervals with excessive deviations were not considered.</li> <li>• 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.</li> </ul> <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"> <li>- Arqueros 16 holes with variations of east: <math>\pm 1.60\text{m}</math>, north: <math>\pm 0.70\text{ m}</math>, elevation: <math>\pm 1.95\text{m}</math>.</li> <li>- Teterita 50 holes with variations of east: <math>\pm 3.98\text{m}</math>, north: <math>\pm 3.19\text{ m}</math>, elevation: <math>\pm 2.53\text{m}</math>.</li> <li>- Chimberos 7 holes with variations of east: <math>\pm 0.15\text{m}</math>, north: <math>\pm 0.17\text{m}</math>, elevation: <math>\pm 0.88\text{m}</math></li> </ul> <p>• The location of the sample points, topographic surfaces and previous mining has been established with sufficient accuracy for the current estimates.</p>

<b>Data spacing and distribution</b>	<ul style="list-style-type: none"> <li>• Arqueros sampling is irregularly distributed with includes a high proportion of irregularly spaced underground drilling, nominally at approximately 15 x 10m and locally closer in central portions of the deposit, and broader in peripheral portions.</li> <li>• Drilling at Teterita has a spacing of 25 x 25m in central portions of the deposit, and broader in peripheral portions</li> <li>• Chimberos drill holes represent a nominally 15 x 15m grid in central portions of the deposit, and broader in peripheral portions.</li> </ul>
	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<b>Orientation of data in relation to geological structure</b>	<ul style="list-style-type: none"> <li>• Drilling at Arqueros is predominantly perpendicular, particularly in the manto, however there are numerous intercepts at different orientations.</li> <li>• Drilling at Teterita is perpendicular to the structure.</li> <li>• Chimberos drill holes present approximately perpendicular to mineralised structures.</li> </ul>
	<ul style="list-style-type: none"> <li>• The available information does not show any significant bias associated with the relationship between drilling orientation and the orientation of key mineralised structures.</li> </ul>
<b>Sample security</b>	<ul style="list-style-type: none"> <li>• Laguna geological staff supervised all field sampling of Laguna drilling.</li> <li>• 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.</li> <li>• The remaining core or RC samples kept for reference are stored in safe place inside the project.</li> <li>• 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.</li> </ul>
<b>Audits or reviews</b>	<ul style="list-style-type: none"> <li>• In 2011, Hellman &amp; 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.</li> </ul>

## **Section 2 – Reporting of Exploration Results**

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

<b>Tenement status and geological setting</b>	<ul style="list-style-type: none"> <li>• 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:</li> </ul>
---	---

	Tenements	Property Type	Area ( Has)	Status
	Reemplazo A 1/10	Mining Concession	10	In process
	Reemplazo B 1/5	Mining Concession	5	In process
	Negra 1/1003	Mining Concession	374	Approved
	Pascua I 1/20	Mining Concession	200	Approved
	Pascua II 1/30	Mining Concession	300	Approved
	Pascua III 1/30	Mining Concession	300	Approved
	Pascua IV 1/20	Mining Concession	200	Approved
	Pascua 1/328	Mining Concession	1123	Approved
	Robinson 1/14	Mining Concession	94	Approved
	Pena 1/81	Mining Concession	905	Approved
	Negra 1/1003	Mining Concession	100	Approved
	Negra 1/1003	Mining Concession	5012	Approved
	Flor 1/20	Mining Concession	100	Approved
	Canarias 1/414	Mining Concession	1065	Approved
	<b>Total</b>		<b>9789</b>	
	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Mineralisation comprises two main components: a silver-rich horizontal unit called “mantos” and a series of cross-cutting gold-rich vertical units. The mantos silver mineralisation is hosted by vuggy silica within dacitic lapilli tuffs. It occurs at Arqueros and Teterita where the mineralising process has replaced horizontal porous tuffs. At Chimberos, silver mineralisation is hosted in vuggy silica hydrothermal breccias superimposed on folded Palaeozoic sediments comprising conglomerates, sandstone and shale. The Grandote Fault terminates mineralisation in the south of the Arqueros deposit and the north is intruded by a dacite porphyry intrusion.</li> <li>• The vertical, gold-rich mineralisation, also characterised by vuggy silica, is well developed at Arqueros. It has been interpreted as feeders for mineralising fluids. Nonetheless, this style of mineralisation has not yet been observed at Teterita and is poorly preserved at Chimberos.</li> </ul>			
<b>Exploration done by other parties</b>	<ul style="list-style-type: none"> <li>• The resource dataset includes drilling by Laguna Resources (17% of the drill meters) and Anglo American Chile (20%), Can Can Mining (48%) and Kinross (15%).</li> </ul>			



<b>Section 3 - Estimation and Reporting of Mineral Resources</b> <i>(Criteria listed in the first group, and where relevant in the second group, apply also to this group)</i>	
<b>Criteria</b>	<b>Commentary</b>
<b>Database integrity</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• A Geology Database Manager is responsible for all aspect of data entry, validation, development, and quality control.</li> </ul>
<b>Site visits</b>	<ul style="list-style-type: none"> <li>• 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 &amp; Schofield; Ms. M. Muñoz worked as full-time employee of Laguna Resource from April 2010 until March 2013 and actively participated in the different stages of data collection, validation and independent estimation of resources.</li> </ul>
<b>Geological interpretation</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The mineralised domains used for the estimates capture zones of continuous mineralisation and are consistent with geological interpretations.</li> <li>• 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.</li> </ul>
<b>Dimensions</b>	<ul style="list-style-type: none"> <li>• Resource estimates extend over three areas. Arqueros extends around 1.9km north-south overall by approximately 800m east-west and 350m below surface. The main mineralised manto at Arqueros trends N15°E and dips 15°NW and is approximately 1.5 km long, 270m wide and 40m thick on average. Teterita extends around 700m north-south by approximately 550m east-west and 140m below surface. The mineralised manto is sub-horizontal with azimuth of N15°E and dips 3 °NW with approximate dimensions of 650m in length, 180m wide and 60m thick on average. Chimberos extends around 1Km north-south by approximately 900m east-west and 250m below surface. The main Chimberos mineralised body is associated with hydrothermal breccias trending N80°E, dipping at 60°NW and was previously mined by open pit.</li> </ul>
<b>Estimation and modelling techniques</b>	<ul style="list-style-type: none"> <li>• Resources were estimated by Multiple Indicator Kriging. MIK models were created for gold and silver with block support adjustment to reflect open pit mining selectivity. The estimates are reported above gold equivalent cut-off grades using silver to gold equivalence ratio of 60:1 to reflecting prices of US\$1,380/oz Au and US\$21.50/oz Ag, and metallurgical recoveries of 70% Au and 75% Ag estimated from test work by Kingsgate. These estimates are based on three year average commodity prices and results of metallurgical test work.</li> <li>• Micromine and Surpac software were used for data compilation, domain wireframing, and coding of composite values, and GS3M was used for resource estimation.</li> </ul>

	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• For Arqueros and Chimberos, independent MIK models were created for gold and silver. No direct assumptions were made about the correlation between grades for these metals. Teterita sampling shows no significant gold grades, and only silver estimates were produced for this deposit. In each case the silver modelling is based on gold equivalent values (60:1).</li> <li>• For Arqueros and Chimberos the models were combined with the recoverable estimates assigned to each panel selected from either the gold or silver model on the basis of the estimate with the highest estimated metal content inclusive of the gold equivalence ratio. For gold dominant panels the recoverable proportion and the estimated gold grade above each cut off grade was assigned from the gold MIK model and the silver grade at each cut off grade was assigned from the E-type silver estimate. For silver dominant panels the recoverable proportion and the estimated silver grade above each cut off grade was assigned from the silver MIK model and the gold grade at each cut off grade was assigned from the E-type gold estimate.</li> <li>• The MIK models used indicator variography based on resource composite grades within mineralised domains defined by wireframes. Grade continuity of each domain was characterised by indicator variograms modelled at 14 indicator thresholds.</li> <li>• For each modelling domain, the value adopted for the upper bin grade in the MIK modelling was selected on a case-by-case basis on the basis of the tenor and distribution of high grade composites. In most cases, either the upper bin mean, or bin mean excluding a handful of clustered outliers was used.</li> <li>• The models are coded mineralised domain codes. No by-product or deleterious elements were included.</li> </ul>
	<ul style="list-style-type: none"> <li>• The MIK models developed for each deposit include three or four pass octant based search strategies selected on the basis of sampling distribution and mineralisation style. The estimates are constrained to the mineralised domain wireframes.</li> <li>• The Arqueros modelling includes three search passes. Search ellipsoid radii (east, north, vertical) and minimum data requirements for these searches are: Search 1: 22.5 by 22.5 by 4.5 m (16 data), Search 2: 45 by 45 by 9 m (16 data), Search 3: 45 by 45 by 9 (8 data). These search passes give (Inferred) estimates extrapolated to a maximum of 45 m from composite locations.</li> <li>• The Teterita modelling includes four search passes. Search ellipsoid radii (east, north, vertical) and minimum data requirements for these searches are: Search 1: 35 by 35 by 5 m (16 data), Search 2: 50 by 50 by 7.2 m (16 data), Search 3: 50 by 50 by 7.2 (8 data), Search 4: 80 by 80 by 10 m (8 data). These search passes give (Inferred) estimates extrapolated to a maximum of 80 m from composite locations.</li> <li>• Chimberos modelling includes four search passes. Search ellipsoid radii (east, north, vertical) and minimum data requirements for these searches are: Search 1: 25 by 25 by 10 m (16 data), Search 2: 37.5 by 37.5 by 15 m (16 data), Search 3: 37.5 by 37.5 by 15 (8 data), Search 4: 50 by 50 by 20 m (8 data). These search passes give (Inferred) estimates extrapolated to a maximum of 50 m from composite locations.</li> </ul>
	<ul style="list-style-type: none"> <li>• Panel sizes used for the MIK modelling were selected on the basis of sample spacing and mineralisation style and comprise: <ul style="list-style-type: none"> <li>- Arqueros panel size: 20m east-west by 20m north-south by 5m vertical.</li> <li>- Teterita panel size: 25m east-west by 20m north-south by 5 m vertical.</li> <li>- Chimberos panel size: 20m east-west by 10m north-south by 5 m vertical.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>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.</li> <li>Constant volume comparisons with previous estimates and independent estimates using alternative techniques and software, show reasonably close agreement with the current estimates.</li> </ul>
<b>Moisture</b>	<ul style="list-style-type: none"> <li>The resource tonnage is reported using a dry bulk density and therefore represents dry tonnage excluding moisture content.</li> </ul>
<b>Cut-off parameters</b>	<ul style="list-style-type: none"> <li>The estimates are reported at 0.5g/t gold equivalent cut off. This cut-off used in the resource report reflects results of Laguna's Pre-feasibility study, which included potential metal prices, metallurgy recovery and potential operating costs including power, mining, three-stage comminution including High Pressure Grinding Rolls (HPGR) and processing by heap leaching at a rate of 3Mtpa.</li> </ul>
<b>Mining factors or assumptions</b>	<ul style="list-style-type: none"> <li>The estimates reflect open pit mining and include a block support adjustment to reflect mineralisation selection based on gold or silver cut-off grades with 4 by 6 by 2.5 m mining selectivity and 6 by 9 by 1 m grade control sampling. These criteria are based on the Competent Person's experience with comparable mineralisation and mining operations of comparable scale to that envisaged for Nueva Esperanza.</li> </ul>
<b>Metallurgical factors or assumptions</b>	<ul style="list-style-type: none"> <li>The different metallurgical test work on the various types of mineralisation within the project in the pre-feasibility study and late stages of the project development gave as result the following assumptions anticipated metallurgical recoveries in the range of 75% for silver and 70% for gold. Metallurgical test work includes on site column leaching, laboratory column leaching and intermittent bottle roll test for each of the three deposits and mineralisation types.</li> </ul>
<b>Environmental factors or assumptions</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Bulk density</b>	<ul style="list-style-type: none"> <li>Tonnages are estimated on a dry basis. Regular and systematic dry bulk density measurements were taken on rock and diamond core samples. Density measurements were made by on site personnel using the wax coating method that takes into account the vuggy nature of the mineralised rocks. Rock and core samples of 150 to 1500 g were oven dried for 6 hours, then cooled to room temperature and weighed in air. The samples were then coated in paraffin wax and weighed and then weighed while suspended in a bucket of distilled water. Densities were calculated by the standard immersion (Archimedes) method including allowance for the wax coating.</li> <li>Densities adopted for the current estimates are based on density measurements of 893 core samples and 115 rock samples, and are 2.0 t/bcm for Arqueros, 2.1 t/bcm for Teterita and 2.35 t/bcm for Chimberos.</li> </ul>
<b>Classification</b>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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 vales, quality, quantity and distribution of the data.</li> <li>The resource classifications appropriately reflect the Competent Person's views of the deposit.</li> </ul>
<b>Audits or reviews.</b>	<ul style="list-style-type: none"> <li>Laguna Resources personnel carried out independent resource estimation by MIK, Ordinary Kriging, polygonal and other estimation techniques and software, showing close agreement with the current mineral resource estimates.</li> </ul>

<b>Discussion of relative accuracy/ confidence</b>	<ul style="list-style-type: none"><li>• 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.</li></ul>
	<ul style="list-style-type: none"><li>• Underground mining of the Arqueros Mantos mineralisation during the mid 2000s gave reported production of 1.21 Mt at 1.34 g/t gold and 364 g/t silver. The wire-frame representing underground mining compiled by Laguna represents around 1.06 Mt, approximately 13% lower than reported production. For both silver and gold, the average grade of resource composites within the as-mined triangulations is around 30% lower than the reported production grade. The current model gives estimates for this production of 1.0 Mt at 0.43 g/t gold and 288 g/t silver, which represents around 18% less tonnes and 29% lower gold equivalent grade than reported production. These differences reflect the differences between reported production and the wireframe volume and composite grades. Reasons for these inconsistencies are unclear and warrant additional investigation as development of the project continues.</li></ul>